

12 January 2023

## MEDIA STATEMENT

### NERSA'S DECISION ON ESKOM'S MYPD5 REVENUE APPLICATION FOR THE 2023/24 AND 2024/25 FINANCIAL YEARS

The National Energy Regulator of South Africa (NERSA) announced today that based on the information at its disposal and the analysis of Eskom's fifth Multi-Year Price Determination (MYPD5) revenue application for the 2023/24 and 2024/5 financial years, the Energy Regulator, at its meeting held on 12 January 2023, made the following decisions:

1. The allowable revenues as per Table 1 must be recovered from both Eskom standard and non-standard tariff customers (Negotiated Pricing Agreements and international customers) based on the previously approved tariff principles and structures using the Eskom Retail Tariff Structural Adjustment (ERTSA) Methodology, as approved by NERSA.

**Table 1: Total allowable revenue decision from all customers**

MYPD 5	Formula	FY 2022/23 NERSA Decision	FY 2023/24 Application			FY 2024/25 Application		
			Eskom Application	NERSA Adjustment	NERSA Decision	Eskom Application	NERSA Adjustment	NERSA Decision
Regulated Asset Base (RAB)		550 507	1 254 636	-227 502	1 027 134	1 246 151	-296 597	949 554
Average Regulatory Asset Base			1 256 427	-467 606	788 821	1 250 394	-262 049	988 344
WACC	X	1,08%	1,70%		1,70%	1,58%		1,58%
Return		7 557	15 277	-1 867	13 410	19 516	-3 900	15 616
Operating costs	+	62 513	63 115	-5 757	57 358	65 853	-4 884	60 969
Primary Energy	+	80 496	101 452	-14 819	89 317	103 651	-10 835	92 816
Ipp	+	43 131	67 522	-10 234	57 288	85 619	-8 649	76 970
International purchases	+	4 589	8 925	0	8 925	9 334	0	9 334
Depreciation	+	42 321	71 001	-726	70 275	74 214	-838	73 376
IDM		421	490	-37	453	508	-35	473
Levies & Taxes	+	7 133	6 895	1	6 896	6 500	3	6 503
<b>Allowable revenue from all cutsumes before RCAs</b>		<b>250 452</b>	<b>334 677</b>	<b>-33 438</b>	<b>303 922</b>	<b>365 195</b>	<b>-29 135</b>	<b>336 057</b>
Add: Approved RCAs for liquidation	RCA	13 926	1 700	-1 700	0	1 700	-591	1 109
Government injection as per court order	Liquidation		15 000	0	15 000	15 000	0	15 000
<b>MYPD5 Allowable revenue including RCAs</b>		<b>249 726</b>	<b>351 377</b>	<b>-35 138</b>	<b>318 922</b>	<b>381 895</b>	<b>-29 726</b>	<b>352 166</b>

2. As shown above, Eskom's application for the 2023/24 financial year's revenue is R351bn, including Regulatory Clearing Accounts (RCAs) and court orders. NERSA's approved allowable revenue is R318bn after considering adjustments for inefficiencies and prudence reviews. For the 2024/25 financial year, Eskom applied for revenue of R381bn, including

RCA and government injection, as per the court order. The NERSA-approved revenue is R352bn after considering adjustments for inefficiencies and factoring the RCA as per the Energy Regulator decision of 14 December 2022.

3. Table 2 below shows that NERSA has approved a total revenue of R300bn for the 2023/24 financial year, which translates to a tariff of 173.80c/kWh. The percentage increase is 18.65% based on NERSA's approved tariff of 146.48c/kWh in the 2022/23 financial year. The NERSA-approved revenue is R334bn for the 2024/25 financial year, which translates to a tariff of 195.95c/kWh, resulting in a 12.74% increase based on the tariff of 173.80c/kWh NERSA approved tariff for the 2023/24 financial year.

**Table 2: Allowable revenue decision from standard customers including RCAs**

	Unit of Measure	FY 2022/23 NERSA Decision	FY 2023/24			FY 2024/25		
			Eskom Application	NERSA Adjustment	NERSA Decision	Eskom Application	NERSA Adjustment	NERSA Decision
<b>MYP 5(Incl RCAs)</b>								
Allowed revenue to STD customers tariff based sales before RCA	R'm	235 800	317 698	-31 742	285 956	347 298	-27 711	319 588
Allowed revenue tariff based sales RCA	R'm	13 926	1 700	-1 700	0	1 700	-591	1 109
Government injection as per court order	R'm		15 000	-767	14 233	15 000	-735	14 265
Total allowed revenue tariff based sales after RCA	R'm	249 726	334 398	-34 208	300 190	363 998	-29 036	334 962
Volumes from tariffs based sales incl RCA	GWh	170 485	172 722		172 722	170 947		170 947
<b>Standard average price after RCA</b>	<b>c/kWh</b>	<b>146,48</b>	<b>193,60</b>		<b>173,80</b>	<b>212,93</b>		<b>195,95</b>
Increase in average tariff after RCA	%	<b>9,61%</b>	<b>32,17%</b>		<b>18,65%</b>	<b>22,52%</b>		<b>12,74%</b>

4. The Energy Regulator will consider the ERTSA for the 2023/24 financial year following the submission of an application by Eskom.
5. The Energy Regulator will subject the costs in Table 1 above to further extensive prudency reviews, efficiency tests and performance thresholds.

The Energy Regulator made its decisions after conducting the due regulatory process, which included publishing Eskom's revenue application and inviting written comments from stakeholders. The Energy Regulator also conducted public hearings to solicit comments from interested and affected stakeholders. As a result, NERSA received approximately 2000 written comments from stakeholders, who raised concerns about affordability.

It is important to note that Eskom's revenue application for the 2023/24 and 2024/25 financial years was considered against various challenges that are affecting the South African economy. Accordingly, the Energy Regulator's decision provides a balance between the sustainability of Eskom and the economic well-being of the consumers and the economy.

The Reasons for Decision document will be available on the NERSA website at [www.nersa.org.za](http://www.nersa.org.za) in due course.

**End.**

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