



RCAs submitted for FY2014/15, FY 2015/16 and FY 2016/17

**NERSA Public Hearings
17 April 2018**

- Eskom has taken note of all requests made by Regulator members of the panel for :
 - Clarification
 - Further information
 - Detailed feedback
- Eskom undertakes to provide responses to these requests
 - Once the information has been sourced
 - During subsequent Public Hearings for the three RCA applications
 - Or in writing within 7 days of the Public hearings
- Eskom appreciates the opportunity afforded by NERSA to provide more supporting facts, evidence and motivations to that already provided

- Most stakeholders raised concerns about irregularities and corruption
- We wish to re-iterate the message by Interim Group Chief Executive during his introduction of the Eskom presentation:
 - In January 2018, Government appointed a new Board of Directors
 - 4 senior management have left Eskom due to serious misconduct allegations
 - 4 executives remain on suspension, pending disciplinary hearings
 - Continue to combat corruption and pursue justice within legal framework
 - Undertaking mandatory lifestyle audits of all employees' two levels below CEO
 - No Eskom officials are allowed to do business with Eskom
 - Investigating 239 matters reported through whistleblowing facility – more than 70 cases have been addressed
 - Various investigations are underway, including
 - Department of Public Enterprises Portfolio Committee inquiry
 - Judicial inquiry under leadership of Deputy Chief Justice, Justice Zondo
 - Special Investigation Unit recently announced by President.
 - Eskom welcomes these inquiries and investigations and will participate to contribute towards the objectives being met
- Eskom has started process to seek repayment from Mc Kinsey and Trillian by instituting a High Court review application Court to have contract set aside

Eskom appreciates the inputs from all stakeholders and will consider that moving forward. For this RCA application, however, the following is important:

- Eskom did not submit revenue application that would result in a tariff increase in this financial year
 - Eskom submitted a RCA application –and NERSA will make two decisions:
 - A RCA balance decision - how much of the R66bn they will allow Eskom to recover
 - A decision on the phasing of the implementation of the recovery of the RCA balance that will balance sustainability of Eskom with impact on consumers
- RCA applications are backward looking and based on audited actuals
- The RCA applications are not forward looking nor making projections of cost or revenue going forward
- SALGA clarified that they would not be able to review the actual information contained in the RCA applications and do not need to be consulted in terms of the MFMA
- Stakeholders were impacted by the circumstances in Eskom presently, while the circumstances in the years of the RCA application years (2016 – 2018) would have been very different
- What was encouraging was many stakeholders' concern about Eskom's sustainability and agreed to the recovery of prudent and efficient costs already incurred
- Policy issues cannot be addressed by NERSA or Eskom
- The NMD rule is being reviewed by NERSA since 2017 - the NMD penalties should not be deducted from the revenue as suggested by SALGA as it is included in tariff revenue that reduces the RCA revenue variance– if it is deducted it will increase the revenue gap and not reflect all tariff revenue

- Eskom has ensured that principles enshrined in MYPD Methodology are adhered to in making RCA applications for the 2nd, 3rd and 4th years of the MYPD 3 period
- The MYPD 3 Year 1 decision made by NERSA serves as a precedent to the three RCA applications
- Eskom is cognisant of changes in conditions since the year 1 decision.
- However, the principles addressing the recovery of efficient and prudent costs cannot be changed
- The reason for 3 RCA applications being addressed during 2018 is Court processes from March 2015 to Aug 2017 related to the Year 1 RCA decision

Thank you