MINISTRY

ELECTRICITY AND ENERGY

REPUBLIC OF SOUTH AFRICA

Private Bag X 96, Pretoria, 0001, Matimba Building, cnr Visagie and Paul Kruger Streets, Pretoria Tel: +27 12 406 7612, Fax: +27 12 323 5849

Private Bag X9111 Cape Town 8000, 7th Floor, 120 Plein Street Cape Town, Tel: +27 21 469 6425, Fax: +27 21 465 5980

Memorandum from the Parliamentary Office

National Assembly: 1550

Please find attached a response to Parliamentary Question for ***written reply*** asked by Mr D M Skosana (MK) to **ask the Minister of Electricity and Energy**

Recommended/ Not Recommended

Mr Subesh Pillay
Acting Director-General: Electricity and Energy
☑ Recommended/ ☐ Not Recommended
5 May 2026

Approved/Not Approved

Dr Kgosientsho Ramokgopa
Minister of Electricity and Energy
☒Approved / ☐Not Approved

6 November 2025

1550. Mr D M Skosana (MK) to ask the Minister of Electricity and Energy:

Given the recent announcement that the National Energy Regulator of South Africa has approved a new tariff increase of 8,76% for the direct customers of Eskom and 9,01% for municipalities with effect from 1 April 2026, what were the biggest cost drivers that contributed to the specified increase? **NW1743E**

REPLY:

The approved tariff adjustments of 8.76% for Eskom direct customers and 9.01% for municipal customers, effective from 1 April 2026, are based on the outcome of the Multi-Year Price Determination (MYPD) process undertaken by the National Energy Regulator of South Africa (NERSA) in accordance with the Electricity Regulation Act.

The key cost drivers that contributed to the approved increases include the following:

1. Primary Energy Costs These constitute the largest cost component and include the cost of coal, diesel usage for open cycle gas turbines (OCGTs), nuclear fuel, and independent power producer (IPP) purchases. The continued reliance on diesel generation to support system stability and mitigate load shedding remains a significant upward pressure.

2. Independent Power Producer (IPP) Procurement Costs Payments to IPPs under existing Power Purchase Agreements have increased, reflecting both contractual obligations and additional capacity procured to enhance energy security.

3. Employee and Operating Costs Eskom's operational requirements, including employee-related expenses and maintenance costs, contribute to the revenue requirement necessary to sustain operations and improve plant performance.

4. Depreciation and Return on Assets (Regulated Asset Base – RAB) The recovery of costs associated with Eskom's asset base, including depreciation and a regulated return, remains a core component of the tariff determination.

5. Network Costs (Transmission and Distribution) Increased investment requirements in transmission and distribution infrastructure to support grid expansion, reliability, and integration of new generation capacity have contributed to the cost base.

6. Inflationary Pressures General inflationary increases across goods and services, including maintenance inputs and procurement costs, have had a cumulative impact on Eskom's allowable revenue.

7. Regulatory Adjustments and Prudency Assessments NERSA applied prudency reviews and disallowed certain costs deemed inefficient or not justifiable, thereby moderating the overall increase. The approved tariffs therefore reflect a balance between Eskom's financial sustainability and the need to protect consumers from excessive increases.

   The determination followed an extensive public participation process, including public hearings and stakeholder submissions, ensuring transparency and accountability in the tariff-setting process.