

24 February 2022

MEDIA STATEMENT

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 Pricing Determination (MYPD5) revenue application for the 2022/23 financial year (FY), the Energy Regulator, at its meeting held on 24 February 2022, has made the following decisions:

1. The allowable revenues from standard tariff customers are approved for Eskom's 2022/23 financial year, as detailed in Table 1 below. Eskom's 2022/23 revenue application was R279bn, excluding RCAs. NERSA's approved allowable revenue is R250bn after considering adjustments for inefficiencies. Eskom's application was 14.58% and NERSA has approved 3.49%, excluding RCAs.

Table 1: Allowable revenue decision, excluding RCAs

MYPD 5	FY 2022/23 Application	Adjustment	NERSA Decision
Total expected revenues from all customers (R'm)	279 012	-28 560	250 452
Negotiated price agreement and International customers (R'm)	16 324	-1 671	14 653
Revenues from tariffs based sales (R'm)	262 689	-26 889	235 800
Forecast sales to tariff customers (GWh)	171 549	-1 064	170 485
Standard average tariff (c/kWh)	153,13		138,31
Percentage tariff increase (%)	14,58%		3,49%

2. Table 2 below shows total allowable revenues of R249bn, including the previously approved RCAs. NERSA has approved a tariff of 133.64c/kWh for 2021/22 and 146.48c/kWh for 2022/23, which results in an increase of 9.61%.

Regulator Members:

Mr SS Mokoena (Chairperson) *Adv NP Sithole (Chief Executive Officer)
*Mr N Gumede *Ms N Maseti *Mr MW Mkhize Ms Z Mpungose Mr FK Sibanda
*Full-Time Regulator Members

Table 2: Allowable revenue decision, including RCAs

MYPD 5(Inc RCAs)	FY 2021/22 NERSA Decision	FY 2022/23 Eskom Application	FY 2022/23 NERSA Decision
Allowed revenue to STD customers tariff based sales before RCA (R'm)	214 598	261 845	235 800
Allowed revenue tariff based sales RCA (R'm)	31 111	14 412	13 926
Total allowed revenue tariff based sales after RCA (R'm)	245 709	276 257	249 726
Forecast sales to tariff customers (GWh)	183 856	171 549	170 485
Standard average price after RCA (c/kWh)	133,64	161,04	146,48
Increase in average tariff after RCA (%)		20,50%	9,61%

3. Table 3 below shows the breakdown of allowable revenues of R293bn as applied for by Eskom, previously approved RCAs of R14.4bn and adjustments of R28bn for inefficiencies, which results in R250bn allowable revenues for 2022/23.

Table 3: Breakdown of allowable revenue decision

MYPD 5	Formula	2021/22 Decision MYPD	FY 2022/23 Application	Adjustments	FY 2022/23 NERSA
<i>Regulated Asset Base (RAB)</i>		855 355	1 258 217	-707 710	550 507
<i>Average RAB value for return calculation</i>					702 931
<i>WACC</i>	X	1,50%	-1,20%		1,08%
<i>Return</i>		-9 874	-15 060	22 617	7 557
<i>Primary Energy</i>	+	68 330	86 483	-5 987	80 496
<i>International purchases</i>	+	3 426	4 589	0	4 589
<i>Arrea debt</i>	+		5 666	-5 666	0
<i>Operating costs</i>	+	57 019	66 690	-4 177	62 513
<i>Research and Development</i>	+	152	0		0
<i>Depreciation</i>	+	66 279	68 254	-25 933	42 321
Eskom Allowable revenue		185 332	216 622	-19 147	197 475
<i>Ipp</i>	+	40631	52 664	-9 533	43 131
<i>Levies & Taxes</i>	+	7266	7 012	120	7 133
<i>CSI</i>		-151			
<i>Carbon Tax</i>	+		2 714	0	2 714
Allowable revenue before RCAs		233 078	279 012	-28 560	250 452
<i>Add: Approved RCAs for liquidation</i>			14 412	-14 412	-
MYPD5 Allowable revenue including RCAs		233 078	293 424	-42 972	250 452

4. The allowed revenues, as per Table 3 above, 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.
5. The Energy Regulator will consider the ERTSA for the 2022/23 financial year following submission of the application by Eskom.
6. The Energy Regulator will subject the costs in Table 3 above to further extensive prudency reviews, efficiency tests and performance thresholds.
7. The Energy Regulator will also perform independent valuation of Eskom's Regulatory Asset Base (RAB); if necessary, adjustments will be made.
8. The Energy Regulator will further conduct performance audits on Eskom's generation fleet, if necessary; adjustments will be made.

9. The Energy Regulator will consider proceeds received from the outcome of any legal or investigative processes on Eskom's fraud, fruitless and wasteful expenditure, and these will be addressed in subsequent RCA balance applications.
10. The R23bn government injection will only be included after the finalisation of the SCA proceedings because NERSA's appeal of the MYPD4 Judgement has suspended the processing thereto.

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 more than 60 000 comments from private individuals, who all raised affordability concerns. Of these, 41 were substantive comments.

It is important to note that Eskom's revenue application for the 2022/23 financial year coincides with various economic and social issues currently 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 in due course.

End.

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