

27 October 2026

The Department of Electricity and Energy
Attention: Mr Joseph Maraba
Private Bag X96
Pretoria 0001

E-mail: EPP.Comments@dee.gov.za

Dear Mr Maraba

ILEMBE CHAMBER SUBMISSION ON THE DRAFT REVISED ELECTRICITY PRICING POLICY (EPP 2026)

The iLembe Chamber of Commerce welcomes the opportunity to comment on the draft Revised Electricity Pricing Policy (EPP 2026).

The Chamber supports the objectives of the revised policy, namely greater transparency, efficient and defensible cost recovery, a financially sustainable electricity system, and a regulatory framework capable of accommodating increased competition, diversified electricity supply, and new forms of electricity procurement and trading.

The Chamber's principal concern is how the proposed framework will affect the total cost of doing business, investment and employment, and how it will change the discretion and accountability of municipalities when setting electricity tariffs and preparing their budgets. These questions are particularly important for small and medium-sized enterprises, manufacturers and industrial businesses, tourism and hospitality businesses, retailers, and prospective investors in the iLembe region.

1. Impact on the cost of doing business

The transition to cost-reflective tariffs and more transparent billing has the potential to strengthen accountability, improve the allocation of electricity costs and provide a more robust basis for pricing decisions.

Of particular importance, however, is how the proposed framework will affect the distribution of costs across different customer categories and the extent to which the resulting tariff structures reflect the underlying cost drivers, usage profiles and economic circumstances of businesses.

The Chamber is concerned that, depending on how these arrangements are implemented, the restructuring could place additional pressure on business operating costs and competitiveness, particularly where changes to fixed charges, network costs and alternative supply arrangements materially alter the overall cost of electricity.

Fixed charges and charges linked to contracted capacity or maximum demand require careful consideration. Businesses investing in energy efficiency or alternative generation may reduce their electricity consumption without a corresponding reduction in their need for grid capacity. Such charges should therefore be transparent, objectively justified and proportionate to the network capacity required, while avoiding unnecessary disincentives to energy efficiency and private investment in electricity generation.

The impact will vary across businesses. Smaller businesses are generally less able to absorb electricity cost increases or invest in alternative energy. For manufacturers and larger industrial businesses, higher electricity costs can increase production costs and undermine competitiveness. Tourism, hospitality and retail businesses may face reduced profit margins or need to pass higher costs on to customers. Uncertainty about future electricity costs may also discourage investment, business expansion and job creation.

The Chamber strongly proposes that transparent Cost of Supply studies *and* a quantified business-impact assessment be published *prior* to public consultation on proposed tariff structures commences. The Cost of Supply studies should provide a sound, transparent basis for determining tariffs and allocating costs across customer categories.

The business-impact assessment should quantify the likely effects of proposed tariff changes on businesses of different sizes and sectors, including the cumulative impact of electricity tariffs and related municipal charges on operating costs and competitiveness.

Publishing both assessments before consultation will enable meaningful public participation, allow affected businesses to assess the implications of proposed changes, and ensure that economic impacts are properly considered before tariff decisions are finalised and implemented.

2. Municipal tariff-setting, budgets and revenue

The draft policy appears to envisage stronger national consistency and regulatory oversight, including a national tariff framework, standardised cost-of-supply methodologies and regulatory accounts, with NERSA playing a central role in regulating electricity tariffs. It is our understanding that the policy also proposes a clearer distinction between the regulated electricity tariff and the Municipal Surcharge on Electricity (MSOE), alongside greater transparency and ring-fencing of municipal electricity revenue and expenditure.

The Chamber understands that the proposals would not remove all municipal discretion in setting electricity tariffs and determining tariff structures. However, they could materially constrain this discretion through greater national regulation and standardisation of tariff-setting

methodologies.

The precise division of authority between NERSA, National Treasury and municipalities, and the interaction with municipal budgeting and tariff approval processes, should be made explicit before the policy is finalised.

In particular, the policy should clarify how municipalities are expected to budget for services and costs that may no longer be recovered through the electricity tariff, including public lighting and other municipal functions. If existing electricity-derived surpluses are reduced or the MSOE framework changes, municipalities may face funding gaps. There is a risk that costs could instead be transferred to property rates or other service charges. This is not an inevitable outcome, but it must be assessed transparently rather than left to emerge through annual municipal budget processes.

The final policy should set out clear, enforceable principles for municipal tariff-setting and revenue disclosure, while preserving appropriate and accountable municipal flexibility to support local economic development. Municipalities should be able to consider transparent, cost-justified and time-limited incentives for investment, industrial expansion and business retention, subject to clear eligibility criteria, measurable public benefits and the applicable regulatory approvals.

3. Specific recommendations

The Chamber recommends that the final policy:

- 3.1. Require transparent Cost of Supply studies and quantified business-impact assessments to be published before public consultation on proposed tariff structures commences, ensuring that tariff decisions are evidence-based and their economic implications understood by local authorities.
- 3.2. Ensure fair and transparent cost allocation across customer categories, with fixed, capacity and network charges objectively justified and proportionate, avoiding double recovery and unnecessary disincentives to energy efficiency and private electricity generation.
- 3.3. Clarify municipal powers and regulatory responsibilities, including the respective roles of NERSA, National Treasury and municipalities in determining electricity tariffs, tariff structures and the MSOE.
- 3.4. Protect municipal budget transparency and accountability by requiring disclosure of the implications of tariff reforms, ring-fencing and changes to electricity-derived revenue for municipal finances, property rates and other service charges, with safeguards against unjustified cost shifting.
- 3.5. Preserve appropriate local municipal flexibility to promote local economic development, including transparent, cost-justified and time-limited tariff incentives that support investment, industrial expansion, business retention and employment.
- 3.6. Predictable implementation and meaningful consultation, that require adequate notice and consultation with affected businesses before proposed tariff changes are finalised.

Any proposed increase exceeding the applicable National Treasury inflation guideline should be specifically justified and its impact on businesses disclosed, with reasonable transition arrangements where the increase is likely to place significant pressure on business operating costs.

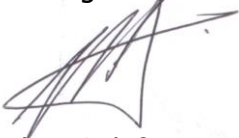
4. Information and clarification requested

The Chamber requests that the Department and NERSA clarify how the final policy and its implementing arrangements will address the following:

- 4.1. Cost of Supply and business impact: What requirements will apply to Cost of Supply studies and quantified business-impact assessments, and will both be published before public consultation on proposed tariff structures commences?
- 4.2. Tariff design and cost allocation: How will the regulatory framework ensure that electricity costs are fairly allocated across customer categories, that fixed, capacity and network charges are properly justified, and that double recovery is avoided?
- 4.3. Municipal tariff-setting powers: What discretion will municipalities retain in determining electricity tariffs and tariff structures, and how will responsibilities be divided between NERSA, National Treasury and local government, particularly regarding the MSOE?
- 4.4. Municipal budgets and revenue: How will the proposed ring-fencing arrangements and changes to electricity-derived revenue affect municipal budgets, and what safeguards will prevent unjustified transfers of costs to property rates or other municipal service charges?
- 4.5. Local economic development: What scope will municipalities retain to introduce special tariffs or other cost-justified pricing incentives to attract investment, support industrial expansion and promote business retention and employment?
- 4.6. Tariff increases and implementation: How will proposed tariff increases exceeding the applicable National Treasury inflation guideline be assessed and justified? What requirements will apply to advance notice, consultation with affected businesses and transitional arrangements where significant cost increases are anticipated?

The Chamber requests that these matters be addressed explicitly in the final policy and its implementation framework, to provide clarity for municipalities, electricity consumers and businesses, and to support transparent, predictable and economically sustainable tariff-setting.

Kind regards



Cobus Oelofse

Chief Executive Officer: iLembe Chamber of Commerce, Industry & Tourism

cc President iLembe Chamber of Commerce