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

Mogalakwena Local Municipality

THE DECISION

- At its meeting held on 11 May 2026, the Regulator Executive Committee (REC) considered the Mogalakwena 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 7 (Page 22) below.

- 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
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 every year, 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. Mogalakwena is situated in Limpopo. The customer base of the municipality is mostly domestic customers, accounting for 23.96% of total electricity sales. The municipality provides its indigent customers with a minimum of 50kWh of Free Basic Electricity (FBE) per month.

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

Consumer classification	Consumption (MWh)	MWh %	Number of customers
Domestic (pre-paid)	1 127	0,75	15 457
Domestic (conventional)	34 651	23,21	1 049
Agriculture	27 561	18,46	516
Manufacturing / Industrial		0,00	14
Commercial (pre-paid)	27 474	18,40	991
Commercial (conventional)	6 474	4,34	417
Electricity Department		0,00	87
Street lighting	3 672	2,46	0
Total	149 293	100	18 531

Free Basic Electricity	1 127	3,15	1 640

1.3. NERSA received Mogalakwena tariff application together with its revised Cost of Supply (COS) based on the cost-plus methodology on 31 March 2026.

1.4. Mogalakwena implemented a 14.19% average price increase in 2025/26FY and is applying for an average price increase of 10.09% for the 2026/27FY.

1.5. For this application, the municipality has indicated that the tariff application has been approved by Council. The Council meeting at which this application was approved took place on 31 March 2026, and the Council resolution has been submitted to NERSA. Proof of customer consultation was also submitted on 31 March 2026.

1.6. NERSA followed the notice and comment consultation process. Mogalakwena's tariff application 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.

1.7. NERSA's decision was made on 11 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 for the South African Electricity Supply Industry, 2008 ("EPP").

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

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

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/2027 municipal financial year.

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 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:

- Section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions.
- Section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs.
- 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:

- must enable an efficient licensee to recover the full cost of the licensed activity;
- must allow for a reasonable return commensurate with the risk of the licensed activity;
- may provide incentives for continued improvement of technical and economic efficiency;
- must avoid undue discrimination between customer categories;
- may permit cross-subsidies of tariffs to certain classes of customers; and
- 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 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 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

- written notice of bulk tariffs by 6 March 2026;
- municipal tariff applications to be submitted by 31 March 2026;
- public participation processes to be concluded by 21 April 2026
- 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:

- written notice of bulk electricity tariffs be communicated by 31 January each year;
- municipal tariff applications be submitted to NERSA by 20 March each year;
- 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 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Mogalakwena, 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. Table 3 below indicates that Mogalakwena Municipality's electricity business recorded a decrease in percentage deficit from 12,23% in the 2023/24 financial year to 5,10% in the 2024/25 financial year.

3.3. Energy losses decreased from 23,08% in the 2023/24 financial year to 15,58% in the 2024/25 financial year, as shown in **Table 2**below. The municipality is encouraged to maintain energy losses at these low levels.

Table 2: Performance indicators

INFORMATION OBTAINED ON THE D-FORMS		
Indicator	**FY 2024/25 D-form**	**FY 2023/24 D-forms**
Surplus %	-5,10	-12.23
Energy losses %	15,58	23.08

3.4. Table 3 below shows a sensitivity test of the impact of the energy losses on profitability.

Table 3: Sensitivity testing

	D-Form Input	**Energy Loss@12%**	**Energy Loss@ 6%**
Average Selling Price c/kWh	197,93		
Sales kWh	148 166 506,36	148 166 506,36	148 166 506,36
Purchases kWh	175 520 625,00	165 946 487,12	157 056 496,74
Losses kWh	27 354 118,64	17 779 980,76	8 889 990,38
Losses percentage	15,58%	12,00%	6,00%
Additional Energy (kWh)		9 574 137,88	18 464 128,26
Additional Revenue (Rands)		18 949 970,83	36 545 817,12
	D-Form Input	**Energy Loss@12%**	**Energy Loss@ 6%**
Total Revenue (Rands)	430 602 723,86	449 552 694,69	467 148 540,98
Total Expenses (Rands)	453 734 266,25	453 734 266,25	453 734 266,25
Net Profit (Loss)	-23 131 542,39	-4 181 571,56	13 414 274,73
Percentage Surplus/Deficit	**-5,37%**	**-0,93%**	**2,87%**

3.5. Two scenarios where modelled

3.5.1. Firstly, the energy losses at 12% (in line with the COS framework), then additional revenue of 18 revenue of R18 million would be achieved.

3.5.2. Secondly, a high efficiency level of 6% was tested in this scenario; 2,87% or addition 36 million revenue would be achieved.

3.6. Based on the above information, the licensee's electricity department demonstrates encouraging financial and operational performance, as reflected by the improving profitability and declining energy losses. Therefore, municipal will encourage it to continue to manage losses to improve financial sustainability.

4. DETERMINATION OF MOGALAKWENA'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

4.1. The process followed in considering and approving Mogalakwena's tariff application was supported by a cost of supply study.

4.2. Mogalakwena utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer's class fairly and equitably. The study follows the NERSA COS framework and utilises the latest available audited data, which is based on the 2024/25 financial year.

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

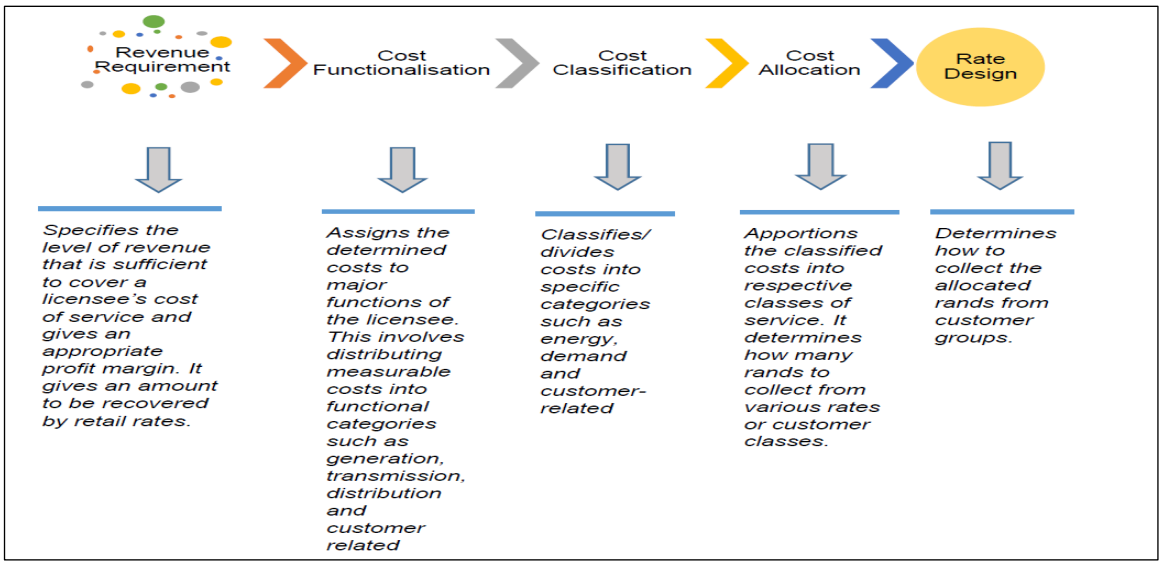


Figure 1: Five steps of COS

4.4. The following steps are undertaken to analyse the cost of supply study:

4.4.1. **Revenue Requirement**

4.4.1.1. Aligned to the NERSA COS Framework: costs were built up from verified bulk purchases (Eskom invoices) and verified electricity-related operating costs (tested against D-Forms, Trial Balance and Audited AFS),

- asset value – R163 million (AFS);
- depreciation – R9 million (AFS); and

4.4.1.2. The municipality's depreciation was calculated based on three asset categories: High Voltage (40 years lifespan and total depreciation of R5 million), Medium Voltage (15 years lifespan and total depreciation of R1 million and Low Voltage (10 years lifespan and total depreciation of R3 million).

4.4.1.3. To be fully cost reflective, the licensee's revenue requirement is R769 million for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases, accounting for 76%, including allowable technical energy losses allowance. Operational expenditure accounts for 15% (the depreciation accounts for 8,4% of the total OPEX cost).

Table 4:: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	101 710 443	667 674 212	769 384 655	100%
Energy purchases from Eskom - net of cost of losses	-	516 477 838	516 477 838	67%
Energy purchases from Eskom - cost of losses	34 645 218	35 317 924	69 963 142	9%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	57 863 446	58 401 669	116 265 115	15%
General & Other	**57 863 446**	**48 877 920**	**106 741 366**	
Salaries and allowances	28 544	-	28 544	
Contracted Services	11 456 462	36 658 440	48 114 901	
Salaries, wages and allowances (exclu. Repairs and Maintenance)	36 658 440	12 219 480	48 877 920	
Current year depreciation	9 720 000	-	9 720 000	
Shared OPEX	**6 679 500**	**2 844 250**	**9 523 750**	
FBE paid to Eskom		2 819 250	2 819 250	
Operational costs	6 679 500	-	6 679 500	
Consumables		25 000	25 000	
Total other income	**-**	**116 265 115**	**116 265 115**	
Other revenues		-41 981 158	-41 981 158	
Reconnection fees		-446 250	-446 250	
Government grant and subsidies		- 2 819 250	- 2 819 250	
meter reading fees		- 18 844 733	-18 844 733	
Surplus	9 246 404	60 697 656	69 944 060	9%
Not allowable costs	2 000 716	2 230 104	4 230 820	
Cost of losses disallowed	2 000 716	2 230 104	4 230 820	
TOTAL COSTS	**103 711 159**	**669 904 316**	**773 615 475**	

4.4.1.4. The efficiency of costs for the 2024/25 financial year has been assessed, as this constitutes the most recent set of audited actual data. This assessment serves as the baseline for projecting costs for the 2026/27 financial year, applying stated assumptions to determine the revenue requirement for that period.

4.4.1.5. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. In accordance with the Electricity Regulation Act, any costs found to be unsubstantiated or improperly incurred were adjusted. The municipality had a budget for 15% energy losses; however, the losses were capped to 12% in line with the COS and R4 million was disallowed. Without this adjustment, required revenue was going to be R774 million.

Bulk purchases

4.4.1.6. Mogalakwena Municipality applied for bulk purchase expenditure amounting to R516 million, representing 76% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

4.4.1.7. 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).

4.4.1.8. Mogalakwena's bulk purchase forecasting methodology is considered sound, because the risk of high energy overstating the surplus was eliminated by capping the losses to 12%.

4.4.1.9. Therefore, the bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

4.4.1.10. Mogalakwena has applied for operational expenditure totalling R116 million, representing 15% of overall costs, as reflected in Table 4 above.

4.4.1.11. The approach adopted by Mogalakwena in forecasting operational expenditure is considered reasonable, and the amount is recommended for approval as requested, since there are no inefficient cost components – such as NMD exceedance penalties, bad debt and interest incurred on Eskom-related debt that have been identified, as these items fall within the control of the municipality.

Surplus

4.4.1.12. Mogalakwena has requested a surplus of R69 million. In recommending a surplus, NERSA relied on section 15(1)(a)(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 methodology, NERSA is

required to ensure that the licensee recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.4.1.13. The proposed surplus is recommended as submitted, as the operating expenditure (OPEX) does not contain bad debt, NMD exceedance penalties, and interest on Eskom debt. Furthermore, the risk of overstatement due to high energy losses was eliminated by reducing the losses to 12%.

4.4.1.14. The decision to approve the revenue requirement as submitted will be applied 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.

4.4.2. Cost Functionalisation

4.4.2.1. The licensee has categorised its revenue requirement of R769 million into two primary functional components, namely the **wires business (13%),** R101 million and the **retail business (87%), R668 million**, 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.

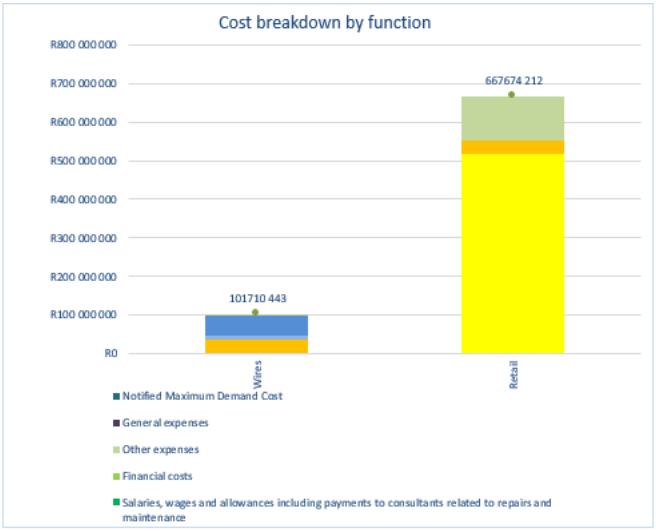


Figure 2*:* Cost breakdown by functions

4.4.2.2. These costs, upon verification, are consistent with the approved revenue requirements. Operational expenditure is the predominant cost driver in the

wires business, while energy purchases are the primary cost driver in the retail business.

4.4.3. Cost Classification

4.4.3.1. 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 functionalisation upon verification.

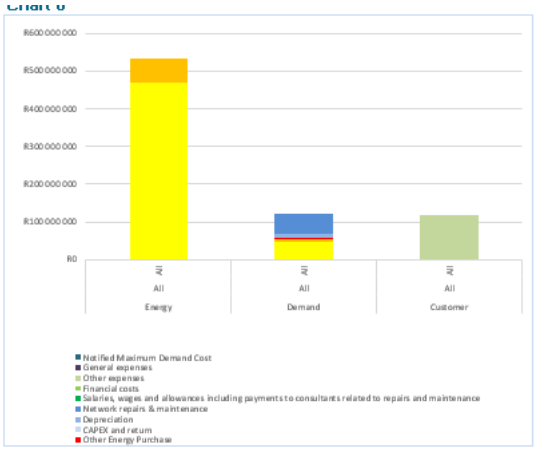


Figure 3*:* Cost breakdown by cost structure (Classification)

4.4.3.2. Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, 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.

4.4.4. Cost Allocation

4.4.4.1. 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.

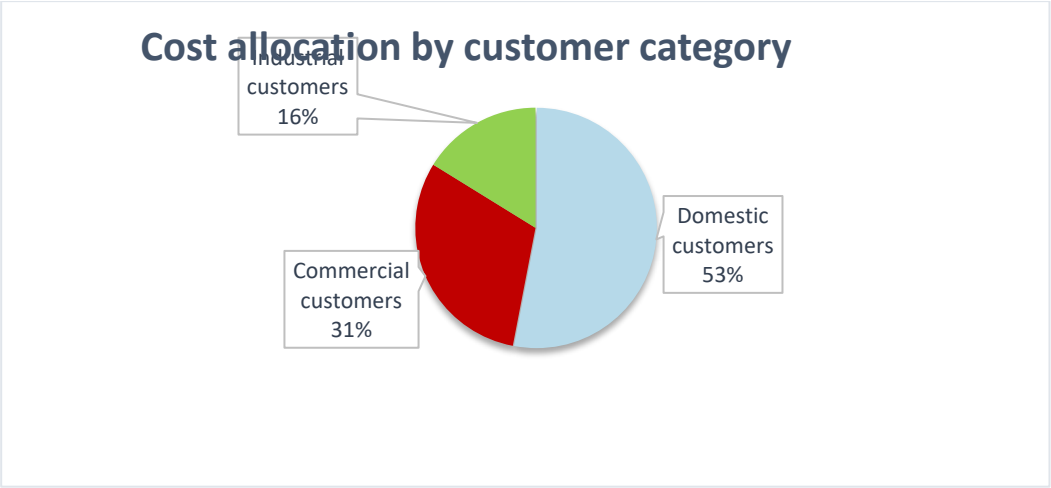


Figure 4: Costs Allocated

4.4.5. Rate Design

4.4.5.1. Figure 6 below reflects the outcome of the COS study, indicating that certain customer categories require upward adjustments, while others warrant decreases. 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 Figure 6: Rate Design Figure 6 below.

4.4.5.2. 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, with differential increases ranging from 10,6% to 13,63%; the differentials are the result of the introduction of GCC, NCC, legacy and affordability charges.

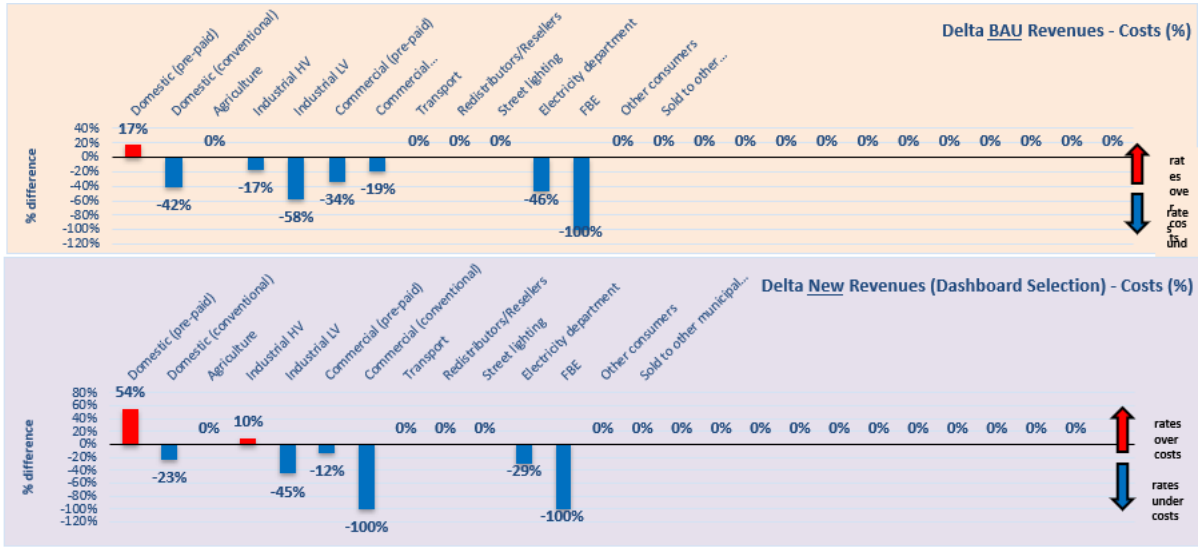


Figure 5*:* Revenue recovery by customer category

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 elects to implement such adjustments by applying for differential increases, with domestic seeing (10,60% and 13,65%) due to the restructuring of the tariffs in line with Eskom ERTSA

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

5.3. In addition, the licensee considered its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability constraints faced by customers, in determining the appropriate trajectory for tariff adjustments.

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

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

5.6. The COS study results indicate a required increase of 9,01%, as illustrated in Figure 6 below. The municipality's application is aligned to the results of the COS.

Results BEFORE phasing

	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	651 525 661	769 384 655	**718 665 383**
		Delta =	-50 719 272
Average increase in rates	**10,3%**		
Average increase in rates to reach overall cost-reflectivity	18,1%		

Figure 6: Rate Design

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2. Departmental	2025/26 Approved Tariffs	2026/27 Proposed Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
New Tariff		Energy charge R/kWh	3,7509		3,751		The municipality is introducing this tariff in FY 2026/27; hence there is no baseline for comparison,
		Ancillary charges R/kWh	0,4100		0,4100		
		Network Demand charges	0,1454		0,1454		
		Electrification	4,9400				
			9,2463		9,2463		

3.1 Commercial Conventional	2025/26 Approved Tariffs	2026/27 Proposed Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Energy Charges	4,2706	Energy charge R/kWh	4,2706		4,271		The municipality is restructuring this tariff category in line with the Eskom tariff structure by introducing GCC, NNC, Ancillary and Electrification charges.
		Ancillary charges R/kWh	0,4100		0,4		
		Network Demand Charge R/kWh	0,1454		0,1		
		Electrification R/kWh	0,4940		0,49		
			4,7697	11,69%	4,7697		

3.2 Commercial Prepaid	2025/26 Approved Tariffs	2026/27 Proposed Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Energy charge (R/kWh)	4,2706	Service and Adm charge (R/month)	350,00		350,00		The municipality is restructuring this tariff category in line with the Eskom tariff structure by introducing GCC, NNC, Ancillary and Electrification charges.
		Generation capacity charge (R/POD/ Day)	35,00		35,00		
		Energy charge R/kWh	4,2706		4,271		
		Network capacity charge (R/POD/Day	65,00		65,00		
		Ancillary charges R/kWh	0,41		0,41		
		Electrification R/kWh	4,9400		4,94		
			4,7232	10,60%	4,7232	10,60%	

4.1 Industrial High Voltage	2025/26 Approved Tariffs	2026/27 Proposed Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Active energy charge R/kWh	1,2700	Active energy low season	1,7091		1,7091		The energy charge is increasing from R1,27/kWh to R1,89/kWh; service and admin charges are adjusted from R16 474/month to 16 500/month, and the demand charges are reduced from R467,90/kVA to R188/kVA, resulting in a 13,52% increase.
		Active energy high season	2,433		2,4328		
		Service and admin charge R/PoD/month	16 500,00		16 500,00		
		Demand Charge (R/kVA/month)	184,80		184,80		
Service and admin charge R/PoD/month	16 474,54	Generation capacity charges R/kVA	3,4900		3,4900		
		Ancillary charges R/kWh	0,4100		0,4100		
		Legacy charges R/kWh	0,2295		0,2295		
		Electrification R/kWh	0,494		0,4940		
Demand charges R/kVA	467,90	Affordability charge R/kWh	0,469		0,4690		
		Network demand charge R/kWh	0,961		0,9610		
	5,02	5,70	13,5%	13,52%	5,70	13,52%	

4.2 Industrial High Voltage	2025/26 Approved Tariffs	2025/26 Approved Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Active energy charge R/kWh	1,6558	Active energy low season Revenues	1,7517		1,7517		The energy charge is increasing from R1,6558 c/kWh to R1,93/kWh; service and admin charges are adjusted by R3657/month to 4385/month, and the demand charges are reduced from 528/kVA to R185,15/kVA, resulting in 13,63%
		Active energy high season	2,4967		2,4967		
		Service and admin charge R/PoD/month Revenues	4 385,00		4 385,00		
		Demand charges R/kVA Revenues	184,80		184,80		
Service and admin charge R/PoD/month	3 657	Generation capacity charges R/kVA Revenues	0,3490		0,3490		
		Ancillary charges R/kWh Revenues	0,4100		0,4100		
		Legacy charges R/kWh Revenues	0,2295		0,2295		
Demand charges R/kVA	528,65	Electrification R/kWh Revenues	0,4940		0,4940		
		Affordability charge R/kWh Revenues	0,4690		0,4690		
		Network demand charge R/kWh Revenues	0,9610		0,9610		
Average Tariff R/kWh	3,02		3,4293	13,63%	3,4293	13,63%	13,63%

4.3 Industrial HV	2025/26 Approved Tariffs	2025/26 Approved Tariffs		2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Service and admin charge R/PoD/month	16 474,53	Service and admin charge R/PoD/month	16 500,00		16 500,00		The proposed increase is 6,80% due to factoring in the restructuring.
Network demand charges R/kVA/month	184,80	Network demand charges R/kVA/month	184,80		184,80		
		Generation capacity charge R/kVA	3,49		3,49		
Active energy charges High Season R/kWh		Active energy charges High Season R/kWh					
Peak	5,7351	Peak	6,6690		6,6690		
Standard	2,5798	Standard	1,9174		1,9174		
Off-peak	1,5035	Off-peak	1,1120		1,1120		
Active energy charges lower season R/kWh		Active energy charges lower season R/kWh					
Peak	2,5614	Peak	2,7610		2,7610		
Standard	1,7447	Standard	1,8370		1,8370		
Off-peak	0,8910	Off-peak	1,1120		1,1120		
New Rates		Ancillary charge R/kWh	0,4100		0,410		
		Legacy charge R/kWh	0,2295		0,230		
		Electrification R/kWh	0,0469		0,047		
		Network Demand R/kWh	0,0961		0,096		
Average Tariff R/kWh	2,4833		2,6520	6,80%	2,6520	6,80%	

4.4Industrial LV	2025/26 Approved Tariffs	2025/26 Approved Tariffs	2026/27 Proposed Tariff	2026/27 Proposed % Increase	2026/27 Recommended Tariff	2026/27 Recommended % increase	Analysis and Key findings
Service and admin charge R/PoD/month	3 657,04	Service and admin charge R/PoD/month	4 385,00		4 385,00		The proposed increase is 13% due to the factoring of the restructuring.
Network demand charges R/kVA/month	184,80	Network demand charges R/kVA/month	184,80		184,80		
		Generation capacity charge R/kVA	3,49		3,49		
Active energy charges High Season R/kWh		Active energy charges High Season R/kWh					
Peak	5,7351	Peak	7,4515		7,4515		
Standard	2,5798	Standard	2,6999		2,6999		
Off-peak	1,5035	Off-peak	1,8945		1,8945		
Active energy charges lower season R/kWh		Active energy charges lower season R/kWh					
Peak	2,5600	Peak	3,5435		3,5435		
Standard	1,7447	Standard	2,6195		2,6195		
Off-peak	0,8910	Off-peak	1,8945		1,8945		
New Rates		Ancillary charge R/kWh	0,4100		0,4100		
		Legacy charge R/kWh	0,2295		0,2295		
		Electrification R/kWh	0,0469		0,047		
		Network Demand R/kWh	0,0961		0,096		
Average Tariff R/kWh	2,9294		3,3103	13,00%	3,3103	13,00%	

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. The Energy Regulator, having considered the Mogalakwena application, supporting information, stakeholder inputs, and applicable legal framework, approves the tariff adjustments as set out in these Reasons for Decision.

End