



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

SUBMISSION TO NERSA
Eskom's RCA application

UTILITY SERVICES – ELECTRICITY SERVICES

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Making progress possible. **Together.**

Introduction

- The City of Cape Town has made representations to the National Energy Regulator of South Africa (NERSA) at its Hearings on the 18th and 19th January 2016 in Cape Town.
- The Hearings are on ESKOM's application for a Regulatory clearing Account (RCA) adjustment of R22.8 billion for the 2013/14 financial year.
- The bulk of the R22.8bn adjustment is made up of reduced revenues of R11.7bn and increased primary energy costs of R14.4bn.
- If Eskom are granted the full R22.8bn adjustment, it will mean an additional 8.6% increase in Eskom tariffs over and above the already approved Multi Year Price Determination (MYPD3) increase of 8%. This will mean all Cities will face at least a 16% Eskom increase in July 2016.
- The Eskom increase will need to be passed onto City customers through increased City electricity tariffs from 1 July 2016.

Impact on Consumers

- Electricity prices are already high for business and residential consumers including the poor.
- Any additional increase approved by NERSA will have a further negative impact on Cape Town's economy and all its customers.
- Reduction in electricity sales. CT less than 2006/7 and 22% less than the projected baseline for 2014/15.
- Increase in non-technical losses (electricity theft)
- The City has implored NERSA to consider these impacts and keep the Eskom increase as low as possible to the MYDP3 8% approved increase.

Loss in Revenue

- Loss of R11.7bn revenue as a result of energy efficiency (switching, DSM, saving) measures by standard tariff customers.
- Non-technical losses (growth) not set out.
- Strategies around reducing costs, curbing NTL, passing on costs through cost reflective tariffs, affordable & sustainable subsidies for poor.
- Cannot result in an additional tariff increase for these customers. Recovering this lost revenue from customers is essentially charging customers for saving electricity.
- The R11.7bn reduction in revenue should be offset by the R7.1bn profit made by Eskom in the 2013/14 financial year.

Prudent expenditure on Primary Energy

- The delays in the Medupi and Kusile Power Stations build and the reduction in the budgeted availability of existing plant are a consequence of Eskom strategy and decision making and should not be passed onto the consumer.
- The additional R8bn energy costs claimed for OCGT should be offset by the energy lost due to the above delays and reductions.
- Take or pay, agree it should be excluded. Saving in future years, means future customers benefit at the expense of current customers. R1,05bn treated in RCA as a negative.

Conclusion

- The City cannot finalize its budget for the 2016/17 financial year until there is a final decision on the Eskom increase for 2016/17. The country wide public hearings will be concluded on the 5th February 2016 and it is expected that NERSA will take the final decision in March 2016. The City's needs to make its budget and tariff proposals for 2016/17 available for public comment by the beginning of April 2016



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Thank You

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