



---

## SWARTLAND MUNICIPALITY TARIFF INCREASE APPLICATION FOR 2026/27

16 March 2026

### 1. EXECUTIVE SUMMARY

This document is submitted to NERSA as the official application by Swartland Municipality for the 2026/27 electricity tariff increase. At the same time, it will form part of the information pack that will be made available for public consultation and thus the background regarding the timeframes is clarified.

Following various court cases, the judgment issued by the North Gauteng High Court on 20 February 2026 finalised the timeframes for the 2026/27 municipal tariff increase application process. This entails that NERSA should decide on the Eskom ERTSA application and notify municipalities regarding the outcome on 06 March 2026, finalise the NERSA public participation process on 21 April 2026 and communicate its final decision on or before 11 May 2026.

All municipalities need to comply to the following requirements as per the NERSA media statement issued on 12 March 2026:

- The tariff application must be submitted on or before 31 March 2026
- The tariff application must be signed and authorised by the relevant official authority
- Confirmation that the tariffs applied for is authorised by the Municipal Council
- Confirmation that customers were consulted on the proposed tariffs
- Submission of audited regulatory financial information for 2024/25 to be submitted to NERSA.

Key to the application for the 2026/2027 financial year is the Cost of Supply study that was done in 2023/24 and submitted for the 2024/25 and the 2025/26 tariff applications and the existing Eskom MunicFlex and MunicRate tariffs applicable to municipalities as per the latest ERTSA decisions by NERSA.

While the Municflex tariff has seen further structural changes for 2026/27, with an increase in mainly the Generation Capacity charges of +/- 52%, and a slightly lower increase in the Time of use energy charges of +/- 8.24%, the overall impact on the municipality is slightly higher than the Average Local Authority increase of 9.01% as announced by NERSA. The actual impact on the Bulk purchase cost for Swartland is 9.12% vs 9.01%.

No changes/updates were made to the COS study and report that was submitted to NERSA in 2024 and 2025 on the basis that the COS study was previously accepted by NERSA and that it

only needs to be redone after 5 years. The municipality has not implemented any structural changes to its tariffs since the CoS was done. It is however our view that the CoS study will have to be updated in 2026/27 to enable the development of a new tariff structure for all customer categories.

It is anticipated that no or very little Eskom rotational load shedding will be implemented in the 2026/27 financial year. This assumption is based on the current Eskom generation fleet performance and an Energy Availability Factor of > 65% according to an Eskom Media Statement issued on 20 February 2026.

Based on a Budget Quote of R36 216 879, received from Eskom for the upgrading of the NMD at the Yzerfontein and the Darling PODs provision has been made for the payment of 25% of this amount or R9 054 220 in the 2026/27 financial year. The balance will be recovered over the next two years. The reason for this approach is to soften the impact on the municipal consumers.

A contract was awarded earlier this year, following a formal tender process, for the construction of the 132 kV Self-Build project (Total Contract price = R85 103 680) to link the Eskom network to the new De Hoop 132/11 kV Substation. Only R9 354 202 of the 2026/27 funding contribution by Swartland, amounting to R44 672 748 has been included in the expenditure for 2026/27. The balance (R35 318 346) will be recovered in the next two to three financial years. This is being done to provide further relief to our customers and to avoid the shocks of a once-off increases of above 20%.

## **2. INTRODUCTION**

In support of the application, we would like to highlight the following salient facts to NERSA.

1. Swartland submitted a comprehensive cost of supply (CoS) study in March 2024 as part of our 2024/2025 tariff increase application and again in March 2025 for the 2025/2026 tariff increase application, in compliance with the Electricity Pricing Policy and NERSA requirements.
2. In line with the Electricity Pricing Policy the CoS study only needs to be revised every 5 years or when significant changes are experienced. The municipality has not implemented any structural tariff changes and thus the CoS study was not updated,
3. It is however proposed that the CoS study be updated in 2026/27 for the 2027/28 tariff increase application. The reasons for this being:

- The new 132 kV supply point (De Hoop Substation) that will be commissioned in 2027/28 and the resultant increase in Capacity charges and impact on the Bulk Purchases expenditure
- The planned Klipkoppie Solar IPP PPA which could come into operation during 2027/28 with a resultant impact on the bulk purchases due to lower energy charges
- The continuation or not of the current PPA with Darling Green (Currently ending in Feb 2028)
- The study (Market Enquiry) being done by NERSA regarding Fixed and Capacity charges, should be finalised and provide guidance to licensees
- A comprehensive public participation process would be required before any new tariff structures can be implemented and changes to some of the current electricity meters might be required. Based on feedback from other municipalities (such as Buffalo City Municipality) the level of interaction required is comprehensive and thus it needs to be planned well in advance to align with the MFMA and NERSA timeframes.

### **3. SHORT TERM STEP CHANGES IN EXPENDITURE**

The construction of a 132kV line and 132kV switching station as a Self-Build project for Eskom to connect to the new municipal De Hoop 132/11 kV substation adds a significant cost to the Operating Budget for 2026/27 which needs to be recovered through the tariff. The impact on the revenue requirement and thus the required tariff increase for 2026/27 is significant. Swartland realises that it is unrealistic to expect customers to afford such increases above 20% and thus a phased approach to the step changes in operating cost will be followed.

The Municipality's contribution to the 2026/27 cost for the construction of the Self Build Projects amounting to R44 672 748 will thus be spread over three years to reduce the impact. It is proposed that this cost be recovered as follows; R9 354 202 in 2026/27 and the balance to be spread over the next two to three years under Contracted Services.

In addition to the above expenditure, we are receiving an INEP Grant of R14 278 000 in 2026/27, for this project. This is not included in the final Expenditure and Revenue calculation for the Adjusted 2026/27 Expenditure as shown in Table 6, since income is cancelled out by the expenditure. The impact of this is however shown in the table (2026/27 Budget).

Swartland has applied for an increase in Notified Maximum Demand (NMD) at the Yzerfontein and Darling PODs in 2023 to cater for growth in these two towns. The Budget quote from Eskom, amounting to R36 216 879 (Excl VAT) was received in March 2026. To ensure delivery

of the project by June 2028 the Budget quote and Electricity Supply agreement will be formally accepted and submitted to Eskom in June 2026. The Eskom requirement is that the Connection Charges needs to be paid upfront when the budget quote is accepted with an implementation timeframe of 24 months after acceptance.

Since these connection charges (for changes on the Eskom network) is an operating expenditure and not Capital expenditure on the Municipal network the full cost/expenditure needs to be reflected on the Income statement and not the Balance sheet.

To lower the impact on the consumers it is proposed that some of the costs as indicated above be recovered over more than one year. The application is thus based on only 25% (R9 054 220) of the total amount of R36 216 879 be used in the tariff application and that the rest of the cost be recovered in the subsequent two to three years.

#### **4. ESKOM AVERAGE TARIFF INCREASE TO LOCAL MUNICIPALITIES**

With the implementation of the new Eskom Municflex tariff in 2025/26 behind us, the comparison of the Eskom Local Authority tariff increase impact is far easier to do than the previous financial year since the basis for Municflex has now been set and the impact of the separate Services Charges for each POD (R11 510 420) as pointed out in last year's application is now absorbed in the purchase cost.

The Eskom ERTSA application that was submitted to NERSA during February 2026 has gone through a public participation process and NERSA made an announcement on 09 March 2026. The Average increase to all Local authority tariffs has been set at 9.01% against an average increase of 8.76% to Eskom's direct customers. In addition, structural changes involving the implementation of higher Generation Capacity charges and slightly lower Energy (kWh) related charges on the Municflex tariff (@11 kV) has been approved by NERSA to ensure Eskom maintains revenue neutrality. The impact of the structural changes on the Municflex tariff @ 11 kV, at which most of our PODs are billed, is shown below.

To determine the actual impact of these changes on Swartland the bulk purchase costs of each of the POD's was modelled as per discussion later on in the document.

**Table 1: Eskom Rates Increase per Tariff Component**

Component	2025/26	2026/27	Increase
Admin Charges R/Day	19.67	21.44	9.00%
Service Charges R/Day	1135.95	1238.27	9.01%
<b>Combined Admin &amp; Services Charges</b>	<b>1155.62</b>	<b>1259.71</b>	<b>9.01%</b>
Generation Capacity Charges R/kVA	7.71	11.72	52.01%
Transmission Capacity Charges R/kVA	10.75	11.72	9.02%
<b>Gx/Tx Combined R/kVA</b>	<b>18.46</b>	<b>23.44</b>	<b>26.98%</b>
Distribution Capacity Charges R/kVA	36.97	40.3	9.01%
<b>Combined Capacity Charges Gx/Tx/Dx R/kVA</b>	<b>55.43</b>	<b>63.74</b>	<b>14.99%</b>
Distribution Demand Charges R/kVA	24.67	26.89	9.00%
<b>All kVA Charges R/kVA</b>	<b>80.10</b>	<b>90.63</b>	<b>13.15%</b>
<b>TOU Charges High Season</b>	989.91	1071.45	8.24%
Peak c/kWh	698.76	756.32	8.24%
Standard c/kWh	174.68	189.07	8.24%
Off-Peak c/kWh	116.47	126.06	8.23%
<b>TOU Charges Low Season</b>	569.49	616.4	8.24%
Peak c/kWh	289.98	313.87	8.24%
Standard c/kWh	163.04	176.47	8.24%
Off-Peak c/kWh	116.47	126.06	8.23%
<b>Other Energy Related Charges</b>			
Electrification and Rural Subsidy c/kWh	5.02	5.47	8.96%
Ancillary Charges c/kWh	0.4	0.44	10.00%
Legacy Charges c/kWh	22.59	24.63	9.03%

From the above table the Generation Capacity Charges will increase by 52.01% while the Transmission and Distribution Capacity Charges will increase by the average of 9.01%. Overall, the capacity charges will increase by 14.99% while the ToU Energy Charges will increase by 8.24% which is slightly lower than the average increase of 9.01%.

The resultant impact on Swartland Municipality's bulk purchase cost taking the above into consideration is 9.12% vs the average increase of 9.01% as announced by NERSA.

## 5. LOAD FORECAST

Improved access to markets due to the N7 Highway from Cape Town to Malmesbury, the finalisation of the upgrade of the N7 between Malmesbury and Moorreesburg and the awards that Swartland Municipality has received over the past two years from the Western Cape Government, Good Governance Africa, Ratings Africa and SAPOA and the audit opinions from the Auditor General over the past 15 years makes Swartland Municipality attractive as an investment location and investors/developers has shown a lot of interest.

The expected energy growth in the Swartland over the next 18 months is stimulated by the drivers as indicated in Table 2 below. Considering the actual YTD profiles at each of the PODs the projected loads at each of the PODS for 2026/2027 are shown in Table 2 below. This represents an average sales growth of around 1.37% which is somewhat low but also in line with the current state of the South African economy. The creation of Bulk infrastructure and the increase in NMD will however create the environment for further growth in the future. The housing growth however includes mostly poor households, not adding significantly to the municipality's revenue in real terms and no firm commitments has been made by some of the other potential loads.

**Table 2: Growth Drivers**

<b>Driver</b>	<b>2025/26</b>	<b>2026/27</b>
Malmesbury Low Cost Housing	166 Opportunities	404 Opportunities
Moorreesburg Low Cost Housing	280 Opportunities	373 Opportunities
Darling Low Cost Housing & Serviced Sites	230 Opportunities	
Agriculture Industry	600 kVA	1000 kVA
Private Housing Development	37 Opportunities	85 Opportunities
Commercial Retail		180 kVA

Given the phasing of these developments and the ADMD of each of these the impact in terms of demand and energy is presented in Table 3 below:

**Table 3. POD Load Forecast 2026/27:**

<b>POD</b>	<b>NMD</b>	<b>MD</b>	<b>kWh</b>
Malmesbury	23 000	19 055	114 926 115
Klipfontein	8 000	5 789	25 156 186
Moorreesbrug	12 000	7 875	33 444 740
Darling	6 200	4 731	20 045 912
DGU	1 000	1 000	2 634 146
Yzerfontein	4 500	3 678	11 256 690
PPC Village	100	45	95 935
PPC Ongegund	300	282	733 754
<b>Total</b>	<b>55 100</b>	<b>42 455</b>	<b>208 293 477</b>

This represents a 1.37% increase from the projected energy levels for 2025/26.

## **6. DETERMINATION OF BULK PURCHASE COST**

Based on the actual and potential projects that will come online during the remainder of this financial year and the following financial year we first projected the expected load (kVA and kWh) (Refer Table 2 above) at each of the PODs and then applied the current 2025/26 tariffs and then the approved 2026/27 tariffs at each of these points.

It was further assumed that the time of use profiles at each of the PODs would remain stable and no further TOU time changes were approved by NERSA as part of Eskom's ERTSA.

The energy purchased from Darling Green Utility (DGU) is purchased according to the PPA with DGU at a discounted rate equal to the Eskom MunicFlex active energy rates minus (-) 15% from March 2025 to February 2026 and then minus 12.5% from March 2026 to February 2027 and then minus 10% from March 2027 to February 2028. This lower purchase cost is included in the bulk purchase cost to determine the total expenditure. The impact of a lower cost is thus shared across all municipal customers. Since the Power Purchase Agreement between Swartland and DGU is limited to three (3) years the contractual agreement needs to be reviewed during 2026/2027 before the contract end date of February 2028.

Based on the existing 2025/26 rates, the load forecast per POD and the existing ToU profiles the projected Bulk purchase cost for 2026/27 was calculated as if there were no tariff increases. This amounts to R492 393 126, made up of the cost at the individual PODs as reflected in Table 4 below:

**Table 4: Bulk Purchase Cost @ 2025/26 Rates**

<b>POD</b>	<b>NMD</b>	<b>MD</b>	<b>kWh</b>	<b>Cost</b>	<b>R/kWh</b>
Malmesbury	23 000	19 055	114 926 115	262 814 487	2.2868
Klipfontein	8 000	5 789	25 156 186	62 268 247	2.4753
Moorreesbrug	12 000	7 875	33 444 740	82 889 925	2.4784
Darling	6 200	4 731	20 045 912	49 666 731	2.4776
DGU	1 000	1 000	2 634 146	4 104 890	1.5583
Yzerfontein	4 500	3 678	11 256 690	28 233 611	2.5082
PPC Village	100	45	95 935	323 069	3.3676
PPC Ongegund	300	282	733 754	2 092 165	2.8513
<b>Total</b>	<b>55 100</b>	<b>42 455</b>	<b>208 293 477</b>	<b>492 393 126</b>	<b>2.3639</b>

The above exercise is then repeated (Refer Annexure E) with the 2026/27 ERTSA approved Rates, using the same load profile and ToU profiles for the different PODs. Results are shown in Table 5.

**Table 5: Bulk Purchase Cost @ 2026/27 Rates**

<b>POD</b>	<b>NMD</b>	<b>MD</b>	<b>kWh</b>	<b>Cost</b>	<b>R/kWh</b>
Malmesbury	23 000	19 055	114 926 115	285 794 220	2.4868
Klipfontein	8 000	5 789	25 156 186	68 198 356	2.7110
Moorreesbrug	12 000	7 875	33 444 740	90 837 646	2.7161
Darling	6 200	4 731	20 045 912	54 389 516	2.7132
DGU	1 000	1 000	2 634 146	4 474 740	1.6987
Yzerfontein	4 500	3 678	11 256 690	30 957 136	2.7501
PPC Village	100	45	95 935	351 802	3.6671
PPC Ongegund	300	282	733 754	2 273 797	3.0989
<b>Total</b>	<b>55 100</b>	<b>42 455</b>	<b>208 293 477</b>	<b>537 277 213</b>	<b>2.5794</b>

It is evident from the above that the actual increase in Bulk Purchase cost to Swartland Municipality based on the ERTSA rates will increase by 9.12% which is slightly more than the Average increase of 9.01%. (R537 277 213 / R492 393 126).

## **7. OTHER COST ELEMENT INCREASES CONSIDERED**

In support of Swartland's application, the following cost increases were considered in determining the Revenue requirement for 2026/27:

- Employee related cost increased by CPI + 0.75% (excluding notch increases where required) as per the 5-year agreement between SALGA and SALGBC signed in 2024.
- Estimated headline Inflation at around 3.7% as per MFMA Circular No 132.

In line with the CoS study done in 2024 the following adjustments to income and expenditure were considered:

- All irrelevant costs such as the Equitable share contribution in terms of DORA and the expenses due to Eskom's customer free basic electricity payments were excluded
- All INEP Grants (Capex and Opex) as well as the expenditure were removed
- Capital contributions and expenses for new connections were excluded
- Bad Debt provision and write-offs are still below 5% and thus no changes were required
- No adjustments were made for the increase in energy losses and the value was limited to 6.5%, which is still well below the NERSA benchmark figure of 12%
- No NMD Exceedances occurred during the past year and thus no adjustments were required
- The municipality is not in debt to Eskom and thus there are no interest charges that should be removed as non-prudent costs
- The interest payments on loans were reduced due to no further loans taken up or settled.
- Depreciation charges were reduced due to the lower Capital expenditure (The Self-Build Project was moved to Opex in line with the Accounting Standard)
- Other Eskom Purchases (Pumps, Libraries, Community Halls, WWTW etc) increase is limited to the Average 9.01% Eskom increase.

## **8. REVENUE REQUIREMENT DETERMINATION**

Considering all the cost elements inclusive of the Bulk Purchase cost, the revenue requirement for the 2026/27 financial year is calculated by comparing the Draft Budget for 2026/27 with the Adjustment Budget for 2025/26.

As per the analysis show in Table 6 below there are some significant increases when the 2025/26 Adjustment Budget is compared to the Draft Budget for 2026/27. The most significant change drivers are briefly highlighted below.

**Network Operations/Maintenance:**

Under Contracted Services the Draft Budget includes the full Swartland contribution towards the construction of the 132 kV Self-Build Project totalling R44 672 748 for 2026/27 which will be recovered over a number of years as per discussion above.

**Retail Operations/Customer Service:**

Provision is made for the Yzerfontein/Darling NMD upgrade cost payable to Eskom as Connection Charges, to the value of R36 216 879. This cost will be recovered over a number of years as per discussion above

**Shared Municipal Opex:**

The increase to the other Eskom Purchases (Pumps, Libraries, Community Halls, WWTW etc) in the Eskom areas of supply, is limited to the Average increase of 9.01%.

**General Expenses:**

Provision is made for R800 000 for the updating of the Network Masterplans for Malmesbury in 2026/27 which represents an increase of 33% against 2025/26. The Masterplans for Moorreesburg and Yzerfontein is being done during the 2025/26 financial year. Since the Malmesbury network is more complex and much larger than the others this increase is justified.

Table 6: Expenditure and Revenue Requirement

	Adj Budget 2025/26	Draft Budget 2026/27	Variance	Adjusted Expenditure 2026/27	Variance
<b>Operating Expenditure</b>					
<b>Network Operations/Maintenance</b>	<b>R39 404 102</b>	<b>R97 874 856</b>	<b>148.39%</b>	<b>R50 140 656</b>	<b>27.25%</b>
Employee Related	R29 761 695	R31 247 566	4.99%	R31 247 566	4.99%
Material and Supplies	R3 917 241	R4 884 571	24.69%	R4 884 571	24.69%
Contracted Services	R3 100 312	R47 148 340	1420.76%	R11 829 792	281.57%
Radio Network	R82 897	R85 289	2.89%	R85 289	2.89%
Street Lights	R810 017	R844 217	4.22%	R844 217	4.22%
Vehicles/Transport	R1 516 052	R1 249 221	-17.60%	R1 249 221	-17.60%
Interest	R215 888	R0	-100.00%	R0	-100.00%
132 kV Line Self Build (INEP Portion)		R12 415 652		R0	
<b>Retail Operations/Customer Service</b>	<b>R3 101 596</b>	<b>R39 588 838</b>	<b>1176.40%</b>	<b>R12 426 179</b>	<b>300.64%</b>
Vending Commission	R2 400 000	R2 592 000	8.00%	R2 592 000	8.00%
Bad Debt Written off	R551 020	R557 993	1.27%	R557 993	1.27%
Bad Debt Provision	R150 576	R221 966	47.41%	R221 966	47.41%
Yzerfontein/Darling NMD Upgrade	R0	R36 216 879		R9 054 220	
<b>General Expenditure</b>	<b>R3 178 399</b>	<b>R3 654 873</b>	<b>14.99%</b>	<b>R3 654 873</b>	<b>14.99%</b>
Master Planning	R600 000	R800 000	33.33%	R800 000	33.33%
Safety Equipment	R397 040	R464 490	16.99%	R464 490	16.99%
Travel & Subsistance	R30 815	R31 431	2.00%	R31 431	2.00%
Other	R2 108 224	R2 312 823	9.70%	R2 312 823	9.70%
Admin	R42 320	R46 129	9.00%	R46 129	9.00%
<b>Shared Municipal Opex</b>	<b>R8 602 991</b>	<b>R8 349 542</b>	<b>-2.95%</b>	<b>R8 349 542</b>	<b>-2.95%</b>
Depreciation	R21 134 637	R20 190 195	-4.47%	R20 190 195	-4.47%
Inter Departmental Charges	-R20 861 844	-R20 861 844	0.00%	-R20 861 844	0.00%
Loss on Disposal of PPE	R1 754 114	R1 852 602	5.61%	R1 852 602	5.61%
Other Eskom Purchases	R6 576 084	R7 168 589	9.01%	R7 168 589	9.01%
<b>Sub Total</b>	<b>R54 287 088</b>	<b>R149 468 109</b>	<b>175.33%</b>	<b>R74 571 250</b>	<b>37.36%</b>
<b>Bulk Purchases</b>	<b>R492 393 126</b>	<b>R537 277 213</b>	<b>9.12%</b>	<b>R537 277 213</b>	<b>9.12%</b>
Eskom*	R488 288 236	R532 802 473	9.12%	R532 802 473	9.12%
DGU IPP	R4 104 890	R4 474 740	9.01%	R4 474 740	9.01%
* Inclusive of Growth					
<b>Total Expenditure</b>	<b>R546 680 214</b>	<b>R686 745 322</b>	<b>25.62%</b>	<b>R611 848 463</b>	<b>11.92%</b>
<b>Surplus / Allowable Surplus</b>	<b>R40 782 344</b>	<b>R51 231 201</b>	<b>25.62%</b>	<b>R42 829 392</b>	<b>5.02%</b>
<b>Total Projected / Revenue Requirement</b>	<b>R587 462 558</b>	<b>R737 976 524</b>	<b>25.62%</b>	<b>R654 677 856</b>	<b>11.44%</b>

Based on the 2026/27 Budget compared to the 2025/26 Adjustment Budget the revenue requirement for 2026/27 amounts to R737 976 524. This represents a tariff increase of 25.62% with a surplus of 7.49% (equal to the 2025/26 budgeted surplus). This 25.62% increase is clearly unaffordable for any community.

As per the discussion earlier in the document there are a few short-term step changes in the expenditure that contributes to this high revenue requirement and thus tariff increase. To reduce the impact on the consumer Swartland proposes the phasing of this expenditure to accommodate a more realistic increase. The following adjustments to the 2026/27 Expenditure have thus been made (indicated under the Adjusted Expenditure 2026/27 Column):

- The expenditure of R44 672 748 for the Self-Build Project will be recovered over a three year period resulting in a reduction of R35 318 546 under contracted services in 2026/27.
- The INEP funded portion of the Self Built Project (R12 415 652) is excluded from the expenditure and income calculations (as per CoS methodology)
- The expenditure for the Yzerfontein/Darling NMD upgrade of R36 216 879 will be recovered over a two to three year period resulting in only R9 054 220 being included in 2026/27.
- The allowable surplus percentage has been reduced from 7.49% to only 7.0% for 2026/27 (against a NERSA Benchmark of between 10% and 15%)

With the above changes taken into consideration the Required Revenue requirement drops from R737 975 524 to only R654 677 856 with the required Tariff increase dropping to 11.44%, which is still a little higher than the average Eskom increase of 9.01% but much more palatable and realistic.

**Table 7: IMPACT OF REDUCED SURPLUS**

<b>Bulk Purchases</b>	<b>R492 393 126</b>	<b>R537 277 213</b>	<b>9.12%</b>	<b>R537 277 213</b>	<b>9.12%</b>
Eskom*	R488 288 236	R532 802 473	9.12%	R532 802 473	9.12%
DGU IPP	R4 104 890	R4 474 740	9.01%	R4 474 740	9.01%
* Inclusive of Growth					
<b>Total Expenditure</b>	<b>R546 680 214</b>	<b>R686 745 322</b>	<b>25.62%</b>	<b>R611 848 463</b>	<b>11.92%</b>
<b>Surplus / Allowable Surplus</b>	<b>R40 782 344</b>	<b>R51 231 201</b>	<b>25.62%</b>	<b>R42 829 392</b>	<b>5.02%</b>
<b>Total Projected / Revenue Requirement</b>	<b>R587 462 558</b>	<b>R737 976 524</b>	<b>25.62%</b>	<b>R654 677 856</b>	<b>11.44%</b>

Due to the inclusion of the “reduced cost” of the Self Build Project and the Yzerfontein/Darling NMD upgrade the Total Expenditure now increases by only 11.92% and the Surplus only increase by 5.02% against the 2025/26 values. Unlike 2025/26 where the Bulk purchases cost contributes 90% of the total expenditure the situation for the Adjusted 2026/27 changes to 87.8%. This is still higher than the NERSA benchmark of 75% which further highlights the impact of Eskom’s bulk cost on the total expenditure, and the required tariff increase to remain sustainable.

**Table 8: Margins and Average c/kWh**

	<b>Adj Budget 2025/26</b>	<b>Adjusted Expenditure 2026/27</b>
<b>Bulk Purchase Cost</b>	R492 393 126	R537 277 213
<b>Revenue / Requirement</b>	R587 462 558	R654 677 856
<b>Gross Margin</b>	<b>19.31%</b>	<b>21.85%</b>
<b>Total Expenditure</b>	R546 680 214	R611 848 463
<b>Net Margin</b>	<b>7.46%</b>	<b>7.00%</b>
<b>Bulk Energy kWh</b>	205 481 758	208 293 477
<b>Sales kWh</b>	192 125 444	194 754 401
<b>Energy Losses %</b>	<b>6.50%</b>	<b>6.50%</b>
<b>Average Purchase Price R/kWh</b>	<b>R2.3963</b>	<b>R2.5794</b>
<b>Average Selling Price R/kWh</b>	<b>R3.0577</b>	<b>R3.3616</b>

Given all the concessions (phased appropriation and lower Surplus) the proposed tariff increase of 11.44% results in the average selling price of R3.3616/kWh which represents an increase of only 9.939% per kWh against the 2025/26 average selling price of R3.0577/kWh.

## 9. CONCLUSION

The approved ERTSA rates results in an average increase of 9.12% in the bulk purchases cost to Swartland against the approved 9.01% average increase.

Unfortunately, we have seen a steady increase in energy losses which is attributed to theft of not only energy, by means of illegal connections, meter tampering and bypassing, but also theft of infrastructure and overloading of network infrastructure, causing an increase in both technical and non-technical losses. Despite this trend, provision is made in the budget for losses to remain below the benchmark of 12% at 6.50%.

The increased number of low-cost housing customers planned for 2025/26 and 2026/27 in the towns of Darling, Moorreesburg and Malmesbury is expected to have an impact on the energy losses. The state of the economy coupled with the influx of unemployed people into the area does not bode well and additional effort will be required to maintain the revenue losses across the municipality within the budgeted number.

Swartland is proud to have been named the most financially sustainable municipality in South Africa by Ratings Africa and SAPOA and we believe this contributes to the investor confidence to invest in the Swartland. Applications for new developments together with the low-cost housing projects to be implemented during this year and next year translate into the expected load growth of around 1.37% for 2026/27. Considering the overall state of the economy in South Africa this is phenomenal and can only be achieved with bulk infrastructure being available.

With total revenue requirement at R654 677 856 and a tariff increase of 11.44% with a Net Profit Margin of only 7.0% the municipality will find it difficult to remain the top financially sustainable municipality in South Africa according to the Ratings Africa criteria.

However, with the new De Hoop 132/11 kV substation and the upgraded NMD at Yzerfontein and Darling ample capacity will be created to accommodate economic growth in Malmesbury, Yzerfontein and Darling. With the municipality now having a better idea of when capacity will be available at Yzerfontein previously planned housing developments can now be supported and provide certainty to the developers.

Considering the impact on residents, the cost for the 132 kV Self-Build project as well as the Budget Quote cost for the upgrade of the Yzerfontein/Darling NMD has been phased and only a fraction of the expenditure was included in 2026/27. This then translates into a tariff increase of 11.44% with a Net Profit Margin of only 7.0%.

**NERSA is implored to consider the following:**

- The proposed phased recovery of the Municipality's contribution to the Eskom Self Built project
- The proposed phased recovery of the Connection Charges for the Yzerfontein/Darling NMD increase
- The proposed Surplus of 7.0%
- The proposed tariff increase of 11.44% for 2026/27
- The proposed Schedule of Tariffs as per the schedule in Annexure A
- Notify the municipality as soon as possible of its decision to enable Swartland to take the decision into consideration when the final budget, as per the MFMA requirement, is tabled before Council on 29 May 2026.

**JJ Scholtz**

**Municipal Manager**

**Date: .....**

## **10. ANNEXURES**

The following Annexures are appended to this report:

Annexure A: Electricity Schedule of Tariffs

Annexure B: Cost of Supply Methodology applied in 2023/24

Annexure C: 2024 Cost of Supply Study Report and CoS Study

Annexure D: Council approval of the Application

Annexure E: Schedule for Public Participation

Annexure: A				
Swartland Municipality				
	ELECTRICITY: TARIFF CHARGES TRADING SERVICES (Excluding VAT)	2025/2026	2026/2027	% Tariff Increase
1	Households and Farming Consumers Non Indigent:			
1	Residential Consumers (Houses, Flats & Farms) Network charge per month	R403.96	R450.18	11.44%
1	(0-50) kWh	R2.0375	R2.2706	11.44%
1	(51-350) kWh	R2.6199	R2.9196	11.44%
1	(351-600) kWh	R3.6871	R4.1089	11.44%
1	(>600) kWh	R4.3421	R4.8388	11.44%
2	Commercial :-			
2	Commercial / Non Standard Basic per Ampere per month	R18.96	R21.13	11.44%
2	Commerce / Non Standard (per kWh )	R3.3994	R3.7882	11.44%
2	Commerce Basic < 20KVA (Basic per month)	R1 027.49	R1 145.03	11.44%
2	Commerce Basic 20 to 40 KVA (Basic per month)	R1 351.51	R1 506.12	11.44%
2	Commerce Basic >40 KVA (Basic per month)	R2 466.62	R2 748.81	11.44%
2	Commerce Basic < 20KVA (per kWh)	R3.3994	R3.7882	11.44%
2	Commerce Basic 20 to 40 KVA (per kWh)	R3.3994	R3.7882	11.44%
2	Commerce Basic >40 KVA (per kWh)	R3.3994	R3.7882	11.44%
3	Bulk Industrial			
3	Maximum Demand Supply for Bulk Consumers: Network charge per month	R2 792.58	R3 112.06	11.44%
3	Plus: Active Energy - kWh	R1.3275	R1.4794	11.44%
3	Bulk Consumers - Maximum Demand per KVA per month	R537.25	R598.71	11.44%
4	Commercial Alternative < 15 AMP:-			
4	Per kWh	R4.5363	R5.0552	11.44%
5	Households Alternative <20 Amp:-			
5	(0-50) kWh	R1.8680	R2.0816	11.44%
5	(51-350) kWh	R2.4500	R2.7303	11.44%
5	(351-600) kWh	R3.4930	R3.8926	11.44%
5	(>600) kWh	R4.1979	R4.6782	11.44%
6	Streetlights - Internal Tariff			
6	Street Lights per kWh	R2.1503	R2.3963	11.44%
7	Pre-paid meter system (Indigent Residential)			
7	(0-50) kWh	R1.8680	R2.0816	11.44%
7	(51-350) kWh	R2.4500	R2.7303	11.44%
7	(351-600) kWh	R3.4930	R3.8926	11.44%
7	(>600) kWh	R4.1979	R4.6782	11.44%
8	Commercial Pre-paid:-			
8	Single Phase Per kWh	R4.5363	R5.0552	11.44%
8	Three Phase Per kWh	R4.5363	R5.0552	11.44%
9	Sports Grounds including maintenance of Floodlighting:-			
9	Per kWh	R6.7255	R7.4949	11.44%
10	Bulk Time Of Use Tariff: Alternative			
10	Time Of Use Tariff for Bulk Consumers: Fixed/Basic cost per month	R2 792.58	R3 112.06	11.44%
10	<b>TOU Low Consumption season</b>			
10	Peak (kWh)	R2.3017	R2.5650	11.44%
10	Standard (kWh)	R1.5840	R1.7652	11.44%
10	Off peak (kWh)	R1.0047	R1.1196	11.44%
10	<b>TOU High Consumption season</b>			
10	Peak (kWh)	R7.0565	R7.8638	11.44%
10	Standard (kWh)	R2.1376	R2.3822	11.44%
10	Off peak (kWh)	R1.1606	R1.2933	11.44%
10	Maximum Demand per KVA per month	R360.32	R401.55	11.44%
11	Net Metering Residential (for Approved SSEG Households)			
11	Monthly Basic Charge 1	R38.15	R42.51	11.44%
11	Net Metering: Households Non-Indigent Basic per month	R403.96	R450.18	11.44%
11	Import Energy kWh (supplied by municipality) 1 < 600 kWh	R3.0849	R3.4379	11.44%
11	Import Energy kWh (supplied by municipality) 2 > 600 kWh	R4.3421	R4.8388	11.44%
11	Export Energy kWh (supplied to municipality-max/month <= Import kWh)	R0.9810	R1.0705	9.12%
12	Pre-paid Meter System (Non-Indigent Residential)			
12	(0-350) kWh	R3.8227	R4.2600	11.44%
12	(>350) kWh	R4.1624	R4.6386	11.44%
13	Net Metering Industrial (for Approved SSEG)			
13	Monthly Basic Charge 1	R38.15	R42.51	11.44%
13	Monthly Basic charge 2	R2 792.58	R3 112.06	11.44%
13	Maximum Demand Charge per kVA/month	R537.25	R598.71	11.44%
13	Import Energy kWh (Supplied by the Municipality)	R1.3275	R1.4794	11.44%
13	Export Energy kWh (Supplied to the Municipality: Max/month <= Import kWh)	R0.9681	R1.0564	9.12%
14	Net Metering Commercial (for Approved SSEG)			
14	Monthly Basic Charge 1 (Applicable to all Categories)	R38.15	R42.51	11.44%
14	Basic Charge <= 20 kVA per month	R1 027.49	R1 145.03	11.44%
14	Basic Charge 21 - 40 kVA per month	R1 351.51	R1 506.12	11.44%
14	Basic Charge 41 - 50 kVA per month	R2 466.62	R2 748.81	11.44%
14	Import Energy kWh (Supplied by the Municipality)	R3.3994	R3.7882	11.44%
14	Export Energy kWh (Supplied to Municipality: Max/month <= Import kWh)	R0.9681	R1.0564	9.12%
15	Net Metering Time of Use Bulk Consumers (for Approved SSEG)			
15	Monthly Basic Charge 1	R38.15	R42.51	11.44%
15	Fixed Charge per month	R2 792.58	R3 112.06	11.44%
15	Maximum Demand per KVA per month	R360.32	R401.55	11.44%
15	Low Season (Sept - May) Peak period per kWh	R2.3017	R2.5650	11.44%
15	Low Season (Sept - May) Standard period per kWh	R1.5840	R1.7652	11.44%
15	Low Season (Sept - May) Off-peak period per kWh	R1.0047	R1.1196	11.44%
15	High Season (Jun - Aug) Peak period per kWh	R7.0565	R7.8638	11.44%
15	High Season (Jun - Aug) Standard Period per kWh	R2.1376	R2.3822	11.44%
15	High Season (Jun - Aug) Off-peak Period per kWh	R1.1606	R1.2933	11.44%
15	EXPORT Energy kWh (Supplied to Municipality: max/month <= Import kWh)	R0.9681	R1.0564	9.12%
16	Wheeling Charges: Generator with a Wheeling Agreement with an Off-Taker (both the Generator and Off-taker in the Municipal network and Generator feeding in at 11 kV on Time of Use Only)			
16	Admin Charge per Month (to Off-Taker)	R635.80	R708.53	11.44%
16	Network Charge per month (to Generator) if Generator is an existing MV Customer	R2 792.58	R3 112.06	11.44%
16	Network Capacity / Use of System Charge per Notified KVA per month (to Generator) if Generator is an IPP connecting for wheeling purposes	R56.73	R63.22	11.44%
16	Credit to Off-Taker (Must be on Tariff 10): Eskom Munciflex Rate - Losses (Losses at 6.50%) based on energy from Generator.	Calculated at Eskom Munciflex Energy Rate charged to the Municipality - 6.5% losses		

## Annexure E: Bulk Purchase Cost per POD

<b>Malmesbury</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	19 055	10 528 630	R 32 961 656	17.51%	42.68%	39.81%	31
Aug	18 996	9 926 311	R 30 390 147	16.46%	40.34%	43.19%	31
Sept	17 996	9 257 827	R 21 166 765	16.20%	39.87%	43.93%	30
Oct	17 549	9 834 257	R 22 651 224	17.47%	41.21%	41.32%	31
Nov	17 252	9 520 616	R 21 683 006	16.06%	40.22%	43.72%	30
Dec	17 201	9 268 439	R 20 725 804	14.22%	37.75%	48.03%	31
Jan	17 361	9 211 544	R 21 116 228	16.41%	40.39%	43.20%	31
Feb	18 035	8 703 269	R 20 237 260	16.98%	42.00%	41.03%	28
Mar	18 152	9 908 524	R 22 309 040	15.15%	39.56%	45.29%	31
Apr	17 721	9 437 956	R 21 634 908	16.53%	40.80%	42.68%	30
May	18 095	9 893 319	R 22 682 053	16.82%	41.45%	41.73%	31
Jun	18 184	9 435 421	R 28 236 128	15.28%	39.90%	44.81%	30
	17 966	114 926 115	R 285 794 220				
<b>Klipfontein</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	5 789	2 516 587	R 8 628 524	20.49%	42.68%	36.92%	31
Aug	5 396	2 295 296	R 7 790 070	19.76%	40.34%	40.26%	31
Sept	5 590	1 932 341	R 4 850 731	18.82%	39.87%	42.53%	30
Oct	4 265	1 919 809	R 4 830 164	19.92%	41.21%	39.60%	31
Nov	4 196	1 956 823	R 4 838 321	18.16%	40.22%	42.58%	30
Dec	4 073	1 999 777	R 4 810 650	15.27%	37.75%	48.61%	31
Jan	4 603	2 042 279	R 5 021 101	17.76%	40.39%	42.90%	31
Feb	4 621	1 973 770	R 4 917 157	18.49%	42.00%	40.61%	28
Mar	4 846	2 146 967	R 5 155 751	16.49%	39.56%	43.73%	31
Apr	4 173	2 020 629	R 4 940 044	18.04%	40.80%	40.75%	30
May	4 480	2 176 758	R 5 306 867	18.77%	41.45%	38.99%	31
Jun	5 182	2 175 149	R 7 108 976	17.69%	39.90%	42.42%	30
	4 768	25 156 186	R 68 198 356				
<b>Moorreesburg</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	7 350	3 080 447	R 10 419 056	18.42%	49.16%	32.42%	31
Aug	7 436	3 006 526	R 10 022 382	17.70%	47.28%	35.02%	31
Sept	6 951	2 877 707	R 7 167 237	17.95%	45.73%	36.32%	30
Oct	6 856	2 949 877	R 7 411 869	19.25%	46.97%	33.78%	31
Nov	7 547	3 044 491	R 7 545 696	17.97%	45.93%	36.10%	30
Dec	7 637	2 702 074	R 6 615 037	15.56%	40.44%	44.00%	31
Jan	7 779	2 728 290	R 6 834 453	17.57%	44.59%	37.84%	31
Feb	7 182	2 708 390	R 6 814 293	18.06%	45.81%	36.13%	28
Mar	7 875	2 871 210	R 7 056 785	16.27%	43.57%	40.16%	31
Apr	6 495	2 500 418	R 6 374 371	18.57%	45.73%	35.70%	30
May	6 039	2 517 776	R 6 431 784	18.88%	46.99%	34.13%	31
Jun	6 847	2 457 533	R 8 144 682	16.36%	46.92%	36.71%	30
	7 166	33 444 740	R 90 837 646				

<b>Darling</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	4 731	1 955 217	R 6 673 906	19.94%	44.72%	35.34%	31
Aug	4 592	1 829 942	R 6 145 024	19.01%	42.56%	38.43%	31
Sept	4 511	1 612 019	R 4 013 912	18.86%	42.23%	38.91%	30
Oct	4 191	1 584 225	R 3 977 437	20.13%	41.31%	38.57%	31
Nov	4 488	1 518 695	R 3 784 406	18.46%	40.01%	41.53%	30
Dec	3 980	1 561 502	R 3 770 559	16.09%	37.19%	46.73%	31
Jan	3 972	1 608 178	R 3 947 698	18.09%	39.60%	42.31%	31
Feb	4 189	1 601 654	R 3 978 769	19.45%	39.83%	40.72%	28
Mar	4 064	1 482 211	R 3 666 338	18.32%	36.49%	45.19%	31
Apr	4 168	1 659 569	R 4 092 934	18.41%	42.27%	39.32%	30
May	4 317	1 812 878	R 4 445 347	18.39%	44.45%	37.16%	31
Jun	4 499	1 819 822	R 5 893 187	17.12%	42.62%	40.26%	30
	4 308	20 045 912	R 54 389 516				
<b>DGU</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	1000	122 761	R 244 837	9.09%	68.18%	22.73%	31
Aug	1000	151 876	R 302 905	9.09%	68.18%	22.73%	31
Sept	1000	198 868	R 324 995	15.58%	59.74%	24.68%	30
Oct	1000	268 295	R 438 454	15.58%	59.74%	24.68%	31
Nov	1000	298 549	R 487 897	15.58%	59.74%	24.68%	30
Dec	1000	323 735	R 529 055	15.58%	59.74%	24.68%	31
Jan	1000	320 143	R 523 185	15.58%	59.74%	24.68%	31
Feb	1000	275 799	R 450 718	15.58%	59.74%	24.68%	28
Mar	1000	252 781	R 424 904	15.58%	59.74%	24.68%	31
Apr	1000	183 000	R 307 607	15.58%	59.74%	24.68%	30
May	1000	131 574	R 221 164	15.58%	59.74%	24.68%	31
Jun	1000	106 766	R 219 020	9.09%	68.18%	22.73%	30
	1 000	2 634 146	R 4 474 740				
<b>Yzerfontein</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	2 746	1 084 710	R 3 683 866	18.55%	42.91%	38.54%	31
Aug	2 853	1 046 014	R 3 442 880	16.83%	41.08%	42.09%	31
Sept	3 678	913 542	R 2 358 802	17.91%	40.33%	41.77%	30
Oct	1 859	869 122	R 2 229 487	18.71%	40.14%	41.15%	31
Nov	2 907	825 300	R 2 137 554	17.44%	38.82%	43.74%	30
Dec	2 653	1 074 864	R 2 592 610	14.84%	36.77%	48.39%	31
Jan	2 389	936 294	R 2 347 034	16.77%	38.96%	44.26%	31
Feb	2 309	775 692	R 2 024 421	17.86%	39.72%	42.42%	28
Mar	2 320	893 622	R 2 237 657	15.80%	38.54%	45.66%	31
Apr	2 165	901 158	R 2 285 973	17.90%	39.04%	43.05%	30
May	1 997	929 239	R 2 363 007	18.53%	41.14%	40.33%	31
Jun	2 269	1 007 132	R 3 253 847	15.96%	40.48%	43.56%	30
	2 512	11 256 690	R 30 957 136				

<b>PPC Oongegund</b>							
	kVA	kWh	R(BTW UIT)	% PIEK	% STD	AFPIEK	
	Begroot	Begroot	Begroot	BERAAM	BERAAM	BERAAM	DAYS
Jul	282	79 582	R 302 542	19.90%	42.50%	37.60%	31
Aug	242	68 293	R 264 425	19.90%	42.50%	37.60%	31
Sept	235	66 318	R 180 906	19.90%	42.50%	37.60%	30
Oct	194	54 748	R 153 081	19.90%	42.50%	37.60%	31
Nov	184	54 055	R 150 921	19.90%	42.50%	37.60%	30
Dec	168	56 200	R 154 915	19.90%	42.50%	37.60%	31
Jan	199	60 473	R 166 072	19.90%	42.50%	37.60%	31
Feb	170	62 114	R 167 911	19.90%	42.50%	37.60%	28
Mar	170	47 975	R 136 743	19.90%	42.50%	37.60%	31
Apr	180	50 797	R 143 466	19.90%	42.50%	37.60%	30
May	190	53 619	R 150 358	19.90%	42.50%	37.60%	31
Jun	282	79 582	R 302 457	19.90%	42.50%	37.60%	30
	2 496	733 754	R 2 273 797				

<b>PPC Village</b>			
	kVA	kWh	R(BTW UIT)
	Begroot	Begroot	Begroot
Jul	42	9 117	R32 756
Aug	45	9 769	R34 688
Sept	32	6 947	R26 132
Oct	28	6 722	R25 648
Nov	25	7 156	R26 752
Dec	42	9 117	R32 756
Jan	45	9 769	R34 688
Feb	32	6 947	R25 763
Mar	28	6 078	R23 738
Apr	25	5 427	R21 622
May	42	9 117	R32 756
Jun	45	9 769	R34 504
	431	95 935	R351 802

<b>Swartland</b>			
	kVA	kWh	R(BTW UIT)
	Begroot	Begroot	Begroot
Jul	40 995	19 377 052	62 947 141
Aug	40 561	18 334 028	58 392 521
Sept	39 993	16 865 568	40 089 480
Oct	35 942	17 487 054	41 717 364
Nov	37 599	17 225 686	40 654 552
Dec	36 753	16 995 709	39 231 386
Jan	37 348	16 916 970	39 990 459
Feb	37 539	16 107 634	38 616 292
Mar	38 455	17 609 369	41 010 955
Apr	35 927	16 758 954	39 800 926
May	36 160	17 524 280	41 633 335
Jun	38 307	17 091 173	53 192 800
	455 580	208 293 477	537 277 213