

**CONSULTATION PAPER ON
ESKOM RETAIL TARIFF STRUCTURAL ADJUSTMENT (ERTSA) APPLICATION
FOR STANDARD TARIFFS FOR FY 2026/27**

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The National Energy Regulator of South Africa

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Abbreviations and Acronyms

EPP	Electricity Pricing Policy
GWh	Giga Watt hours
IPP	Independent Power Producer
IRP	Integrated Resource Plan
M&V	Measurement and Verification
MEAV	Modern Equivalent Asset Value
MWh	Mega Watt hours
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
O&M	Operating and Maintenance
OCGT	Open Cycle Gas Turbine
RCA	Regulatory Clearing Account

1. Executive Summary

- 1.1. The National Energy Regulator of South Africa ('NERSA') approves Eskom's allowable revenue for a defined Multi-Year Price Determination ('MYPD') cycle. For each year of the MYPD cycle, the approved allowed revenue is determined based on forecast average energy demand. Eskom Holdings Soc Limited ('Eskom') is thereafter required to submit the Eskom Retail Tariff and Structural Adjustment ('ERTSA') applications on an annual basis to NERSA, for regulatory consideration and approval by the Energy Regulator.
- 1.2. ERTSA consists of an application for the rate of adjustment to tariffs applicable to the respective customer groups, as well as the proposed schedule of standard tariffs applicable to each of the customer groups for the applicable year of the MYPD.
- 1.3. The ERTSA application must be prepared in accordance with the ERTSA Methodology published by NERSA in March 2016 and duly submitted to NERSA.
- 1.4. NERSA received the ERTSA application for the 2026/27 financial year on 10 February 2026 and the application was screened for compliance and this consultation paper prepared, for purposes of engaging the public to solicit input and to ensure fairness and transparency.
- 1.5. The decision of the Energy Regulator pertaining to the ERTSA application for the 2026/27 financial year will be implemented with effect from 1 April 2026 for non-municipal customers and from 1 July 2026 for municipal customers.

2. Introduction

- 2.1. On 30 January 2025, the Energy Regulator approved revenues of R370 854 million for the 2026/27 financial year ('FY') to be covered from standard tariff customers.
- 2.2. On 1 July 2025, Eskom launched a High Court application for judicial review against NERSA, pursuant to the reviewing and setting aside of the 2025/26, 2026/27 and 2027/28 Eskom allowable revenue (MYPD6) decision of the Energy Regulator and the remittal to NERSA for redetermination.
- 2.3. On 21 December 2025, the High Court reviewed and set aside the 2026/27 and 2027/28 Eskom allowable revenue decision of NERSA and

remitted the 2026/27 and 2027/28 Eskom allowable revenue decision to NERSA for redetermination.

- 2.4. At its meeting held on 7 February 2026, the Energy Regulator reconsidered Eskom’s 2026/27 and 2027/28 Eskom allowable revenue and resolved as set out in Table 2 below

Table 2: Approved Eskom Allowable Revenue (Revised)

Category	2026_27FY	2027_28FY	Post MYPD6	Total
NERSA approved MYPD6 Revenues (R'm)	370 854	396 425		
add: additional depreciation	12 000	23 013	19 721	54 734
add: additional returns (R'm)	-	-	-	-
Allowable Revenue incl redetermination(R'm)	382 854	419 438	19 721	54 734
Std tariff Sales volume (GWh)	159 335	160 395		
Original Price (c/kWh)	232,75	247,16		
Revised Price (c/kWh)	240,28	261,50		
Original approved percentage increase (%)	5,36%	6,19%		
Additional increase from redetermination (%)	3,4%	2,64%		
Resultant increase seen by customer (%)	8,76%	8,83%		

- 2.5. On 10 February 2026, Eskom submitted its ERTSA application for the 2026/27 financial year for consideration by the Energy Regulator. Following a screening process to assess adequacy and compliance, this consultation paper has been prepared to facilitate public engagement, solicit stakeholder inputs, and ensure procedural fairness and transparency.

3. Applicant

- 3.1. Eskom Holdings SOC Limited ('Eskom'), registration number 2002/015527/06, is a schedule 2 South African state-owned enterprise in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), wholly owned by the South African Government. Eskom is regulated under licences granted by the National Energy Regulator of South Africa (NERSA) to generate, transmit and distribute electricity in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006).
- 3.2. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and other distributors. It also buys electricity from and sells electricity to the Southern African Development Community (SADC) countries.

4. Applicable Law

- a. Promotion of Administrative Justice, 2000 (Act 3 of 2000) ('PAJA')
- b. National Energy Regulator Act, 2004 (Act No. 40 of 2004) ('NERA')
- c. Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ('ERA')
- d. Electricity Pricing Policy 2008 ('EPP')

5. Legal Analysis

- 5.1. NERSA is a regulatory authority established as a juristic person in terms of section 3 of the NERA and mandated to regulate the electricity industry. In terms of section 3 of the ERA, the Energy Regulator ('the ER') is the custodian and enforcer of the regulatory framework provided for in the ERA and has regulatory authority over persons undertaking activities, which are subject to the Act. Therefore, the ER is entrusted with ensuring that the objectives of the ERA are achieved.
- 5.2. The ER is empowered to, amongst others:
 - (a) consider licence applications and issue licences, in terms of section 4(a)(i) of the ERA
 - (b) set and approve prices and tariffs in a manner prescribed by a rule, in terms of section 4(a)(ii) of the ERA.
 - (c) impose licence conditions which may relate to the setting or approval of prices, charges, rates and tariffs charged by licensees, in terms of section 14(1)(d) of the ERA.
- 5.3. In accordance with section 15(1) of the ERA, when subjecting a licence to conditions relating to the setting or approval of prices, charges and tariffs, the ER:
 - (a) must enable an efficient licensee to recover the full cost of the licensed activity;
 - (aA) must allow for a reasonable return proportionate to the risk of the licensed activity;
 - (b) may provide for or prescribe incentives for continued improvement of the technical and economic efficiency with which services are to be provided;
 - (d) must avoid undue discrimination between customer categories;
 - (e) may permit the cross-subsidy of tariffs to certain classes of customers; and;

(f) may have regard to the need to ensure security of supply, the diversity of supply and to promote renewable energy.

- 5.4. Licensees are further strictly prohibited from charging any tariff other than the tariff set or approved by the ER, as confirmed in section 15(2) of the ERA.
- 5.5. The EPP gives broad guidelines to NERSA in approving prices and tariffs for the Electricity Supply Industry (ESI), which NERSA must adhere to.
- 5.6. The determination of Eskom's allowable revenue through the MYPD cycle is the point of departure for tariff approvals in South Africa. Once the MYPD decision is made Eskom must submit its ERTSA application to NERSA for an ERTSA decision to be made by the ER. The ERTSA decision by the ER serves as a bulk purchase price which Municipalities use as the base for their respective tariff applications.
- 5.7. Three High Court judgments impact the 2026/27 ERTSA determination, particularly the 4 October 2025 and 4 December 2025 judgments in *AfriForum NPC v NERSA* [2024] ZAGPPHC 638 (8 July 2024) as well as the 21 December 2025 judgment in *Eskom Holdings Soc Ltd v NERSA* case number 2025- 099969. Notably:

AfriForum NPC v NERSA

- 5.7.1. *AfriForum NPC* launched an urgent application which challenged the adequacy of NERSA's consultation process during its evaluation of municipal tariff applications for the 2025/26 financial year and timelines for electricity tariff approvals in general.
- 5.7.2. The High Court delivered its interim judgment on 4 October 2025 and final judgment in the matter on 4 December 2025. The final judgment confirmed that the consultation process followed by NERSA during its evaluation of municipal tariff applications for the 2025/26 financial year was inadequate, unprocedural and unlawful. The Court further confirmed that NERSA must adhere to the following timeline when approving tariffs:
 - NERSA communicating the Eskom bulk tariffs to municipalities by 31 January each year;
 - Municipalities submitting their tariff applications by 30 March each year; and
 - NERSA finalising all municipal tariff applications by 5 May each year.

Eskom Holdings Soc Ltd v NERSA

- 5.7.3. Eskom having launched a review application against the 2025/26, 2026/27 and 2027/28 MYPD determination, on 21 December 2025 the High Court rejected Eskom and NERSA's settlement attempts, reviewing and setting aside Eskom's allowable revenue for 2026/27 and 2027/28 financial years.
- 5.8. The effect of the judgment of 21 December 2025, is that NERSA is unable to comply with the timelines set out in the judgment of 4 December 2025, in that the allowable revenue decision which is the foundation for the ERTSA and Municipal tariffs was reviewed and set aside.
- 5.9. The reviewing and setting aside of the Eskom MYPD6 decision pertaining to Eskom's allowable revenue for financial years 2026/27 and 2027/28, necessitated NERSA to firstly redetermine the Eskom's allowable revenue for financial years 2026/27 and 2027/28. The redetermination process was finalised and the decision of the ER duly taken on 7 February 2026.
- 5.10. Eskom's 2026/27 ERTSA application as received on 10 February 2026, is therefore properly before the ER for consideration and decision purposes.
- 5.11. The ER must comply with section 10 of the NERA read with sections 4 and 5 of PAJA as well as the Regulations issued in terms of PAJA, in considering the ERTSA application and taking an appropriate decision.
- 5.12. In this regard, NERSA may decide to either hold public enquiries or undertake a notice and comment process, or undertake a combination of both processes, in terms of section 4(1)(a), (b) and (c) of PAJA. Regulation 18(2) requires that the notice to the public must include an invitation to submit comments regarding the proposed administrative action. The decision of the Energy Regulatory must also be reduced to writing and duly communicated to the public.

6. Scope of Consultation

- 6.1. Stakeholders are invited to submit comments on the ERTSA application for the 2026/27 financial year. Specific questions have been set out for each identified area, and stakeholders are requested to provide responses or comments on each of these questions.

7. Comments on the Application

- 7.1. The major components of the application:
- a) Split of municipal and non-municipal volume and revenues.
 - b) April to June and July to March split.
 - c) Cross subsidies.
 - d) Implementation of the Retail Tariff Plan Decision.

Stakeholder Question 1:

- a) Stakeholders are requested to comment on Eskom's ERTSA application attached as annexure A.

8. Forecasted Volume and Revenues

- 8.1. The ERTSA Methodology requires that the forecasted sales volumes (GWh) as determined by the Energy Regulator for each of the respective years remain constant for the duration of the MYPD cycle.
- 8.2. The allowed revenue for standard customers as determined by the Energy Regulator for each of the respective years and should remain constant for the duration of the MYPD cycle unless adjusted for the purpose of implementing the outcomes of the Regulatory Clearing Account (RCA).

Stakeholder Question 2:

- b) Stakeholders are requested to comment on the forecasted volumes and revenues used by Eskom on the ERTSA application.

9. Standard Tariffs Annual Average Increase

- 9.1. The ERTSA application is a request to increase the Eskom Standard tariffs for the FY2026/27 financial year. The submitted annual average increase is in accordance with the 7 February 2026, MYPD 6 decision for FY2026/27 Standard tariff revenues, forecasted sales, average price and tariff increase.

Stakeholder Question 3:

- a) Stakeholders are requested to comment on the following:
- i. Tariff category increases shown in Table 1 of the application.

- ii. Components and calculations of 8.76% annual average increase applicable to local authority (municipal) and non-local authority (non-municipal) tariffs.

10. Municipal and Non-municipal Tariffs

- 10.1. The allowed revenues for municipal and non-municipal tariffs for the application year were calculated by increasing their respective base year (the financial year preceding the application year) annual average prices using the ERTSA.
- 10.2. The revenues were then determined by separately multiplying the adjusted municipal and non-municipal annual average prices with the ERTSA by the approved forecasted sales volumes for municipal and non-municipal categories for the application year, before considering any form of cross-subsidy.

Stakeholder Question 4:

- b) Stakeholders are requested to comment on separate allowed revenues for municipal and non-municipal tariffs.

11. Cross-subsidies

- 11.1. The Electricity Regulation Amendment Act (ERAA) section 15(e) and section 2.1(e) of Electricity Pricing Policy permits cross-subsidies, which can be applied as part of the annual average increase to the affordability subsidy charge.

Stakeholder Question 5:

- c) Stakeholders are requested to comment on level of cross-subsidies charges included in the submission.

12. The Impact of Eskom Retail Plan (RTP) Decision

- 12.1. In compliance to the Energy Regulator 18 February 2025 Eskom Retail Tariff Plan (RTP) decision, after the application of the ERTSA tariff increases, adjustments are made to the Generation Capacity Charge (GCC), Homepower and Homeflex service charges.

- 12.2. The GCC arose from the separation out from the energy charge a portion of the fixed charge associated with the cost of providing generation capacity. It is not the whole amount but a portion of it but the impact of the original applied amount was too severe on the low-end user and therefore was to be phased in.
- 12.3. The RTP decision required a phase-in approach to the introduction of a separated GCC and fixed service charges for Homepower and Homeflex. In FY2027, GCC revenues were to grow to 30% of the original RTP value.
- 12.4. Homepower and Homeflex service charges were to increase to 66% of the original RTP value. Correspondingly, the increases to the GCC and service charges were offset with decreases to energy c/kWh rates.

Stakeholder Question 6:

- d) Stakeholders are invited to comment on the tariff impacts arising from the implementation of the GCC.

13. THE CONSULTATION PROCESS

- 13.1. This consultation paper on the ERTSA will be published for 15 days, as opposed to the 30 days. This is done to ensure that NERSA complies with High Court decision of the judgement of 21 December 2025 which emphasised the need for the decision to be expedited.
- 13.2. Stakeholders are advised that the Energy Regulator has already determined allowable revenue under the MYPD6 redetermination decision of 7 February 2026. The scope of this consultation is therefore limited to the retail tariff structural adjustment and associated tariff schedules.
- 13.3. Stakeholders are requested to comment, in writing, on the Consultation Paper on ERTSA application to NERSA for standard tariffs for FY 2026/27.
- 13.4. Written comments can be forwarded to ertsa@nersa.org.za; hand-delivered to Kulawula House, 526 Madiba Street, Arcadia, Pretoria; or posted to PO Box 40343, Arcadia, 0083, Pretoria. The closing date for the submission of comments is 2 March 2026 at 16:00.

13.5. NERSA will collate and consider all comments received as part of its decision-making process. The process for the consultation and decision-making is outlined in the table below.

13.6. The process for consultation and decision-making is outlined in the Table 3 below.

Table 3: Indicative Timelines for the Approval Process

Task Name	Start	Finish
Approval of the consultation paper on ERTSA	Wed 10/03/2026	Wed 10/03/2026
Receipts of ERTSA application	Tue-10-Feb-26	Tue-10-Feb-26
Electricity Subcommittee (ELS) to approve publication of the applications and indicative timelines	Tue-10-Feb-26	Fri-13-Feb-26
Publication of the consultation paper and the Supplementary applications to solicit written stakeholder comments	Fri-13-Feb-26	Fri-13-Feb-26
Closing date for stakeholder comments on the Supplementary applications	Fri-13-Feb-26	Mon-02-Mar-26
Analysis of stakeholders comments and drafting the Reasons for Decision (RfD) for ELS consideration	Fri-13-Feb-26	Tue-03-Mar-26
Special ELS to recommend the Draft Decision and Reasons for Decision	Fri-06-Mar-26	Fri-06-Mar-26
Special Energy Regulator decision	Fri-06-Mar-26	Fri-06-Mar-26

13.7. For more information and queries on the above, please contact Nkhangweleni Sigwadi or Nthabiseng Mapitsing at:

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