NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Private Distributor Tariff Application for the 2026/27 Financial Year

By

Centlec (SOC) (LTD)

THE DECISION

At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered Centlec (SOC) LTD's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in
below.

Table 1: Summary of the REC Decision

Tariff Category	2026/27 Approved % Increase
Tariff I: IBT Indigent (Conventional & Prepaid)	9,9%
Tariff II: IBT Domestic (Conventional & Prepaid)	9,9%
Tariff II: Homeflex single phase	9,9%
Homeflex three phase	9,9%
Tariff IV: Flat business (Conventional & Prepaid)	9,9%
Tariff VI: Comflex Single Phase	9,9%
Tariff VI: Comflex Three Phase	9,9%
Elecflex 1	9,9%
Elecflex 2	9,9%
Elecflex 3	9,9%
Bulk Resell 2	9,9%
Bulk Resell 3	9,9%

Tariff V: Departmental TOU	9,9%
Tariff V: Sports Stadiums	9,9%
Tariff V: Departmental: Streetlights (Prepaid and Conventional)	9,9%
Small Scale Embedded Generators	9,9%

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

1. to approve the tariffs that are based on the Cost of Supply (COS) Report as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
2. to note the Cost of Supply Report submitted by the municipality;
3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study, to enable NERSA to perform its independent verification/audit process by 31 January 2027;
4. that the municipality must submit a specific, measurable, achievable, realistic and time-bound (SMART) energy loss reduction report on a quarterly basis, commencing from 30 September 2026, to enable NERSA to closely monitor the implementation thereof.

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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
LM	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) receives and considers tariff applications on a yearly basis, in accordance with the mandate of the Energy Regulator 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. CENTLEC (SOC) Ltd is a company owned by Mangaung Municipality and it functions separately as a ring-fenced entity that distributes electricity on behalf of Mangaung municipality. The licensee has total sales of 1 293 995 MWh, with the domestic customer base accounting for 97%. The licensee is currently proposing an average increase of 13,5% as per the application 2025/26 financial year.

Table 2: Customer Base and Consumption

Customer categories	2024/25			
	kWh	%kWh	Customer numbers	% Customer numbers
Domestic(Prepaid)	492 228 391	38%	149 508	97%
Domestic(Conventional)	35 652 895	3%	436	0,28%
Agriculture	4 380 448	0%	22	0,01%
Manufacturing	90 190 277	7%	150	0,10%
Commercial Prepaid	38 201 143	3%	2 742	2%
Commercial Conventional	444 046 666	35%	1 428	1%
Street Lighting	86 758 995	7%		0,00%
Own use	718 213	0%	7	0,00%
Sold to other departments	26 488 881	2%	64	0,04%
General(Resellers)	61 382 212	5%	337	0,22%
Other Consumers	2 754 076	0%	31	0,02%
TOTAL	1 282 802 196	100%	154 725	100%
Free Basic Electricity	23 381 943	4,43%	40 373	27%

1.3. NERSA received Centlec (SOC) LTD's tariff application together with its Cost of Supply (COS) on 31 March 2026. The licensee is implementing 12,4% in 2025/26 financial year and now applying for 9,9% for the 2026/27 financial year.

1.4. 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.

1.5. NERSA followed the notice and comment consultation process as well as oral presentations. Centlec (SOC) LTD's tariff applications was published on the NERSA website on 31 March 2026, on social media platforms and national and local newspapers to solicit written comments from affected parties.

1.6. NERSA's decision was made on 04 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 ("ERA"), the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000) ("PAJA") and the Electricity Pricing Policy ("EPP") for the South African Electricity Supply Industry, 2008.

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 in order 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 2026/2027 financial year.

2.2. NERSA's Statutory Mandate

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, the Energy Regulator as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The 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. Public participation processes conducted by the Energy Regulator therefore form an essential component of the municipal tariff approval process and are intended to ensure transparency, accountability and fairness in regulatory decision-making.

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

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

2.6. Cost of Supply Studies

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

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

2.6.3. Policy Position 23 therefore requires electricity distributors to undertake Cost of Supply studies at least every five years, or when significant structural changes occur in the customer base or cost structure.

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

2.7. Judicial Oversight of the Tariff Approval Process

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

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

not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

2.7.3. However, recognising the potentially disruptive consequences of setting aside tariff determinations already implemented by municipalities, the Court declined to invalidate the tariffs. Instead, to assist in the timeous and lawful approval of municipal tariffs, the Court issued a structural interdict regulating the municipal tariff approval process going forward.

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to the NERSA's compliance with the Court order. The court having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 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 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;
d) the publication of NERSA decisions by 11 May 2026.

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

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

2.9. **Conclusion**

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

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

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Centlec (SOC) LTD, the assessment relied on the Distribution forms (D-forms) for the 2024/25 financial year 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 purposes of the tariff analysis.

3.2. Centlec (SOC) Ltd's electricity business operated at a deficit of -15.58% in the 2024/25 financial year, reflecting an improvement from the -26% deficit recorded in the 2023/24 financial year. This reduction in the deficit can mainly be attributed to improved revenue collection and relatively stable energy losses.

3.3. Centlec (SOC) Ltd's energy losses increased slightly to 9.82% in the 2024/25 financial year, compared to 9.41% in 2023/24 financial year. Despite this marginal increase, the level of energy losses remains within an acceptable range. However, the financial impact is still significant, with total revenue foregone due to energy losses amounting to approximately R396.8 million in the 2024/25 financial year.

Table 3: Performance Indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/34**	**2024/25**
Percentage Surplus(Deficit)	-26,00%	-15,58%
Energy Losses Percentage	9,41%	9,82%

3.4. Centlec (SOC) Ltd demonstrated a notable improvement in its financial performance during the 2024/25 financial year, with the operating deficit reducing significantly from -26% to -15.58%. This positive trend reflects enhanced revenue generation and improved financial management practices.

3.5. From an operational perspective, energy losses remained relatively stable, increasing marginally from 9.41% to 9.82%, which is still within acceptable industry norms. However, the associated financial impact remains substantial, with revenue losses amounting to approximately R396.8 million.

3.6. Overall, while the entity is on a path toward improved financial sustainability, continued focus on revenue enhancement and further reduction of energy losses will be critical to strengthening both financial viability and operational efficiency in the future.

4. DETERMINATION OF CENTLEC (SOC) LTD'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

4.1. The municipality submitted its existing COS study which supports the tariffs application which will be approved in the 2026/27 financial year. The municipality's cost of supply study was inclusive of all requirements of NERSA's approved COS framework (i.e. Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

4.2. Policy position 23 states that:

> *Electricity distributors shall undertake COS studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA standard to reflect changing costs and customer behaviour. The cost-of-service methodology used to derive tariffs must accompany applications to the regulator for changes to tariff structures.*

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

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

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

i. Column 1 is the actual 2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for 2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when the Regulator considered and approved the 2026/27 cost of supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.
iii. Column 3 is for the licensee's submitted 2026/27 FY budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.
iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts and evidence the licensee provided to motivate/justify the budgeted figures.
v. Column 5 is for the NERSA's recommended amounts that sum up to allowable revenues the licensee must recover in 2026/27 FY.

4.5. The total allowable revenue of R5 441,1 million is for the 2025/26 FY tariff review and is based on the cost of supply revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in

4.6. below.

4.7. The COS study is applicable for five years, however, municipalities need to reflect the adjustments on their cost drivers for the 2026/27 FY. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirement to ensure that municipalities do not over- or under-recover during the 2026/27 FY tariff review process.

4.8. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27 cost (budgeted cost plus surplus) as requested by NERSA and total budgeted required revenue that amounted to R5 41,1 million for the 2026/27 FY tariff review process.

Table 4: Municipality's Revenue Requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	1 282 802 196	1 290 515 841	1 300 830 907	-	1 300 830 907
Eskom bulk purchases	kWh	1 422 518 106	1 457 590 161	1 433 466 297	-	1 433 466 297
Independent Power Producers Conventional	kWh	-	-	-	-	-
Independent Power Producers Renewable Energy	kWh	-	-	-	-	-
Self Generation	kWh	-	-	-	-	-
Other		-	-	-	-	-
Total Energy Requirements	**kWh**	**1 422 518 106**	**1 457 590 161**	**1 433 466 297**		**1 433 466 297**
Total Losses	kWh	139 715 910	167 074 321	132 635 390		132 635 390
Technical losses	kWh	139 715 910	167 074 321	132 635 390	-	132 635 390
Non-technical losses	kWh	0	0	0	-	0
Allowed losses	%	**9,82%**	**11,46%**	**9,25%**		**9,25%**
Total Energy losses	%	9,82%	11,46%	9,25%		9,25%
Cost drivers						
Energy purchases from Eskom	Rand	2 737 349 032	2 952 966 590	3 119 815 414	99 213 466	3 219 028 880
other energy purchases		-	-	-	-	-
total energy purchases		**2 737 349 032**	**2 952 966 590**	**3 119 815 414**	**99 213 466**	**3 219 028 880**
Cost of technical losses	Rand	188 269 569	364 317 206	397 142 186	-99 292 735	297 849 451
Non-Technical Losses		94 134 785	17 088 032	18 627 664	-18 627 664	0
Other energy purchases	Rand	-	-	-	-	-
Capital expenditure	Rand	215 810 236	300 000 087	387 180 712	-	-
Operational expenditure (incl. Depreciat	**Rand**	**1 760 890 448**	**1 822 247 633**	**1 996 555 553**	**-489859769,4**	**1 506 695 784**
General & Other	**0**	**1 437 929 629**	**1 478 978 210**	**1 561 877 819**	**-392 877 710**	**1 169 000 108**
Salaries and allowances	Rand	342 303 583	351 145 210	363 493 754	19 992 156	383 485 911
Materials and supplies	Rand	57 965 311	52 781 555	57 568 750	-2 412 025	55 156 725
Contracted Services	Rand	150 463 624	137 007 876	149 434 250	-6 261 020	143 173 230
Salaries, wages and allowances (exclu. Repairs and	Rand	243 328 315	249 613 433	258 391 462	4 950 711	263 342 172
Eskom debts interest	Rand	39 592 914	144 017 778	165 620 444	-165 620 444	0
Other creditors' interest		292 394 520	242 635 138	243 527 089	-243 527 089	0
Depreciation	Rand	311 881 362	301 777 221	323 842 070	0	323 842 070
Shared OPEX	**Rand**	**322 960 819**	**343 269 423**	**434 677 734**	**-96 982 059**	**337 695 675**
Bad debts (Allowance for Impairment)	Rand	110 252 825	88 182 302	142 358 555	0	142 358 555
General expenses		**212 707 994**	**255 087 121**	**292 319 180**	**-96 982 059**	**195 337 121**
1. Consulting & professional fees	Rand	23 192 428	26 617 626	30 232 059	-30 232 059	
2. Commission paid	Rand	60 018 889	57 802 711	65 000 000	-65 000 000	
3. Fuel and Oil	Rand	9 164 655	10 243 917	12 500 000	0	12 500 000
4. Insurance		10 547 488	11 609 887	11 585 829		11 585 829
5. All other general expenses		101 294 807	138 984 404	171 251 292		
6. Legal Costs	Rand	8 489 727	9 828 576	1 750 000	-1 750 000	
Total Expediture before surplus		4 686 509 049	5 156 619 461	5 532 140 817	-489 939 039	5 023 574 114
Surplus	Rand	140 595 271	51 566 195	387 249 857	314 694 154	701 944 011
Total Expenditure including Surplus		4 827 104 321	5 208 185 655	5 919 390 674	-175 244 885	5 725 518 125
Other revenues	Rand	**-377 957 331**	**-258 120 987**	**-284 409 105**	**0**	**-284 409 105**
Reconnection fees	Rand	4 992 611	4 079 308	4 224 465	0	4 224 465
New connections	Rand	4 174 440	7 586 734	15 000 000	0	15 000 000
Free Basic Electricity (Equitable share)	Rand	39 673 257	51 830 947	66 693 311	0	66 693 311
2. Interest received	Rand	44 876 947	47 612 296	44 561 980	0	44 561 980
3. Training income	Rand	770 049	1 838 305	1 906 322	0	1 906 322
4. Credit control fees	Rand	3 339 058	3 592 067	5 001 670	0	5 001 670
6. Other Income	Rand	148 798 663	141 581 331	147 021 357	-	**147 021 357**
Total Allowable Revenue	**Rand**	**4 449 146 990**	**4 950 064 668**	**5 634 981 569**	**-175 244 885**	**5 441 109 020**
increase required			***11,26%***	***13,84%***	***9,92%***	

4.9. It is important to test the efficiency and prudency of the costs in the 2025/26 financial year since this is the most recently considered revenues in support of the approved tariffs during this period. This forms the basis on which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements for that year.

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

Bulk purchases

4.10.1.1. Centlec (SOC) LTD submitted an application for bulk purchase expenditure amounting to R3 119,8 million and NERSA adjusted it by 9,01% to R3 219 million following the ERTSA approval, representing 59% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

4.10.1.2. To derive the 2026/27 bulk purchase estimate, the 2025/26 Cost of Supply (CoS) amount was escalated by 9,01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.10.1.3. The methodology applied by Centlec (SOC) LTD in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

4.10.1.4. Centlec (SOC) LTD has applied for operational expenditure totaling R1 506,7 million, representing 35% of overall costs, as reflected in Table 4 above.

Commented [EE1]: Amount???

4.10.1.5. The approach adopted by Centlec (SOC) LTD in forecasting operational expenditure is considered reasonable and the amount has therefore been approved as requested. However, inefficient cost components—such as NMD exceedance penalties and interest incurred on Eskom-related debt—have been excluded from the total, as these items fall within the control of the municipality.

Surplus

4.10.1.6. Centlec (SOC) LTD has requested a surplus of R702 million, calculated using a surplus factor of 0,13% applied to operating expenditure, inclusive of bulk purchases, for both the wires and retail components of the business.

4.10.1.7. The return proposed by Centlec (SOC) LTD is considered unreasonable, as it falls below the established target range of 10–20%. This is due to poor management of operational expenses by a lisensee.

4.10.1.8. The revenue requirement was adjusted in the subsequent stages, namely Cost Functionalisation, Cost Classification, Cost Allocation and Rate Setting. These

stages have been verified and confirmed to align with the approved revenue requirement. Further detail on these stages is provided below.

4.10.2. Cost Functionalisation

4.10.2.1. The licensee has categorised its revenue requirement of R5 236 million into two primary functional components, namely the wires business (21%) and the retail business (79%), in accordance with the NERSA COS framework, as illustrated in Figure 2 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

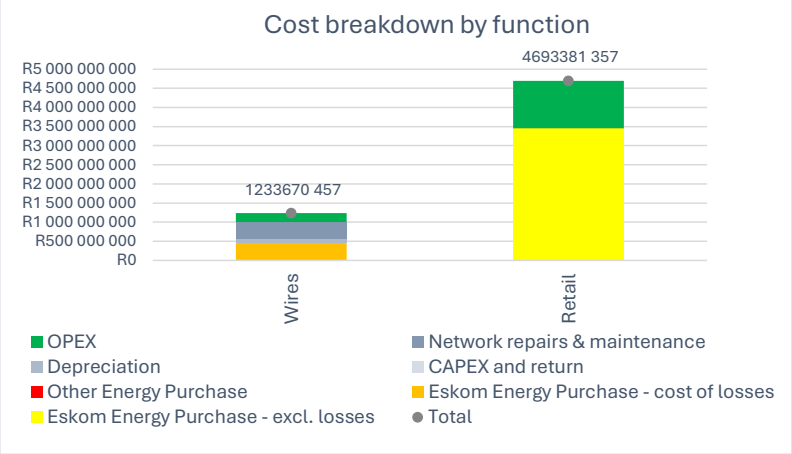


Figure 1*: Costs breakdown by Functions*

4.10.2.2. These costs, upon verification, are consistent with the approved revenue requirements. 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

4.10.3. Cost Classification

4.10.3.1. The licensee has classified its costs into energy, demand and customer-related cost components, in accordance with the NERSA COS framework. The costs align with revenue requirements and cost functionalization upon verification.

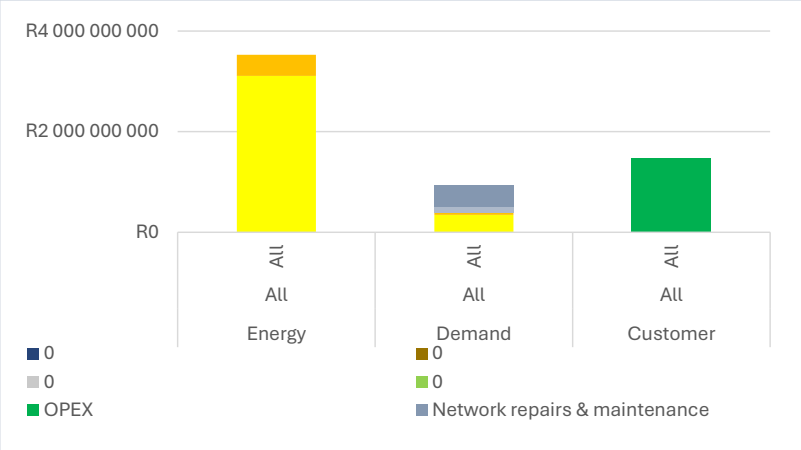


Figure 2: Costs breakdown by cost structure (Classification)

4.10.3.2. Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season. Demand-driven costs are similarly concentrated in the summer period. Customer-driven costs are primarily associated with "Other OPEX," which includes expenses related to the provision of electricity distribution services to customers.

4.10.4. Cost Allocation

4.10.4.1. In this step, the licensee's revenue requirement is allocated across customer categories, in accordance with the NERSA COS framework. Upon verification, the allocation is found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation. Domestic customers (65%) are the costliest to service composing 65% of the costs, followed by Commercial customer (24%) and lastly Industrial customers (11%).

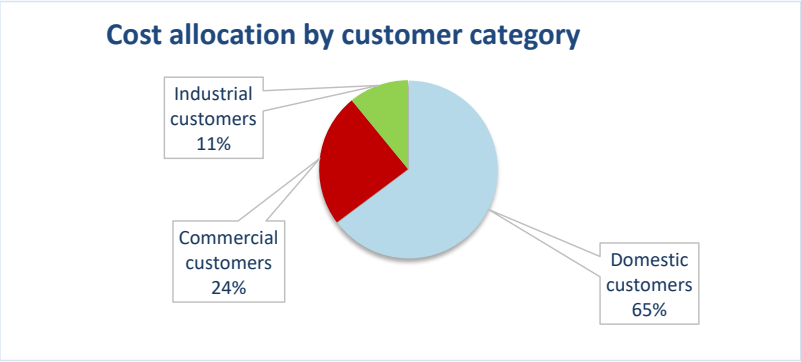


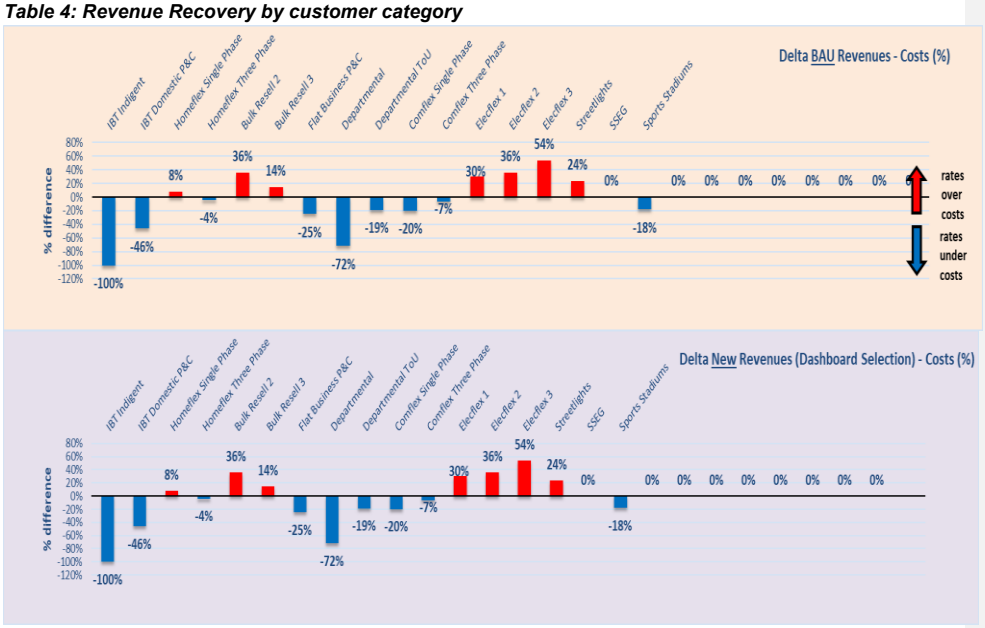
Figure 3: Costs Allocated

4.10.5. **Rate Design**

4.10.5.1. Table 4 below reflects the outcome of the COS study, indicating that certain customer categories require upward adjustments, while others warrant decrease. A comparison between the cost of supply and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in Table 4 below.

4.10.5.2. To achieve full cost reflectivity, the municipality would be required to implement differentiated tariff adjustments across customer categories. However, the municipality has adopted a less aggressive approach, opting instead for a uniform tariff increase of 13.9% across all customer categories.

Table 4: Revenue Recovery by customer category



5. CONCLUSION ON THE COS

5.1. The outcome of the COS study adjustment tool indicated an average tariff adjustment of 10,32% and 9,92% after NERSA adjustments for a licensee to achieve full cost reflectivity. A municipality may elect to implement such adjustments on a phased basis, including applying an increase below the COS-derived level.

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.

Page 20 withheld by Unmapped Dataworks.

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

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9244/Centlec2026_27RFD.pdf

Block 2 (51-350kWh): (R/kWh)	2,3	9,90%	2,53	9,9%	2,5277	N/A
Block 3 (>350kWh): (R/kWh)	3,13	9,90%	3,44	9,9%	3,4399	N/A
Winter						
Block 1 (0- 50kWh): (R/kWh)	2,74	9,90%	3,01	9,9%	3,0113	N/A
Block 2 (51-350kWh): (R/kWh)	2,93	9,90%	3,22	9,9%	3,2201	N/A
Block 3 (>350kWh): (R/kWh)	3,47	9,90%	3,81	9,9%	3,8135	N/A

2. Tariff II: IBT Domestic (Conventional & Prepaid)	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Charge			50,00		50,00	
Summer						
Block 1 (0- 350kWh): (R/kWh)	2,77	9,90%	3,04	9,9%	3,0442	N/A
Block 2 (>350kWh): (R/kWh)	3,19	9,90%	3,51	9,9%	3,5058	N/A
Winter						
Block 1 (0- 350kWh): (R/kWh)	3,42	9,90%	3,76	9,9%	3,7586	N/A
Block 2 (>350kWh): (R/kWh)	4,15	9,90%	4,56	9,9%	4,5609	N/A

3. Tariff II: Homeflex single phase	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Monthly (R/month):	296,01	9,90%	325,31	9,9%	325,3150	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	3,85	9,90%	4,23	9,9%	4,2312	N/A
Standard (R/kWh):	2,89	9,90%	3,18	9,9%	3,1761	N/A
Off-peak(R/kWh):	2,43	9,90%	2,67	9,9%	2,6706	N/A
High Season						
Energy charges:						
Peak(R/kWh):	7,08	9,90%	7,78	9,9%	7,7809	N/A
Standard (R/kWh):	3,89	9,90%	4,28	9,9%	4,2751	N/A
Off-peak(R/kWh):	3,75	9,90%	4,12	9,9%	4,1213	N/A

4. Homeflex three phase	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Monthly (R/month):	843,16	9,90%	926,63	9,9%	926,6328	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	3,85	9,90%	4,23	9,9%	4,2312	N/A
Standard (R/kWh):	2,89	9,90%	3,18	9,9%	3,1761	N/A
Off-peak(R/kWh):	2,43	9,90%	2,67	9,9%	2,6706	N/A
High Season						

Energy charges:						
Peak(R/kWh):	7,08	9,90%	7,78	9,9%	7,7809	N/A
Standard (R/kWh):	3,89	9,90%	4,28	9,9%	4,2751	N/A
Off-peak(R/kWh):	3,75	9,90%	4,12	9,9%	4,1213	N/A

5. Tariff IV: Flat business (Conventional & Prepaid)	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Summer						
Energy charge (R/kWh):	4,13	9,90%	4,54	9,9%	4,5389	N/A
Winter						
Energy charge (R/kWh):	4,31	9,90%	4,74	9,9%	4,7367	N/A

6. Tariff VI: Comflex Single Phase	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Monthly (R/month):	293,1	9,90%	322,12	9,9%	322,1169	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	4,55	9,90%	5,00	9,9%	5,0005	N/A
Standard (R/kWh):	2,54	9,90%	2,79	9,9%	2,7915	N/A
Off-peak(R/kWh):	2,36	9,90%	2,59	9,9%	2,5936	N/A
High Season						
Energy charges:						
Peak(R/kWh):	6,74	9,90%	7,41	9,9%	7,4073	N/A
Standard (R/kWh):	4,12	9,90%	4,53	9,9%	4,5279	N/A
Off-peak(R/kWh):	3,03	9,90%	3,33	9,9%	3,3300	N/A

7. Tariff VI: Comflex Three Phase	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Monthly (R/month):	869,19	9,90%	955,24	9,9%	955,2398	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	4,5	9,90%	4,95	9,9%	4,9455	N/A
Standard (R/kWh):	2,51	9,90%	2,76	9,9%	2,7585	N/A
Off-peak(R/kWh):	2,33	9,90%	2,56	9,9%	2,5607	N/A
High Season						
Energy charges:						
Peak(R/kWh):	6,67	9,90%	7,33	9,9%	7,3303	N/A
Standard (R/kWh):	4,08	9,90%	4,48	9,9%	4,4839	N/A
Off-peak(R/kWh):	2,99	9,90%	3,29	9,9%	3,2860	N/A

8. Elecflex 1	*2025/26 Approved*	*2026/27 Proposed % Increase*	*2026/27 Proposed increase*	*2026/27 Approved % Increase*	*2026/27 Approved Increased Tariffs*	*Analysis and Key findings*
Basic Monthly (R/month):	6021,64	9,90%	6617,78	9,9%	6617,7824	N/A
Demand Charge (R/kVA)	250,3	9,90%	275,08	9,9%	275,0797	N/A
Access Charge (R/kVA)	89,82	9,90%	98,71	9,9%	98,7122	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	2,81	9,90%	3,09	9,9%	3,0882	N/A
Standard (R/kWh):	1,84	9,90%	2,02	9,9%	2,0222	N/A
Off-peak(R/kWh):	1,71	9,90%	1,88	9,9%	1,8793	N/A
High Season						
Energy charges:						
Peak(R/kWh):	5,53	9,90%	6,08	9,9%	6,0775	N/A
Standard (R/kWh):	2,83	9,90%	3,11	9,9%	3,1102	N/A
Off-peak(R/kWh):	2,65	9,90%	2,91	9,9%	2,9124	N/A

9. Elecflex 2	*2025/26 Approved*	*2026/27 Proposed % Increase*	*2026/27 Proposed increase*	*2026/27 Approved % Increase*	*2026/27 Approved Increased Tariffs*	*Analysis and Key findings*
Basic Monthly (R/month):	3990,01	9,90%	4385,02	9,9%	4385,0210	N/A
Demand Charge (R/kVA)	270	9,90%	296,73	9,9%	296,7300	N/A
Access Charge (R/kVA)	99,49	9,90%	109,34	9,9%	109,3395	N/A
Low Season						
Energy charges:						
Peak(R/kWh):	2,81	9,90%	3,09	9,9%	3,0882	N/A
Standard (R/kWh):	1,84	9,90%	2,02	9,9%	2,0222	N/A
Off-peak(R/kWh):	1,63	9,90%	1,79	9,9%	1,7914	N/A
High Season						
Energy charges:						
Peak(R/kWh):	5,52	9,90%	6,07	9,9%	6,0665	N/A
Standard (R/kWh):	2,82	9,90%	3,10	9,9%	3,0992	N/A
Off-peak(R/kWh):	2,59	9,90%	2,85	9,9%	2,8464	N/A

10 Elecflex 3	*2025/26 Approved*	*2026/27 Proposed % Increase*	*2026/27 Proposed increase*	*2026/27 Approved % Increase*	*2026/27 Approved Increased Tariffs*	*Analysis and Key findings*
Basic Monthly (R/month):	3110,19	9,90%	3418,10	9,9%	3418,0988	N/A
Demand Charge (R/kVA)	291,62	9,90%	320,49	9,9%	320,4904	N/A
Access Charge (R/kVA)	103,94	9,90%	114,23	9,9%	114,2301	N/A
Energy charges:						
Low Season						
Peak(R/kWh):	2,95	9,90%	3,24	9,9%	3,2421	N/A
Standard (R/kWh):	1,93	9,90%	2,12	9,9%	2,1211	N/A

Off-peak(R/kWh):	1,73	9,90%	1,90	9,9%	1,9013	N/A
High Season						
Energy charges:						
Peak(R/kWh):	5,52	9,90%	6,07	9,9%	6,0665	N/A
Standard (R/kWh):	2,81	9,90%	3,09	9,9%	3,0882	N/A
Off-peak(R/kWh):	2,63	9,90%	2,89	9,9%	2,8904	N/A

11. Bulk Resell 2	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Charge	5360,58	9,9%	5891,28	9,9%	5891,2774	N/A
Demand Charge	38,74	9,9%	42,58	9,9%	42,5753	N/A
Low Season						
Peak(R/kWh):	3,35	9,9%	3,68	9,9%	3,6817	N/A
Standard (R/kWh):	2,68	9,9%	2,95	9,9%	2,9453	N/A
Off-peak(R/kWh):	1,98	9,9%	2,18	9,9%	2,1760	N/A
High Season						
Peak(R/kWh):	4,86	9,9%	5,34	9,9%	5,3411	N/A
Standard (R/kWh):	3,46	9,9%	3,80	9,9%	3,8025	N/A
Off-peak(R/kWh):	2,92	9,9%	3,21	9,9%	3,2091	N/A

12. Bulk Resell 3	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic Charge	5578,11	9,9%	6130,34	9,9%	6130,3429	N/A
Demand Charge	27,66	9,9%	30,40	9,9%	30,3983	N/A
Low Season						
Peak(R/kWh):	3,44	9,9%	3,78	9,9%	3,7806	N/A
Standard (R/kWh):	2,8	9,9%	3,08	9,9%	3,0772	N/A
Off-peak(R/kWh):	2,01	9,9%	2,21	9,9%	2,2090	N/A
High Season						
Peak(R/kWh):	4,88	9,9%	5,36	9,9%	5,3631	N/A
Standard (R/kWh):	4,04	9,9%	4,44	9,9%	4,4400	N/A
Off-peak(R/kWh):	2,82	9,9%	3,10	9,9%	3,0992	N/A

13 Tariff V: Departmental TOU	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Low Season						
Energy charges:						
Peak(R/kWh):	3,32	9,9%	3,65	9,9%	3,6487	N/A
Standard (R/kWh):	2,13	9,9%	2,34	9,9%	2,3409	N/A
Off-peak(R/kWh):	1,87	9,9%	2,06	9,9%	2,0551	N/A
High Season						

Energy charges:						
Peak(R/kWh):	6,24	9,9%	6,86	9,9%	6,8578	N/A
Standard (R/kWh):	3,55	9,9%	3,90	9,9%	3,9015	N/A
Off-peak(R/kWh):	3,39	9,9%	3,73	9,9%	3,7256	N/A

14. Tariff V: Sports Stadiums	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Low Season						
Energy charges:						
Peak(R/kWh):	5,47	9,9%	6,01	9,9%	6,0115	N/A
Standard (R/kWh):	3,46	9,9%	3,80	9,9%	3,8025	N/A
Off-peak(R/kWh):	2,94	9,9%	3,23	9,9%	3,2311	N/A
High Season						
Energy charges:						
Peak(R/kWh):	9,79	9,9%	10,76	9,9%	10,7592	N/A
Standard (R/kWh):	5,31	9,9%	5,84	9,9%	5,8357	N/A
Off-peak(R/kWh):	4,77	9,9%	5,24	9,9%	5,2422	N/A

15. Tariff V: Departmental: streetlights (Prepaid and Conventional)	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Summer						
Energy charge (R/kWh):	3,13	9,9%	3,44	9,9%	3,4399	N/A
Winter						
Energy charge (R/kWh):	3,13	9,9%	3,44	9,9%	3,4399	N/A

16. SSEG (New)	***2025/26 Approved***	***2026/27 Proposed % Increase***	***2026/27 Proposed increase***	***2026/27 Approved % Increase***	***2026/27 Approved Increased Tariffs***	***Analysis and Key findings***
Basic charges:			110,00		110,0000	N/A
Summer						
Peak(R/kWh):			1,14575		1,1458	N/A
Standard (R/kWh):			0,6442		0,6442	N/A
Off-peak(R/kWh):			0,4602		0,4602	N/A
Winter						
Peak(R/kWh):			2,7607		2,7607	
Standard (R/kWh):			0,6902		0,6902	
Off-peak(R/kWh):			0,4601		0,4601	

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 Centlec (SOC) LTD's tariff application for 2026/27 financial year.

End.