



GEORGE LOCAL MUNICIPALITY

**ELECTRICITY COST OF SUPPLY (COS) IMPLEMENTATION PHASE-
IN STRATEGY**

EXECUTIVE SUMMARY

MARCH 2026

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Document Control and Approvals

Document Control					
Report Title		George Electricity COS Implementation Phase-In Strategy			
Client		George Municipality	Client contact		Danie Greeff
Rev	Date	Revision details/status	Authors	Reviewer	Approver
0	03/03/2026	Executive Summary	M. Nkwana	T. Mokoena	T. Mokoena
Current Revision		0			

Approvals			
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1. INTRODUCTION

GLS Consulting was tasked with the developing a phase-in strategy for the cost reflective tariffs for George Local Municipality (GLM). The municipality has an approved Cost of Supply study for electricity services conducted by Elexpert Pty Ltd that initially started in 2019 and was since updated and approved in 2025 which provided the rates that would align with cost reflective electricity rates. The aim of that COS study included:

- Ringfencing the electricity business
- Understanding the true cost of supply for electricity services
- Analysis of the efficiency of the tariff structure

This COS study is valid until the 2029/2030 financial year (FY), unless any major changes arise to the provision of electricity services for the municipality. Unbundling of the rates through structural changes were fully implemented as part of the implementation of the resultant COS rates, however, the price on the rate types (energy, demand, access and basic charges) require phasing in to better manage the impact of the cost reflective rates on their customer monthly bill, while protecting the municipality's trade service sustainability. This speak to the general tariff principles highlighted within the Electricity Pricing Policy (EPP). An immediate, one-time adjustment to cost-reflective tariffs could create significant customer affordability challenges and economic disruption. Therefore, the Phase-In Strategy is presented in this report designed to transition tariffs from current levels to their cost-reflective targets in a structured, predictable, and manageable manner over the period of validity of the COS study. This strategy balances the imperative of financial sustainability with the need to mitigate social and economic impacts, ensuring a just and stable energy transition.

2. ELECTRICITY SERVICES COS STUDY

Before the phase-in strategy can be developed, an understanding of the COS for electricity services was required. This section provides a summary of the COS study that forms the basis of the phase-in strategy developed. The analysis within the COS study determined the true, full cost of providing reliable electricity service to the different customer categories and, where applicable, to different voltage levels.

2.1. COS STUDY FINDINGS

The study's key finding is a quantifiable tariff gap: the difference between the existing, often subsidised tariffs and the new cost-reflective tariffs. Closing this gap is important to George's financial health, allowing it to maintain and modernise infrastructure, reduce losses, and ensure long-term service quality. A summary of these key findings that inform the reforms required in the then existing tariff levels and structure, below is a summary of the findings:

- Indigent customers were undercharged with a low first block charged for energy and no fixed charge levied
- Households alternatives were also subsidised due to same issues as the indigent customers
- Non-indigent domestic customers were close to or slightly overcharged
- Commercial customers without basic charges are overcharged when average consumption is high and undercharged when low.
- All other commercial tariffs were overcharged
- Time-of Use (TOU) customers at MV and LV level are slightly overcharged
- Streetlight tariffs were low and did not cover maintenance costs

Figure 2-1 displays a plot of the over- and under recovery from the tariff analysis in the COS study. The deficit on commercial and bulk customer rates is suspected to be due to the imbalance in cost recovery from residential customers.

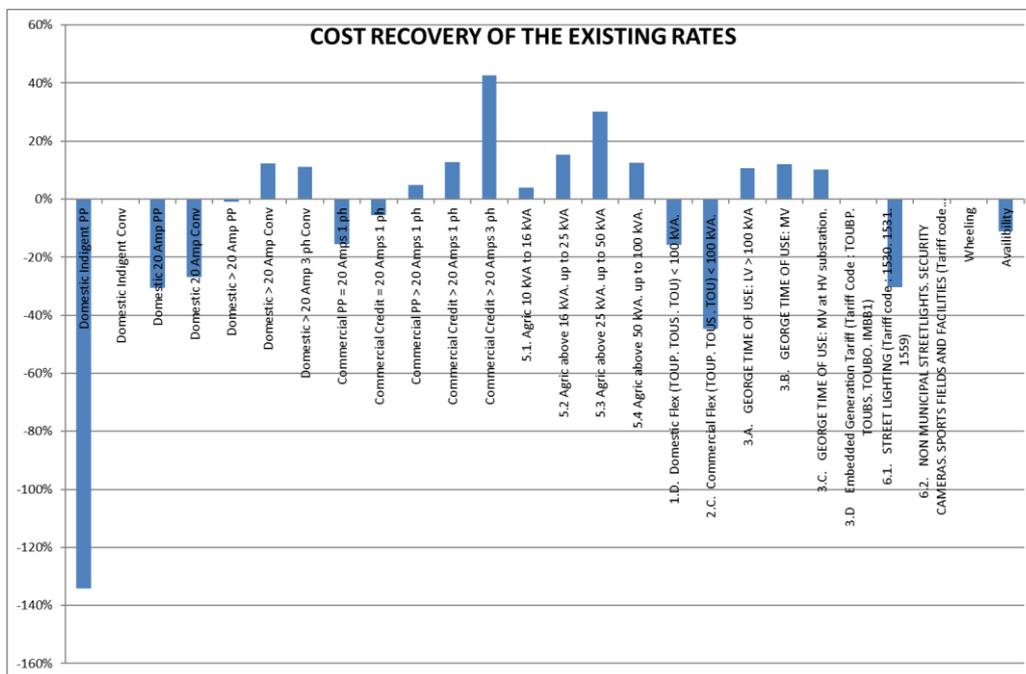


Figure 2-1: Percentage over- and under recovery for the existing rates

The findings identified during the analysis conducted in the recently approved COS study helped develop proposed cost reflective rates for the municipality.

The gap between the existing electricity tariffs for George and the COS study tariffs are compared to understand how much of an increase and decrease in tariffs is required to achieve cost reflectivity. Table 2-1 shows the percentage increases and decreases needed in each tariff category for the 2024/2025 FY to reach cost reflectivity. The highest increases are required in the fixed charged (basic and demand related charges) especially the access charge for the tariff categories, while the energy rates require decreases.

Table 2-1: Gap between the existing 2024/2025 electricity tariffs and the cost reflective tariffs

Tariff Code	CoS Study Tariff Name	Basic Charge	Access Charge	Demand Charge	Energy Charge	HS Peak	Block 1 HS Standard	Block 2 HS Off peak	LS Peak	LS Standard	LS Off peak	Reactive Charge
DOMI	Domestic Indigent PP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
DOMI	Domestic Indigent Conv	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1503;1580;PDOM	Domestic 20 Amp PP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1503;1580;PDOM	Domestic 20 Amp Conv	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp PP	27%	123%	0%	-19%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp Conv	27%	123%	0%	-19%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp 3 ph Conv	83%	123%	0%	-19%	0%	0%	0%	0%	0%	0%	0%
1507;1508;1582;1583;PCOM	Commercial PP = 20 Amps 1 ph	0%	0%	0%	-17%	0%	0%	0%	0%	0%	0%	0%
1507;1508;1582;1583;PCOM	Commercial Credit = 20 Amps 1 ph	0%	0%	0%	-17%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial PP > 20 Amps 1 ph	38%	34%	0%	-31%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 1 ph	38%	34%	0%	-31%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 3 ph	100%	34%	0%	-31%	0%	0%	0%	0%	0%	0%	0%
1541;1542	5.1. Agric 10 kVA to 16 kVA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1543	5.2 Agric above 16 kVA. up to 25 kVA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1544	5.3 Agric above 25 kVA. up to 50 kVA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
1545	5.4 Agric above 50 kVA. up to 100 kVA.	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOUSP; TOUSS; TOUDO	1.D. Domestic Flex (TOUP. TOUS . TOU) < 100 kVA.	250%	121%	0%	0%	-3%	-17%	-5%	10%	0%	19%	0%
TOUCP; TOUCS; TOUCO	2.C. Commercial Flex (TOUP. TOUS . TOU) < 100 kVA.	-5%	34%	0%	0%	-3%	-17%	-5%	10%	0%	19%	0%
TOU1A; TOU1; TOUP1; TOUS1; TOUO1	3.A. GEORGE TIME OF USE: LV > 100 kVA	13%	76%	-33%	0%	-6%	-17%	-9%	20%	0%	-2%	6%
TOUSD; TOUSA; TOUPM; TOUSM; TOUOS	3.B. GEORGE TIME OF USE: MV	-1%	-19%	-18%	0%	6%	-15%	-7%	25%	3%	1%	6%
TOU2A; TOU2; TOUP2; TOUS2; TOUO2	3.C. GEORGE TIME OF USE: MV at HV substation.	42%	-23%	-36%	0%	6%	-17%	-9%	23%	1%	-2%	6%
TOUDP; TOUMP; TOUDS; TOUMS; TOUOD; TOUMO	3.D Embedded Generation Tariff (Tariff Code : TOUBP. TOUBS. TOUBO. IMBB1) Export Rate	0%	0%	0%	0%	-100%	-100%	-100%	-100%	-100%	-100%	0%
1530; 1531; 1559	6.1. STREET LIGHTING (Tariff code : 1530. 1531. 1559)	272%	0%	0%	-9%	0%	0%	0%	0%	0%	0%	0%
1556;1556;1587;TOU56	6.2. NON MUNICIPAL STREETLIGHTS. SECURITY CAMERAS. SPORTS FIELDS AND FACILITIES (Tariff code : 1556. 1587. TOU56)	272%	0%	0%	-9%	0%	0%	0%	0%	0%	0%	0%

The tariff category with the biggest adjustment required are the non-indigent domestic and commercial customers. Should their proposed rate changes be implemented in one go, it will have tremendous impact on the customer's pocket. As emphasised earlier, affordability of rates by customers particularly domestic and small commercial along with the sustainability of the electricity business in the municipality were key driver of the phase-in strategy being required for the implementation of the COS study rates.

3. COS STUDY IMPLEMENTATION PHASE-IN STRATEGY

The plan looks to implement different increases on the different tariff components within each customer group. This would involve leveraging the decreases required in specific rates to offset the increases needed in the others of the same customer group. This is done to move the George electricity tariffs closer to being cost-reflective but in a sustainable manner protecting customers. This means they align with the outcomes of the approved cost of supply study. This plan takes place over five years, starting in the 2025/2026 financial year and ending in 2029/2030 which marks the last year of the approved cost of supply study being valid.

Year 1 - 2025/2026 (current financial year): A once-off, across-the-board increase of **10.9%**.

Years 2–5 (2026/2027 to 2029/2030): In each year, part of the remaining gap is added to the tariff. The size of the increase differs for each customer type because some groups are much further from cost-reflective levels than others as seen in Table 3-2.

The overall average increase for each year within the phase-in period is presented in Table 3-1. Year 2 which is the next tariff application has an overall increase of 13%. This is due to the high increases experienced by introducing a fixed charge for streetlights tariff (100%) and the 43% increase in the export tariff for small-scale embedded generation (SSEG) customers. Without these two increases, the average increase for the electricity tariffs for the 2026/2027 year would only be **8%**. The remaining increases are more reasonable to keep up with the increase in Eskom's electricity prices of 9,01% for 2026/2027 and 8,83% for 2027/2028 while also moving the George electricity tariff towards the cost of supply study tariffs. By the end of the five years George will have cost reflective electricity tariffs based on their approved cost of supply study.

Table 3-1: Average Increase Across the Phase-in Period

Financial Year	Overall Average Increase (%)	Eskom Approved Increase (%)
2025/2026	10,9%	11,32%
2026/2027	13%	9,01%
2027/2028	9%	8,83%
2028/2029	9%	?
2029/2030	11%	?

Table 3-2: Proposed increases to the existing electricity tariffs for 2026/2027 tariff application

Tariff Code	CoS Study Tariff Name	Basic Charge	Access Charge	Demand Charge	Energy Charge	HS Peak	HS Standard	HS Off peak	LS Peak	LS Standard	LS Off peak	Reactive Charge
		% increase	% increase	% increase	% increase	% increase	% increase	% increase	% increase	% increase	% increase	% increase
DOMI	Domestic Indigent PP	0%	0%	0%	0%	0%	8%	8%	0%	0%	0%	0%
DOMI	Domestic Indigent Conv	0%	0%	0%	0%	0%	8%	8%	0%	0%	0%	0%
1503;1580;PDOM	Domestic 20 Amp PP	0%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
1503;1580;PDOM	Domestic 20 Amp Conv	0%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp PP	10%	17%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp Conv	10%	17%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1504;1506;1584;TOU20	Domestic > 20 Amp 3 ph Conv	16%	17%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1507;1508;1582;1583;PCOM	Commercial PP = 20 Amps 1 ph	0%	0%	0%	4%	0%	0%	0%	0%	0%	0%	0%
1507;1508;1582;1583;PCOM	Commercial Credit = 20 Amps 1 ph	0%	0%	0%	4%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial PP > 20 Amps 1 ph	8%	8%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 1 ph	8%	8%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 3 ph	15%	8%	0%	7%	0%	0%	0%	0%	0%	0%	0%
1541;1542	5.1. Agric 10 kVA to 16 kVA	8%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
1543	5.2 Agric above 16 kVA. up to 25 kVA	8%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
1544	5.3 Agric above 25 kVA. up to 50 kVA	8%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
1545	5.4 Agric above 50 kVA. up to 100 kVA.	8%	0%	0%	8%	0%	0%	0%	0%	0%	0%	0%
TOUSP; TOUSS; TOUDO	1.D. Domestic Flex (TOUP. TOUS . TOU) < 100 kVA.	22%	20%	0%	0%	9%	9%	9%	9%	11%	9%	0%
TOUCP; TOUCS; TOUCO	2.C. Commercial Flex (TOUP. TOUS . TOU) < 100 kVA.	7%	11%	0%	0%	7%	7%	7%	9%	8%	11%	0%
TOU1A; TOU1; TOUP1; TOUS1; TOUO1	3.A. GEORGE TIME OF USE: LV > 100 kVA	9%	6%	12%	0%	6%	7%	5%	9%	6%	6%	9%
TOUSD; TOUSA; TOUPM; TOUSM; TOUOS	3.B. GEORGE TIME OF USE: MV	8%	6%	6%	0%	9%	7%	5%	11%	7%	6%	9%
TOU2A; TOU2; TOUP2; TOUS2; TOUO2	3.C. GEORGE TIME OF USE: MV at HV substation.	8%	5%	8%	0%	9%	7%	6%	12%	8%	7%	9%
TOUDP; TOUMP; TOUDS; TOUMS; TOUOD; TOUMO	3.D Embedded Generation Tariff (Tariff Code : TOUBP. TOUBS. TOUBO. IMBB1) Export Rate	0%	0%	0%	0%	43%	43%	43%	43%	43%	43%	0%
1530; 1531; 1559	6.1. STREET LIGHTING (Tariff code : 1530. 1531. 1559)	100%	0%	0%	6%	0%	0%	0%	0%	0%	0%	0%
1556;1556;1587;TOU56	6.2. NON MUNICIPAL STREETLIGHTS. SECURITY CAMERAS. SPORTS FIELDS AND FACILITIES (Tariff code : 1556. 1587. TOU56)	100%	0%	0%	6%	0%	0%	0%	0%	0%	0%	0%

4. WHAT DOES THIS PROPOSED STRATEGY MEAN FOR CUSTOMERS?

When calculating the impact of the proposed electricity tariffs resulting from this phase-in approach on the different customers electricity bill, it is found that the overall increase experienced by customers is only **7,86%**. There are only a few customers with increased bills higher than the 7.86%.

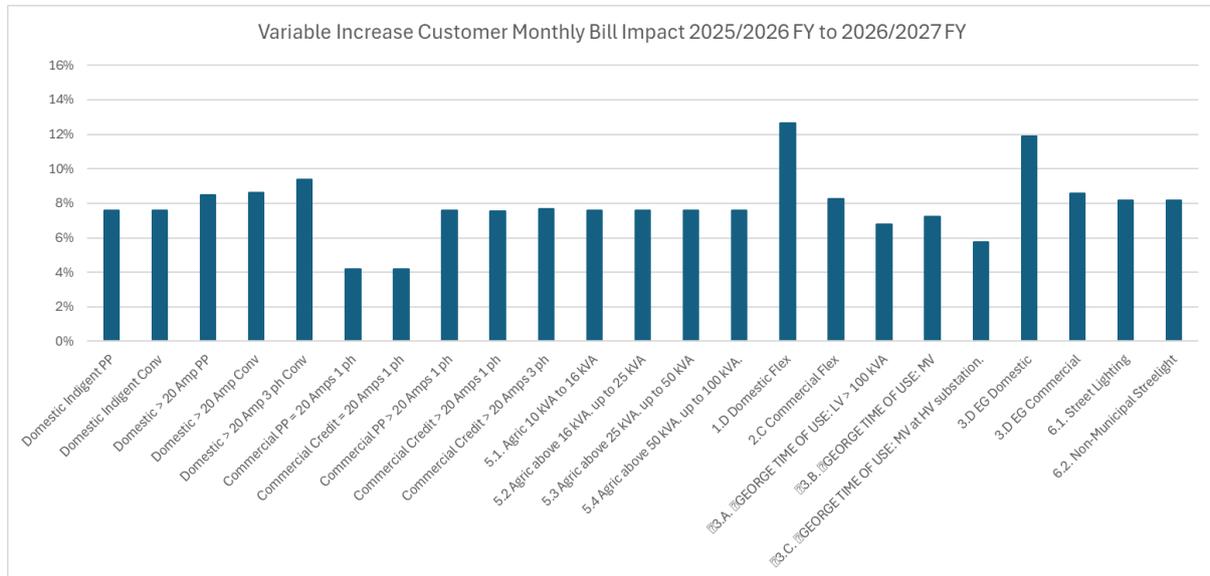


Figure 4-1: George Electricity Customer Monthly Bill Increase

The customer experiencing higher than average increase will be the DomesticFlex customer on a Time of Use tariff, the residential three phase customer and the SSEG customer on a DomesticFlex tariff. The rest of the customers in George will have an increase of around 7,86%.

5. WHAT DO THESE INCREASE IN TARIFF INFLUENCE THE REVENUE FOR THE MUNICIPALITY?

The estimate revenue that the municipality would earn from implementing the proposed electricity tariffs for the next financial year is calculated in Table 5-1. This estimate revenue is compared to the costs detailed in the cost of supply study of **R1 415 720 420,17**, this cost does not include any surplus.

Table 5-1: COS Study Revenue Sustainability Assessment Results

Financial Year	COS Study Expenditure	Estimate Revenue	Surplus	% Margin
2026/2027	R1 415 720 420,17	R1 419 358 616,97	R3 638 196,81	0,26%

Next year, in 2026/2027 should see a surplus of **R3 638 196,81** which is only a profit margin of just above 0,26% when implementing the proposed rates from this phase-in strategy against the revenue requirement from the COS study.