

Postal Address:
POSTNET Suite 41, Private Bag X8, Cascades, Pietermaritzburg, 3202
Telephone: 079 398 9384
Email: Mervyn@pmbejd.org.za
www.pmbejd.org.za

SUBMISSION TO THE NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)

Eskom Retail Tariff Structural Adjustment (ERTSA) Application for the 2027/28 Financial Year

Submitted by the Pietermaritzburg Economic Justice and Dignity Group (PMBEJD)
September 2026

National Energy Regulator of South Africa (NERSA)
526 Madiba Street
Arcadia
Pretoria

Email: ertsa@nersa.org.za

29 September 2026

RE: COMMENTS ON ESKOM'S RETAIL TARIFF STRUCTURAL ADJUSTMENT (ERTSA) APPLICATION FOR FY2027/28

The Pietermaritzburg Economic Justice and Dignity Group (PMBEJD) welcomes the opportunity to submit comments on Eskom's Retail Tariff Structural Adjustment (ERTSA) application for the 2027/28 financial year.

PMBEJD is a civil society organisation that conducts ongoing monitoring of household affordability, food prices, transport costs, wages, social grants and related socio-economic indicators affecting low-income households.

Through its Household Affordability Index and Household Food Basket monitoring programmes, PMBEJD seeks to contribute empirical evidence to public policy and regulatory decision-making concerning household welfare and economic justice.

This submission focuses on the affordability implications of Eskom's proposed 8.83% tariff increase for residential consumers. PMBEJD submits that electricity affordability has become a significant public-interest concern affecting household welfare, food security, poverty reduction and the effective enjoyment of access to essential services.

Drawing on PMBEJD's affordability data, the submission demonstrates that electricity costs have increased substantially faster than wages and other key household affordability indicators over recent years.

The submission further shows that electricity expenditure now absorbs a substantial share of low-income household income and exceeds commonly used international energy-affordability benchmarks.

PMBEJD therefore respectfully requests that NERSA:

1. Reject Eskom's proposed 8.83% tariff increase for FY2027/28;
2. Approve a tariff increase linked to headline Consumer Price Index (CPI) inflation;
3. Recognise household affordability as a core consideration in tariff determinations; and
4. Progressively incorporate affordability assessments and affordability-review mechanisms into future tariff-setting processes.

PMBEJD further proposes a CPI-linked affordability framework and an Affordability Trigger Mechanism designed to assist NERSA in balancing Eskom's legitimate revenue requirements with consumers demonstrated ability to pay.

We trust that this submission will assist NERSA in its consideration of the ERTSA application and would welcome the opportunity to participate in any further consultation processes or public hearings relating to the application.

Yours sincerely,



Mervyn Abrahams
Programme Coordinator
Pietermaritzburg Economic Justice and Dignity Group (PMBEJD)
Email: mervyn@pmbejd.org.za
Website: www.pmbejd.org.za
Mobile: 079 398 9384

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Economic justice through the lens of human dignity

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1. EXECUTIVE SUMMARY

The Pietermaritzburg Economic Justice and Dignity Group (PMBEJD) welcomes the opportunity to comment on Eskom's Retail Tariff Structural Adjustment (ERTSA) application for the 2027/28 financial year.

PMBEJD's central submission is that NERSA should reject Eskom's proposed **8.83% tariff increase** and instead approve a tariff increase linked to headline **Consumer Price Index (CPI) inflation** for FY2027/28.

PMBEJD further recommends that NERSA adopt a **CPI-linked affordability framework** to guide future residential tariff determinations and strengthen the consideration of household affordability within the tariff-setting process.

This submission demonstrates that electricity affordability has become a significant public-interest concern that extends beyond the electricity sector into food security, nutrition, poverty reduction, labour-market outcomes and broader socio-economic development.

Evidence from PMBEJD's Household Affordability Index shows that electricity costs have increased substantially faster than household incomes, wages and other key household expenditure categories, resulting in a significant deterioration in affordability and increasing pressure on household budgets.[1]

PMBEJD's analysis further indicates that electricity expenditure now absorbs a substantial share of low-income household income and exceeds commonly used international energy-affordability benchmarks.[2] The evidence presented in this submission suggests that affordability, rather than physical access to the electricity grid, has become one of the principal energy challenges facing low-income households.

PMBEJD submits that affordability should be treated as a core regulatory consideration alongside cost recovery and utility sustainability. A tariff determination that is technically cost-reflective but practically unaffordable ultimately undermines consumer welfare, food security, payment compliance, electricity demand and long-term revenue sustainability.

PMBEJD proposes that NERSA adopt a CPI-linked affordability framework as an objective, transparent and evidence-based mechanism for balancing Eskom's legitimate revenue requirements with consumers demonstrated ability to pay and NERSA's broader public-interest obligations.

Under this framework:

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[1] PMBEJD Household Affordability Index, September 2020-August 2026; National Minimum Wage determinations; PMBEJD Household Food Basket reports. See www.pmbejd.org.za

[2] U.S. Department of Energy, LEAD Tool methodology defining high energy burden (6%) and severe energy burden thresholds; PMBEJD Household Affordability Index calculations.

- Electricity tariff increases should generally be aligned with headline CPI inflation.
- Tariff increases above CPI should require additional affordability justification.
- Tariff increases materially above CPI should trigger a formal affordability review.
- The impact of tariff increases on household food security, disposable income, energy burden, energy poverty and payment compliance should form part of NERSA's decision-making process.

Where electricity prices increase substantially faster than inflation, wages and social grants, electricity consumes an increasing share of household budgets, reducing the resources available for food and other essential needs and weakening the intended benefits of wage increases and social protection measures.

CPI provides a transparent and widely recognised measure of changes in the cost of living and therefore offers an appropriate benchmark against which residential tariff affordability can be assessed.

Accordingly, PMBEJD submits that NERSA should reject Eskom's proposed 8.83% tariff increase and instead approve a tariff increase linked to headline CPI inflation for FY2027/28. Based on prevailing inflation conditions, this would imply an increase of approximately **4% to 5%**.

Such an approach would allow Eskom to recover inflation-related cost increases while protecting household affordability, preserving the purchasing power of wages and social grants, supporting food security, strengthening payment compliance, and contributing to the long-term sustainability of both Eskom and the electricity sector.

2. RECOMMENDATION SUMMARY AND REQUESTED DETERMINATION

2.1 Requested Determination

PMBEJD respectfully requests that NERSA:

1. **Reject Eskom's proposed 8.83% tariff increase for FY2027/28.**
2. **Approve a tariff increase linked to headline Consumer Price Index (CPI) inflation for FY2027/28.**
3. Recognise household affordability as a core regulatory consideration alongside cost recovery, utility sustainability and network reliability.
4. Consider the impacts of tariff increases on food affordability, poverty, household welfare, energy burden and payment compliance.[3]

[3] <National Energy Regulator of South Africa (NERSA)>, *Consultation Paper on Eskom Retail Tariff Structural Adjustment Application for Standard Tariffs for the 2027/28 Financial Year*. The consultation process expressly seeks comment on affordability, customer impacts, tariff fairness and the public-interest implications of tariff adjustments.

Based on prevailing inflation conditions, a CPI-linked increase would imply a tariff adjustment of approximately **4% to 5%**, which would allow Eskom to recover inflation-related cost increases while reducing further pressure on already constrained household budgets.[4]

2.2 Summary of Key Findings

The evidence presented in this submission demonstrates that:[5]

- Electricity prices have increased substantially faster than wages, food costs and inflation-adjusted household purchasing power.
- Household electricity affordability has deteriorated significantly since 2020.
- Electricity expenditure absorbs an increasingly large share of household income, particularly among low-income households.
- Rising electricity costs directly reduce the amount of income available for food and other essential goods and services.
- PMBEJD benchmark households experience electricity burdens significantly above widely recognised international affordability benchmarks.
- Above-inflation tariff increases risk deepening energy poverty, worsening food insecurity and undermining the effectiveness of wage and social protection policies.
- A CPI-linked tariff path would better align electricity price growth with household purchasing power while continuing to support Eskom's financial sustainability.

2.3 Recommended Regulatory Measures

PMBEJD further recommends that NERSA progressively strengthen the incorporation of affordability considerations into future tariff determinations through the adoption of the following measures:[6]

Recommendation Area	PMBEJD Recommendation
Affordability Assessment	Require major tariff applications to include an Affordability Impact Assessment

[4] *Consumer Price Index (CPI) Statistical Releases*; PMBEJD analysis of prevailing inflation trends. A tariff increase broadly aligned with headline CPI would imply an increase of approximately 4%-5% under current inflation conditions.

[5] *Household Affordability Index*, September 2020-August 2026; *Household Food Basket Monitoring Reports*, September 2020-August 2026; Department of Employment and Labour, *National Minimum Wage Determinations, 2020-2026*. PMBEJD data indicate that electricity costs increased by approximately 95.1% between September 2020 and August 2026, compared with National Minimum Wage growth of 45.6% and food basket growth of 44.9%.

[6] <National Energy Regulator of South Africa (NERSA)>, *Consultation Paper on Eskom Retail Tariff Structural Adjustment Application for Standard Tariffs for the 2027/28 Financial Year*; , *Low-Income Energy Affordability Data (LEAD) Tool*; <American Council for an Energy-Efficient Economy (ACEEE)>, *Understanding Energy Affordability*. These sources support the use of affordability indicators, energy-burden assessments and consumer-impact analysis in regulatory decision-making.

Energy Burden Monitoring	Incorporate household energy-burden indicators into tariff assessments
Electricity Burden After Transport	Adopt this supplementary affordability indicator for low-income households
Food Security Assessment	Assess the impact of tariff increases on household food affordability and nutrition
Affordability Trigger Mechanism	Establish a formal review process where affordability thresholds are exceeded
Consumer Protection	Strengthen protections for low-income and vulnerable households

Source: PMBEJD proposed affordability and consumer-protection framework for electricity tariff regulation.

2.4 Proposed Affordability Thresholds

PMBEJD recommends that NERSA initiate an enhanced affordability review where any of the following conditions apply:

- Tariff increases exceed CPI by more than two percentage points;
- Household electricity expenditure exceeds 20% of gross household income;
- Electricity Burden After Transport exceeds 30%;
- Electricity tariff growth exceeds household income growth over a sustained period.[7]

The detailed rationale and operational design of these measures are set out in Sections 13 and 14 and Annexure A.

3. NERSA'S REGULATORY OBLIGATION TO BALANCE AFFORDABILITY AND COST RECOVERY

The determination of electricity tariffs requires NERSA to balance multiple regulatory objectives, including the recovery of prudent costs, the financial sustainability of Eskom, the protection of consumers, and the promotion of affordable and equitable access to electricity services.

The ERTSA consultation process explicitly invites comment on affordability, customer impacts, tariff fairness, and the implication of proposed tariff increases for different categories of consumers.[8]

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[7] PMBEJD affordability analysis;, *Low-Income Energy Affordability Data (LEAD) Tool*; <American Council for an Energy-Efficient Economy (ACEEE)>, *Energy Burden Research*. International practice commonly identifies energy burdens above 6% as high and above 10% as severe. PMBEJD's proposed thresholds are intended as regulatory review triggers rather than automatic tariff caps.

[8] National Energy Regulator of South Africa (NERSA), ERTSA Consultation Paper and public participation framework.

PMBEJD therefore submits that affordability is not a secondary consideration, but a core regulatory criterion that must be weighed alongside Eskom's revenue requirements and cost recovery needs.

The central question before NERSA is not solely whether Eskom can justify additional revenue. It is whether the proposed tariff increase is reasonable, proportionate, and affordable in the context of current household economic conditions.

As demonstrated throughout this submission, many low-income households are already experiencing severe affordability pressures arising from the combined costs of food, transport, housing, and electricity. In these circumstances, tariff decisions should take account not only of Eskom's financial requirements, but also of households' ability to maintain access to essential electricity services without compromising other basic needs, including food, nutrition, healthcare and education.

PMBEJD does not dispute Eskom's entitlement to recover prudent and efficient costs. The issue before NERSA is whether such recovery should occur at a rate that materially exceeds inflation and household income growth when available evidence indicates that many consumers are already experiencing significant affordability stress.

Accordingly, PMBEJD submits that tariff determinations should strike a reasonable balance between financial sustainability, consumer protection, and electricity affordability, particularly for low-income and vulnerable households.

4. METHODOLOGICAL APPROACH

This submission is based primarily on data generated through PMBEJD's Household Affordability Index, which tracks changes in the cost of essential goods and services required by low-income households over time, including:

- food;
- transport;
- electricity;
- wages; and
- social grants.

The electricity component of the Index is based on the monthly cost of purchasing **350kWh of prepaid electricity in Msunduzi Municipality (Pietermaritzburg),**[9] which

[9] PMBEJD Household Affordability Index electricity benchmark based on the monthly cost of purchasing 350kWh of prepaid electricity in Msunduzi Municipality (Pietermaritzburg). While municipal tariffs vary across distributors, the benchmark is used to assess trends in household electricity affordability over time. The affordability impacts identified are relevant to NERSA's national tariff determination because Eskom tariff adjustments directly affect Eskom customers and indirectly influence municipal electricity tariffs throughout South Africa.

serves as a consistently monitored proxy for assessing changes in household electricity affordability over time.

While electricity tariffs vary across municipalities and distributors, the purpose of this benchmark is not to estimate a national average tariff. Rather, it is used to track the relationship between electricity prices and other key affordability indicators, including food prices, transport costs, wages and social grants. Given that NERSA's tariff determinations directly affect Eskom-supplied customers and indirectly shape municipal electricity tariffs across South Africa, the affordability trends identified through the PMBEJD benchmark are relevant to the broader national assessment of household electricity affordability.

The central analytical principle applied in this submission is that affordability should not be assessed solely against gross household income, but against households' actual capacity to pay after accounting for unavoidable household expenditure.

PMBEJD therefore evaluates affordability through three complementary lenses:

- **Inflation Affordability Test:** compares electricity price growth with inflation and other household cost drivers.
- **Income Affordability Test:** compares electricity price growth with growth in household incomes, particularly the National Minimum Wage.

- **Disposable Income Affordability Test:** assesses affordability after accounting for essential household expenditures, particularly transport costs, which compete directly with electricity expenditure for limited household resources.

PMBEJD submits that these measures provide a more realistic assessment of affordability than approaches based solely on gross household income and assist in evaluating whether tariff increases are affordable for low-income households in practice.

5. ELECTRICITY AFFORDABILITY HAS DETERIORATED SIGNIFICANTLY

PMBEJD's data demonstrate that electricity affordability has deteriorated substantially between September 2020 and August 2026.

Table 1: Growth in Key Household Costs (2020-2026)

Indicator	Sept 2020	Aug 2026	Increase
Electricity (350kWh prepaid)[10]	R647.50	R1,263.45	95.1%

[10] Electricity costs reflect the monthly cost of purchasing 350kWh of prepaid electricity in Msunduzi Municipality (Pietermaritzburg), as monitored through the PMBEJD Household Affordability Index. While

National Minimum Wage	R4,048	R5,895	45.6%
PMBEJD Household Food Basket	R3,783.16	R5,479.80	44.9%
Transport Costs	R1,260	R1,920	52.4%

Source: PMBEJD Household Affordability Index; Department of Employment and Labour National Minimum Wage determinations; PMBEJD Household Food Basket reports; PMBEJD transport affordability monitoring.

The critical finding is that electricity prices increased:

- more than twice as fast as wages;
- more than twice as fast as food basket inflation; and
- significantly faster than transport costs.

This widening divergence between electricity prices and household incomes demonstrates that affordability has materially deteriorated. The consequence is a widening affordability gap between the cost of electricity and the resources available to households to purchase it.

6. ELECTRICITY IS ERODING THE PURCHASING POWER OF WAGES

The National Minimum Wage exists to reduce working poverty and improve living standards.[11] However, wage increases can only achieve these objectives if essential goods and services do not increase at substantially faster rates.

PMBEJD's affordability data demonstrate that much of the value of wage increases since 2020 has been absorbed by transport and electricity increases because between 2020 and 2026:

- electricity increased by 95.1%; and
- National Minimum Wage income increased by only 45.6%.

As a result, much of the value of wage increases has been absorbed by escalating electricity costs. This represents a significant public-policy concern. When electricity prices consistently outpace income growth:

- workers become poorer in real terms;
- national wage policy becomes less effective;
- social grants become less effective;
- food affordability deteriorates.

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municipal tariffs vary across distributors, the benchmark serves as a consistent indicator of trends in household electricity affordability and is relevant to the assessment of national tariff impacts.

[11] National Minimum Wage Commission; Department of Employment and Labour, National Minimum Wage policy objectives.

PMBEJD submits that persistent electricity price increases above wage growth weaken the effectiveness of labour-market policies aimed at reducing poverty and improving living standards. Tariff regulation should therefore seek to maintain reasonable alignment between electricity prices and household earning capacity.

7. ELECTRICITY AFFORDABILITY AND FOOD SECURITY

PMBEJD's research demonstrates that food and electricity compete directly within household budgets.[12]

For low-income households, transport and electricity are non-discretionary expenditures and are generally paid before food purchases are made.

August 2026 Benchmark Household

Item	Value
National Minimum Wage	R5,895
Transport	R1,920
Electricity	R1,263.45
Income Remaining	R2,711.55

PMBEJD Household Food Basket in August 2026 cost **R5,479.80**. This means that after transport and electricity are paid, a worker earning the National Minimum Wage can purchase only 49.5% of the household food basket.[13]

Electricity affordability is therefore inseparable from food affordability. For low-income households, increases in electricity expenditure directly reduce the resources available to secure an adequate and nutritious diet. PMBEJD submits that these food-security implications form an important component of NERSA's public-interest assessment.

8. MEASURING HOUSEHOLD ELECTRICITY AFFORDABILITY: THE ELECTRICITY BURDEN AFTER TRANSPORT INDICATOR

Conventional energy-burden measures assess electricity expenditure as a share of gross household income. PMBEJD submits that such measures may understate affordability pressures because they do not account for unavoidable expenditures, particularly transport costs required for access to work and economic participation.

[12] PMBEJD Household Affordability Index and Household Food Basket monitoring data, August 2026.
[13] PMBEJD Household Food Basket report, August 2026; PMBEJD affordability calculations.

PMBEJD proposes that NERSA adopt an additional affordability indicator:

Electricity Burden After Transport

Formula: Electricity Expenditure ÷ (Income – Transport Costs)

This methodology reflects actual household spending behaviour and recognises that transport expenditure is often unavoidable.[14]

Using August 2026 data:

August 2026 Example

Item	Value
Income	R5,895
Transport	R1,920
Income after Transport	R3,975
Electricity	R1,263.45
Electricity Burden After Transport	31.8%

This means that nearly one-third of disposable income remaining after transport is absorbed by electricity. PMBEJD submits that this measure provides a more accurate reflection of affordability pressures than conventional energy burden indicators which assess the share of income that must be devoted to energy costs without accounting for other unavoidable expenditures such as transport.

9. ENERGY BURDEN OF LOW-INCOME HOUSEHOLDS: SOUTH AFRICAN AND INTERNATIONAL EVIDENCE

South African evidence indicates that affordability, rather than physical access to the grid, is the primary energy challenge facing low-income households.[15] Statistics South Africa reports median annual household income of approximately R95,770, substantially below average income levels, highlighting the need to assess affordability from the perspective of poorer households.[16]

[14] Derived by PMBEJD using Household Affordability Index data. The measure adapts conventional energy-burden approaches by accounting for unavoidable transport expenditure.
[15] Statistics South Africa; Ye, Y. & Koch, S.F., *Measuring Energy Poverty in South Africa*.
[16] Statistics South Africa, Income and Expenditure Survey 2022/23.

PMBEJD benchmark data indicates electricity expenditure of R1,263.45 per month. This is equivalent to approximately 21.4% of National Minimum Wage income and approximately 31.8% of residual income after transport costs.

These levels are substantially above commonly used international energy burden benchmarks.[17]

Table 4: Comparisons of Household Energy Burdens

Indicator	Energy Burden
International high-burden threshold	6%
International severe-burden threshold	10%
PMBEJD gross electricity burden	21.4%
PMBEJD Electricity Burden After Transport	31.8%

Source: Low-Income Energy Affordability Data (LEAD) Tool; (ACEEE), Energy Burden Research; PMBEJD Household Affordability Index and PMBEJD calculations. The LEAD Tool identifies households with energy burdens of 6% or more as high-burden households, while ACEEE research commonly uses 10% or more as a severe energy-burden threshold.

The PMBEJD benchmark therefore suggests that many low-income South African households experience severe affordability stress well beyond international thresholds with energy burdens frequently reaching 10%-20% of income and reducing the resources available to secure an adequate nutritious diet, thereby creating compounded energy and food affordability risks.

The PMBEJD benchmark household experiences electricity burdens substantially above internationally recognised affordability thresholds. These findings suggest that affordability, rather than physical access to electricity, has become one of the principal energy challenges facing low-income households.

This evidence supports a cautious tariff path and strengthens the rationale for an affordability-based regulatory assessment.

10. WHY CPI IS THE APPROPRIATE REGULATORY BENCHMARK

PMBEJD submits that CPI inflation provides the most appropriate benchmark for assessing reasonable tariff increases for residential consumers.

The rationale is straightforward. Inflation measures changes in the overall cost of living faced by households.[18] Wages, social grants and household budgets are commonly

[17] U.S. Department of Energy LEAD Tool methodology on energy burden thresholds.
[18] Statistics South Africa, Consumer Price Index methodology.

adjusted with reference to inflation because CPI broadly reflects changes in purchasing power.

Where electricity tariffs increase broadly in line with CPI:

- electricity costs maintain their approximate share of household expenditure;
- purchasing power is preserved;
- wage increases continue to improve living standards;
- households retain greater ability to pay.

Where electricity tariffs increase significantly faster than CPI:

- electricity consumes a growing share of household income;
- affordability declines;
- the effectiveness of wage and social protection policies is weakened.

Given the evidence of deteriorating affordability, worsening food insecurity and elevated household energy burdens, PMBEJD submits that CPI provides the most appropriate benchmark for determining reasonable residential tariff increases. A CPI-linked approach would better align electricity price growth with household purchasing power while allowing Eskom to continue recovering prudent costs.

11. THE CASE AGAINST THE PROPOSED 8.83% INCREASE

PMBEJD's position is not that Eskom should receive no increase. Rather, PMBEJD submits that the proposed 8.83% increase exceeds reasonable affordability thresholds.

The key considerations are:

- electricity prices have already increased by 95.1% since 2020;
- household incomes have not increased at comparable rates.
- National Minimum Wage growth over the same period was only 45.6%.;
- households face severe food affordability pressures;
- Eskom has returned to profitability.

For the year ended 31 March 2026, Eskom reported profit after tax of approximately R30.3 billion, representing its second consecutive year of profitability.[19]

While profitability does not eliminate Eskom's revenue needs, it does weaken the argument that exceptionally large above-inflation increases are necessary to ensure short-term financial viability.

PMBEJD does not oppose tariff increases in principle. Rather, PMBEJD submits that the proposed 8.83% increase exceeds what can reasonably be absorbed by low-income households in the current economic environment. Considering the affordability evidence presented in this submission, a CPI-linked increase would represent a more proportionate and equitable outcome.

[19] Eskom FY2026 Annual Financial Statements and FY2026 Results Presentation.

12. ADDRESSING ESKOM'S REVENUE REQUIREMENTS AND FINANCIAL SUSTAINABILITY

PMBEJD recognises that Eskom must remain financially sustainable in order to maintain electricity supply, undertake essential maintenance and operational activities, service debt obligations and support future investment requirements.[20]

PMBEJD therefore does not dispute Eskom's entitlement to recover prudent and efficiently incurred costs through the tariff-setting process.[21] Nor does PMBEJD submit that electricity tariffs should be frozen or prevented from increasing where increases are justified.

The central issue before NERSA is whether the proposed increase appropriately balances Eskom's revenue requirements against the affordability constraints facing South African households.

This balance is particularly important because tariff increases ultimately depend on consumers' ability to pay. Tariffs that substantially exceed household affordability may contribute to reduced consumption, increased non-payment, growing arrears and heightened pressures on both households and distributors.[22] Affordability and financial sustainability should therefore be understood as complementary rather than competing objectives.

PMBEJD further notes that Eskom has reported a second consecutive year of profitability, with profit after tax of approximately R30.3 billion for the financial year ended 31 March 2026.[23] While profitability does not remove Eskom's legitimate revenue requirements, it does indicate that the utility is not currently facing an immediate financial crisis that would justify exceptionally large above-inflation tariff increases.

PMBEJD accordingly submits that a CPI-linked tariff increase would provide a reasonable and balanced approach. Such an outcome would allow Eskom to continue recovering prudent costs while reducing the risk of further undermining household affordability, food security and energy access.

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[20] Eskom Holdings SOC Ltd, *Annual Financial Statements for the year ended 31 March 2026*. Eskom's financial statements note the need to maintain operational sustainability, undertake maintenance, service debt obligations and support ongoing capital investment requirements.

[21] National Energy Regulator of South Africa (NERSA), ERTSA and MYPD tariff-setting framework. NERSA's tariff determination process seeks to enable the recovery of efficient and prudently incurred costs while balancing broader regulatory objectives, including consumer interests and affordability.

[22] Eskom Holdings SOC Ltd, *2026 Annual Results Presentation*. Eskom identifies energy affordability, declining electricity sales and rising municipal arrear debt as material challenges affecting long-term financial sustainability. Affordability therefore has implications for payment compliance, revenue collection and future electricity demand.

[23] Eskom Holdings SOC Ltd, *Annual Financial Statements for the year ended 31 March 2026*; *2026 Annual Results Presentation*. Eskom reported profit after tax of approximately R30.3 billion for the financial year ended 31 March 2026, its second consecutive profitable financial year.

The question before NERSA is therefore not whether Eskom should recover its prudent costs, but whether those costs should be recovered at a rate that materially exceeds inflation and household income growth when available evidence demonstrates that many low-income consumers are already experiencing severe affordability stress.[24]

PMBEJD submits that a CPI-linked increase achieves a more appropriate balance between financial sustainability, consumer protection and equitable access to electricity, and should therefore be preferred to the proposed 8.83% increase.

The following sections set out a proposed affordability framework and regulatory safeguards designed to assist NERSA in balancing Eskom's legitimate revenue requirements with consumers demonstrated ability to pay.

13. A CPI-LINKED AFFORDABILITY FRAMEWORK FOR FUTURE TARIFF DETERMINATIONS

PMBEJD proposes that NERSA adopt a formal regulatory affordability corridor.

Residential Affordability Corridor

Tariff Increase	Regulatory Response
CPI	Standard approval
CPI + 1%	Enhanced justification
CPI + 2%	Exceptional circumstances required
Above CPI + 2%	Mandatory affordability review

Source: PMBEJD proposed CPI-linked affordability framework, informed by PMBEJD affordability analysis and international energy-affordability literature, including the LEAD Tool methodology and (ACEEE) energy-burden research.

The purpose of this framework is not to prohibit tariff increases. Rather, its purpose is to ensure that increases remain broadly aligned with:

- affordability;
- household incomes;
- purchasing power;
- developmental objectives

[24] Statistics South Africa, *Income and Expenditure Survey 2022/23*; Ye, Y. & Koch, S.F., *Measuring Energy Poverty in South Africa*; PMBEJD Household Affordability Index, August 2026. These sources indicate that affordability constraints and energy poverty remain concentrated among lower-income households and support the conclusion that many households are already experiencing significant affordability stress.

PMBEJD submits that this framework creates an objective and transparent affordability benchmark.

14. AN AFFORDABILITY TRIGGER MECHANISM AS A REGULATORY SAFEGUARD

PMBEJD further recommends that affordability reviews become mandatory whenever one or more of the following thresholds are exceeded:[25]

Trigger 1: Electricity tariff growth exceeds National Minimum Wage growth for three consecutive years.

Trigger 2: Electricity expenditure exceeds 20% of gross household income.

Trigger 3: Electricity burden after transport exceeds 30%.

Trigger 4: Electricity tariff increases exceed CPI by more than two percentage points.

Where any trigger is activated, NERSA should require:

- a formal affordability assessment;
- a food-security assessment;
- an assessment of impacts on social grants;
- an assessment of impacts on minimum wage earners;
- an assessment of payment compliance impacts;
- an assessment of long-term revenue sustainability.

Relationship Between the Affordability Corridor and the Affordability Trigger Mechanism

- The affordability corridor and the Affordability Trigger Mechanism should be viewed as complementary regulatory tools.
- The corridor establishes an affordability range within which tariff increases may ordinarily be considered reasonable.
- The trigger mechanism acts as a safeguard whenever a tariff proposal exceeds affordability benchmarks or when affordability indicators demonstrate excessive consumer pressure.

Tariff Outcome	Regulatory Response
CPI or below	Ordinary tariff assessment
CPI to CPI+1%	Standard affordability assessment

[25] Trigger thresholds derived from PMBEJD affordability analysis, international energy-burden literature, and affordability indicators developed in this submission.

CPI+1% to CPI+2%	Enhanced affordability justification
Above CPI+2%	Affordability Trigger Mechanism activated
Affordability thresholds breached	Mandatory affordability review

Source: PMBEJD proposed Affordability Trigger Mechanism and regulatory review framework.

PMBEJD therefore recommends that NERSA should require an Affordability Impact Assessment with major tariff applications. Key indicators should include CPI, National Minimum Wage growth, household energy burden, Electricity Burden After Transport, and food affordability indicators. Where thresholds are exceeded, a formal affordability review should be triggered prior to tariff approval.

Detailed procedures are contained in Annexure A.

15. FINAL REGULATORY DETERMINATION SOUGHT

Based on the evidence presented in this submission, PMBEJD submits that low-income households are already experiencing substantial affordability pressures arising from the combined costs of electricity, transport and food. The evidence further indicates that household electricity costs have increased significantly faster than wages and that many households are experiencing electricity burdens substantially above recognised affordability benchmarks.

PMBEJD therefore recommends that NERSA adopt the affordability framework proposed in this submission and take household affordability into account when determining the appropriate tariff increase for FY2027/28.

Recommendation Area	**PMBEJD Recommendation**
FY2027/28 Increase	CPI-linked increase
Affordability Framework	Adopt affordability corridor
Trigger Mechanism	Implement affordability review process
Affordability Assessment	Require future impact assessments
Food Security	Consider food-affordability impacts
Affordability Metrics	Use electricity burden indicators

Accordingly, PMBEJD respectfully requests that NERSA reject Eskom's proposed 8.83% tariff increase and approve a CPI-linked increase for FY2027/28. PMBEJD further recommends that NERSA progressively incorporate affordability indicators, affordability assessments and affordability-review mechanisms into future tariff determinations.

16. CONCLUSION

PMBEJD respectfully submits that the evidence before NERSA demonstrates that low-income households are already experiencing severe affordability stress.

Approving tariff increases materially above inflation risks deepening energy poverty, undermining food security and weakening household welfare.

A CPI-linked increase represents the most proportionate balance between Eskom's legitimate revenue requirements and the statutory obligation to protect consumers from unaffordable electricity price increases.

The evidence presented demonstrates that electricity affordability has become a significant public-interest concern.

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ANNEXURE A: OPERATIONALISING THE AFFORDABILITY TRIGGER MECHANISM

1 Purpose of the Mechanism

PMBEJD recognises that the National Energy Regulator of South Africa (NERSA) must balance multiple regulatory objectives, including affordability, equity, cost reflectivity, financial sustainability, network reliability and broader public-interest considerations.

For this reason, PMBEJD does not propose that affordability triggers automatically prohibit tariff increases. Rather, the mechanism is intended to function as an objective regulatory safeguard and early-warning system that ensures affordability considerations receive systematic and transparent assessment whenever proposed tariff increases risk becoming disconnected from household ability to pay.

The purpose of the mechanism is therefore to strengthen regulatory decision-making, not to constrain NERSA's discretion.

The mechanism seeks to ensure that when affordability pressures become excessive, tariff decisions are informed by a structured assessment of:

- household welfare impacts;
- food-security impacts;
- poverty impacts;
- energy-poverty impacts;
- payment-compliance impacts; and
- long-term electricity-sector sustainability impacts.

2 Step One: Submission of an Affordability Impact Assessment

As part of every future tariff application, Eskom should be required to submit an Affordability Impact Assessment alongside its revenue requirement and tariff proposal.

This assessment should include:

Household Impact Assessment

- expected increases in household electricity expenditure;
- impacts by income group;
- impacts by customer category;
- impacts on low-consumption residential customers.

Income Affordability Assessment

- comparison of proposed tariff increases to National Minimum Wage growth;
- comparison to social grant growth;
- comparison to CPI inflation.

Food Affordability Assessment

- projected changes in disposable income available for food;
- effects on household food affordability;
- impacts on vulnerable households and children.

Revenue Sustainability Assessment

- projected effects on electricity demand;
- projected effects on payment compliance;
- projected effects on arrears;
- impacts on customer retention.

The objective is to ensure that NERSA receives evidence not only on Eskom's revenue requirements but also on customer affordability and welfare impacts.

3 Step Two: Application of Affordability Indicators

Upon receiving a tariff application, NERSA would assess the application against a standard set of affordability indicators.

Indicator A: Income Growth Indicator

Electricity tariff growth should be compared against:

- National Minimum Wage growth;
- social grant growth;
- household income growth where available.

The guiding principle is simple: Where electricity prices increase faster than household incomes over sustained periods, affordability deteriorates.

Indicator B: Gross Electricity Burden Indicator

Formula: **Electricity Costs ÷ Gross Household Income**

Using PMBEJD's August 2026 benchmark household:

- monthly electricity expenditure = R1,263.45;
- National Minimum Wage income = R5,895.

Electricity therefore consumes approximately **21.4% of gross income**.

Indicator C: Electricity Burden After Transport Indicator

Formula: **Electricity Costs ÷ (Income – Transport Costs)**

Using PMBEJD's August 2026 affordability data:

- income = R5,895;
- transport = R1,920;
- income after transport = R3,975;
- electricity = R1,263.45.

This results in an electricity burden after transport of approximately **31.8%**.

PMBEJD submits that this is a more realistic measure of affordability because transport expenditure is generally unavoidable for working households.

Indicator D: Food Affordability Indicator

NERSA should assess:

- disposable income remaining after transport and electricity costs;
- percentage of the PMBEJD Household Food Basket that can be purchased from remaining income;
- projected deterioration under proposed tariff increases.

This indicator explicitly links tariff decisions to food security and nutrition outcomes.

4 Step Three: Affordability Trigger Threshold

PMBEJD recommends that a formal affordability review become mandatory whenever one or more of the following thresholds are breached.

Trigger 1: Income Growth Trigger

Activated when electricity tariff growth exceeds National Minimum Wage growth for three consecutive years.

This trigger identifies situations where electricity costs are becoming increasingly disconnected from household earning capacity.

Trigger 2: Gross Electricity Burden Trigger

Activated when household electricity expenditure exceeds 20% of gross income.

PMBEJD's benchmark household already exceeds this threshold at approximately 21.4%.

Trigger 3: Electricity Burden After Transport

Activated when electricity expenditure exceeds 30% of disposable income after transport costs.

PMBEJD's benchmark household already exceeds this threshold at approximately 31.8%.

Trigger 4: CPI Deviation Trigger

Activated when the proposed tariff increase exceeds CPI inflation by more than two percentage points.

This trigger ensures additional scrutiny whenever tariff increases significantly exceed cost-of-living growth.

Trigger	Threshold
Income Trigger	Electricity growth exceeds wage growth
Gross Burden Trigger	Electricity exceeds 20% of gross income
After-Transport Trigger	Electricity exceeds 30% after transport
CPI Deviation Trigger	Tariff exceeds CPI + 2%

Source: PMBEJD affordability analysis; LEAD Tool energy-burden methodology; (ACEEE) energy-burden research; PMBEJD proposed affordability-review thresholds

5. Step Four: Formal Affordability Review

Where a trigger threshold is breached, NERSA should undertake a structured affordability review before making a final tariff determination.

The review should include assessment of:

Household Welfare

- impacts on disposable income;
- impacts on household expenditure patterns;
- impacts on poverty and vulnerability.

Food Security

- impacts on food affordability;
- nutritional consequences;
- impacts on children and vulnerable households.

Energy Poverty

- increased fuel switching;
- increased use of paraffin, wood and coal;
- reduced electricity consumption;
- increased household energy insecurity.

Electricity Sector Sustainability

- potential increases in arrears and non-payment;
- impacts on revenue collection.
- customer retention risks;
- customer migration to alternative energy technologies;
- risks associated with illegal electricity connections.

Public Interest Considerations

- health impacts;
- developmental impacts;
- broader socio-economic consequences.

6 Step Five: Regulatory Determination

Following completion of the affordability review, NERSA would retain full discretion regarding the final tariff determination.

Possible outcomes could include:

- approval of the application;
- approval of a reduced increase;
- phased implementation;
- differentiated increases by customer category;
- targeted affordability protections;
- modifications to tariff structures.

Importantly, the mechanism does not remove NERSA's authority to determine tariffs. Rather, it ensures affordability impacts receive a level of regulatory scrutiny equivalent to that given to Eskom's revenue requirements.

7 Benefits of the Mechanism

The proposed mechanism would provide benefits across the electricity sector.

Benefits for NERSA

- Improved evidence-based decision-making.
- Greater transparency and accountability.
- Stronger public-interest assessment.

Benefits for Consumers

- Improved affordability protection.
- Better recognition of food-security impacts.
- Earlier identification of affordability risks.

Benefits for ESKOM

- Improved long-term revenue sustainability.
- Better understanding of customer ability-to-pay.
- Reduced risk of demand destruction.
- Stronger payment compliance.

Benefits for Government

- Better alignment between electricity regulation, wage policy, social protection policy and poverty-reduction objectives.
- Stronger support for food security and inclusive development.

PMBEJD submits that an Affordability Trigger Mechanism represents a proportionate, evidence-based regulatory safeguard that enables NERSA to balance cost recovery and utility sustainability with customers' rights to dignity, food security, basic services and an adequate standard of living. It does not prohibit tariff increases. Rather, it ensures that where affordability pressures become excessive, tariff decisions are informed by a rigorous assessment of household impacts, public welfare and long-term electricity-sector sustainability.