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MEDIA STATEMENT

NERSA APPROVES NATIONAL BASIC ELECTRICITY RATE FOR THE 2026-27 FINANCIAL YEAR

The Energy Regulator has approved the National Free Basic Electricity (NFBE) rate, which has been set at 238,60 cents per kilowatt-hour (c/kWh) for the 2026/27 municipal financial year, effective from 1 July 2026 to 30 June 2027. This rate will be used by Eskom to bill municipalities for the Free Basic Electricity (FBE) units supplied to qualifying households in the Eskom supply areas. In areas where Eskom is the electricity supplier, FBE is provided on behalf of municipalities through agreements with Eskom. Each month, Eskom bills municipalities for the FBE it provides to their customers, ensuring an efficient process for delivering this important service.

The FBE is an essential element of the Electricity Basic Services Support Tariff (EBSST) Policy. This policy aims to provide a monthly allocation of 50 kilowatt-hours (kWh) of electricity to indigent households identified by municipalities. The FBE underscores the municipalities' constitutional responsibility to deliver basic services to their communities, supported by equitable share allocations from the national government.

Since the announcement of the provision of Free Basic Services (FBS) in 2001, the EBSST Policy has been instrumental in ensuring that vulnerable households have access to essential electricity services. NERSA approved the first National Free Basic Electricity (NFBE) rate on 20 September 2003, and it conducts an annual review of the NFBE rate that Eskom charges municipalities. The rate is adjusted in accordance with the methodology approved by NERSA in March 2021. This is in line with section 15 of the Electricity Regulation Act, 2024 (Act No. 38 of 2024), which states that 'A licensee may not charge a customer any tariff other than the tariff set or approved by the Energy Regulator as, or in accordance with, its licence condition'. These steps ensure that the rate remains fair and reflects current economic conditions.

To facilitate the rollout of FBE units, Eskom appoints principal agents who are responsible for distributing the units to sub-agents and final consumers. These principal agents operate under fixed contracts with Eskom, which outline the conditions for service provision and payment, including a fixed vending commission. This commission is adjusted annually based on the Consumer Price Index (CPI) and is payable to the principal agents over the term of their contracts. It is crucial for NERSA to ensure that the

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use of middlemen does not unduly increase the FBE rate, as the commission rate is included in the FBE rate.

The NFBE rate is part of the licensing framework designed to ensure that FBE benefits reach qualifying indigent customers. It is particularly relevant where customers reside within a municipality's demarcated jurisdiction but are supplied by Eskom, due to regulatory restrictions that prevent the municipality from providing electricity services in those areas. In these circumstances, the NFBE mechanism enables the equitable extension of FBE benefits to eligible customers, avoiding exclusion based solely on the licensed service provider.

NERSA acknowledges that while the FBE policy remains an important mechanism for promoting energy access and affordability, municipalities continue to face administrative, financial and technical challenges in its implementation. One of the key challenges is that the equitable share allocation is not ring-fenced, and municipalities are not legally required to account for these funds separately in their budgets. As a result, in financially constrained municipalities, funding intended for free basic services may be affected by broader fiscal pressures, making it difficult to directly trace expenditure to specific policy objectives.

NERSA emphasises that addressing these constraints requires continued efforts to expand coverage, strengthen administrative and operational systems, improve beneficiary targeting accuracy, and enhance intergovernmental coordination.

To support improvements in the programme, the Department of Electricity and Energy has established a Multi-Stakeholder Review Panel on FBE. The panel, comprising the South African Local Government Association, the Department of Cooperative Governance and Traditional Affairs, the National Treasury, NERSA and other affected stakeholders, including implementing entities, will review the programme's design and develop evidence-based recommendations. To help improve the programme, the Department of Electricity and Energy has set up a Multi-Stakeholder Review Panel on FBE. This panel includes groups like the South African Local Government Association, the Department of Cooperative Governance and Traditional Affairs, the National Treasury, NERSA, and other involved parties. The panel will review how the programme is designed and suggest changes based on evidence.

'It is important to indicate that NERSA's mandate is to determine tariffs, including NFBE rates, while policy implementation rests with municipalities and the national government. NERSA also provides policymakers with input and feedback on electricity pricing and affordability matters, including issues related to FBE implementation,' concludes Mr Willy Majola, Full-Time Regulator Member Responsible for Electricity Regulation.

End.

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