



Multi-Year Price Determination 4 Revenue application

Closing Comments

NERSA Public Hearings
Gauteng – Soweto

1 February 2019

Addressing Fraud and Corruption



Eskom's Board is committed to rooting out fraud and corruption

- ✓ **14 implicated** senior executives **exited**. Finalisation of outstanding disciplinary hearings relating to senior executives being accelerated
- ✓ **12 criminal cases** opened, five of which involve **nine senior executives**
- ✓ Total of **1 049** outstanding **cases** since April 2018, of which **934** have been **finalised**, resulting in **115 under consideration**
- ✓ As at 31 December 2018, a total 295 whistle blow cases are under investigation, **140** cases have been completed.
- ✓ **Lifestyle audits** of senior management in progress. There is effective **declaration of interest**
- ✓ Investigated all **irregular supplier contracts** (so far, five are no longer doing business with Eskom). **Recovered R902 million** from McKinsey – Will be included in 2019 RCA
- ✓ Cooperating with eight **regulatory bodies conducting major investigations**
- ✓ These are : National Treasury procurement investigations, Zondo Commission, Hawks, Special Investigating Unit (SIU), Parliamentary Inquiry, National Director of Public Prosecutions, Standing Committee on Public Accounts and South African Police Services (SAPS)



Affordability:
Protection of poor



The Government electrification programme

Facilitation of access (cost of connecting a house) to a 20A (low consumption) electricity supply.

- This complements an already subsidised tariff.



Free basic electricity (FBE)

Social grants provided directly to customers through Free Basic Electricity of 50 kWh per household per month by national government to the indigent through the Equitable Share Fund.

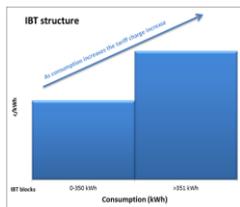
- Eskom provides FBE to customers in their area of supply as an agent for the municipalities



Subsidized Eskom tariff

For the MYPD3 period the increase on the Homelight 20A customers (lifeline tariff) was lower than the average increase.

- Subsidised by direct Eskom large urban customers through the **affordability subsidy**



NERSA Inclining Block Rate (IBT)

The IBT was implemented by NERSA to cushion low-income households that use very little electricity.

- The tariff has been successful in lowering the cost of electricity for the poor. However, Eskom believes that the IBT as it is currently structured does not sufficiently target low-income households and places an unsustainable subsidy responsibility on urban customers.
- It also encourages affluent customers to supplement grid supply by using PV solar to save costs

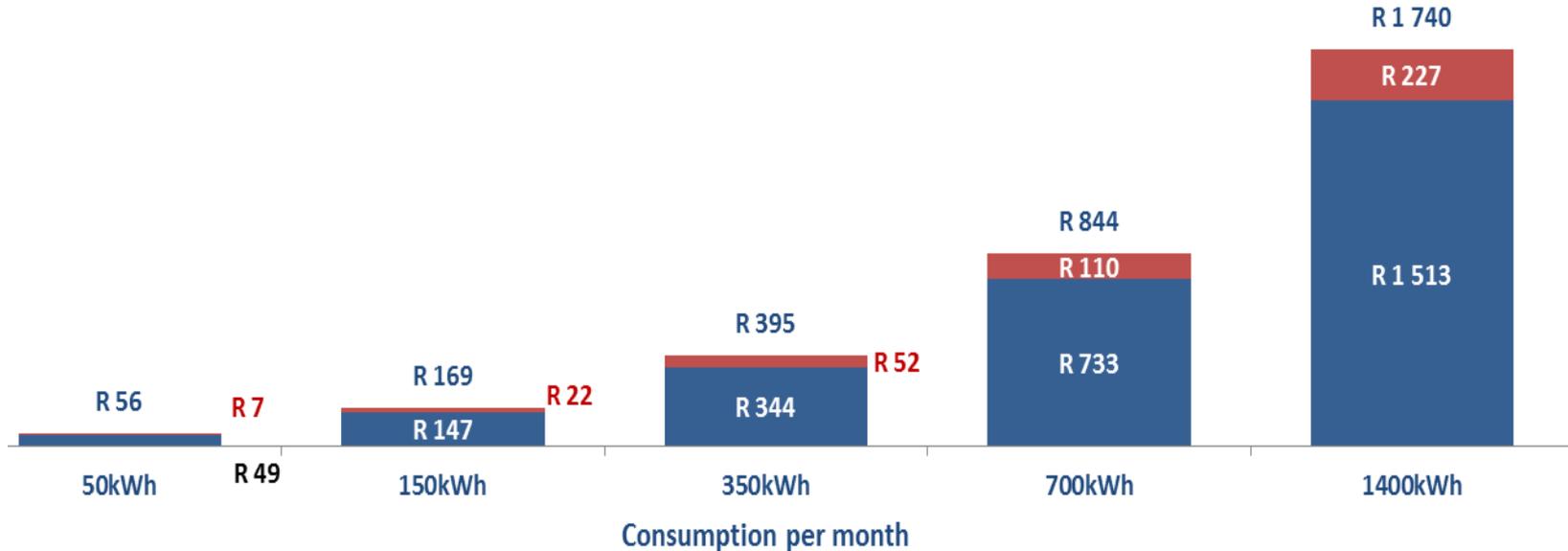
Average additional monthly payment by residential Homelight 20A customers with 15% increase

GOVERNMENT PROVIDES FIRST 50kWh AS FREE BASIC ELECTRICITY EACH MONTH

2019/20 tariff

■ Increase

■ 2018/19 tariff



How can the poor be protected?

- **Through the MYPD process NERSA approves prudent and efficient revenue that must be recovered by Eskom.** Eskom must therefore recover the full revenue as approved by NERSA.
- **If one customer group pays less** (are subsidised) within the tariff base, **another customer group must pay more** (to pay for the subsidies) as costs do not go away and Eskom must still recover approved revenue.
- **Eskom does not have the mandate** to determine which customers should be subsidised – government should develop and integrated policy.
 - International regulatory practices clearly make a distinction between role players in the industry
 - **Government:** Policy
 - **Regulator:** Implementation rules and ensuring implementation of policy
 - **Utility:** Implementation of policy according to regulatory rules
- The ERTSA, however, provides for “.....**the Energy Regulator to.....allow cross-subsidies between various customer groups**”.
- In the past **NERSA has made a decision to limit the increase to the 2 blocks** of the Eskom lifeline tariff (Homelight 20A) to protect the poor.
- In Rustenburg, Eskom provided NERSA with scenarios of impact on other customers if NERSA increases tariffs to poor at lower levels, **but decision remains that of NERSA**



THANK YOU