

OFFICE OF THE CEO

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Our Ref.: NERSA Tariff Application 2026/2027 FY	Your Ref.:

The Municipal Manager
Mangaung Metropolitan Municipality
Bloemfontein

Dear Sir

RE: CENTLEC ELECTRICITY TARIFF APPLICATION TO NERSA FOR THE 2026/2027 FINANCIAL YEAR - PROPOSED 9.9% AVERAGE INCREASE AND INTRODUCTION OF BASIC CHARGES

1. Introduction

CENTLEC (SOC) Ltd ("CENTLEC") hereby advises the Council of the Mangaung Metropolitan Municipality of its tariff application to the National Energy Regulator of South Africa (NERSA) for the 2026/2027 financial year, with a proposed implementation date of 1 July 2026.

In terms of section 4(ii) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), NERSA must approve the annual percentage increase that municipalities may implement on electricity tariffs. CENTLEC has prepared its tariff application in accordance with NERSA's published guidelines and timelines.

2. Proposed Tariff Increase: 9.9%

CENTLEC is proposing an average tariff increase of **9.9%** for the 2026/2027 financial year. This increase forms part of a multi-year phased approach toward achieving full cost-reflectivity, as recommended by CENTLEC's comprehensive Cost of Supply (COS) study.

The COS study, covering the period 2024/25 to 2027/28, determined that a once-off increase of 31.0% would be required to achieve full cost-reflectivity immediately. Recognising the severe impact such an increase would have on consumers, CENTLEC adopted a three-year phased implementation approach:

- **Year 1 (2025/26):** COS recommended 14.5%; NERSA approved 12.4%
- **Year 2 (2026/27):** COS recommended 8.0%, plus 2.1% carry-over from the Year 1 shortfall (14.5% less 12.4%), yielding a justified increase of 10.1%. CENTLEC has elected to moderate this to 9.9%, absorbing a portion of the shortfall in the interest of customer affordability
- **Year 3 (2027/28):** COS recommended 8.5%

The proposed 9.9% increase also accounts for Eskom's approved bulk purchase price increase of 9.01% for the 2026/2027 period, which constitutes approximately 70.5% of CENTLEC's retail costs.

The projected total revenue at the proposed 9.9% increase is **R4.75 billion**, serving approximately **203,713 customer connections** (Forecasted) across 1.43 billion kWh of projected sales.

3. Introduction of Basic Monthly Charges

In addition to the energy tariff increase, CENTLEC proposes the introduction of fixed monthly basic charges for two customer categories that currently have no basic charge component. This structural reform is informed by the COS study findings and addresses a critical revenue structure imbalance.



3.1 IBT Domestic Prepaid Customers – R50.00 per month

A fixed monthly basic charge of **R50.00 (excl. VAT)** is proposed for non-indigent IBT Domestic Prepaid customers (forecasted 153,325 connections). This charge will be deducted from prepaid electricity purchases, ensuring seamless collection.

Indigent customers (approximately 43,910 connections) are fully exempt from this charge.

The COS study determined that the cost-reflective customer charge for IBT Domestic Prepaid & Conventional is R527 per point of delivery per month (Table 3, page 26 of the COS Report). The proposed R50.00 represents only 9.5% of this cost-reflective level, making it a deliberately modest first step.

3.2 Flat Rate Business Customers – Alignment with Complex Basic Charges

CENTLEC proposes the introduction of basic charges for Flat Rate Business customers (forecasted 3,938 connections) at the same levels as the existing Complex tariff basic charges:

Connection Type	Complex Basic Charge	Proposed Flat Business
Single Phase	R322.11 / month	R322.11 / month
Three Phase	R942.02 / month	R942.02 / month

This alignment is justified on the following grounds:

- **Identical connection infrastructure:** Flat Rate Business and Complex customers are connected at the same voltage levels and connection sizes (single phase up to 100A, three phase 80–150A). The physical infrastructure serving these customers, including cables, transformers, and metering points, is identical. The cost of maintaining network availability for these connections is the same regardless of the tariff structure applied.




- **Meter replacement programme:** CENTLEC is in the process of replacing all conventional rotational meters on Flat Rate Business connections with Time-of-Use (TOU) smart meters. Once replacement is complete, these customers will migrate to the Complex TOU tariff. Introducing the same basic charge now ensures a smooth and equitable transition, avoiding the need for a sudden increase upon migration.
- **Cost of Supply basis:** The COS study determined cost-reflective customer charges of R1,054/month for Flat Business P&C and R1,230/month (single phase) to R1,757/month (three phase) for Complex customers. At R322.11 and R942.02 respectively, the proposed charges represent approximately 26–31% of the cost-reflective level for Complex and are well below the Flat Business cost-reflective charge of R1,054/month.
- **Equitable treatment:** It would be inequitable for Complex customers to pay a basic charge while Flat Rate Business customers on identical connections pay none, particularly as the underlying cost to serve these customers is the same or higher (due to the additional cost of reading rotational meters manually).

4. Rationale for Basic Charges

The introduction of basic charges across these customer categories is driven by the following structural considerations identified in the COS study:

- **Revenue structure imbalance:** More than 80% of CENTLEC's revenue is currently recovered through variable energy charges, whereas the COS study indicates the optimal split is approximately 55% energy, 17% demand, and 28% customer charges. This exposes CENTLEC to significant volumetric risk.

5. New SSEG Net Billing Tariff

Council is further advised that the tariff application includes a new dedicated tariff for Small-Scale Embedded Generation (SSEG) customers. This tariff provides for import charges at the customer's existing TOU tariff rate, with export credits calculated on a net billing basis using the avoided cost methodology (approximately 43% of the ESKOM tariff). A monthly SSEG basic charge of R110.00 (excl. VAT) is proposed to cover grid integration and administration costs.



6. Conclusion

The proposed 9.9% tariff increase, and the introduction of basic charges represent a balanced approach that advances CENTLEC's path toward financial sustainability while remaining sensitive to the economic pressures faced by our consumers.

The introduction of basic charges is a prudent structural reform that is firmly grounded in the COS study, protects indigent households through a full exemption, and begins the necessary process of rebalancing CENTLEC's tariff structure for long-term viability.

Council's support for this application is respectfully requested.

Yours faithfully,



MS. Sekoboto
Chief Executive Officer
CENTLEC (SOC) Ltd

