

28 January 2021

MEDIA STATEMENT

NERSA'S DECISION ON ESKOM'S REGULATORY CLEARING ACCOUNT (RCA) APPLICATIONS FOR YEAR 2 (2014/15), YEAR 3 (2015/16) AND YEAR 4 (2016/17) OF THE THIRD MULTI-YEAR PRICE DETERMINATION (MYPD3) PERIOD AND ESKOM'S SUPPLEMENTARY TARIFF APPLICATION FOR THE 2018/19 FINANCIAL YEAR

The National Energy Regulator of South Africa (NERSA) announced today that based on the information at its disposal and the analysis of Eskom's Regulatory Clearing Account (RCA) applications for year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) of the third Multi-Year Price Determination (MYPD3) period and Eskom's supplementary tariff application for the 2018/19 financial year, the Energy Regulator, at its meeting held on 28 January 2021, has made the following decisions:

1. MYPD3 RCA year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) decision

The Energy Regulator, in line with the high court decision, approved as follows:

- (a) An additional revenue of R4 749m over the initially approved revenues for the 2014/15, 2015/16 and 2016/17 financial years.
- (b) The additional revenue of R522m for 2014/15, R1 118m for 2015/16 and R3 109m for 2016/17 will be recoverable from the standard tariff customers, local Special Pricing Arrangement (SPA) customers and international customers.
- (c) The Reasons for Decision (RfD) will follow once the applicable requirements, including, but not limited to, the confidential treatment of some information, have been finalised.
- (d) An implementation plan for Year 2 (2014/15), Year 3 (2015/16) and Year 4 (2016/17) of the third Multi-Year Price Determination RCA balances will be developed for approval by the Energy Regulator during February 2021.

The approved additional revenue of R4 749m is detailed in tables 1, 2 and 3 below.

Regulator Members:

Ms MMD Nkomo (Deputy Chairperson)

*Mr N Gumede *Ms N Maseti *Mr MW Mkhize Mr S Mokoena Ms Z Mpungose Mr FK Sibanda

*Full-Time Regulator Members

Table 1: RCA balance for 2014/15 financial year

2014/15 R'm	RCA Application	NERSA Adjustments	NERSA Approved Previous Decision	Adjustment considering court order	Reviewed Decision
Revenue Variance	8 787	(3 990)	4 797	406	5 203
Primary Energy (R'm)	10 539	(1 572)	8 967	0	8 967
Coal	574	(990)	(416)	0	(416)
Open Cycle Gas Turbines (OCGT)	1 944	-	1 944	0	1 944
Other Primary Energy	1 355	(453)	902	0	902
Water	(502)	(7)	(509)	0	(509)
Start up gas & oil	1 064	(341)	723	0	723
Coal Handling	580	(54)	526	0	526
Water treatment	119	(51)	68	0	68
Nuclear	180	-	180	0	180
Fuel procurement	(86)	-	(86)	0	(86)
Sorbent	-	-	-	0	0
Nuclear Decommissioning	83	-	83	0	83
Independent Power Producers (IPPs)	4 346	(129)	4 217	0	4 217
International Purchases	3 299	-	3 299	0	3 299
Environmental Levy	(683)	-	(683)	0	(683)
Demand Market Participation (DMP)	(379)	-	(379)	0	(379)
OPEX	0	-	0	0	0
Inflation Adjustment	209	(9)	200	0	200
SQI	236	-	236	0	236
CECA	91	(1 037)	(946)	116	(830)
EEDSM	(149)	-	(149)	0	(149)
Other Income	(528)	-	(528)	0	(528)
Total Revenue	19 185	(6 608)	12 577	522	13 099

Table 2: RCA balance for 2015/16 financial year

2015/16 R'm	RCA Application	NERSA Adjustments	NERSA Approved Previous Decision	Adjustment considering court order	Reviewed Decision
Revenue Variance	15 578	(6 442)	9 136	849	9 985
Primary Energy (R'm)	8 058	(2 809)	5 249	0	5 249
Coal	3 258	(2 042)	1 216	0	1 216
Open Cycle Gas Turbines (OCGT)	689	(138)	551	0	551
Other Primary Energy	728	(309)	419	0	419
Water	(428)	-	(428)	0	(428)
Start up gas & oil	657	(234)	423	0	423
Coal Handling	542	(75)	467	0	467
Water treatment	84	-	84	0	84
Nuclear	59	-	59	0	59
Fuel procurement	(131)	-	(131)	0	(131)
Sorbent	(55)	-	(55)	0	(55)
Nuclear Decommissioning	128	-	128	0	128
Independent Power Producers (IPPs)	620	(72)	548	0	548
International Purchases	3 567	-	3 567	0	3 567
Environmental Levy	(1 180)	-	(1 180)	0	(1 180)
Demand Market Participation (DMP)	248	(248)	0	0	0
OPEX	0	-	0	0	0
Inflation Adjustment	(152)	(280)	(432)	0	(432)
SQI	318	-	318	0	318
CECA	332	(2 043)	(1 711)	269	(1 442)
EEDSM	(368)	-	(368)	0	(368)
Other Income	(134)	-	(134)	0	(134)
Total Revenue	23 632	(11 574)	12 058	1 118	13 177

Table 3: RCA balance for 2016/17 financial year

2016/17 R'm	RCA Application	NERSA Adjustments	NERSA Approved Previous Decision	Adjustment considering court order	Reviewed Decision
Revenue Variance	20 016	(7 393)	12 623	0	12 623
Primary Energy (R'm)	2 700	(4 604)	(1 605)	2 693	1 087
Coal	(359)	(903)	(1 262)	0	(1 262)
Open Cycle Gas Turbines (OCGT)	(1 259)	0	(1 259)	0	(1 259)
Other Primary Energy	711	(262)	449	0	449
Water	(437)	0	(437)	0	(437)
Start up gas & oil	521	(155)	366	0	366
Coal Handling	501	0	501	0	501
Water treatment	125	(107)	18	0	18
Nuclear	281	0	281	0	281
Fuel procurement	(141)	0	(141)	0	(141)
Sorbent	(139)	0	(139)	0	(139)
Nuclear Decommissioning	83	0	83	0	83
Independent Power Producers	2 452	(3 245)	(793)	2 693	1 900
International Purchases	2 282	0	2 282	0	2 282
Environmental Levy	(1 404)	0	(1 404)	0	(1 404)
Demand Market Participation (DMP)	194	(194)	0	0	0
OPEX	0	0	0	0	0
Inflation Adjustment	162	214	376	0	376
SQI	343	-	343	0	343
CECA	636	(3 483)	(2 847)	416	(2 431)
EEDSM	0	(336)	(336)	0	(336)
Other Income	0	(201)	(201)	0	(201)
Total Revenue	23 857	(15 802)	8 055	3 109	11 164

2. Supplementary revenue (2018/19) decision

The Energy Regulator approved as follows:

- A revenue of R 1 288m, which is to be recoverable from the standard tariff customers, local SPA customers and international customers.
- The RfD will follow once the applicable requirements, including, but not limited to, the confidential treatment of some information, have been finalised.
- An implementation plan for the supplementary tariff (2018/19) balance will be developed for approval by the Energy Regulator.

The approved Eskom supplementary revenue of R1 288m is detailed in Table 4 below.

Table 4: Supplementary revenue for 2018/19 financial year

Revenue Related Expended Cost Item (R'm)	FY 2018/19 RCA application	NERSA adjustment	Supplementary Revenue Application	NERSA adjustment	NERSA's decision
Coal costs	12416	- 5 339	1 555	-1 555	0
Independent Power Producer costs related to use of system (UOS)	-275	-130	101	-101	0
Operating costs	3318	- 2 426	2 425	-1 143	1 282
Integrated Demand management costs	26,90	-6	6	0	6
Sub Total	15 486	- 7 901	4087	-2 799	1 288
Carrying costs (assuming delay of 3 years) (with recovery in FY 2021/22) (At 10% interest per year, compounded annually)			1 353	-1 353	0
Total			5 440	-4 152	1 288

The processing of the MYPD3 RCA year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) applications is not based on any new applications submitted by Eskom. It is a consequence of a court order that reviewed and set aside the decision of the Energy Regulator on these RCAs. NERSA was required to make another decision having reconsidered the applications. In the processing of these three RCAs, NERSA took into account the effect of the decision, which was already taken and implemented, on the applications, as this is not a new application. The MYPD3 Methodology was used to assess these applications.

Eskom's supplementary revenue application is made in terms of the court judgement that allowed Eskom to make a supplementary application to NERSA for expended costs to which Eskom would have been entitled, had the revenue decision been lawfully made in the original revenue determination for the 2018/19 financial year. Eskom's supplementary application was evaluated using the MYPD4 Methodology

The Energy Regulator made its decisions after conducting the due regulatory process, which included publishing Eskom's applications and inviting written comments from stakeholders. The Energy Regulator also conducted public hearings to solicit comments from interested and affected stakeholders.

The Reasons for Decision document will be available on the NERSA website at www.nersa.org.za in due course.

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