

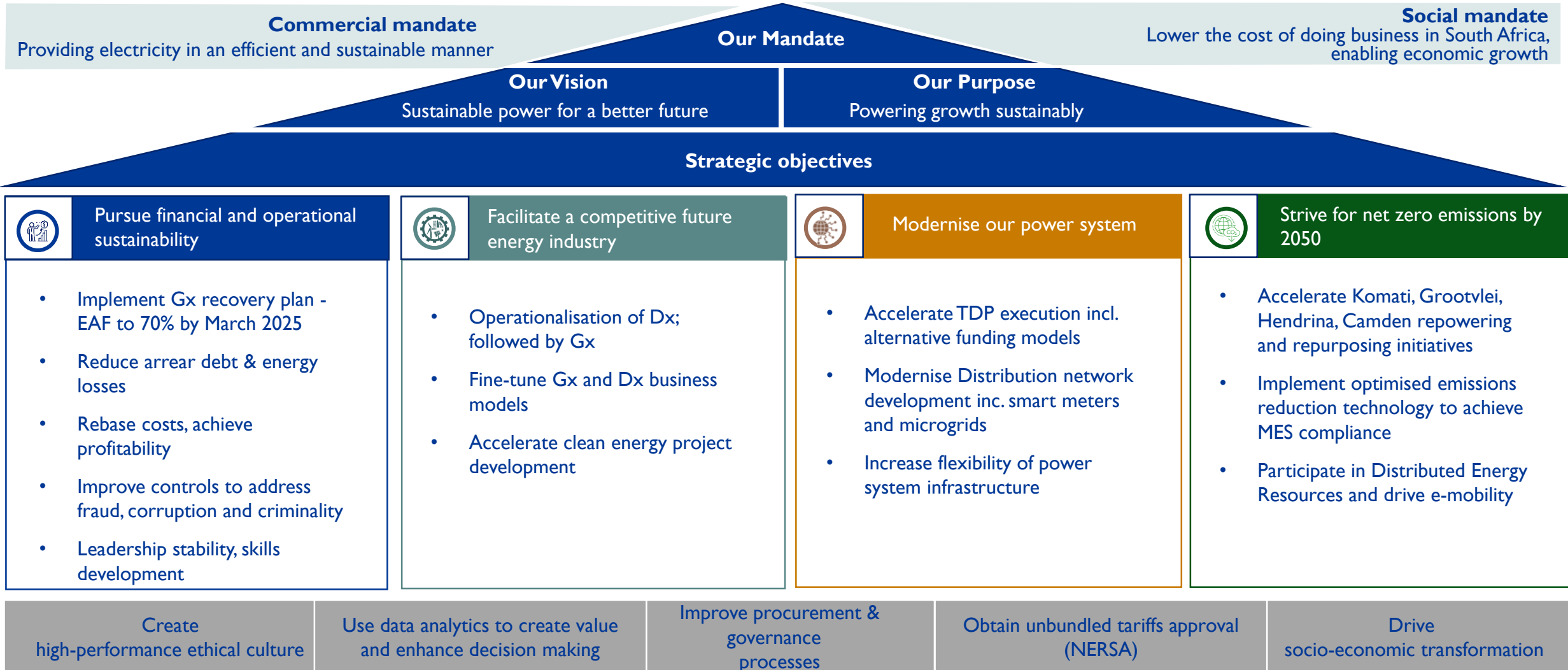
MYPD 6 Application

**NERSA Public Hearings
Klerksdorp**

2 December 2024



The Eskom Strategic turnaround is based on four strategic objectives to deliver the organisation's dual mandate



OUR VALUES:



Zero Harm



Integrity



Innovation



Sinobuntu



Customer Satisfaction



Excellence

Background

- ❑ The Multi-Year Price Determination (MYPD) 5 revenue determination period comes to an end on 31 March 2025
- ❑ **Revenue applications are guided by the Electricity Pricing policy (EPP), Electricity Regulation Act (ERA) and NERSA's MYPD methodology (2016)**
 - Must enable an efficient licensee to recover the full cost of its licensed activities, including a risk adjusted return
 - Ensure Eskom's sustainability as a business and limit risk of excess or inadequate returns, while providing incentives for new investment
 - Eskom is required to make a compliant application in terms of the MYPD methodology
- ❑ Eskom wishes to be in a position to continue to provide an electricity service to customers
- ❑ Based on forecasts which serve as assumptions that correspond to a revenue requirement
 - **Eskom has motivated the application using the latest projections**
- ❑ Revenue determination is made by NERSA based on assumptions
 - Variances between determinations and actuals are addressed after the FY through the Regulatory Clearing Account (RCA)
 - In practice, the RCA process has risks with recovery of efficient variances 3 to 6 years after expenditure incurred
- ❑ **Have considered impact on consumer by phasing of return on assets for migration towards cost reflectivity at revenue level**
- ❑ Have made ringfenced revenue applications for Generation, NTCSA (Transmission) and Distribution
 - Expect NERSA to make ringfenced revenue determinations to facilitate unbundling
- ❑ The Electricity Regulation Amendment Act (ERAA) has been signed into law by the President on 16 August 2024, and is awaiting announcement of the effective date
 - Await NERSA transitional arrangements to plot way forward
- ❑ The Retail Tariff Plan to restructure the tariff is currently being consulted on

The guiding legislation (ERA) allows only for the recovery of efficient costs

NERSA has various requirements to ensure that only efficient costs are applied for

- NERSA requires the MYPD methodology to be followed and provides detailed guidance on how an application is to be made
- NERSA requires the prudence assessment criteria to be applied, as applications are made
- Eskom provides detailed information that supports its application

NERSA makes assessments for efficient costs

- These are based on the MYPD methodology and prudence criteria
- It is expected that NERSA will also make decisions within these regulatory frameworks and provide the relevant benchmarks, comparisons and motivations
- NERSA also provides reasons for its decision

Corruption and fraud continues to be addressed

- Eskom is making every effort to ensure that processes are in place to address possible fraud and corruption
- NERSA has provided guidance on addressing any recoveries

NERSA methodologies allows Eskom to recover only efficient costs through tariffs to be charged to customers



Regulatory framework for tariff determination

Revenue Level

1 MYPD (decision Dec-24) + RCA

Determination of the required level of annual revenue, typically known as the revenue requirement

Cost + return
Gx, Tx, Dx and retail

Volume

Average price and price increase

Tariff Structure

2 Cost to serve/supply

Apportionment of revenue among customers with distinctions made between customer-, demand- and energy-related costs classes

Cost to serve

Cost functionalisation
Gx, Tx, Dx and retail

Cost causation and cost drivers

Cost reflective unbundled unit costs

Tariff Level

3 ERTSA (decision Mar-25)

Individual prices, formally known as tariffs or rates, are designed in order to collect the assigned level of revenue from each class

Tariff design

EPP, Codes, Strategic provides direction

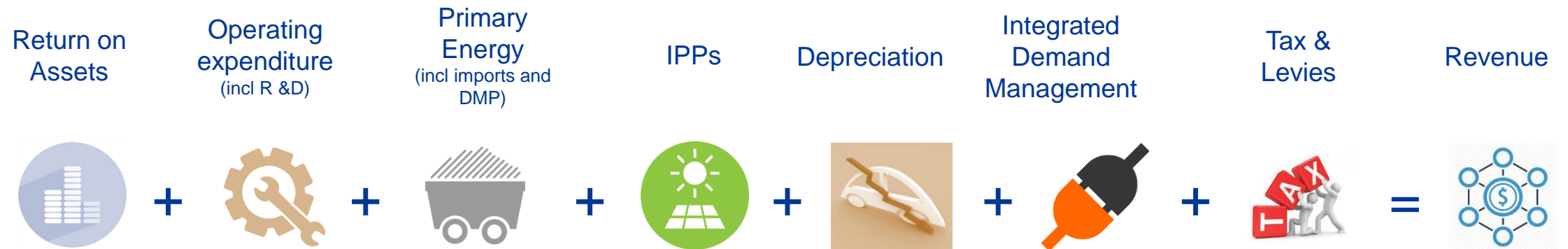
Design - unbundled or bundled, affordability

Once approved by NERSA implementation

Retail Tariff Plan – restructure of tariffs to best reflect the costs for each function (**decision expected Jan-25**)

NERSA's MYPD methodology requires Eskom to provide costs in terms of this allowable revenue (AR) formula

$$AR = (RAB \times WACC) + E + PE + D + R\&D + IDM + L\&T$$



Return on assets = % cost of capital allowed X depreciated replacement asset value

This internationally recognised methodology, if implemented (even in a phased manner) would allow for recovery of efficient costs and a fair return

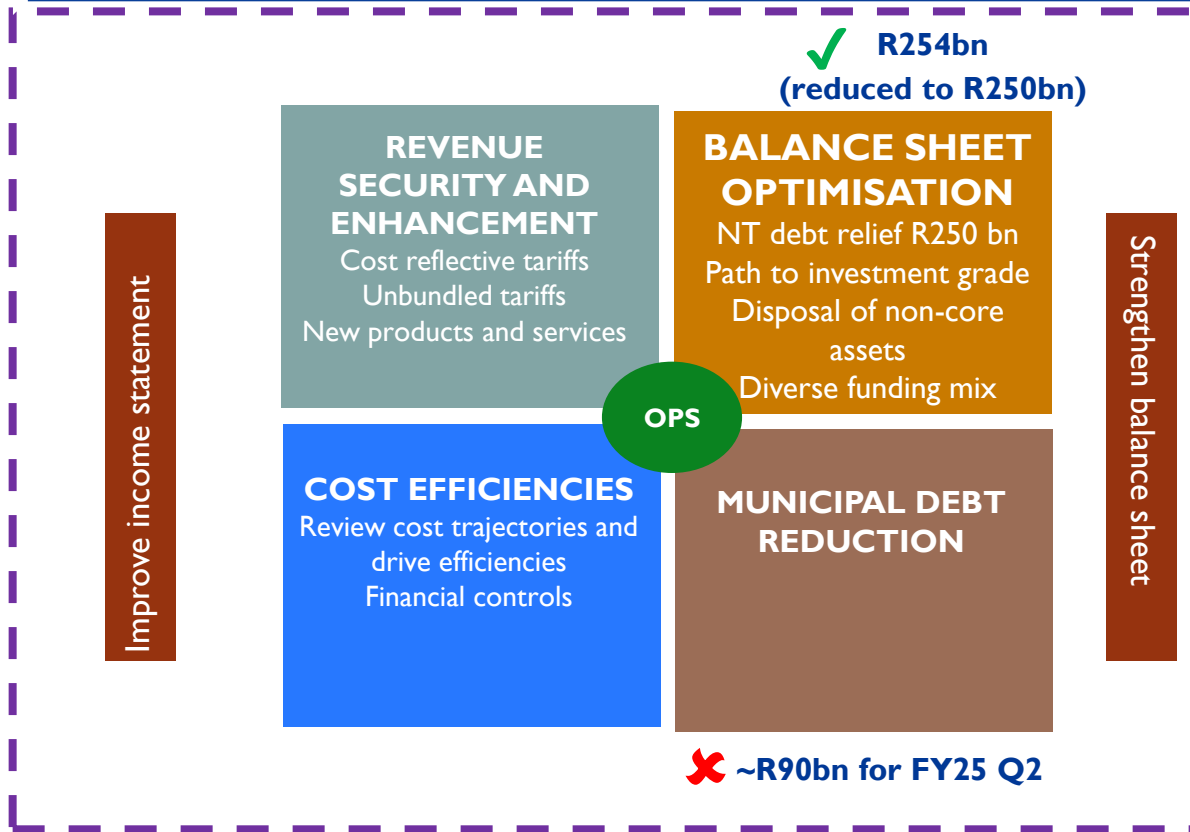
Eskom allowable revenue required to supply electricity for the period FY2026 to FY2028



Allowable Revenue (R'millions)	AR	Formula	Decision FY2025	Application FY2026	Application FY2027	Application FY2028	Post Application FY2029	Post Application FY2030
Regulated Asset Base (RAB)	RAB		988 345	1 066 724	1 192 878	1 219 244	1 243 078	1 278 277
WACC %	ROA	X	1.58%	4.00%	5.00%	6.00%	7.47%	9.69%
Returns			15 616	42 669	59 644	73 155	92 908	123 916
Primary energy	PE	+	92 816	128 000	133 061	128 869	129 492	134 119
International purchases	PE	+	9 334	10 262	9 737	13 656	11 853	12 387
IPPs	PE	+	76 970	66 633	77 640	109 820	135 510	140 943
Environmental levy	L&T	+	6 503	6 539	6 279	5 337	4 781	4 767
Carbon tax	L&T	+	-	5 534	21 291	19 895	19 274	20 948
Arrear debt	E	+	-	8 914	9 917	10 752	12 037	13 310
Operating costs	E	+	61 442	93 315	93 834	97 864	100 152	105 100
Depreciation	D	+	73 376	66 931	69 952	77 431	79 685	85 961
MYPD6 Allowable Revenue			336 057	428 798	481 355	536 778	585 691	641 450
Add: Approved RCA/court order for liquidation	RCA		16 109	16 765	14 000	-	-	-
TOTAL MYPD6 Allowable Revenue	R'm		352 166	445 563	495 355	536 778	585 691	641 450

The tariff increase is a key component to achieving Eskom's financial turnaround

Pillars of our financial strategy



Insights

- Four pillars to financial recovery: (1) **Revenue security**, (2) **debt reduction**, (3) **cost containment** and (4) **reduction in municipal non-payment**
- We have implemented **cost efficiencies** in our cost base, for the last 3 financial years. To date operational performance has led to reduce diesel expenditure.
- The **debt relief** allowed the business to manage its high debt service costs and cash, to allocate the financial resources needed for Generation (to address the maintenance backlog and adequately prepare for outages). This served as the critical precursor for improved plant performance and financial recovery
- Limited success with the Municipal Debt Relief programme** with low adherence to the debt relief conditions. Municipal debt including metros **growing by more than R12 bn/annum**
- All four pillars need to be addressed at the same time if Eskom is to become financially independent

Key risks

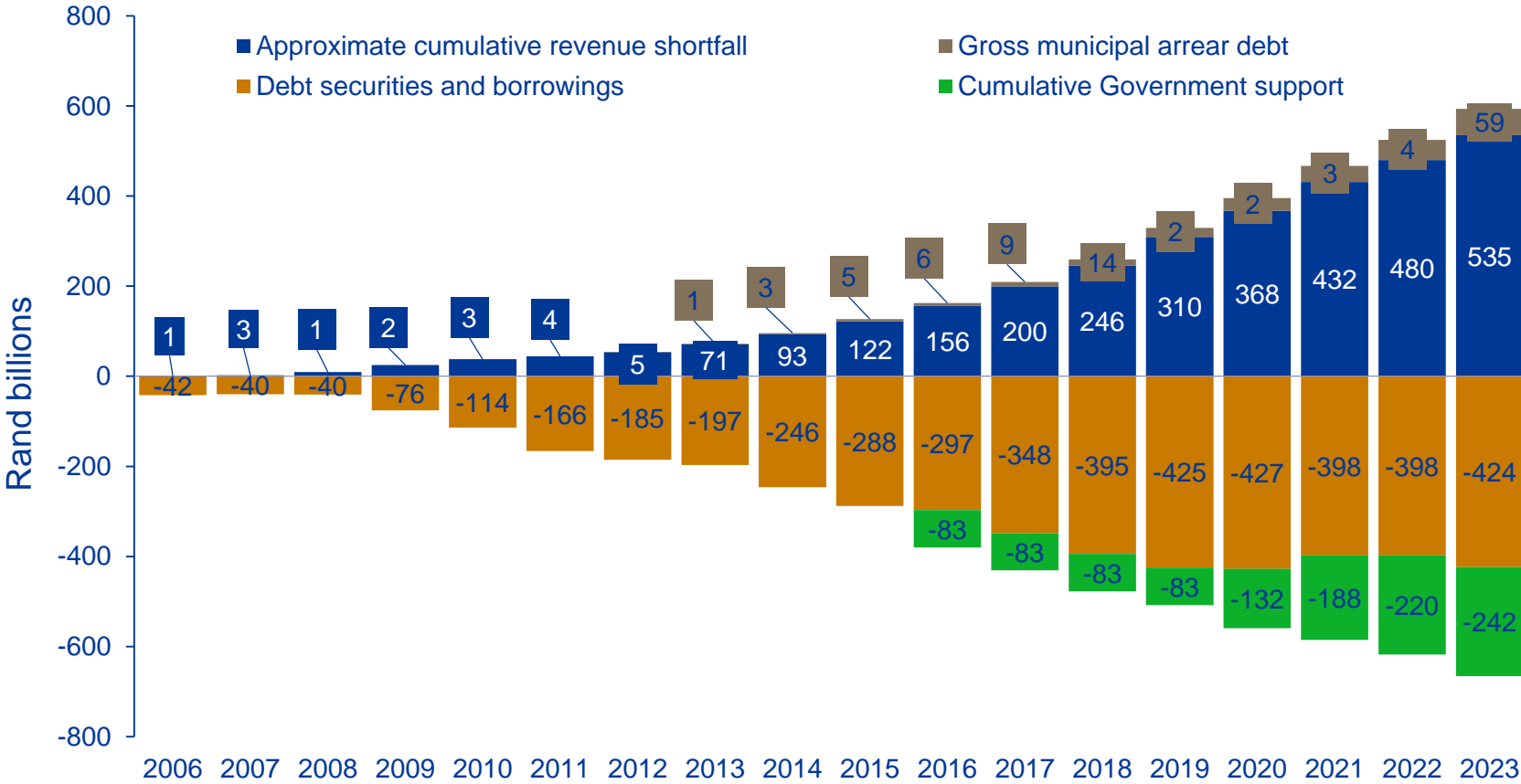


- 1 Tariff
- 2 Gx plant performance
- 3 IPP delays
- 4 Municipality non-payment
- 5 Unsustainable borrowings on the balance sheet

Impact of the lack of cost-reflective tariffs on Eskom's financial position



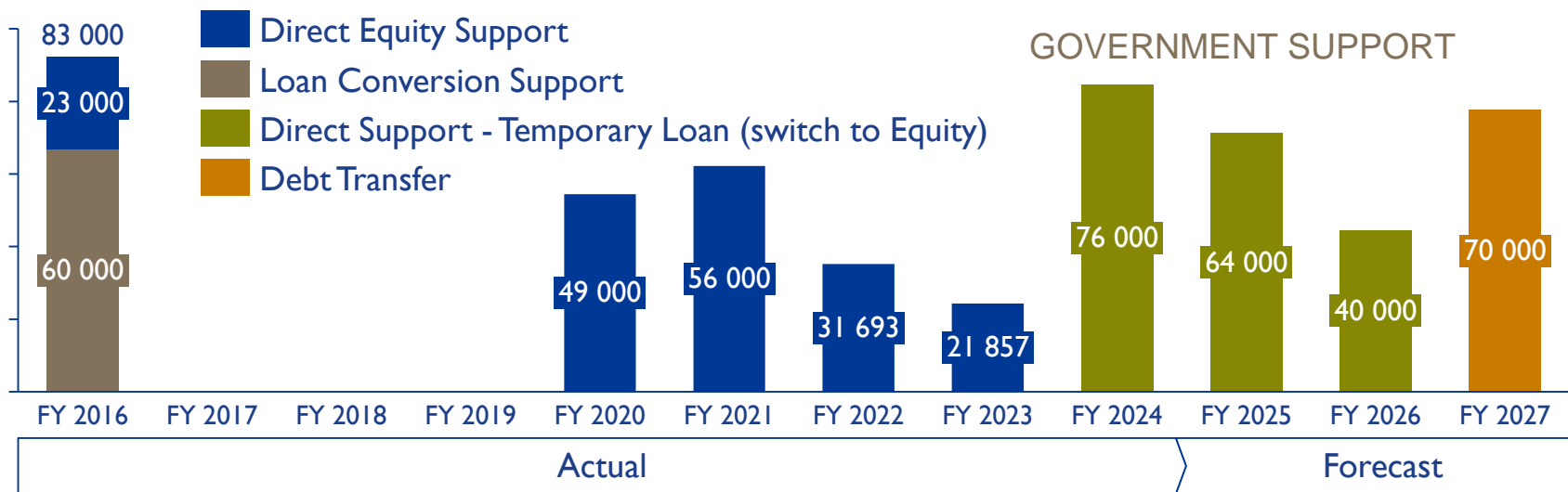
To be financially sustainable, we require cost-reflective tariffs where the revenue determined by NERSA is sufficient to cover the prudent and efficient costs that we incur to supply electricity to customers, and also provide a fair return on capital



- Lack of cost-reflective tariffs and resultant revenue shortfall has been an ongoing challenge since 2006 and is the main reason for financial constraints, requiring increased reliance on debt to fund the shortfall
- This, together with new build programme, has led to debt securities and borrowings balance escalating to R424bn by 2023
- Debt balance has largely increased in lockstep with growth in actual revenue shortfall, together with increase in arrear municipal debt balance.
- In more recent years, growth in debt has been tempered by Government equity support, with Eskom's debt book reaching maximum carry limits based on the level of Government guarantees available as well as cost of debt servicing

Source: Integrated Report FY2023

Government's debt relief solution will significantly aid in de-levering Eskom's balance sheet



- **Link to migration towards cost reflective tariffs**
- Minister of Finance in 2023 Budget speech – risk is Eskom's lack of cost reflective tariff. Indicating that Eskom needs to become self-sufficient. User pay-principle
- Additional support will not be provided in the absence of further migration towards cost reflectivity. Since impacting other service delivery priorities
- Continual Government support is not a replacement for cost reflective tariffs
- Previous Government support has come to naught – due to lack of sufficient migration towards cost-reflectivity
- Economic impact studies indicate – User pay principle with support for vulnerable sectors is best option for economic growth in country
- Previous deduction of ROA during MYPD 4 due to Government support was set aside by the High Court and accepted by NERSA

- **The Eskom Debt Relief Act, 2023** was promulgated in July 2023 to provide relief of R254 billion towards Eskom's debt servicing costs
- Government support addresses liquidity challenges, not Eskom's sustainability
- The conditions attached to the Act provide strict restrictions:
 - Capital expenditure limited to transmission and distribution. Generation only allowed to address MES, FGD, maintenance and completion of existing projects. Greenfield generation projects only allowed with approval of the Minister of Finance
 - New borrowings prohibited during the debt relief period, only existing drawdowns, unless approved by the Minister of Finance
- Our gross debt securities and borrowings balance is expected to reduce by around 40% over the next five years, to <R270 billion

ESKOM DEBT RELIEF PROCESS



Dominant factors and drivers of electricity demand and thus sales volume

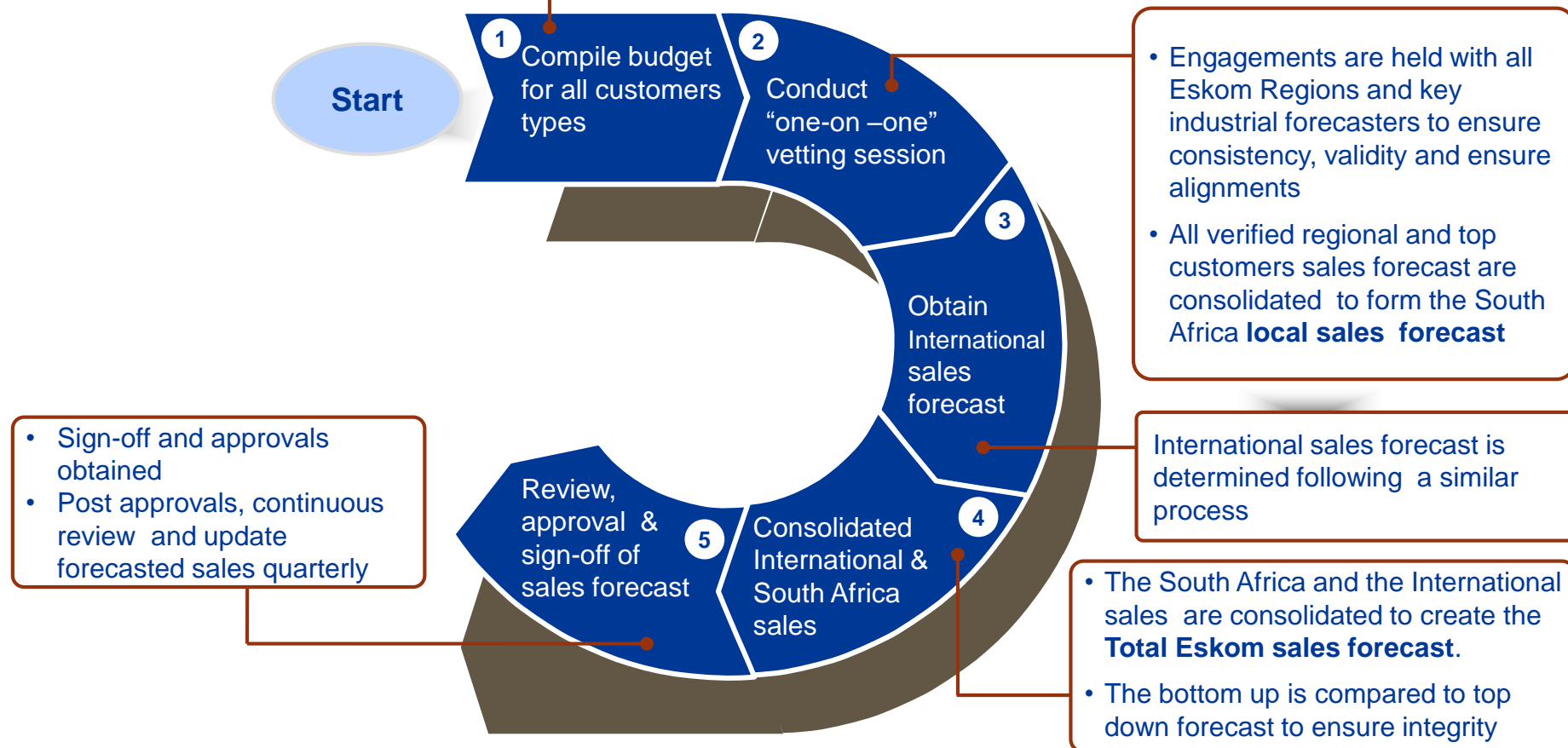
- Overall **national economic growth**; commodity prices;
- Structural changes to the economy (e.g. reduction of mining and manufacturing and growth in services),
- Technological changes, electricity intensity levels.
- Population growth,
- Weather patterns,
- **Policy drivers on investment** choices have been found to be paramount.

Other operational factors that impact sales of electricity in South Africa

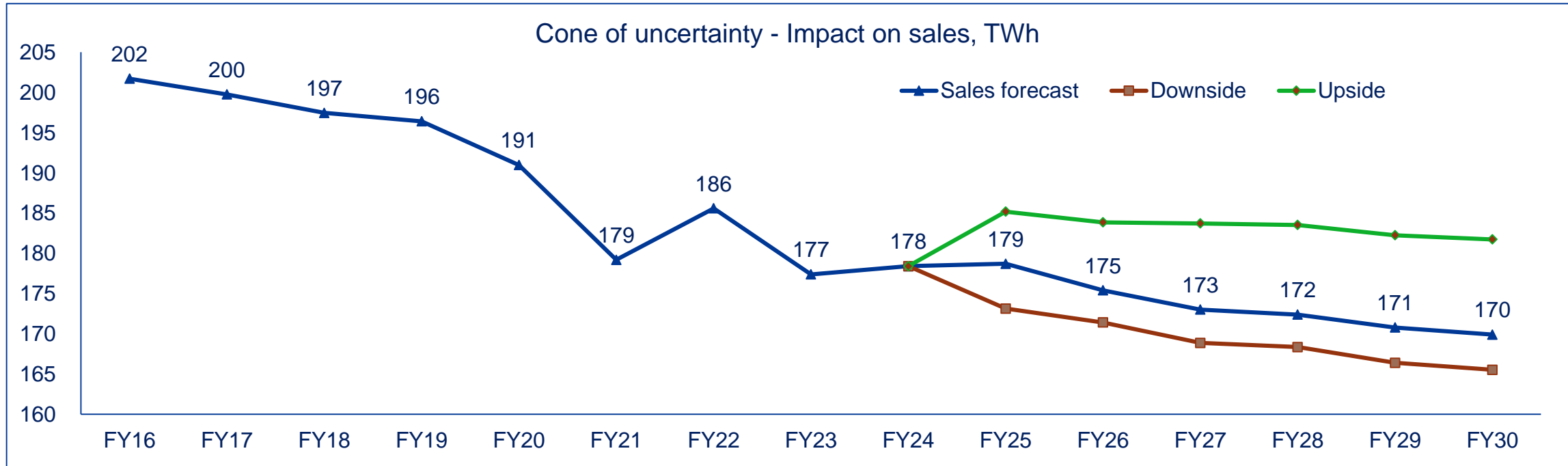
- Low **international economic growth**
- Commodity market volatility
- Rapid evolution of technology in the energy industry
- Some **large power users** have been **liquidated** or applied for **business rescue** due to **financial vulnerability** and low competitiveness
- Some industries that have shut down operations and **relocated to Asia due to incentives offered** in those countries
- Voluntary contribution to the energy reduction strategies during load shedding accelerated energy efficiency and self-reliance
- Opting to export un-beneficiated ore due to high market prices
- **Labour costs** and labour relations
- Reliability and cost of logistics

Eskom utilises externally sourced information to develop a sales forecast

- A **six year monthly forecast** is compiled – supported with another 4 years into future on annual basis using trends per sector
- Forecast for top customer segments (consuming greater than 100 GWh per annum are **individually analysed** considering customer insights, market conditions, usage patterns and long term plans)
- **Bottom-up approach** (regional inputs) is applied together with Pareto principle to determine the forecast for rest of other customer base – customers (including municipalities that make up 80% of the sales per category are forecasted on an individual bases.)



Cone of uncertainty: possible upside and downside

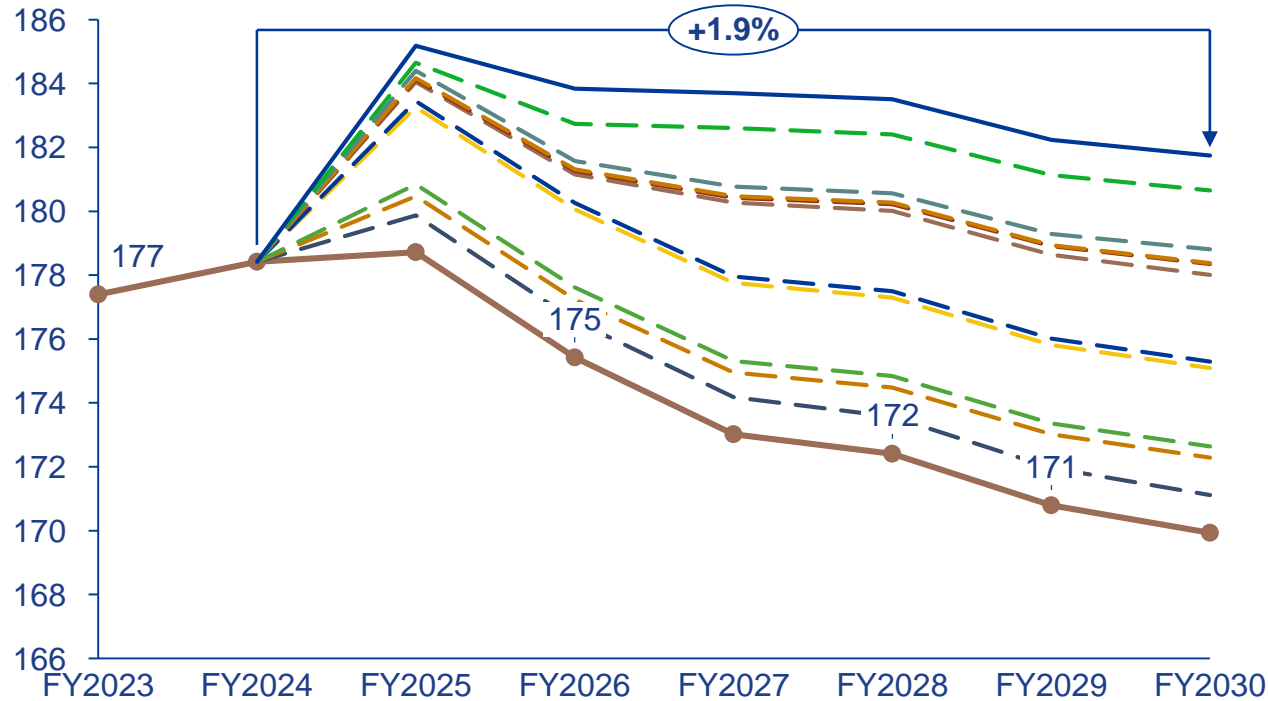


- ❑ The decline in sales can generally be attributed to large power users as a result of low competitiveness, high ore extraction costs, and volatile commodity markets – particularly in the ferrochrome, steel, gold, and platinum industries.
- ❑ It is important to emphasise that the South African economy had shown signs of significant distress prior to the onset of the pandemic and its associated lockdowns
- ❑ Although South Africa is still viewed as an emerging market, several factors have contributed to the decline in underlying economic growth of the country. These include finite natural resources, low investor confidence, infrastructure bottlenecks, labour unrest, load shedding, rising local debt, and unemployment
- ❑ RTP implementation is essential for correct investment decisions to be made into alternatives. Migration to cost reflectivity at tariff level is needed

Cone of uncertainty: Upside - Sales can increase by 2% by FY30 if customers' self-generation and wheeling initiatives (among other reasons) are lower than expected



Cone of uncertainty – Upside impact on sales, TWh



- Actual historical sales
- FY25 Budget
- Extreme weather
- Higher economic growth
- No Supply constraints
- Lower SSEG, self and co-gen
- No shutdowns
- Upscaling & new customers
- EVs
- Dx projects
- Low non-technical losses
- Wheeling delays
- Customer forecast materialises

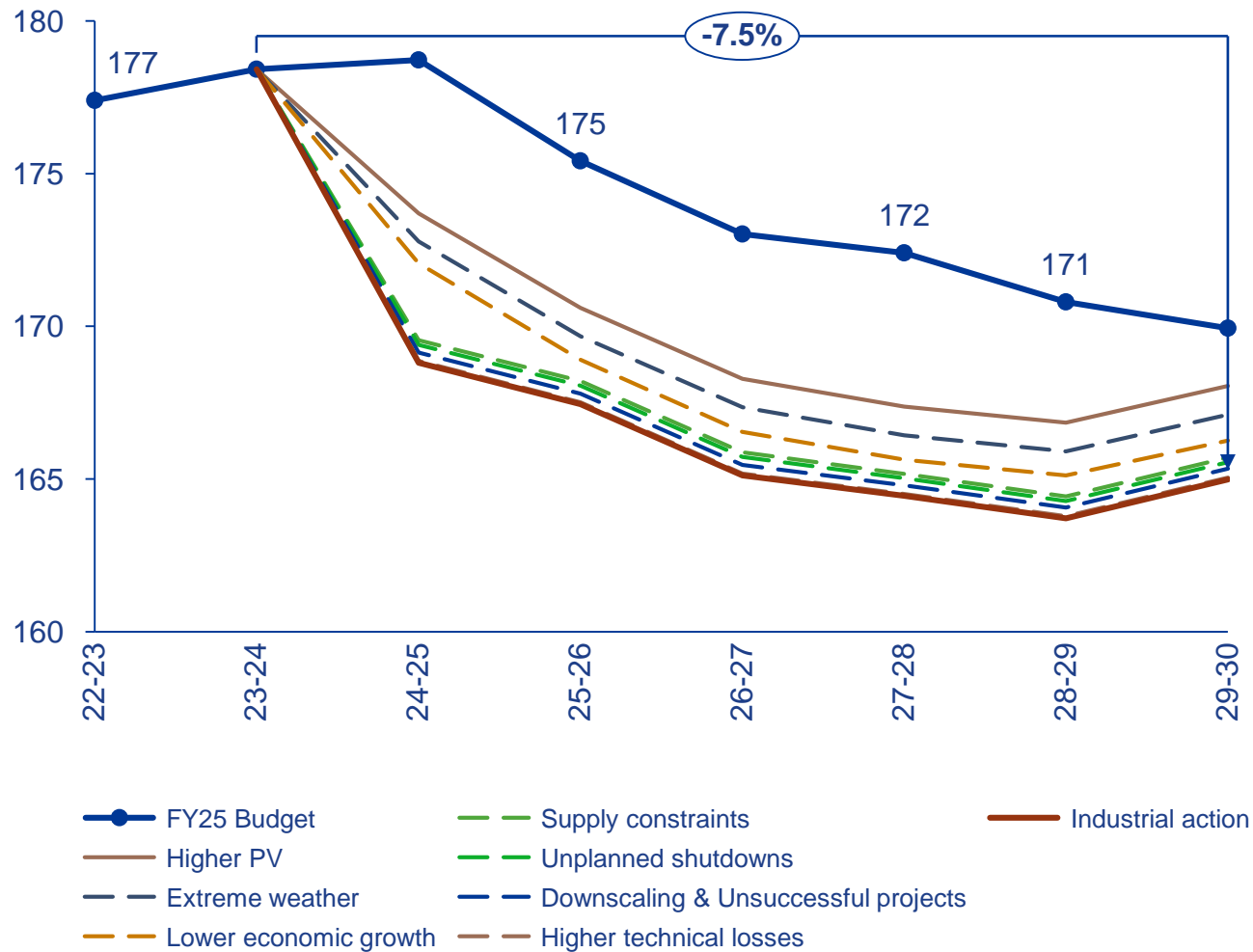
Additional GWh

	24/25	25/26	26/27	27/28	28/29	29/30
Higher economic growth	599	660	776	915	1 047	1 174
Extreme weather	1 157	1 158	1 160	1 164	1 170	1 176
Lower SSEG	14	60	61	63	65	67
No supply constraints	374	378	352	356	345	349
FBE	16	21	22	22	22	22
Upscaling/ new customer projects/connections	592	892	2 307	2 521	2 620	2 714
No shutdowns	200	200	200	200	200	200
Additional EVs	73	112	159	212	277	342
Ramping up Dx projects incl microgrids	50	45	45	45	24	24
Lower non-technical losses	231	260	299	294	355	434
Unavailability of own generation	2 392	2 392	2 392	2 392	2 392	2 392
Customer forecast materialises	527	1 100	1 100	1 100	1 100	1 100
Wheeling delays	251	1 163	1 833	1 843	1 842	1 842
Total	6 476	8 441	10 706	11 127	11 459	11 836

Cone of uncertainty: Downside - Sales can reduce by 7.5% by FY30 if customers' self-generation and wheeling initiatives (among other reasons) are higher than expected



Cone of uncertainty – Downside impact on sales, TWh

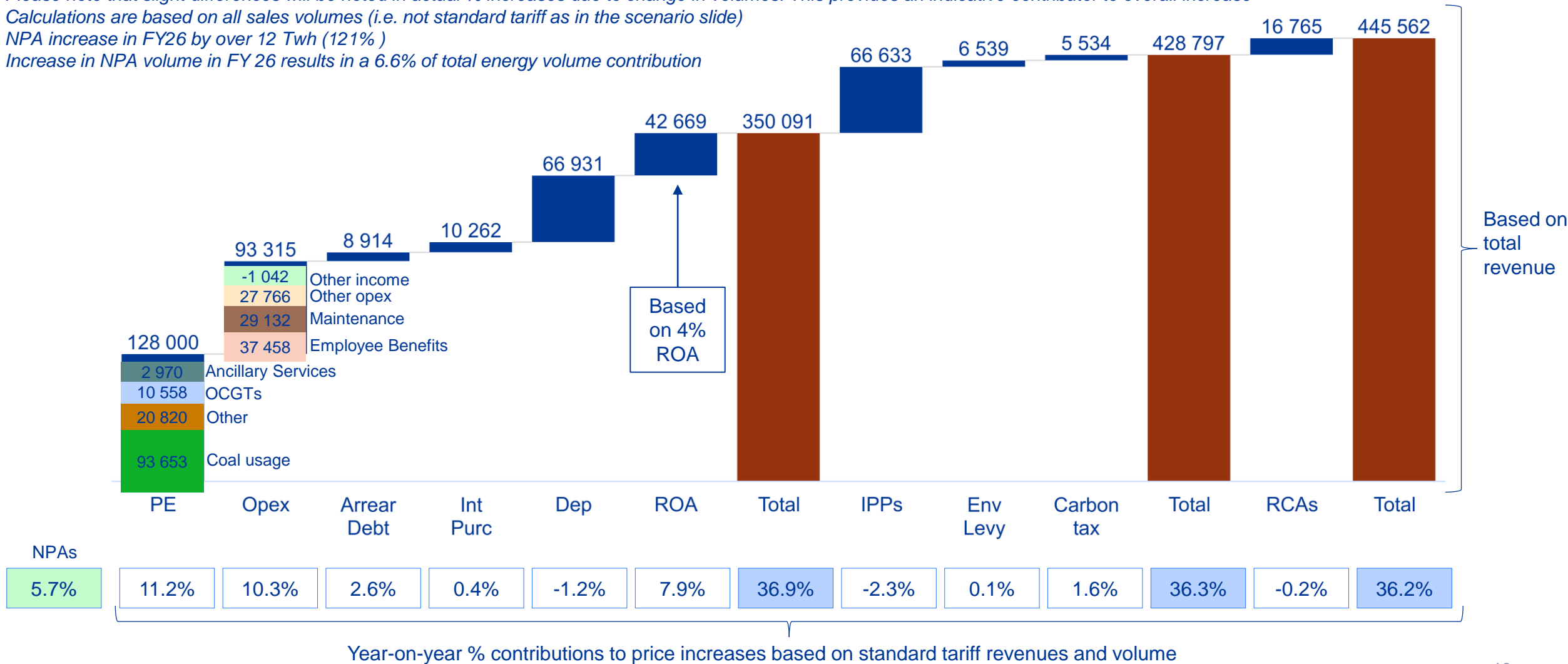


GWh reduction

	24/25	25/26	26/27	27/28	28/29	29/30
Low economic growth	(712)	(769)	(810)	(803)	(789)	(850)
Extreme weather	(921)	(926)	(928)	(932)	(938)	(944)
Higher PV ¹	(4 818)	(4 608)	(4 538)	(4 832)	(3 748)	(1 681)
Downscaling/reducing load	(250)	(269)	(256)	(226)	(212)	(215)
Unplanned shutdowns	(150)	(150)	(150)	(150)	(150)	(150)
Industrial actions	(62)	(62)	(62)	(62)	(62)	(62)
Higher non-technical losses	(278)	(280)	(283)	(285)	(288)	(290)
Supply constraints	(2 520)	(700)	(668)	(461)	(688)	(551)
Increased own generation	(202)	(202)	(202)	(202)	(202)	(202)
Total	(5 578)	(4 001)	(4 143)	(4 044)	(4 387)	(4 378)

FY2026 revenue build-up and contributions to total price increase

- The FY26 % increase is in comparison to the FY 25 NERSA decision
- Please note that slight differences will be noted in actual % increases due to change in volumes. This provides an indicative contributor to overall increase
- Calculations are based on all sales volumes (i.e. not standard tariff as in the scenario slide)
- NPA increase in FY26 by over 12 Twh (121%)
- Increase in NPA volume in FY 26 results in a 6.6% of total energy volume contribution





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

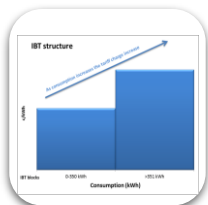
- Eskom provides FBE to customers in their area of supply as an agent for the municipalities



Subsidised Eskom tariff

For the MYPD3 period and subsequently the increase on the Homelight 20A customers (lifeline tariff) was lower than the average increase. Lower than 18% by 8% at 10%. Includes affordability subsidy (price level) and ERS subsidy (networks)

- Subsidised by direct Eskom large urban customers through the **affordability subsidy**
- The continual implementation from this lower base allows for extension of an effective subsidy
- Average Homelight 20A subsidy in FY25 was 144c/kWh of total 334c/kWh - a 43% subsidy. (Source FY2025 CTS study)



NERSA Incentive Block Rate (IBT)

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

- 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
- IBT lowers the price and the key issue is the stepped increase above 350kWh that also makes it difficult to understand

Ensuring that Government policies are implemented

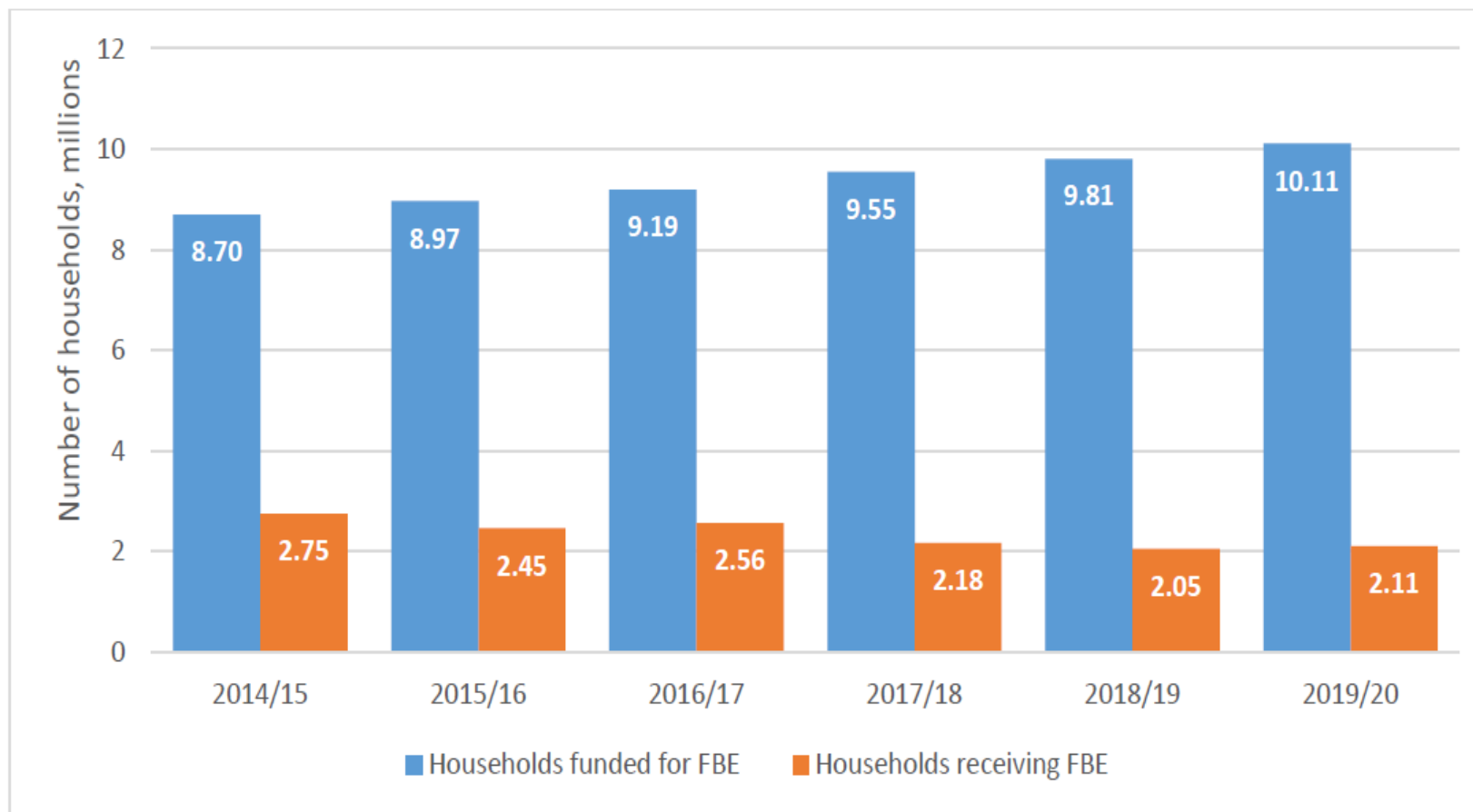
- ❑ The electrification programme is still underway
 - Government has a detailed programme in place to ensure that further areas are electrified
- ❑ It has been reported that the FBE of 50kWh is not being implemented to all relevant recipients
 - The Reserve Bank study indicates that only about 2 million recipients of a potential 10 million receive their FBE (2021)
 - Only Municipalities determine eligible recipients (indigent registers) – even if Eskom customers
 - Additional efforts are required to ensure that further recipients are identified
 - This is potentially a priority for NECOM to consider
 - The Government Departments will also have a role to play

Possible further policy changes that could be considered

- ❑ Eskom's Retail Tariff Plan (RTP) has made proposals to changes to the Inclining block tariff
 - To improve the benefit to poor residential customers, Eskom proposes **removing the IBT structure** and replacing it with a single energy rate charge for Homelight 20A customers.
 - This implies that converting the residential lifeline tariff, Homelight 20A into a single c/kWh energy rate.
 - This will protect the poor where an increased rate will not be paid by poor residential customers (for the second block)
 - This will further support poor residential customers
- ❑ The Government has indicated that protecting the poor is priority – other initiatives could be considered

Majority of FBE customers who should qualify are not being served by municipalities

Figure 15: Underspending in free basic electricity



- Municipalities are responsible for recognition & administration of customers who qualify for FBE for Municipal and Eskom customers
- Municipalities have only recognized ~20% of qualifying customers. Majority customers who should qualify are not being allocated by municipalities
- Eskom provides FBE to customers identified for FBE by Municipalities
- In subsequent years situation has worsened
 - FY 2021 – 1 654 160 households
 - FY 2022 – 1 753 091 households

(Source: Non-financial census of municipalities for year ended 30 June 22, published by Stats SA, 26 March 2024)

Source: Ledger (2021).

- Eskom's application is in accordance with the **2006 Electricity Regulation Act (ERA), Electricity Regulation Amendment Act 38 of 2024 and the prevailing Multi Year Pricing Determination (MYPD) methodology**. It is based on efficient and prudent costs and Return On Assets (ROA) that is increased to allow for cost of capital but still minimising the impact on consumers.
- **Eskom's generators** have again been called upon to **fill the gap** caused by the **unavailability of IPPs** of various technologies
- **Eskom management has a role for about 50% of electricity production costs**, which are mainly contractual and depend on regulated decisions like water and fuel. The other 50% of costs, such as depreciation, Government programmes, and taxes, are externally determined.
- **Eskom's electricity price is lower than in most countries** due to prices not covering the efficient cost of production for providing an electricity service
- Eskom is making a **total revenue application of R446bn, R495bn and R537bn for FY2026, FY2027 and FY2028** respectively
- The key drivers for the Eskom revenue application include:
 - **Enabling the strategic role** played by Eskom
 - Ensuring the **efficient costs and a fair return to Eskom** to continue to provide an electricity service in the form of Generation, Transmission and Distribution services
 - **Migrating towards** recovering an ROA equal to the **weighted average cost of capital**
 - Striving to become self-sufficient and **not continue to be dependent on support from the fiscus**
- For Eskom to be financially viable it needs:
 - Cost reflectivity at revenue and tariff level, balance sheet support by Government, cost exemplarity and collection of billed revenue

Generation Addressing Specific clarifications

**NERSA Public Hearings
Klerksdorp**

2 December 2024



- Maintenance costs
- What is an efficient level of EAF?
- Fuel oil usage

MYPD 6 Application: Generation Maintenance

- Eskom revenue application related to Generation maintenance is based on detailed maintenance plans. The resultant costs are as follows
 - **FY 2026 - R21 742m** (lower than FY 2025 projection of R22 021m. Eskom has already undertaken a significant portion of the projected amount)
 - **FY 2027 - R20 693m** (lower than that for FY 2026 – based on detailed maintenance plans)
 - **FY2028 – R22 224m** (increase from previous year – based on maintenance plans)
- Maintenance requirements are grouped into 4 categories:
 - Outage Maintenance
 - Technical Plan
 - Routine Maintenance
 - Breakdown Maintenance
- Requirements for **Outage, Technical Plan and Routine Maintenance**
 - The starting point is the **Life of Plant Plan (LOPP)**
 - This determines **timing and scoping** of outages, major projects and routine activities.

- **Breakdowns** are estimated
- **For each of the four types of maintenance activities**
 - **Each line item is costed**
 - This **builds up** to the total maintenance requirement in the revenue application
- Variations from year to year thus arise from a unit level, **zero-based, bottom-up approach** based on **plant requirements**
 - still **below the benchmark**
- A key reason for increase in maintenance from the FY2025 application is the **strategy change to continued operations** – more units running for security of supply
 - **17 more units** at Camden, Grootvlei and Hendrina
- NERSA has been provided with a **detailed listing** of maintenance **activities and costs per station, per unit**, with category and year
 - Indicative example provided below

Maintenance cost breakdown of indicative coal fired power station

Generation Maintenance

[Annexure A]

12.6

TABLE 89: MAINTENANCE OPEX PER CATEGORY

Maintenance Category (Rm)	Duvha					
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
a. Outage Maintenance	191 060 356	216 758 673	227 596 607	127 596 606	135 252 403	143 367 547
b. Technical Plan	10 000 000	10 000 000	10 000 000	10 000 000	10 600 000	11 236 000
c. Routine Maintenance	656 922 576	697 597 218	739 601 246	783 708 885	829 775 063	878 510 978
d. Breakdown Maintenance	0	0	0	0	0	0
TOTAL:	857 982 932	924 355 890	977 197 854	921 305 491	975 627 466	1 033 114 525

TABLE 90: OUTAGE

Initiative Number	Unit Number	Outage Code	Outage Scope Description	Plant Discipline Area	Plant Area	Total FY2025	Total FY2026	Total FY2027	Total FY2028	Total FY2029	Total FY2030
1	U1	24308	IN Boiler, Air Heater & Duc	Other		35 760 355.98					
2	U1	29600	MGO (HP & IP Refurbishment +	Other		84 800 000.00					
3	U5	16166	IN Boiler, Air Heater & Duc	Other		23 500 000.00					
4	U4	24317	IN Boiler, Air Heater & Duc	Other		23 500 000.00					
5	U6	19140	IR LP Inseccion	Other		23 500 000.00					
6											
7	U4	29602	GO LP Refurb + Boiler	Other			216 758 672.54				
8											
9	U1	32619	IN Outage	Other			227 596 607.08				
10											
11	U5	17612	UGO LP Refurbishment	Other				127 596 606.16			
12											
13										135 252 402.53	
14											143 367 546.68
15	U2		IN Boiler, Air Heater & Duc	Other							
Total						191 060 355.98	216 758 672.54	227 596 607.08	127 596 606.16	135 252 402.53	143 367 546.68

TABLE 91: TECH PLAN

Project Code	Project Description	Reason for Project	Plant Discipline Area	Plant Area	Total FY2025	Total FY2026	Total FY2027	Total FY2028	Total FY2029	Total FY2030
N.GDV0069	Plant Safety Improvement Project (LTI)	Improve safety in the plant s.e.c. rails to clean all station drains allow free flow of water	Other	Mechanical Maintenance - Boilers	2 380 000.00	2 380 000.00	2 380 000.00	2 380 000.00	2 522 800.00	2 674 168.00
N.GDV0407	Deep Dirty drains		Civil	Civil Maintenance	350 000.00	350 000.00	350 000.00	350 000.00	371 000.00	393 260.00
N.GDV0408	Plant Safety Improvement phase2	Improve safety in the plant	Civil	Civil Maintenance	640 000.00	640 000.00	640 000.00	640 000.00	678 400.00	719 104.00
N.GDV0467	Water Treatment Plant Civil Repairs	to fix the Drincholes that developed in the plant		Mechanical Maintenance - Water Plant	6 630 000.00	6 630 000.00	6 630 000.00	6 630 000.00	7 027 800.00	7 449 468.00
Total					10 000 000.00	10 000 000.00	10 000 000.00	10 000 000.00	10 600 000.00	11 236 000.00

- The total is broken down into the 4 categories
- Each outage is costed
- Each TechPlan project is costed

Each required Routine maintenance activity is costed (1 of 2)

Generation Maintenance

[Annexure A]

TABLE 92: ROUTINE

Initiative Number	Unit Number	Activity Description	Plant Discipline Area	Plant Area	Total FY2025	Total FY2026	Total FY2027	Total FY2028	Total FY2029	Total FY2030
1	ALL AREAS	Solar maintenance contract (General maintenance and overhauling critical pumps)	Mechanical	Mechanical Maintenance - Turbine Auxilia	15 512 709.38	16 443 471.94	17 430 080.26	18 475 885.07	19 584 438.18	20 759 504.47
2	ALL UNITS	EBI Maintenance contract (Maintenance of Turbine plant and auxiliaries, Routine inspection)	Mechanical	Mechanical Maintenance - Turbines	74 400 000.00	78 864 000.00	83 595 840.00	88 611 590.40	93 928 285.82	99 563 982.97
3	ALL UNITS	Diesel compressors hire and oil station purification	Other	Mechanical Maintenance - Auxiliaries	12 600 000.00	13 356 000.00	14 157 360.00	15 006 801.60	15 907 209.70	16 823 034.14
4	ALL AREAS	INSPECTION OF LIFTING EQUIPMENT AND CERTIFICATION	Other	Civil Maintenance	939 873.00	996 265.38	1 056 041.30	1 119 403.78	1 186 568.01	1 257 762.09
5	ALL UNITS	Screening maintenance (Station conveyor - to prevent coal blockages)	Mechanical	Mechanical maintenance - Coal	857 608.80	909 045.33	963 609.25	1 021 425.80	1 082 711.35	1 147 674.03
6	ALL UNITS	Refurbishment of Online BFP Oil Purifiers	Mechanical	Mechanical Maintenance - Turbines	1 000 000.00	1 060 000.00	1 123 600.00	1 191 016.00	1 262 476.96	1 338 225.58
7	ALL AREAS	MATERIAL EXPENSE (Valves, pumps, motors, BFP spares, BFPPT spares, HP Motors)	Mechanical	Mechanical Maintenance - Turbines	85 600 000.00	90 736 000.00	96 180 160.00	101 950 969.60	108 068 027.78	114 552 109.44
8	ALL AREAS	RECT SCFOLD, SCAFFOLDING, INSULATION	Other	Mechanical Maintenance - Boilers	24 439 776.71	25 906 163.31	27 460 533.11	29 108 165.10	30 854 655.00	32 705 934.30
9	ALL AREAS	Core Crew Maintenance	Mechanical	Mechanical Maintenance - Boilers	36 891 360.21	39 104 841.82	41 451 132.33	43 938 200.27	46 574 492.29	49 368 961.83
10	ALL AREAS	OTHER BOILER WORKS	Mechanical	Mechanical Maintenance - Boilers	18 948 780.96	20 085 707.82	21 290 850.29	22 568 301.30	23 922 399.38	25 357 743.35
11	ALL UNITS	NDT Maintenance	Mechanical	Mechanical Maintenance - Boilers	12 000 000.00	12 720 000.00	13 483 200.00	14 292 192.00	15 149 723.52	16 058 706.93
12	ALL UNITS	HOVDEN (Air Heater Maintenance)	Mechanical	Mechanical Maintenance - Air Heaters	12 235 839.32	13 075 989.68	13 860 549.06	14 692 182.00	15 573 712.92	16 508 135.70
13	ALL UNITS	ID FD and PA Fans Maintenance	Mechanical	Mechanical Maintenance - Fans and Draught	6 282 044.58	6 658 967.25	7 058 505.29	7 482 015.61	7 930 936.54	8 406 792.74
14	ALL UNITS	Maintenance services of Air Heaters	Mechanical	Mechanical Maintenance - Air Heaters	7 341 869.39	7 782 381.55	8 249 324.45	8 744 283.91	9 268 940.95	9 825 077.41
15	ALL UNITS	CRAWL BEAM INSPECTIONS	Other	Mechanical Maintenance - Boiler/Plater	813 367.20	862 149.23	913 899.39	968 733.35	1 026 857.35	1 088 468.79
16	ALL AREAS	MATERIAL EXPENSE (GOOTBLOWERS, OIL BURNERS, OIL LANCE, ID FANS, HPLP BYPASS, VALVES)	Civil	Mechanical Maintenance - Boilers	31 459 652.00	33 347 231.12	35 348 064.99	37 468 948.89	39 717 085.82	42 100 110.97
17	ALL AREAS	Civil Maintenance Monthly Services	Civil	Mechanical Maintenance - Water Plant	11 697 736.69	12 299 600.89	13 143 576.94	13 932 191.56	14 768 123.06	15 654 210.44
18	WATER TREATMENT PLANT	Maintenance of WTP	Civil	Mechanical Maintenance - Ash (Dust Handline)	11 466 208.71	12 154 181.23	12 883 432.11	13 656 438.03	14 475 824.31	15 344 373.77
19	Unit 4.5B5	DHP and Precise Maintenance	Civil	Mechanical Maintenance - Ash (Dust Handline)	3 276 134.75	3 472 702.84	3 681 065.01	3 901 928.91	4 136 044.64	4 384 207.32
20	Unit 4.5B6	SO2 plant Maintenance	Civil	Mechanical Maintenance - Ash (Dust Handline)	2 894 868.15	3 068 560.24	3 252 673.85	3 447 834.28	3 654 704.34	3 873 986.60
21	Unit 1B2	FRP Maintenance	Civil	Mechanical Maintenance - Ash (Dust Handline)	1 209 596.13	1 282 171.90	1 359 102.21	1 440 648.34	1 527 087.25	1 618 712.48
22	ALL UNITS	Ash motors	Civil	Mechanical Maintenance - Ash (Dust Handline)	1 209 596.13	1 282 171.90	1 359 102.21	1 440 648.34	1 527 087.25	1 618 712.48
23	ALL AREAS	HP Cleaning & ash line turning (Maintenance of ash lines and various cleaning services)	Civil	Mechanical Maintenance - Ash (Dust Handline)	3 600 000.00	3 816 000.00	4 044 960.00	4 287 657.60	4 544 917.06	4 817 612.08
24	ALL AREAS	MATERIAL EXPENSE (Valves, Ash pumps, ash hopper, ash crusher, sludge pumps)	Civil	Mechanical Maintenance - Ash (Dust Handline)	63 782 544.00	67 609 496.64	71 666 066.44	75 966 030.42	80 523 992.25	85 355 431.79

- Each routine maintenance activity is costed
- Breakdown maintenance is estimated
- This leads to a bottom-up, zero-based budget

Each required Routine maintenance activity is costed (2 of 2)

Generation Maintenance

| Annexure A |

Initiative Number	Unit Number	Activity Description	Plant Discipline Area	Plant Area	Total FY2025	Total FY2026	Total FY2027	Total FY2028	Total FY2029	Total FY2030
25	ALL UNITS	Milling plant maintenance Contract	Mechanical	Mechanical Maintenance - Milling Plant	45 000 000.00	47 700 000.00	50 562 000.00	53 595 720.00	56 811 463.20	60 220 150.99
26	ALL UNITS	MATERIAL EXPENSE (Mill refurbishment, mill rollers, mill balls, seal air fans, Hydraulics)	Mechanical	Mechanical Maintenance - Milling Plant	47 837 246.00	50 707 480.76	53 749 929.61	56 974 925.38	60 393 420.90	64 017 026.16
27	ALL AREAS	Fire detectors	Other	Electrical Maintenance - DC and Protection	1 089 907.19	1 155 301.62	1 224 619.72	1 298 096.90	1 375 982.72	1 458 541.68
28	ALL AREAS	Lifts Maintenance	Other	Electrical Maintenance - Common Electric	1 449 793.80	1 536 781.43	1 628 988.31	1 726 727.61	1 830 331.27	1 940 151.15
29	ALL AREAS	Aircon	Electrical	Electrical Maintenance - Air Conditioner	2 641 746.08	2 800 250.84	2 968 265.89	3 146 361.85	3 335 143.56	3 535 252.17
30	ALL AREAS	HAZLOC	Other	Electrical Maintenance - Common Electric	6 250 000.00	6 625 000.00	7 022 500.00	7 443 850.00	7 890 481.00	8 363 909.86
31	ALL AREAS	SIEMENS Contract (Repair, maintain, engineering support, perform onsite fault finding, supply of spares, modifications and installation of all siemens equipment onsite)	Electrical	Electrical Maintenance - Common Electric	5 000 000.00	5 300 000.00	5 618 000.00	5 955 080.00	6 312 384.80	6 691 127.89
32	ALL AREAS	Castlet Contract (Unit Onload Maintenance, Supply of Spares and Training)	Electrical	Electrical Maintenance - Common Electric	5 000 000.00	5 300 000.00	5 618 000.00	5 955 080.00	6 312 384.80	6 691 127.89
33	ALL AREAS	MATERIAL EXPENSE (LV & MV Motors spares, Actuators spares)	Electrical	Electrical Maintenance - Common Electric	44 872 151.54	47 564 480.63	50 418 349.47	53 443 450.44	56 650 057.46	60 049 060.91
34	ALL UNITS	Gas Monitors Contract (Gaseous Continuous Emissions Monitoring system)	C&I	C&I Maintenance - Outside Plant/Common P	1 600 000.00	1 696 000.00	1 797 760.00	1 905 625.60	2 019 963.14	2 141 160.92
35	ALL UNITS	SIEMENS Contract (Siemens Hostline and Simulator contract)	C&I	C&I Maintenance - Computers	12 781 500.00	13 548 390.00	14 361 293.40	15 222 971.00	16 136 349.26	17 104 530.22
36	ALL AREAS	TRAVELLING	Other		1 179 033.19	1 237 279.15	1 299 020.11	1 364 465	1 436 825 228	1 507 163.51
37	ALL AREAS	OFFICE AND SITE OPERATION COSTS	Other		1 433 094.12	1 644 264.64	1 714 405.6	1 788 754.63	1 857 281.68	1 940 859.356
38	ALL AREAS	STATIONERY AND RELATED EXPENSES	Other		185 500.00	121 300	123 208	125 230.48	130 865.83	136 754.7924
39	ALL AREAS	COMMUNICATION COSTS	Other		166 887.79	169 642.76	172 563.2	175 658.6	183 562.95	191 823.2828
40	ALL AREAS	WRITE-OFF ON PURCHASE OF LOW VALUE ASSET	Other		60 000.00	2 1200	22 472	23 820.32	24 892.23	26 012.38035
41	ALL AREAS	SUNDRY EXPENSES (Cost Price Adjustment)	Other		39 816 150.20	43 476 705.68	46 287 142.64	48 849 574.88	50 877 371.34	53 166 853.05
Total					656 922 576.02	697 597 217.59	739 601 246.43	783 708 884.88	829 775 063.09	878 510 977.89

Generation Maintenance is below international benchmarks

- The MYPD5 Application was done in 2022, a time of severe capacity constraints and space to perform the required maintenance, hence the maintenance costs forecasted for FY2025 at that point in time was lower than what it should be
- The latest MYPD6 forecasts are more aligned to the LOPP with a focus on operational recovery - The efficacy of this approach is evidenced by the recent improvement in EAF which is the main contributor to almost 250 days without load shedding
- Despite the increase in the MYPD6 period, maintenance spend is still lower than the benchmarking
- The benchmark range is from 1.75% to 3% of the replacement cost



- This Benchmark is an accepted measure advocated by leading maintenance bodies including the Society of Maintenance Reliability Professions (SMRP) and Life Cycle Engineering.
- It is also used by other maintenance intensive organisations.

MYPD 6 Application: EAF

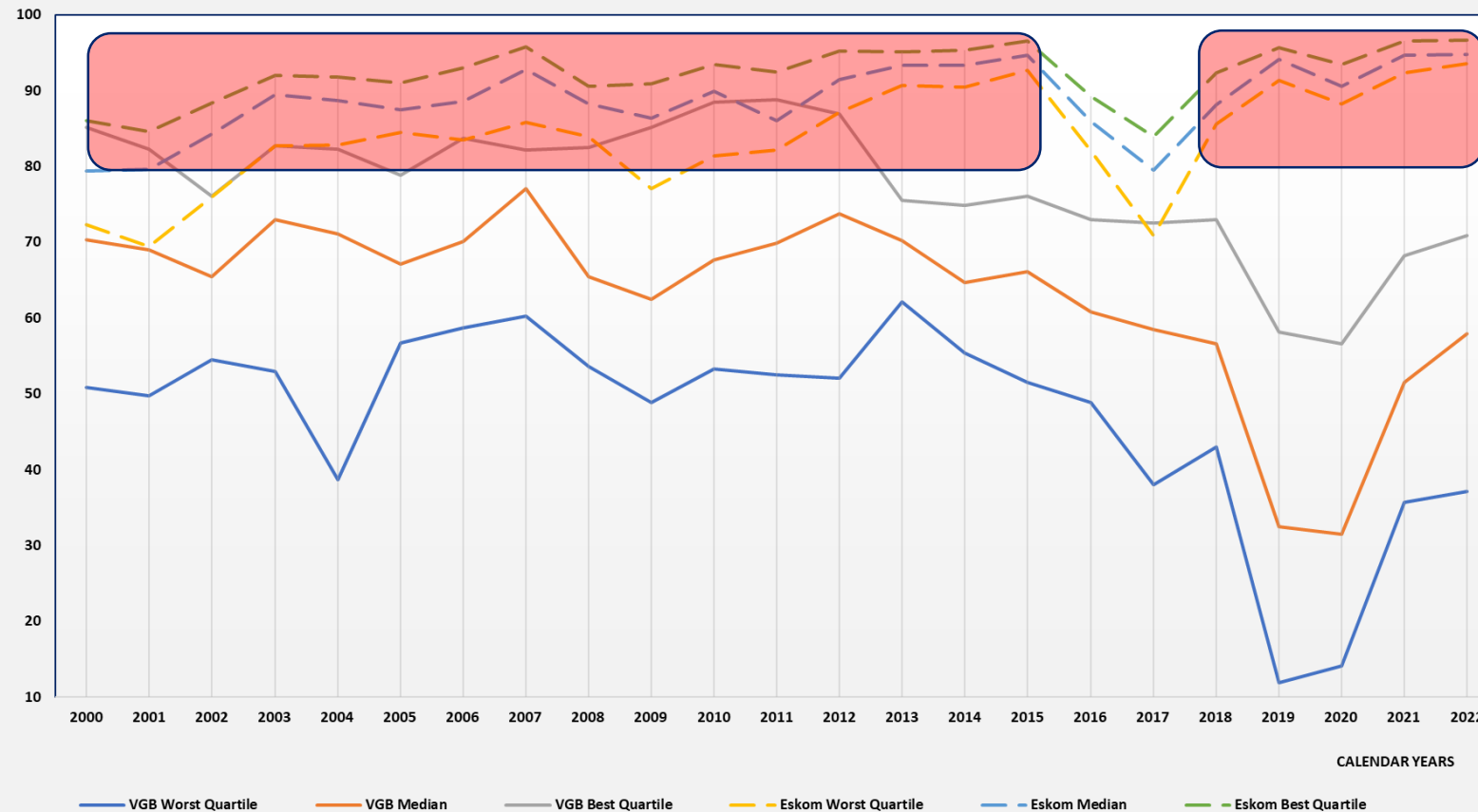
- Eskom's MYPD6 application assumed an **annual average EAF** improvement
 - from 61% in FY25 to 63% in FY26, 64% in FY27 and 65% in FY28
- In addition, uncertainty in various assumptions in the stress test required an EAF assumptions significantly lower of
 - 58.6% in FY26, 59.6% in FY27 and 60.6% in FY28
- Current (28 November 2024) EAF YTD is 62.74%
- Internal stretch target is to reach a **daily** EAF of 70% by the end of FY25
- Despite recent improvements in EAF and 249 days without load shedding, the system is still tight
- The delay in IPPs energy including from renewable energy has meant that Eskom needed to meet the shortfall

Note: EAF is calculated by dividing the available energy (capacity in MW X time in hours – hence MWh) by the reference energy, i.e. with all units operating at 100% capacity for the full period considered.

Any period can be used, and we typically use annual, YTD, monthly or daily. The assumptions in the submission are annual averages and the 70% internal stretch target set by the Board is for 1 day.

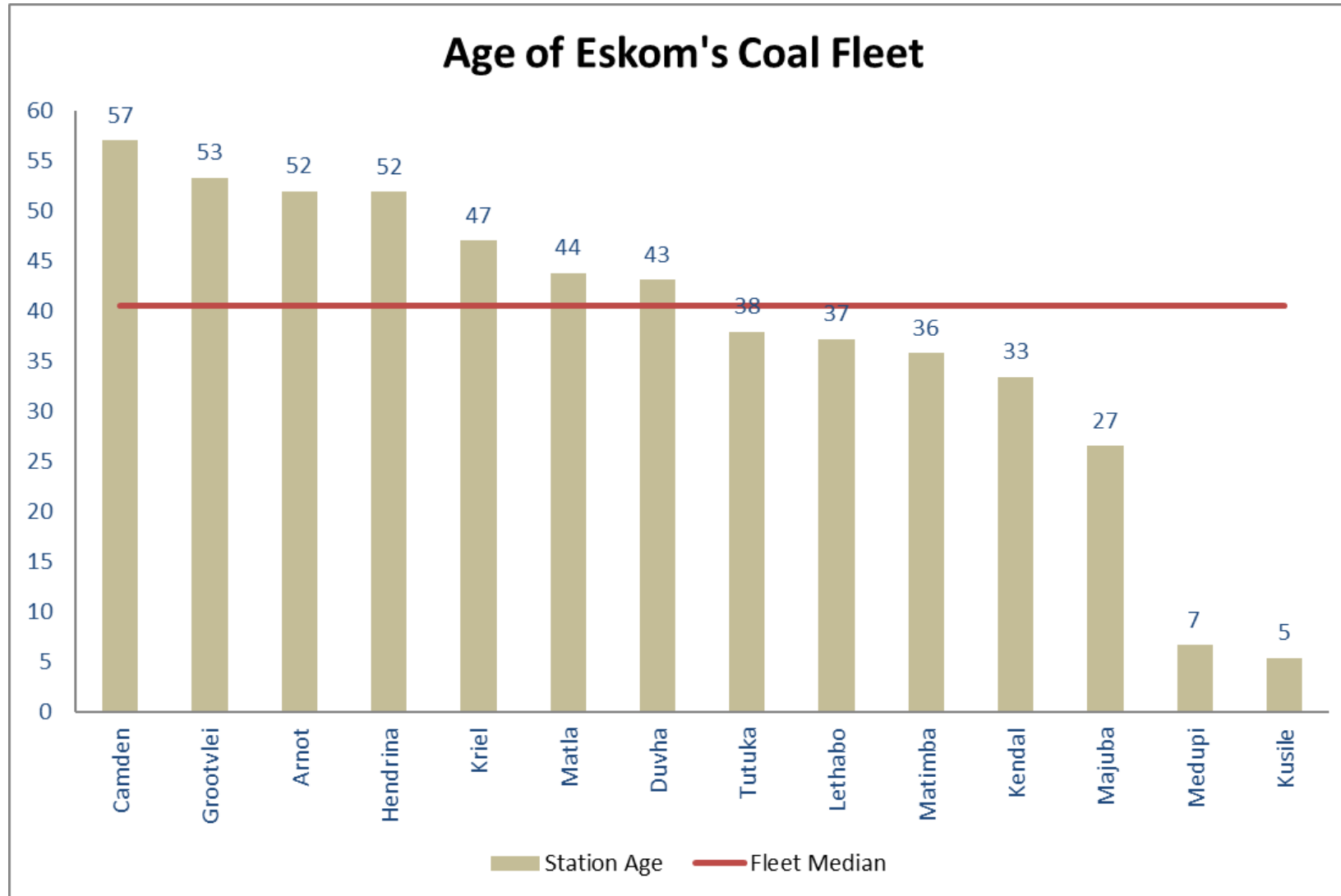
Benchmarking EUF % All Coal Sizes 2000 - 2022
38 VGB Units - Current Year (excl. Eskom Units)

ENERGY UTILIZATION FACTOR (EUF %)



Key Insights

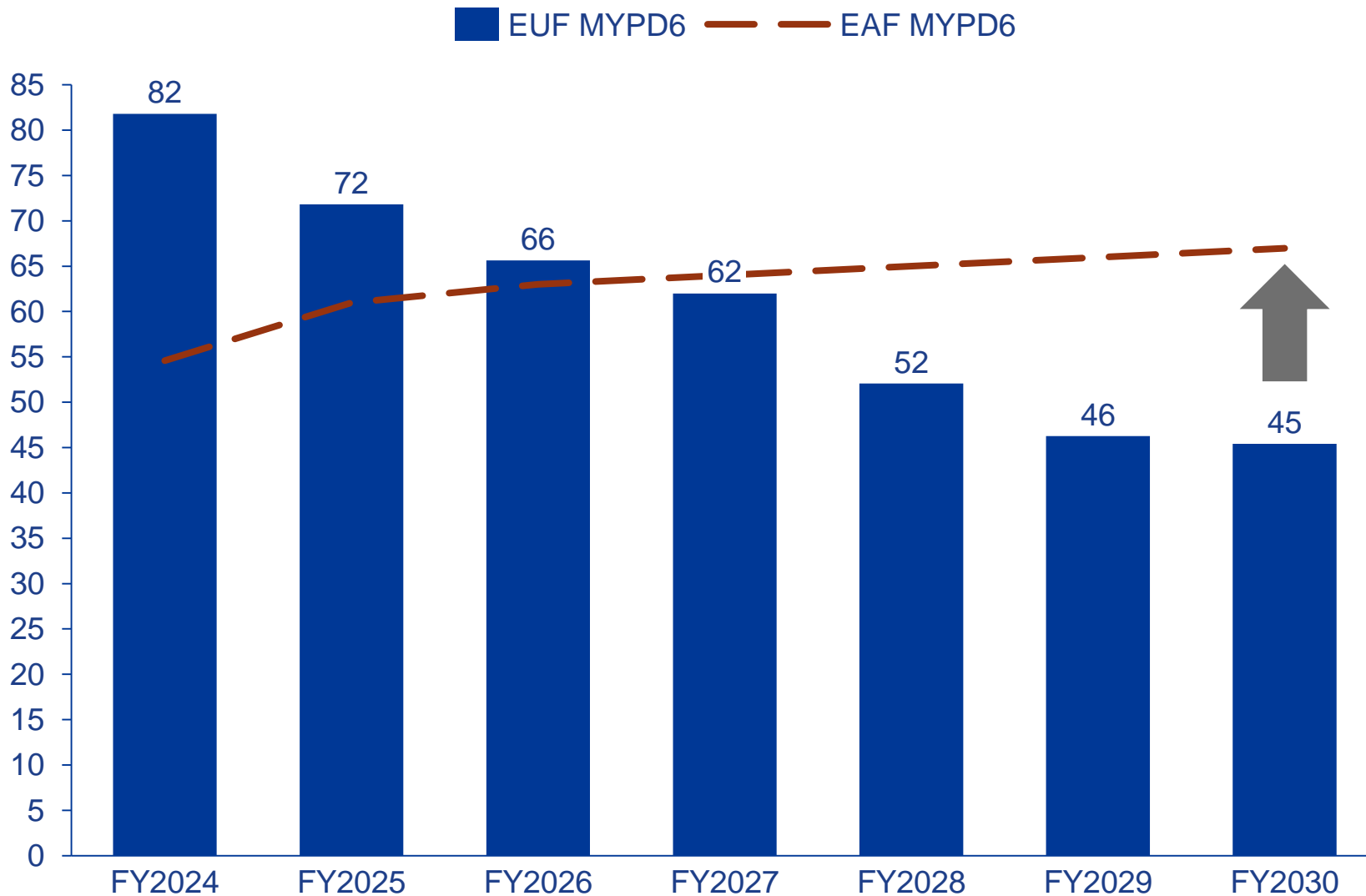
- EUF (Energy Utilisation Factor) is an indicator of how much energy (MWh) is actually produced while the units are available. This tells us “how hard” we are running the units.
- Eskom’s coal units have been operating in the “Red Zone” for most of the last 20+ years (thus running very hard)
- For the whole period, this is far higher than the VGB benchmark
- For most of the years, even Eskom’s bottom quartile are higher than the VGB top quartile



Key Insights

- An ageing fleet - Eskom's coal units are mostly past midlife
- Even considering 2 new stations, Median is 41 years
- On its own, age is not a reason for below aspiration performance
- Coupled with decades of hard running and limited upgrades and maintenance, age leads to compromised performance
 - An early decay stage of the "bathtub" curve
- Note: Komati excluded

In MYPD6 scenario, energy utilisation drops significantly with increased IPPs. Leaving additional energy space for growth or for delayed IPPs



Key Insights

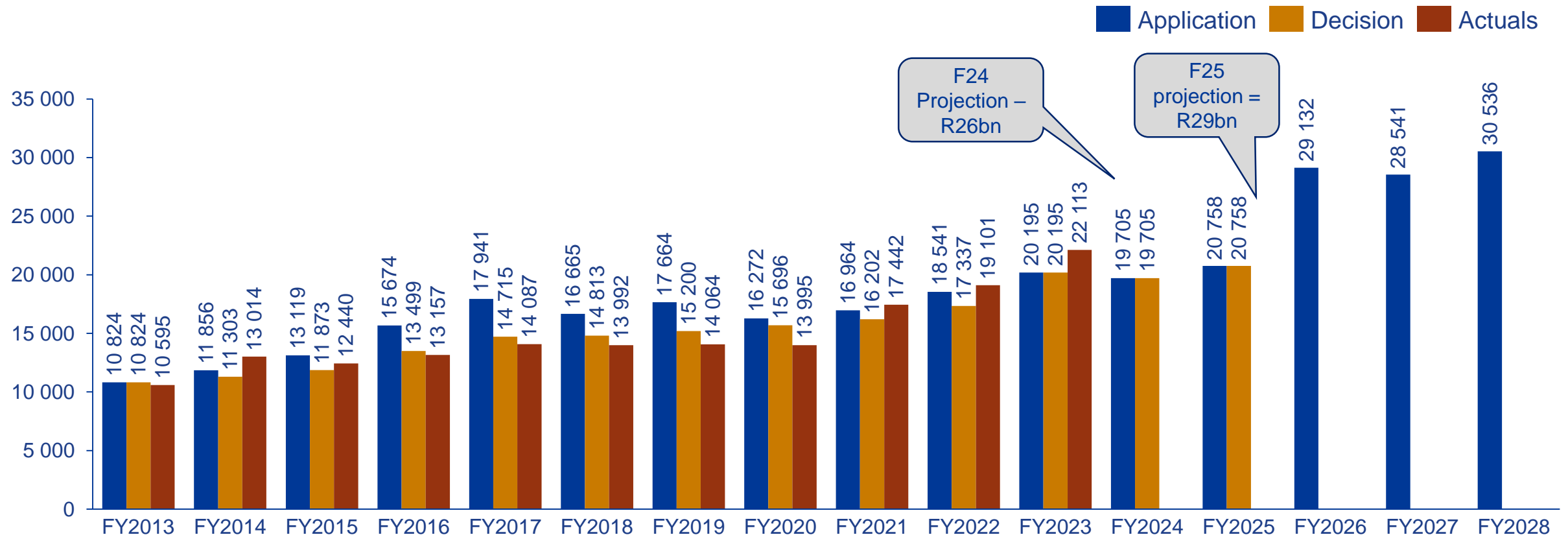
- Assumed Residual demand (demand seen by Eskom) drops, predominantly due to demand taken up by new IPP capacity
- So, Eskom stations **don't need to run "as hard"** – lower utilisation (EUF)
- For MYPD6 assumptions, EUF drops to **52% in FY28 and 45% in FY30.**
- Thus, there is significant energy space to **meet national demand higher than assumed or if IPP build does not materialise.**
- E.g. in FY28, by **ramping EUF** from 45% to 67% (less than the current today of 62%) would be able to meet and **additional ~7300MW*** residual demand.

*Capacity x 25% (delta EUF) x 67%(EAF)

- Efficiency has to take context into account:
 - **Eskom's coal stations have been running at exceptionally high utilisation over more than 20 years**, placing high levels of strain on systems and components – *see benchmarks*
 - **These stations had reduced maintenance**, in particular mid-life refurbishments, which are essential to maintain or improve reliability of an ageing stations
 - Root causes of above are:
 - Late government decision to allow Eskom to build new plant
 - Leading to inadequate capacity
 - Imperative to maintain supply – in the Shareholder Compact until 2013 but *de facto* requirement since then
 - Sub efficient and prudent cost reflective tariffs over many years
- EAF assumptions in the MYPD6 application are adequate to allow for significant demand growth or account for late entry of expected IPPs

Thus
In the context of where we are now and what we need, the EAF levels in the MYPD6 application are **prudent and efficient**

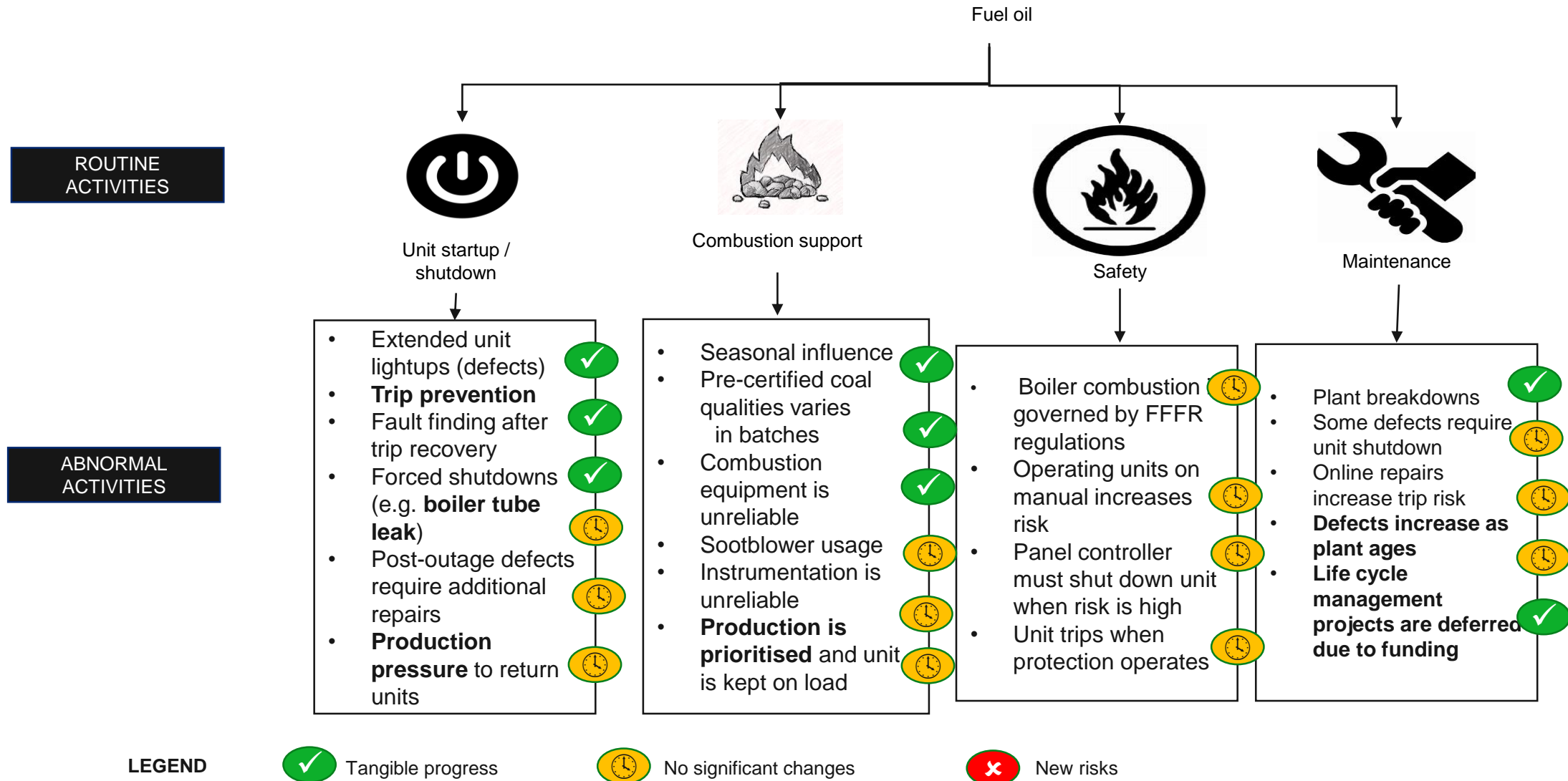
Maintenance is required to sustain operations NERSA has allowed this in their MYPD5 decision



- Further maintenance required in accordance Generation operational recovery plan – 8 priority stations
- Requirement for continued operations – move from shift from “shut down” of older power stations
- More Kusile units operational
- Koeberg long-term outage

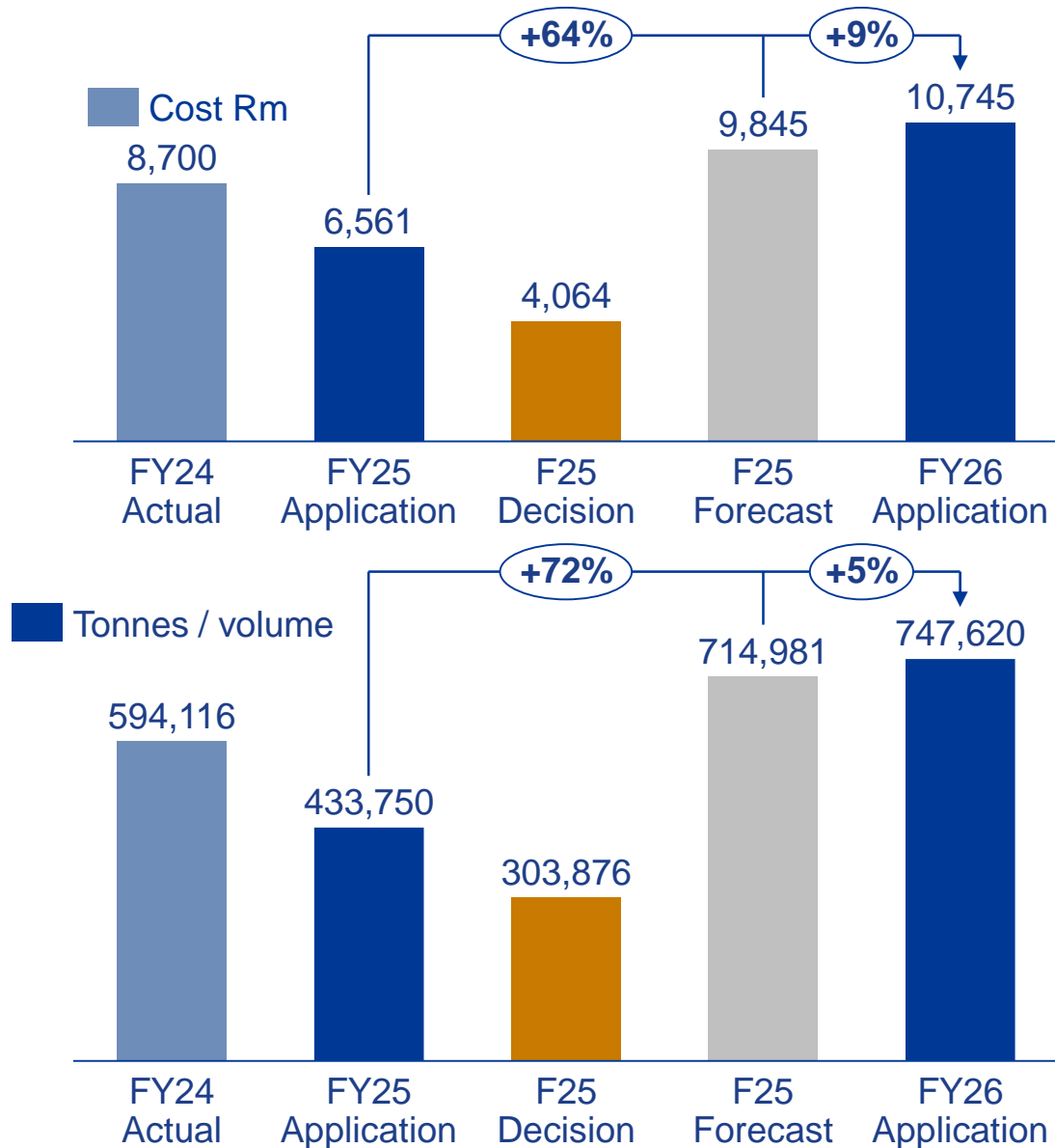
MYPD 6 Application: Fuel Oil Motivation

Fuel Oil usage is not only influenced by plant performance



- ❑ The increase in fuel oil costs from the FY2025 Nersa MYPD5 Decision to the FY2026 Eskom MYPD6 Application is largely driven by volume increases
 - ❑ Price increase contributes 11%
 - ❑ Volume variance contributes 89%
- ❑ The volume variance is driven predominantly by a change in strategy leading to more units operating than assumed in MYPD5.
 - ❑ The MYPD5 application was based on the 2035 Shutdown Strategy whereas the MYPD6 Application is based on the Continued Operations Strategy
- ❑ The focus during MYPD6 is on Generation plant operational recovery, including an increase in maintenance initiatives.
 - ❑ Fuel oil requirements are impacted by an increase in maintenance which necessitates an increased fuel oil
 - ❑ Fuel oil is used to sustain, ramp-up and stabilize the unit
 - ❑ Fuel oil required for pre-commissioning checks prior to synchronising a unit on load and plant optimisation after performing on-load tests etc
- ❑ Limiting fuel oil usage would:
 - ❑ Limit the ability to execute the required maintenance to improve performance
 - ❑ Increase risk of trips as fuel oil is used as combustion support to keep units running, especially at low load levels
 - ❑ Increase risk when returning units from outages (forced and planned)

Fuel oil volume increases required to meet security of supply and continue EAF improvements

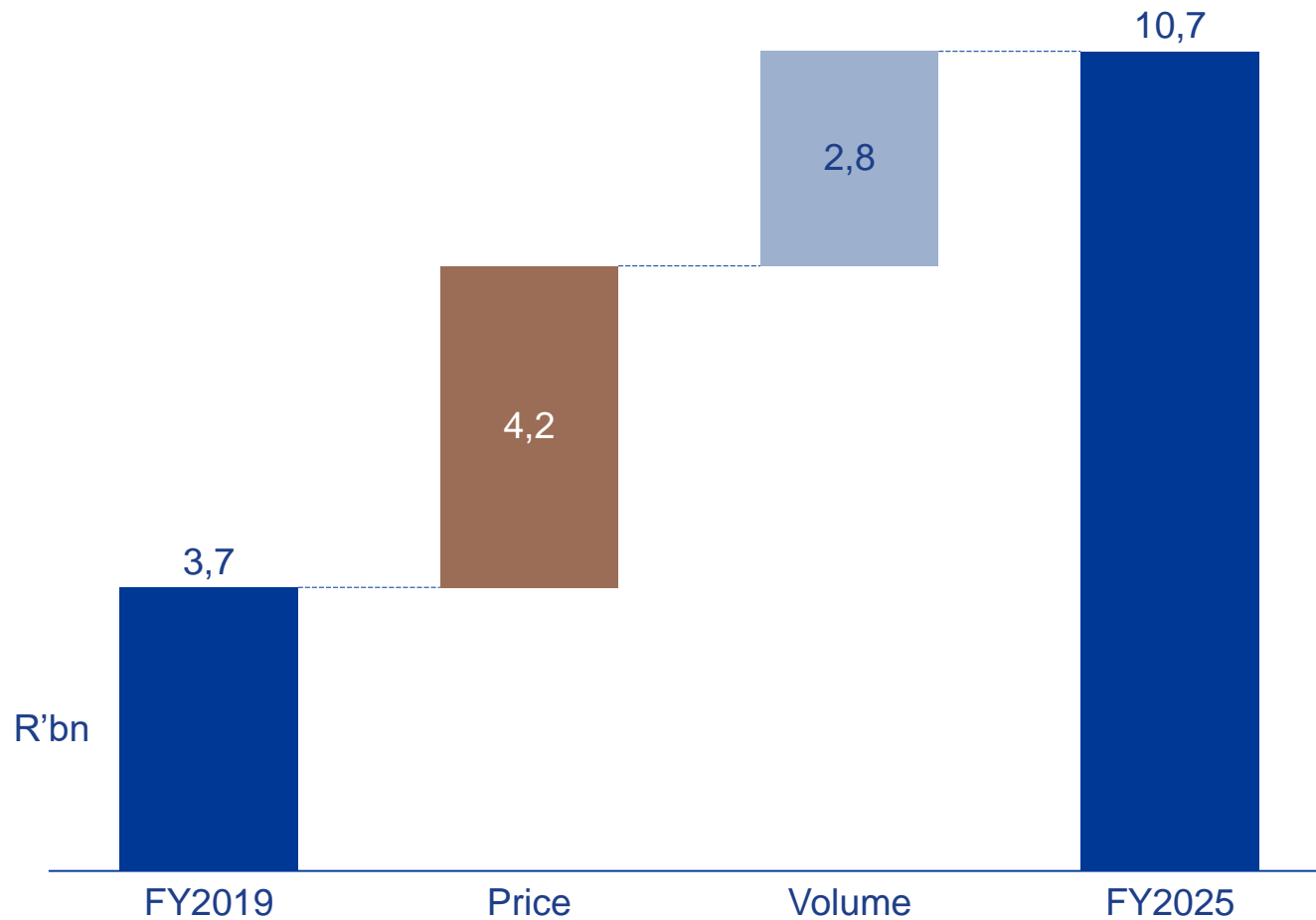


Fuel oil is essential for unit startup/shutdown, combustion support, safety and maintenance

Volume increases from FY25 application to FY25 forecast due to:

- Strategy change – **more units running for security of supply**
 - **17 more units** at Camden, Grootvlei and Hendrina
- **More planned maintenance** for continued **EAF improvement**

Increase from FY25 forecast to FY26 application is 9% on cost and 5% on volume



Of the increase from FY2019 actual to FY2025 application, 60% (R4.2bn) is due to price which is market related and uncontrollable

The remaining 40% (R2.8bn) is due to volume. This is impacted by:

- 4 additional units at Kusile
- 3 additional units at Medupi
- High levels of short-term maintenance requiring more starts
- Higher overall maintenance:
9.9% in FY19 and 11.6% YTD FY25
Note that the maintenance season (summer is mostly in the rest of FY25 so this will increase)

Biggest contributors are Kriel, Duvha, Medupi, Matimba and Kusile – increased number of overall starts and operating hours.

Note: Number of trips has not had a significant impact: Total of 641 in FY19 and 510 YTD in FY25

Debt owed to Eskom and Impairment

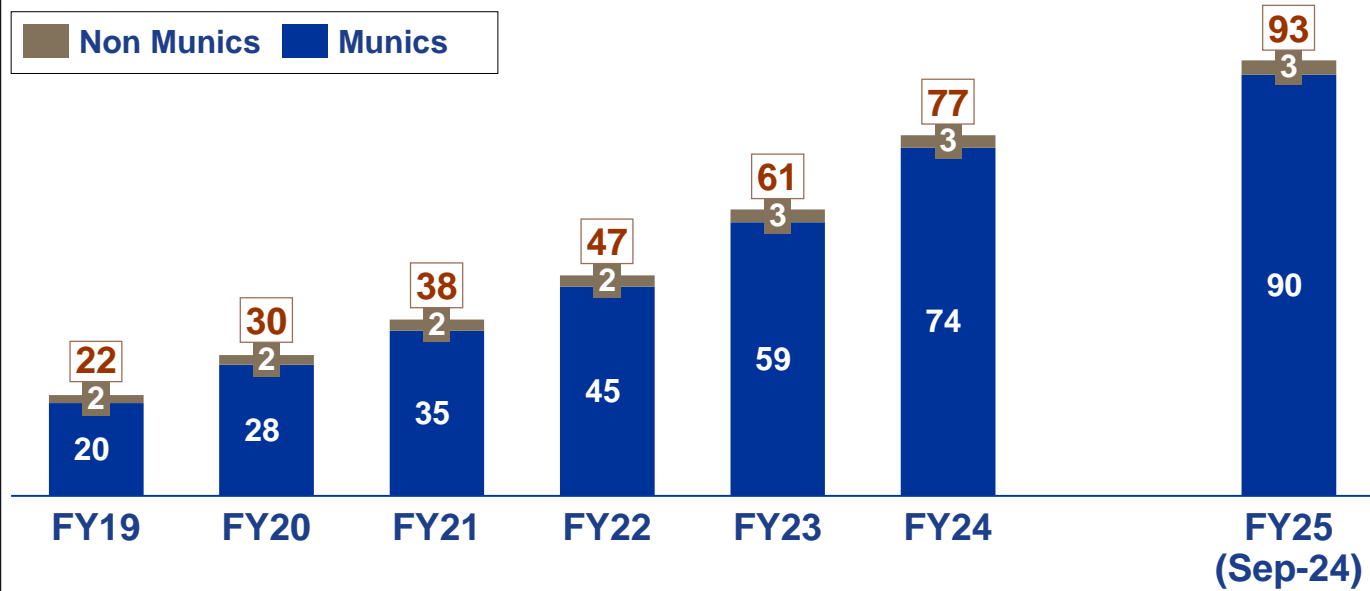
**NERSA Public Hearings
Klerksdorp**

2 December 2024



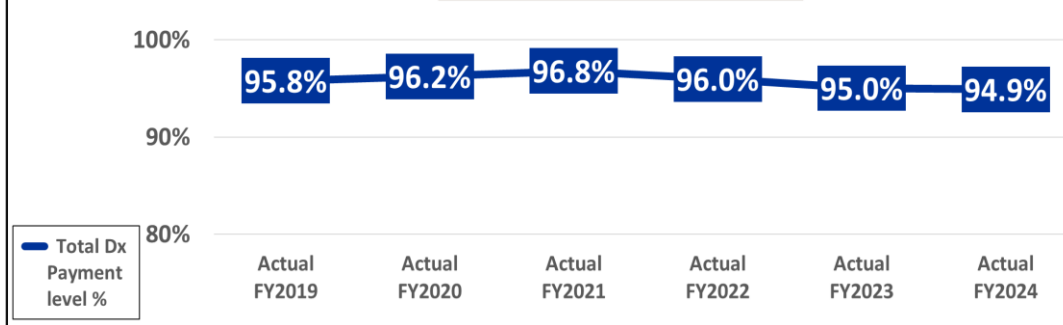
- Payment levels at ~95% at the end of FY24 (Munics at 88.8% & non-Munics at 99.9%)
- The cumulative overdue debt balance increased from R22bn (FY19) to R93bn at the end of Sept'24, with municipal debt the biggest contributor, increasing from R20bn (FY19) to R90bn at end of Sept'24

Overdue Debt – Cumulative R'bn

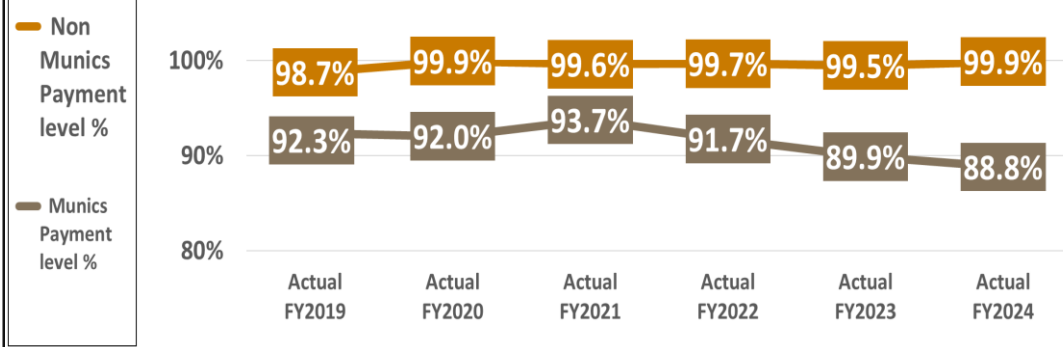


Overdue Debt Cumulative R'bn	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (Sep-24)
Munics (Metro's & Non Metro's)	20	28	35	45	59	74	90
Non-Munics (Top Customers, Other LPU & SPU excl. Soweto)	2	2	2	2	3	3	3
Total Cumulative	22	30	38	47	61	77	93

Dx Actual Payment level %



Actual Payment level %



# Good Performing Munics	155
# Poor Performing Munics	83

Municipal debt strategy hasn't yielded the desired outcome due to systemic issues in municipalities...

- Municipalities are not functioning effectively: **shortage of key skills** such as **asset management, engineering, financial management**
- **Support service skills** are in **short supply**: critical to run the business, deliver adequate service and pay their electricity bills.
- Municipalities require support with **energy losses, tariffs and pricing, smart metering, proper vending and Notified Maximum Demand (NMD) management**.
- **Systemic issues** such as **electricity theft, meter tampering and non-payment culture prevail**

Results in late and non-payment impacting Eskom's sustainability

The culture of non-payment of electricity is due to dysfunctional municipalities structural and systemic challenges that prevent them from servicing their debt

Events

- ◁ Accumulated municipal debt

Systemic challenges

Non-ringfenced electricity business

- ◁ Municipalities do not maintain separate financial statements for their electricity business and are in contravention of Section 27 of the Electricity regulation Amendment Act of 28 of 2007.

Revenue management and unfunded budget

- ◁ Revenue of the electricity business does not support municipal expenses

Low Infrastructure Investment

- ◁ It is estimated that maintenance backlogs exceeds R100bn in this sector.
- ◁ Continued disinvestment in municipal distribution infrastructure holds dire consequence for the EDI.
- ◁ Low investment in management tools and infrastructure such as billing infrastructure and tools for transparency of critical information (i.e. customer base, location etc.)

Dysfunctional electricity business of municipalities

- ◁ Non-payment due to inability to service accounts, high municipal debt, poor electricity service delivery

High energy losses

- ◁ The revenue model is compromised by high non-technical energy losses. The main causes are illegal connections, theft, meter tampering, inefficient or inaccurate billing, wrong metering installations and no periodic meter audits. Illegal connections are more prevalent in informal settlements.

Declining revenue and poor financial discipline

- ◁ Declining electricity revenue due to reduced demand in line with customer trends of energy democratisation.
- ◁ Increased losses and poor revenue collection which inhibits the ability to pay bills timeously.

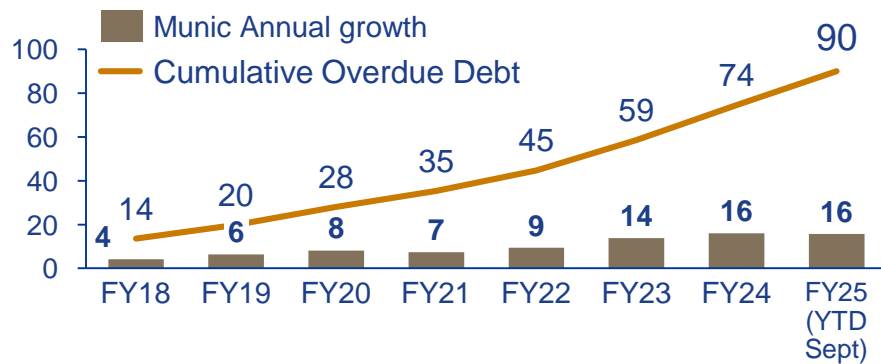
Shortage of skills

- ◁ Key skills such as asset management, engineering, financial management and other support service skills are not prevalent
- ◁ Smaller municipalities struggle to attract these skills, because of scarcity, geographic location, and competition. Resultingly, municipalities struggle with energy losses, tariffs and pricing and NMD management

Eskom's Municipal debt has been escalating and is currently R 90 bn (Sept'24) despite various interventions and programmes to promote payment and reduce debt



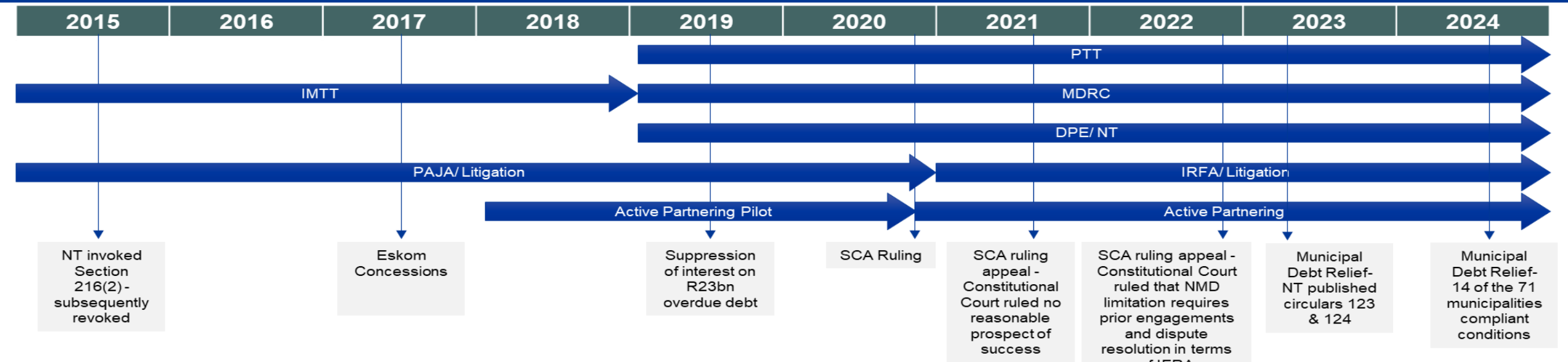
Eskom's Municipal Debt is increasing...



Eskom has implemented various programmes

- 2015 - Section 216 (2) – NT withheld funds to municipalities
- 2017 – Eskom Concession granted R 20 bn worth of interest concessions to municipalities
 - Decreased late payment interest from Prime +5% to Prime +2.5%
 - Extended payment terms from 15 to 30 days
 - Changed payment allocation to capital first and then interest
 - Allow municipalities in good standing to settle connections charges over a period
- 2019 – Additional incentive to municipalities by suppressing interest growth
- 2020 – SCA Ruling – **Preventing Eskom from disconnecting** unless IFRA is followed
- 2023 - NT Debt Relief R55bn in potential debt write-offs

Timeline of interventions from 2015 which consists of concessions, SCA ruling appeals and the NT Debt relief



Despite these concessions granted to the munics, overdue debt continues to escalate to unsustainable levels

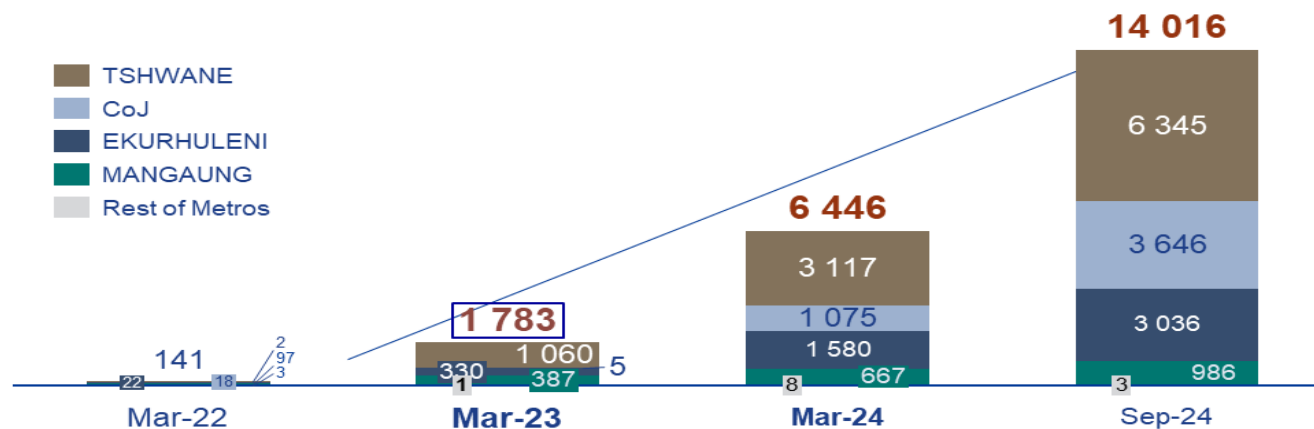
NT debt relief is not delivering desired results and Metros are now also contributing to escalating municipal debt challenges

Municipal debt relief programme – COMPLIANCE TO PAYMENT OF CURRENT ACCOUNTS POST APPROVAL

Municipality	Debt Relief Status	Ring-Fenced Debt As At 31 Mar'23	Residual New Arrear Debt	CAP & INT DUE QTR 2 FY24	CAP & INT DUE QTR 3 FY24	CAP & INT DUE QTR 4 FY24	CAP & INT DUE QTR 1 FY25	CAP & INT DUE QTR 2 FY25	TOTAL POST APPROVAL	Overdue Interest	Capital & Interest Due Current	Current Interest
		R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm
Compliant	13	2 085	787	0	0	0	0	0	0	0	843	4
Overdue	58	53 563	6 576	0	36	570	2 898	7 146	10 651	989	3 733	186
Total	71	55 647	7 363	0	36	570	2 898	7 147	10 651	989	4 575	190

Percentage of debt potentially arrested – 4% (R2.1bn/R55.7bn)

Metro arrears are alarmingly increasing



Municipal debt growth

- The National Treasury Circular 124 Intended to drive corrective actions through Debt Relief programme
- Conditions are not met by municipalities
- The NT programme is not yielding success for Eskom to manage the debt levels
- Several conditions that Munics must meet per the NT conditions. **Eskom can only monitor the conditions to payment of current accounts**
- **Metros such as Tshwane, City of Johannesburg, Ekurhuleni and Mangaung debt is increasing at alarming levels**

▪ **Credit Management Processes**

- Many municipalities respond to Eskom process and settle debt
- 135 Munics with no overdue debt or less than 60 days.

▪ **Payment Arrangements offered to Municipalities**

- Some honour and successful in clearing debt
- Many default on the payment arrangements

▪ Eskom **Support Municipalities with NMD** to prevent higher bills

▪ **Various litigations regarding Municipal Debt** - some recent key litigation items

- **City of Tshwane:** Two court matters - new hearing dates have been set for 26 and 27 November 2024 for both matters.
- Payment proposal received from Metro is currently being reviewed by Eskom.
- **City of Johannesburg:** 7 November 2024: Informed of planned interruption of bulk supply.
- Meeting between Metro, Eskom and Minister of Energy&Electricity : Metro instructed to pay R1.4bn shortfall from September 2024 and current account.
- Independent expert appointed to verify metering regarding billing disputes
- Eskom withdrew disconnection notice.
- **Emfuleni:** Several Court appearances to deal with Debt
- Intervention from Government when bank account attached
- An agency agreement subsequently signed and bank accounts released

Electricity Regulation Act (ERA)

- Section 18(1) of ERA :When Munics fail to comply with licence conditions or any provision of ERA, NERSA may, as a tribunal, decide on allegation.
- In 2018, Eskom submitted an allegation to NERSA that certain municipalities violated licence conditions ((Emfuleni, City of Matlosana, Ngwathe, Maluti-A-Phofung and Emalahleni).
- NERSA decided to establish a Tribunal
- On 20 August 2020, NERSA issued referral notices to municipalities for responses.
- During 2021, NERSA requested Eskom for updated information which was duly submitted.
- No further updates on progress were provided by NERSA

Active Partnering

6 Active Partnering agreements in place:

- Raymond Mhlaba – Revenue Management
- Phumelela – Revenue Management
- Bela-Bela - Tariff Restructuring, Energy Losses Management & Skills Development
- Msunduzi – Network Maintenance Services
- Maluti – Technical & Financial Services
- Emfuleni – Electricity Supply Services

Policies and initiatives manage debt collections across its various customer segments.

Despite these collection efforts, still face non-payment challenges for electricity sales and services rendered.

❑ **Very few businesses are immune to credit default**

❑ The mitigating factors include macro-economic challenges presented by the effects of COVID-19, high unemployment and a stagnant economy.

- Distribution is no exception – **payment risks remain.**
- It is **prudent** to include impairments costs as any business is exposed to credit risk for various customer categories
- Impairment application part of ensuring **cost recovery as a risk mitigation for all customers.**

- The **actual impairment % is currently between 4%-5% of Revenue**
- To reduce the impact on the tariffs; **Eskom has opted to limit its application to 2% of Revenue.** significantly lower than projected actual costs.
- Implies an overall **payment level of 98%**, extremely high payment level compared to similar organisations in electricity supply industry.
- Application is for **all customer categories** and not just Municipal debt.
- **Critical for long-term financial sustainability of Distribution business and Eskom.**
- If not granted, will compromise critical funding for network investments to address constrained networks, impacting security of supply.



Thank you