



Tariff Policy

CCENTLEC (SoC) LTD – Tariff Policy

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SECTION 1: OBJECTIVES OF TARIFF POLICY

The objectives of this Tariff Policy are:

- To ensure that the tariffs of the entity comply with the legislation prevailing at the time of implementation;
- To ensure that electricity services are financially sustainable, affordable, and equitable;
- To ensure that the needs of indigent consumers are taken into consideration in the determination of tariffs;
- To ensure consistency in how tariffs are applied throughout the entity, in line with the principles outlined in the Municipal Systems Act No. 32 of 2000;
- To ensure that the entity, in levying fees for services provided, at all times takes into account tariffs applicable elsewhere in the economic region and the impact which its tariffs have on local economic development; and
- To ensure that Small-Scale Embedded Generation (SSEG) customers are accommodated through a dedicated, NERSA-compliant Net Billing tariff structure.

SECTION 2: LEGISLATIVE CONTEXT

In terms of section 74 of the Municipal Systems Act No. 32 of 2000 (MSA), the council of a municipality must adopt and implement a tariff policy on the levying of fees for services provided by the municipality itself or by way of service delivery agreements.

A tariff policy may differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters, provided that such differentiation does not amount to unfair discrimination.

Section 75 of the MSA requires municipalities to adopt by-laws to give effect to the implementation and enforcement of their tariff policies. All policies and supporting decisions must be supported by a by-law to be legally enforceable. Failure to comply with the necessary by-law requirements may expose the entity to litigation.

Section 168(1)(c) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) prescribes that the Minister of Finance, acting with the concurrence of the Cabinet member responsible for local government, may make regulations or guidelines applicable to municipalities and municipal entities, regarding a framework for regulating the exercise of municipal fiscal and tariff-fixing powers.

Section 43 of the MFMA further stipulates that where a national or provincial organ of state determines the upper limits of a municipal tax or tariff, such determination takes effect on a date specified in the determination. Unless the Minister approves otherwise:

- If the determination was promulgated on or before 15 March in a year, the effective date shall not be before 1 July in that year; or
- If the determination was promulgated after 15 March in a year, the effective date shall not be before 1 July in the next year.

The entity further acknowledges the following key legislative and regulatory instruments:

- Electricity Regulation Act No. 4 of 2006 and NERSA licence conditions governing electricity distribution tariffs;
- NERSA Electricity Pricing Policy (EPP) and municipal tariff application guidelines;
- NERSA Net-Billing Rules (Government Gazette No. 52781, 30 May 2025) governing SSEG feed-in tariffs;
- National Energy Act No. 34 of 2008;
- Constitution of the Republic of South Africa, 1996 (sections 152 and 153 regarding local government objectives); and

- Mangaung Metropolitan Municipality Indigent Policy and Credit Control and Debt Collection Policy.

SECTION 3: POLICY PRINCIPLES

The entity shall ensure that its electricity tariffs are uniformly and fairly applied throughout the municipal region and other areas of distribution. The following principles shall guide the determination and application of tariffs:

- The entity differentiates between the following broad categories of users: Residential / Domestic; Accommodation Establishments; Business / Commercial; Industrial; Government / Departmental; Bulk Resell; and SSEG (Net Billing).
- The entity adopts a multi-part tariff structure comprising, where applicable: a monthly basic charge; a monthly demand or capacity charge; and a monthly energy charge based on consumption.
- Users of electricity shall be treated equitably in the application of tariffs.
- With the exception of registered indigent consumers, all households shall, as far as practically possible, be charged in proportion to the amount of services consumed.
- Tariffs shall include costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
- Tariffs shall be set at a level to facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service itself.
- In setting tariffs, provision shall be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.
- The economical, efficient and effective use of resources, and other appropriate environmental objectives, shall be encouraged.

- The entity undertakes to ensure that its tariffs are easily explainable and understood by all consumers.
- Special tariff arrangements shall be approved by the Board of Directors with the concurrence of the parent municipality and shall only be implemented once approved by NERSA.
- In the event that the entity discovers that a customer has been charged on an incorrect tariff due to property rezoning, system errors, or processing delays, the auxiliary payment system may be activated for the gradual recovery of the disparity as a percentage of purchases.
- SSEG customers shall be accommodated through a dedicated Net Billing tariff that is cost-reflective and compliant with NERSA Net-Billing Rules.

SECTION 4: TARIFF MODELLING

In an effort to ensure cost-reflective tariffs and long-term financial sustainability, the entity shall adopt and apply a tariff model that seeks to identify and take into account all direct and indirect costs accruing from the different levels associated with electricity provision. The entity's tariff model shall be informed by a Cost of Supply (COS) study, conducted at appropriate intervals. The COS study recommendations shall form the primary basis for tariff increase proposals submitted to NERSA.

Costs relating to the following items, in so far as they relate to the provision of electricity, shall form the basis of the entity's tariff model:

- Bulk purchases (Eskom MunicFlex tariff);
- Employee-related costs;
- Repairs and maintenance;
- Distribution infrastructure;
- Finance charges (interest on loans);
- Depreciation;

- Insurance;
- Capital investment (new infrastructure and refurbishments); and
- Any other costs directly contribute to the provision of electricity services.

SECTION 5: PRICING STRATEGIES OF ELECTRICITY SERVICES

5.1 Fixed Costs

Fixed costs represent expenses that must be incurred irrespective of whether any electricity has been sold — for example, the salaries of permanently appointed staff and capital and insurance costs relating to infrastructure. These costs must be recovered whether or not electricity is consumed and shall accordingly be recovered by means of a fixed monthly basic charge.

5.2 Variable Costs

Variable costs relate to the physical provision of electricity according to consumption and demand and must be financed by means of a unit tariff payable per kWh (or R/kVA where applicable) of electricity consumed.

5.3 Trading Surplus

Tariffs for electricity services shall be determined such that a net trading surplus is realised. Any trading surplus shall be used for the future capital expansion of the service, or as directed by the parent municipality from time to time.

5.4 Tariff Structures

The following tariff structures shall be used for the determination of tariffs:

- Inclining Block Tariff (IBT): Applicable to residential customers with prepaid or conventional credit meters. Two variants exist:

- IBT Indigent — 3 blocks: Block 1 (0–50 kWh), Block 2 (51–350 kWh), Block 3 (>350 kWh). Summer and Winter rates differ. Registered indigents receive FBE fully subsidised and are exempt from basic charges.
- IBT Domestic Non-Indigent — 2 blocks only: Block 1 (0–350 kWh) and Block 2 (>350 kWh). Summer and Winter rates differ. A basic charge applies to non-indigent customers.

- Single-Rate Energy Tariff: A flat-rate tariff where all costs are expressed in a single c/kWh charge. Applicable to flat-rate commercial / rotational meter customers and accommodation establishment prepaid customers. Separate Summer and Winter rates apply.

- Three-Part Tariff: Applicable to residential TOU (Homeflex), accommodation establishments, and commercial TOU (Comflex / Elecflex) customers. Comprises:
 - Basic monthly charge (R/month);
 - Energy rate (c/kWh) differentiated by Time of Use (TOU) — High-Demand Season (Winter) and Low-Demand Season (Summer), Peak, Standard, and Off-Peak periods; and
 - Demand or capacity charge (R/month or R/kVA/month).

- Four-Part Tariff: Applicable to bulk customers (Bulk Resell 2 and 3). Comprises:
 - Basic monthly charge (R/month);
 - Access charge (R/kVA/month);
 - Demand charge (R/kVA/month); and
 - Energy rate (c/kWh) differentiated by TOU — High-Demand and Low-Demand seasons.

- SSEG Net Billing Tariff: A dedicated tariff for approved SSEG prosumers. Energy imported from the grid is billed at the customer's applicable import tariff; energy

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exported to the grid is credited at the approved avoided-cost export rate on a TOU basis. Refer to Section 9.

- Special tariff arrangements approved by the Board of Directors from time to time for specific developments and/or informal settlements, subject to NERSA approval prior to implementation.

5.5 Time of Use (TOU) Periods

CENTLEC implemented revised TOU tariff periods effective 1 August 2025, aligned with the revised Eskom MunicFlex TOU structure to ensure consistency across the electricity supply industry and support improved load management and grid stability. The revised TOU periods apply to the following tariff categories: Elecflex 1, 2 & 3; Comflex Single and Three Phase; Bulk Resell 2 & 3; Homeflex Single and Three Phase; Departmental TOU; and Sports Stadiums.

Day Type	Period	High-Demand Season (Winter: June – August)	Low-Demand Season (Summer: September – May)
Weekdays (Monday – Friday)			
Weekdays	Peak	06:00–08:00 & 17:00–20:00	07:00–09:00 & 18:00–21:00
	Standard	08:00–17:00 & 20:00–22:00	09:00–18:00 & 21:00–22:00
	Off-Peak	22:00–06:00 (overnight)	22:00–07:00 (overnight)
Saturdays			
Saturday	Peak	06:00–08:00 & 17:00–20:00	07:00–09:00 & 18:00–21:00
	Standard	08:00–17:00 & 20:00–22:00	09:00–18:00 & 21:00–22:00
	Off-Peak	22:00–06:00 (overnight)	22:00–07:00 (overnight)
Sundays & Public Holidays			

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Sunday / Public Holiday	Standard	17:00–19:00 (new evening standard period)	18:00–20:00 (new evening standard period)
	Off-Peak	All other hours	All other hours

Note: Peak periods apply on weekdays and Saturdays only. Sunday and public holidays have no peak period. From 1 August 2025, Sundays have a new evening standard period (17:00–19:00 Winter / 18:00–20:00 Summer); all other Sunday hours are off-peak. TOU periods are subject to revision by NERSA; the applicable periods in any tariff year shall be as published in the NERSA-approved tariff schedule.

5.6 Availability Charge

An availability charge will be levied on properties not connected to the electricity network where such a connection is available to that property. This charge recovers capital and maintenance costs in respect of such properties. Should the owner connect the service with the intention to improve the property, the debit will be adjusted pro-rata from the date of connection.

SECTION 6: CLASSIFICATION OF CONSUMERS

The following consumer classification table summarises all categories, meter types, applicable tariff structures, and basic charges. Detailed billing arrangements are set out in the sub-sections below. Actual tariff rates are published in the NERSA-approved annual tariff schedule (see Annexure A).

Consumer Category	Meter Type	Tariff Structure	Basic Charge
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Domestic Indigent IBT	Prepaid / Conventional	IBT – 3 blocks (0–50 / 51–350 / >350 kWh) Summer & Winter rates differ	Exempt (FBE applies)
Domestic Non-Indigent IBT	Prepaid / Conventional	IBT – 2 blocks (0–350 / >350 kWh) Summer & Winter rates differ	R50/month
Domestic TOU Homeflex SP	Conventional AMR	3-part: basic + energy (TOU) + capacity	Per tariff schedule
Domestic TOU Homeflex 3P	Conventional AMR	3-part: basic + energy (TOU) + capacity	Per tariff schedule
Accommodation Establishments	Conventional	3-part: basic + demand + energy (TOU)	Per tariff schedule
Accommodation Establishments (Prepaid)	Prepaid ≤100A	Single flat rate (no IBT applicable)	Per tariff schedule
Commercial Flat Business	Rotational / Prepaid	Single-rate energy only	Per tariff schedule
Commercial TOU Comflex SP	Conventional	3-part: basic + demand + energy (TOU)	Per tariff schedule
Commercial TOU Comflex 3P	Conventional	3-part: basic + demand + energy (TOU)	Per tariff schedule
Industrial TOU Elecflex 1/2/3	Conventional / AMR	3-part: basic + access + demand + energy (TOU)	Per tariff schedule
Bulk Resell 2 / 3	AMR / TOU meter	4-part: basic + demand + energy (TOU)	Per tariff schedule

Departmental TOU	Various	Applicable commercial or bulk TOU tariff	Per tariff schedule
Sports Stadiums	AMR	TOU energy only	Per tariff schedule
Streetlights	Prepaid / Conventional	Single flat rate (same Winter & Summer)	Per tariff schedule
SSEG Net Billing	Bi-directional AMI	Net billing: import less TOU export credit	Per tariff schedule

6.1 Residential (Domestic) Customers — Conventional Meters

6.1.1 Domestic Indigent IBT — Conventional

Applicable to registered indigent customers with conventional credit meters. Registered indigents receive a Free Basic Electricity (FBE) allocation as determined by the Council of Mangaung Metropolitan Municipality on an annual basis, fully subsidised each month. No basic charge is applicable to registered indigents. The IBT structure comprises three blocks (0–50 / 51–350 / >350 kWh), with Summer and Winter rates differing as per the NERSA-approved tariff schedule.

6.1.2 Domestic Non-Indigent — Conventional (IBT)

Applicable to standard residential customers with conventional credit meters. The IBT structure for non-indigent domestic customers comprises two blocks only, as approved by NERSA:

- Block 1: 0 to 350 kWh; and
- Block 2: > 350 kWh.

Summer and Winter rates differ as per the NERSA-approved tariff schedule. A Basic Charge will now be applicable to non-indigent customers.

6.1.3 Domestic Time of Use (TOU) — Conventional (Homeflex Single and Three Phase)

Applicable to domestic customers with AMR-compatible conventional meters, billed on the Homeflex TOU tariff. Customers are billed as follows:

- An availability charge is payable on all properties where a connection is possible but not in use;
- Basic monthly charge (R/month) — refer to Annexure A for current rates;
- Capacity charge (R/month) based on circuit breaker size; and
- Energy rate (c/kWh) on a TOU basis — High-Demand (Winter) and Low-Demand (Summer) Peak, Standard, and Off-Peak periods per Annexure A.

6.2 Residential (Domestic) Customers — Prepaid Meters

6.2.1 Prepaid Indigent IBT

Registered indigent customers with prepaid meters receive their FBE allocation as determined by the Municipality annually. Prepaid purchases beyond the FBE threshold are billed at IBT Block 2 and Block 3 rates. No basic charge is applicable to registered indigents. The Indigent Register is reviewed annually by the Municipality and communicated to the entity for updating of customer classifications in the CENTVEND prepaid vending system.

6.2.2 Prepaid Domestic IBT — Non-Indigent

Non-indigent prepaid domestic customers are charged at an Inclining Block Tariff per unit based on kWh purchased. The approved structure for non-indigent domestic customers is two blocks only:

- Block 1: 0 to 350 kWh; and
- Block 2: > 350 kWh.

Summer and Winter rates differ as per the NERSA-approved tariff schedule. A basic charge of R50 per month is applicable, recovered via the CENTVEND prepaid vending system as a deduction at point of purchase.

Should the customer have any arrears on any of the entity's or Mangaung Metropolitan Municipality's accounts, the auxiliary payment system may be activated for the gradual payment of arrears as a percentage of purchases.

6.3 Accommodation Establishments

The tariff for this category covers the supply of electricity to all premises qualifying under the definition of accommodation establishments (e.g., guesthouses, bed and breakfast establishments, hostels, and similar premises).

6.3.1 Accommodation Establishments — Conventional Meters

Customers in this category with conventional meters shall be billed as follows:

- An availability charge is payable on all properties where a connection is possible but not in use;
- Basic monthly charge (R/month) as per the applicable tariff category;
- Demand charge (R/month) determined by the installed circuit breaker size; and
- Energy rate (c/kWh) on a TOU basis — High-Demand (Winter) and Low-Demand (Summer) Peak, Standard, and Off-Peak periods per Annexure A.

6.3.2 Accommodation Establishments — Prepaid Meters

Prepaid meters in this category are limited to a maximum supply capacity of 100 Amps. There is no separate accommodation establishment IBT structure. Where applicable,

such customers are charged at the single-rate flat tariff applicable to the property's supply type, with separate Summer and Winter rates as per the NERSA-approved tariff schedule.

Note: The IBT structure applies only to residential domestic customers. Accommodation establishment prepaid customers are billed at the applicable flat business or commercial single rate, not an IBT.

Should the customer have any arrears, the auxiliary payment system may be activated for the gradual recovery thereof as a percentage of purchases.

6.4 Commercial / Business Customers

This tariff covers the supply of electricity to shops, office buildings, hotels, clubs, industrial undertakings, builders' suppliers, and similar premises.

6.4.1 Commercial Flat Business — Rotational Meters

Customers in this sub-category are charged on a single-rate (flat) energy tariff (R/kWh) only, with separate Summer and Winter rates. No separate demand component applies. A monthly basic charge applies: R50 per month for single-phase connections and R100 per month for three-phase connections.

6.4.2 Commercial TOU — Conventional Meters (Complex Single and Three Phase)

Commercial TOU customers with conventional meters shall be billed as follows:

- An availability charge is payable on all properties where a connection is possible but not in use;
- Basic monthly charge (R/month) — refer to Annexure A for current rates;
- Demand charge determined by the installed circuit breaker size; and

- Energy rate (c/kWh) on a TOU basis — High-Demand (Winter) and Low-Demand (Summer) Peak, Standard, and Off-Peak periods per Annexure A.

6.4.3 Commercial Flat Business — Prepaid Meters

Where applicable, commercial customers with prepaid meters are charged at the flat business single-rate energy tariff. A basic charge of R50 (single phase) or R100 (three phase) per month applies, recovered via the CENTVEND prepaid vending system. Should the customer have arrears, the auxiliary payment system may be activated for the gradual recovery thereof.

6.5 Industrial TOU — Elecflex 1, 2 and 3

Industrial TOU customers are billed on a three-part tariff comprising a basic monthly charge, access charge, demand charge, and TOU energy rate. Refer to Annexure A for the current NERSA-approved rates for Elecflex 1, 2, and 3 respectively.

6.6 Bulk Customers — Bulk Resell 2 and 3

Bulk customers shall be billed on a four-part tariff as follows:

- Basic monthly charge (R/month);
- Demand charge (R/kVA/month);
- Access charge (R/kVA/month); and
- Energy rate (c/kWh) on a TOU basis — High-Demand (Winter) and Low-Demand (Summer) Peak, Standard, and Off-Peak periods per Annexure A.

Bulk customers are metered on advanced AMR/TOU-capable meters. Meter readings are retrieved via the AMR system and SPIES file workflow managed by the Bulk Metering function within Trading Services.

6.7 Special Arrangements

Other tariffs may be applicable as determined by the Engineering Retail Directorate or the Board of Directors by special agreement with specific clients. Such arrangements shall only be considered where special circumstances prevail, and shall only be implemented once approved by NERSA.

6.8 Departmental Customers

The applicable commercial or bulk supply TOU tariff shall apply to all entity-owned buildings, municipal buildings, pump stations, wastewater works, water treatment works, and similar premises operated by Mangaung Metropolitan Municipality.

6.9 Electricity Sundry Tariffs

All other electricity-related services offered by the entity shall be charged at a tariff as determined by the Board of Directors annually during the budget process. Sundry service tariffs shall be levied to cover 100%, or as near as possible to 100%, of annual operating expenses, and shall include:

- Electricity disconnection and reconnection fees;
- Clearance certificates (at 35% of the tariff set by Mangaung Metropolitan Municipality for this service); and
- Penalty charges imposed in terms of the Debt Collection and Credit Control Policy.

Note: New connection fees are governed by the Connection Policy administered by the Planning function of the Engineering Directorate and are not set in terms of this Tariff Policy.

SECTION 7: ENSURING FINANCIAL SUSTAINABILITY OF SERVICE DELIVERY

The Constitution and the Municipal Systems Act No. 32 of 2000 require that the entity must ensure that the services it provides are financially sustainable.

Financial sustainability will be achieved when the tariff for a service is sufficient to cover: the cost of initial capital expenditure and interest thereon; the ongoing costs of managing and operating the service; and the costs of maintaining, repairing, and replacing physical assets used in service provision.

Sustainability does not only require that the price of the service includes all relevant cost elements; it also requires that charges levied must be collected. The entity's Revenue Protection and Credit Control functions are therefore integral to financial sustainability.

SECTION 8: INDIGENT CONSUMERS

Poor households shall be dealt with in accordance with the approved Indigent Policy of Mangaung Metropolitan Municipality.

The Indigent Register is reviewed annually by the Municipality and communicated to the entity. The entity updates customer classifications within its billing systems (SOLAR for conventional TOU and rotational meter customers; CENTVEND for prepaid meter customers) accordingly upon receipt of the updated register. Registered indigent customers are fully exempt from basic charges across all applicable tariff categories.

Registered indigent customers receive a Free Basic Electricity (FBE) allocation as determined by the Council of Mangaung Metropolitan Municipality on an annual basis, fully subsidised each month. The current FBE allocation quantum shall be as published in the annual NERSA-approved tariff schedule.

SECTION 9: SMALL-SCALE EMBEDDED GENERATION (SSEG) — NET BILLING

9.1 Introduction

Small-Scale Embedded Generation (SSEG) refers to electricity generation installations connected to the entity's distribution network at a customer's premises, typically solar photovoltaic (PV) systems. Customers with approved SSEG connections who export surplus energy to the grid are referred to as prosumers.

The entity provides a Net Billing tariff for SSEG customers in accordance with the NERSA Net-Billing Rules (Government Gazette No. 52781, 30 May 2025) and NERSA licence conditions.

9.2 Net Billing Framework

Under the Net Billing framework:

- Energy imported from the grid is billed at the customer's applicable import tariff (e.g., Homeflex, Comflex, Elecflex, or Bulk Resell);
- Energy exported to the grid is credited at the approved SSEG export rate, determined as a percentage of the entity's avoided cost of purchasing electricity from Eskom on a TOU basis; and
- The net billing amount is calculated as: Imported Energy Charge less Export Energy Credit = Net Invoice Amount.

9.3 Export Tariff Determination

The export credit rate shall be calculated on the basis of the entity's avoided cost of bulk electricity purchases from Eskom (MegaFlex tariff), consistent with the SEA Avoided Costs Calculator methodology endorsed by SALGA and NERSA. The approved export rate, expressed as a percentage of the Eskom avoided cost on a TOU basis, shall be published in the annual NERSA-approved tariff schedule.

The export rate shall be differentiated by TOU period (Peak, Standard, and Off-Peak) and by season (High-Demand / Winter and Low-Demand / Summer), consistent with the entity's import tariff structure.

9.4 SSEG Participation Charge

An SSEG participation fee (as determined by the Board of Directors and published in the annual tariff schedule) is levied on all approved SSEG connections to contribute towards the cost of network management, metering, and administration of the Net Billing programme.

9.5 Metering Requirements

All SSEG customers must be metered with an approved bi-directional Advanced Metering Infrastructure (AMI) / Advanced Metering Readout (AMR) compatible meter capable of separately recording import and export energy in each TOU period. Metering installation and connection must comply with NRS 097-2-3 and the entity's SSEG Connection Policy.

9.6 Application Process

Customers wishing to connect SSEG systems must submit a formal application to the entity in accordance with the SSEG Connection Policy. The entity will assess the

application, determine technical feasibility, and issue a connection approval prior to installation. Net Billing tariff status will only be activated once the approved bi-directional meter has been installed and tested.

SECTION 10: TARIFF DETERMINATION PROCESS

The entity shall formulate its electricity tariff structures for its annual budgets and Medium-Term Revenue and Expenditure Framework (MTREF) based on the Cost of Supply study and NERSA application guidelines.

Not later than 31 March of each year the entity shall submit a tariff application to NERSA containing all required information for approval.

Proposed tariffs shall be presented to the community during Mangaung Metropolitan Municipality's budget consultation process.

Immediately after the Board of Directors has determined or amended a tariff, the Accounting Officer shall cause a notice of tariffs to be conspicuously displayed at all offices of the entity and at such other places within the municipal area as may be determined.

Following NERSA approval, tariff uploads shall be implemented as follows:

- ToU and rotational (conventional AMR) meter tariffs: uploaded to the SOLAR billing system by the Revenue Management function within the Finance Directorate, following Change Control sign-off;
- Prepaid meter tariffs: uploaded to the CENTVEND prepaid vending system by the ICT Department, following Change Control sign-off; and

- SSEG Net Billing export rates: updated in the SOLAR billing system by the Revenue Management Office.

SECTION 11: FACTORS TO BE CONSIDERED FOR TARIFF INCREASE ADJUSTMENTS

The entity shall consider increasing or adjusting tariffs annually during the budget process. The primary basis for all tariff increase proposals submitted to NERSA shall be the entity's Cost of Supply (COS) study. NERSA no longer issues a prescriptive municipal guideline formula; all distributors are expected to motivate tariff applications on the basis of a COS study that demonstrates the cost-reflective revenue requirement.

The following factors shall be taken into account when determining the proposed tariff increase, all of which must be grounded in and supported by the COS study:

- The full cost of supplying electricity to each consumer category, as determined by the COS study;
- The Eskom bulk purchase tariff increase as determined by NERSA, which typically constitutes the largest single cost driver (approximately 70% of total cost);
- Employee-related cost increases;
- Repairs and maintenance cost escalation;
- Capital charges (depreciation and interest on loans);
- Any carry-over shortfall from a prior year where the NERSA-approved increase was less than the cost-reflective increase applied for;
- The need for management of tariff shock and affordability for consumers, particularly lower-income households;
- Priorities of the entity as reflected in its Business Plan and the Integrated Development Plan of the parent municipality; and

- Revenue collection performance and the impact of distribution losses on net revenue.

All proposed increases and adjustments in tariffs shall be presented and communicated to the local community in terms of Mangaung Metropolitan Municipality's community consultation processes.

The entity must annually evaluate the cost structure of its electricity undertakings and apply to NERSA for electricity tariff increases that are cost-reflective and ensure continued financial sustainability. Where the COS study results in a proposed increase that differs materially from the prior year's approved increase, the entity must provide a detailed motivation to NERSA supported by the full COS study.

SECTION 12: REVIEW PROCESS

This policy and its underlying strategies will be reviewed at least annually, or as necessary, to ensure continued application and relevance. Reviews shall take into account:

- Changes in legislation, NERSA regulations, or municipal policy;
- Changes in the entity's cost structure or financial sustainability requirements;
- Updated Cost of Supply study outcomes;
- Changes in SSEG penetration levels or net billing programme scope;
- NERSA directives or conditions attached to annual tariff approvals; and
- Recommendations arising from internal or external audits.

Any amendments to this policy shall require approval by the Board of Directors and, where relevant, concurrence of the Council of Mangaung Metropolitan Municipality. Material

amendments affecting tariff structures shall be subject to NERSA approval prior to implementation.