Annexure B

CONSULTATION PAPER ON ESKOM RETAIL TARIFF STRUCTURAL ADJUSTMENT APPLICATION FOR STANDARD TARIFFS FOR THE 2027/28 FINANCIAL YEAR

September 2026

Published by

The National Energy Regulator of South Africa

526 Madiba Street

Arcadia, Pretoria

0083

Contact Details:

Tel: +27 (0)12 401 4600

Fax: +27 (0)12 401 4700

www.nersa.org.za

Table of Contents

ABBREVIATIONS AND ACRONYMS

ERA	Electricity Regulation Act
ERTSA	Eskom Retail Tariff Structural Adjustment
EPP	Electricity Pricing Policy
GWh	Gigawatt hour
MFMA	Municipal Finance Management Act
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
O&M	Operating and Maintenance
RCA	Regulatory Clearing Account
RTP	Retail Tariff Plan

1. EXECUTIVE SUMMARY

1.1. The National Energy Regulator of South Africa (NERSA) is responsible for regulating electricity prices and tariffs in accordance with the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA) and the applicable regulatory methodologies approved by the Energy Regulator.

1.2. As part of this mandate, Eskom Holdings SOC Ltd (Eskom) is required to submit an annual Eskom Retail Tariff Structural Adjustment (ERTSA) application for approval before implementing changes to its regulated retail tariffs. The ERTSA process gives effect to the allowable revenue previously approved through the Multi-Year Price Determination (MYPD) process by determining how that revenue is recovered through Eskom's retail tariff structures and Schedule of Standard Prices and Charges.

2. BACKGROUND AND INTRODUCTION

2.1. On 30 January 2025, the Energy Regulator approved Eskom's Sixth Multi-Year Price Determination (MYPD6) allowable revenue for the 2025/26, 2026/27 and 2027/28 financial years. Following a High Court judgment that reviewed and set aside the allowable revenue determination for the 2026/27 and 2027/28 financial years, the matter was remitted to the Energy Regulator for redetermination.

2.2. In compliance with the Court order, the Energy Regulator reconsidered Eskom's application. On 7 February 2026, the Energy Regulator approved the revised allowable revenues, including the Generation Regulatory Asset Base (RAB) adjustment. The revised determination approved an allowable revenue of R419.438 billion for the 2027/28 financial year (FY), based on forecast electricity sales of 160 395 GWh, resulting in an average standard tariff increase of 8.83%, as shown in Table 1 below.

Table 1: 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%		

2.3. Following the approval of the revised allowable revenue and in accordance with the High Court directive requiring Eskom to submit its annual ERTSA application by 31 August each year, Eskom submitted its 2027/28 ERTSA application to NERSA on 31 July 2026. The application seeks approval of the Schedule of Standard Prices and Charges and proposes the implementation of the approved allowable revenue for the 2027/28 financial year.

2.4. The proposed tariffs will take effect from 1 April 2027 for customers supplied directly by Eskom and from 1 July 2027 for municipal customers. The 1 July 2027 implementation date for municipal customers is in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

2.5. The application does not introduce new tariff categories or major changes to the tariff structure. It proposes the implementation of the approved annual tariff adjustments and the third year of the Retail Tariff Plan (RTP), in accordance with the approved ERTSA Methodology.

2.6. NERSA has prepared this consultation paper to facilitate public participation on the 2027/28 ERTSA application. Stakeholders are invited to review the application, consider the proposed tariff adjustments and the implementation of the third year of the Retail Tariff Plan (RTP) and submit written representations before the Energy Regulator makes a final decision.

2.7. NERSA encourages all interested stakeholders, including municipalities, customers, industry, business, labour and consumer groups, to participate. Their submissions will assist NERSA in assessing the proposed tariff adjustments and informing a transparent and evidence-based final decision.

2.8. The ERTSA application should be considered in the context of the transition towards the South African Wholesale Electricity Market (SAWEM). The proposed tariff structures and charges should support competition and should not create barriers to alternative electricity supply arrangements.

2.9. The implementation of the RTP should therefore also consider the future market structure, particularly the impact of fixed charges, GCC, legacy charges and other tariff components, to ensure that the ERTSA does not perpetuate existing structural concerns or undermine the development of a competitive electricity market.

3. LEGAL MANDATE AND REGULATORY FRAMEWORK

Legislative Mandate

3.1. The approval of electricity tariffs is a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legal and regulatory framework. The approval of the ERTSA application must therefore comply with the Constitution of the Republic of South Africa, 1996, the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (‘the ERA’), the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) (PAJA), the Electricity Pricing Policy for the South African Electricity Supply Industry, 2008 (EPP), applicable court orders and the methodologies approved by the Energy Regulator.

NERSA’s Statutory Mandate

3.2. NERSA is established as a juristic person in terms of section 3 of NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The regulatory electricity mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA

3.3. In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions;
b) section 4(a)(ii) of the ERA provides that the Energy Regulator must set and approve prices and tariffs; and
c) section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

3.4. Licensees distributing electricity do so under electricity distribution licences issued by the Energy Regulator and are therefore subject to the tariff approval framework established under the ERA.

Statutory Principles for Tariff Approval

3.5. When determining or approving electricity tariffs, the Energy Regulator must apply the principles contained in section 15(1) of the ERA.

3.6. Section 15(1) of the ERA provides that the Energy Regulator:
- (a) must enable an efficient licensee to recover the full cost of its licensed activities;
- (b) must allow for a reasonable return proportionate to the risk of the licensed activities;
- (c) may provide appropriate incentives for continued improvements in technical and economic efficiency;
- (d) must avoid undue discrimination between customer categories;
- (e) may permit cross-subsidisation where justified and consistent with the regulatory framework to certain classes of customers; and
- (f) may have due regard to security of supply, diversity of supply and the promotion of renewable energy.

3.7. Furthermore, section 15(2) of the ERA prohibits a licensee from charging any tariff other than a tariff approved by the Energy Regulator. Accordingly, the Schedule of Standard Prices and Charges approved through the ERTSA process constitutes the only tariffs that Eskom may lawfully implement during the applicable financial year.

Applicable Regulatory Framework

3.8. The Energy Regulator will assess the 2027/28 ERTSA application within the framework of the following approved regulatory instruments:

- a) The Electricity Regulation Act, 2006 (Act No. 4 of 2006)
- b) The National Energy Regulator Act, 2004 (Act No. 40 of 2004)
- c) The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
- d) The Electricity Pricing Policy, 2008 (EPP)
- e) The Multi-Year Price Determination (MYPD) Methodology
- f) The Eskom Retail Tariff Structural Adjustment (ERTSA) Methodology (Version 1, March 2016)
- g) The Energy Regulator's MYPD6 decisions, including the redetermination following the High Court judgment

h) Previous Energy Regulator decisions relating to the Retail Tariff Plan (RTP).

3.9. The ERTSA Methodology provides the mechanism through which the allowable revenue approved under the MYPD is translated into retail tariffs and the Schedule of Standard Prices and Charges. Consequently, the purpose of the ERTSA process is not to reconsider or redetermine Eskom's allowable revenue, but rather to assess whether the proposed tariff schedules appropriately implement the approved revenue determination in accordance with the approved methodology.

Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) (PAJA)

3.10. The Energy Regulator's consideration of the ERTSA application constitutes administrative action and must therefore comply with the procedural fairness requirements of PAJA.

3.11. In particular, the Energy Regulator is required to:

a) provide adequate and meaningful notice of the proposed decision;
b) make relevant information available to interested and affected parties;
c) afford stakeholders a reasonable opportunity to submit representations;
d) consider all relevant submissions received during the consultation process; and
e) make a decision that is lawful, reasonable and procedurally fair.

3.12. This consultation paper has been prepared to facilitate meaningful public participation and to ensure that stakeholders have sufficient information to make informed representations before the Energy Regulator reaches a final decision.

Alignment of ERTSA with the Electricity Pricing Policy (EPP)

3.13. The Electricity Pricing Policy, 2008 (EPP) provides the national policy framework within which electricity tariffs are determined and approved.

3.14. In assessing Eskom's application, the Energy Regulator will have regard to the EPP principles, including:

a) cost-reflective tariffs;
b) financial sustainability of the electricity supply industry;
c) transparency and predictability in tariff setting;
d) equitable treatment of customer categories;
e) gradual tariff restructuring to minimise tariff shock; and

f) efficient utilisation of electricity infrastructure while supporting broader national energy policy objectives.

3.15. These policy principles are implemented through the MYPD and ERTSA methodologies and inform the Energy Regulator’s assessment of the proposed tariff structures.

Relevant High Court Judgments

3.16. The Energy Regulator’s consideration of the 2027/28 ERTSA application is informed by recent High Court judgments concerning electricity tariff determinations and public participation.

AfriForum NPC v NERSA

3.17. The High Court held that NERSA’s consultation process for municipal tariff applications must provide stakeholders with a meaningful opportunity to participate in the decision-making process. The Court emphasised that interested and affected parties must be afforded access to sufficient information to understand the application and to submit informed representations.

3.18. Accordingly, this consultation paper is intended to promote transparency, facilitate informed stakeholder engagement and support procedural fairness in accordance with PAJA and the constitutional principles governing administrative action.

Eskom Holdings SOC Ltd v NERSA

3.19. Following the judicial review of the MYPD6 allowable revenue decision, the High Court reviewed and set aside the Energy Regulator’s determination relating to the 2026/27 and 2027/28 financial years and remitted the matter to the Energy Regulator for redetermination. The Energy Regulator subsequently reconsidered Eskom’s application and approved revised allowable revenues, including the Generation Regulatory Asset Base (RAB) adjustment.

3.20. The current ERTSA application therefore gives effect to the revised allowable revenue approved by the Energy Regulator and does not reopen the allowable revenue determination.

Regulatory Assessment

3.21. In considering the 2027/28 ERTSA application, the Energy Regulator will assess whether:

a) the proposed Schedule of Standard Prices and Charges correctly implements the approved allowable revenue;
b) the proposed tariff structures comply with the approved ERTSA Methodology and relevant Energy Regulator decisions;
c) the tariff schedules appropriately recover the approved revenue using the approved forecast electricity sales;
d) the proposed tariff adjustments support cost reflectivity while balancing customer affordability and the financial sustainability of the electricity supply industry; and
e) the application complies with the applicable legislative, policy and regulatory framework.

4. SCOPE OF CONSULTATION

4.1. The consultation process is intended to obtain stakeholder views on whether the 2027/28 ERTSA application appropriately implements the allowable revenue approved by the Energy Regulator through the Multi-Year Price Determination (MYPD6) redetermination and complies with the approved ERTSA Methodology, the Retail Tariff Plan (RTP) and the applicable legislative and regulatory framework.

4.2. Stakeholder submissions will assist the Energy Regulator in assessing the reasonableness, transparency and regulatory compliance of the proposed Schedule of Standard Prices and Charges and the associated tariff structural adjustments from the third year of the RTP.

5. MATTERS FOR CONSULTATION

5.1. Stakeholders are invited to provide comments on the following aspects of the 2027/28 ERTSA application:

a) The implementation of the approved average tariff increases for municipal and non-municipal customers.
b) The application of the approved allowable revenue and forecast electricity sales in determining the proposed tariff schedules.
c) The implementation of the third year of the approved Retail Tariff Plan, including the proposed tariff structural adjustments.
d) The revenue recovery assessment and the extent to which the proposed Schedule of Standard Prices and Charges recovers the approved allowable revenue.
e) The impact of the proposed tariff adjustments on customer categories and electricity affordability.
f) The extent to which the proposed tariff structures promote cost reflectivity, transparency and efficient pricing signals.

g) Any other matter relevant to the Energy Regulator's consideration of the application.

5.2. Proposed Average Tariff Increases

5.2.1. Eskom has applied for an average standard tariff increase of 8.83% for the 2027/28 financial year through its ERTSA application. The proposed increase is based on the allowable revenue, forecast sales and average price approved by the Energy Regulator in its MYPD6 decision of 7 February 2026. Eskom seeks approval of the Schedule of Standard Prices and Charges to recover the approved allowable revenue.

Table 2: 2027/28 standard tariffs annual average increase

		FY2026 2025/26 MYPD6 Yr 1	FY2027 2026/27 MYPD6 Yr 2	FY2028 2027/28 MYPD6 Yr 3	YOY changes
(a)	MYPD decision forecasted sales (GWh)	159 312	159 335	160 395	1 060
(b)	MYPD decision allowed revenues (R'm)	351 951	370 854	396 425	25 571
(c)	MYPD decision (c/kWh)	220.92c	232.75c	247.16c	14.40c
(d)	MYPD decisions (%)	12.74%	5.36%	6.19%	0.83%
(e)	Liquidated Generation RAB correction		12 000	23 013	11 013
%	After correction total allowed revenues	351 951	382 854	419 438	36 584
(g)	After correction decision (c/kWh)	220.92c	240.28c	261.50c	21.22c
(h)	Average price increase after correction (%)	12.74%	8.76%	8.83%	0.07% points

Stakeholder Question #1

Stakeholders are invited to comment on:

a) whether the proposed 8.83% average tariff increase appropriately implements the allowable revenue approved in the MYPD6 decision;
b) whether the proposed increase has been determined in accordance with the approved ERTSA Methodology;
c) whether the proposed increase and its application across the standard tariffs result in reasonable and proportionate impacts on the respective customer categories; and
d) whether Eskom has provided sufficient information and supporting calculations to enable stakeholders and the Energy Regulator to assess the basis and rationale for the proposed average tariff increase.; and
e) any other matter relating to the proposed average tariff increases.

5.3. Forecast Electricity Sales Volumes and Revenue

5.3.1. 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.

5.3.2. The allowed revenue for standard customers, as determined by the Energy Regulator for each respective year, must remain constant for the duration of the MYPD cycle, unless adjusted to implement the outcomes of the Regulatory Clearing Account (RCA).

Stakeholder Question #2 Stakeholders are invited to comment on: a) whether Eskom has correctly applied the approved forecast electricity sales volumes in developing the proposed tariff schedules; b) whether the proposed Schedule of Standard Prices and Charges appropriately reflects the approved allowable revenue; c) whether the revenue assumptions underpinning the application are reasonable and transparent; and d) any other matter relating to the forecast electricity sales volumes and revenue.

5.4. Implementation of the Retail Tariff Plan

5.4.1. The 2027/28 ERTSA application proposes implementation of the third year of the Retail Tariff Plan (RTP), in line with the Energy Regulator's previous decisions. The application includes the continued implementation of the Generation Capacity Charge (GCC) and proposed adjustments to the Homepower and Homeflex fixed service charges, while maintaining the approved average tariff increase.

Stakeholder Question #3 Stakeholders are invited to comment on: a) whether the proposed implementation of the third year of the Retail Tariff Plan (RTP) is consistent with the Energy Regulator's previous decisions and the applicable regulatory framework; b) whether the continued implementation of the Generation Capacity Charge (GCC) is appropriately structured and supported by the relevant cost and tariff principles;

c) whether the proposed adjustments to the Homepower and Homeflex fixed service charges are reasonable, cost-reflective and appropriately supported by the information provided by Eskom; and
d) any other matter relating to the implementation of the Retail Tariff Plan.

5.5. Revenue Recovery

5.5.1. The 2027/28 ERTSA application includes revenue recovery testing to demonstrate that the proposed tariff schedule recovers the approved allowable revenue. The application states that any variance between the approved allowable revenue and revenue recovered through the tariff schedule arises from the tariff structure's combination of energy, demand, fixed and customer-related charges.

Stakeholder Question #4

Stakeholders are invited to comment on:

a) whether the revenue recovery assessment appropriately demonstrates recovery of the approved allowable revenue;
b) whether the assumptions and methodologies used in the revenue recovery assessment are reasonable and transparent;
c) whether the proposed tariff schedules accurately recover the approved revenue without creating unintended over- or under-recovery; and
d) any other matter relating to Eskom's revenue recovery assessment.

5.6. Customer Impact

5.6.1. The 2027/28 ERTSA application assesses the impact of the proposed tariff adjustments on different customer categories. According to the application, implementing the RTP, including changes to fixed and energy charges, may affect customers differently depending on their tariff category and consumption profile.

Stakeholder Question #5

Stakeholders are invited to comment on:

a) whether the proposed tariff adjustments result in reasonable and proportionate impacts across different customer categories and consumption profiles;
b) the impact of changes to fixed and energy charges on customers' overall electricity costs;

c) whether the proposed tariff structure appropriately considers affordability and cost reflectivity; and
d) any material customer impacts arising from the implementation of the RTP that require further clarification or assessment by the Energy Regulator.; and
e) any other matter relating to the customer impact assessment.

5.7. **Tariff Cost Reflectivity**

5.7.1. A key objective of the RTP is to improve the cost reflectivity of Eskom's retail tariffs. The proposed adjustments are intended to align tariff structures progressively with the underlying cost of supplying electricity, while maintaining transparency and fairness.

Stakeholder Question #6

Stakeholders are invited to comment on:

a) whether the proposed tariff structures and charges appropriately reflect the underlying costs of supplying electricity;
b) whether the proposed allocation of costs across tariff components and customer categories is consistent with cost-causation principles; and
c) whether the proposed adjustments promote cost reflectivity, transparency and fairness without creating unreasonable impacts on customers.; and
d) any other matter relevant to tariff cost reflectivity.

5.8. **Consideration of Previous ERTSA Matters**

5.8.1. In assessing the FY2027/28 ERTSA application, the Energy Regulator is mindful of matters and concerns raised by stakeholders during previous tariff restructuring processes. These matters relate, among others, to the appropriateness of the proposed tariff structures, the allocation and recovery of costs, the design and application of fixed and capacity-related charges, as well as the treatment of legacy costs and other tariff components.

Stakeholders are invited to comment on:

a) Whether the application provides sufficient evidence and rationale for the proposed tariff structures and charges, including their alignment with regulatory principles and cost-reflectivity.
b) Whether the proposed tariffs appropriately address cost causation, affordability, industrial competitiveness, customer impacts, competition and efficient use of the electricity system.

c) Whether the proposed charges, particularly GCC, fixed and legacy charges, could perpetuate existing structural concerns or create unintended consumer or competitive impacts.

5.9. Key Matters for Stakeholder Consideration

5.9.1. The Energy Regulator will consider the proposed tariff structures and charges in the context of affordability, consumer protection, industrial competitiveness and the transition towards SAWEM. Particular attention will be given to the treatment of fixed charges, GCC, legacy charges and stranded assets, including their potential impact on customer behaviour, demand, competition, switching and investment. The consultation will also consider whether the proposed implementation of the RTP appropriately addresses relevant findings from NERSA's Market Inquiry and avoids perpetuating structural concerns that may affect the efficient functioning of the electricity market.

6. CONSULTATION PROCESS

6.1.1. Stakeholders are invited to submit written comments on the consultation paper on the ERTSA application for standard tariffs for FY2027/28.

6.1.2. Written comments may be emailed to ertsa@nersa.org.za, hand-delivered to Kulawula House, 526 Madiba Street, Arcadia, Pretoria, or posted to PO Box 40343, Arcadia, 0007, Pretoria. The closing date for the submission of comments is 2 October 2026 at 16:00.

6.1.3. NERSA will collate and consider all comments received as part of its decision-making process.

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

Table 3: Timelines for the approval process

Task Name	Start Date	End Date
Receipt of Eskom Retail Tariff Structural Adjustment (ERTSA) application	2026/07/31	2026/07/31
ELS meeting of 1 September 2026	2026/09/01	2026/09/01
Publication of the consultation paper to solicit written stakeholder comments and notice for and public hearing	2026/09/02	2026/09/02

Closing date for stakeholder comments on the ERTSA Public Consultation process	2026/10/02	2026/10/02
Public Hearing	2026/10/08	2026/10/08
ELS to recommend the RFD to the ER for approval	2026/11/03	2026/11/03
Energy Regulator's decision on ERTSA	2026/11/26	2026/11/26
Communication of the ERTSA decision to Eskom	2026/12/03	2026/12/03

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

Physical address: The National Energy Regulator of South Africa (NERSA)
Kulawula House
526 Madiba Street
Arcadia
Pretoria

Telephone No.: 012 401 4728/4726

Fax No.: 012 401 4700

<u>End.</u>