

15 May 2020

MEDIA STATEMENT

NERSA'S DECISION ON ESKOM'S REGULATORY CLEARING ACCOUNT 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) application for the 2018/19 financial year, it has approved as follows:

1. An RCA balance of R13 271m in Eskom's favour.
2. The RCA balance will be recoverable from the standard tariff customers, local Special Pricing Arrangement (SPA) customers and international customers.
3. 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.
4. An implementation plan for the 2018/19 RCA balance will be developed for approval by the Energy Regulator within a reasonable period of time.
5. The Energy Regulator records that certain governance failures occurred in Eskom. However, at the time of this decision and although some of the adjustments were effected in the decision, the extent of the governance failures or amounts associated therewith had not been fully quantified. Upon the completion of any investigations by any organ of state or commission into these governance failures, and if the failure is quantified, the Energy Regulator may, in future Eskom revenue applications, effect adjustments to Eskom's revenue, based on the relevant outcome of the investigation.

The approved Eskom RCA balances for the 2018/19 financial year are provided in Table 1 below.

Table 1: RCA balance for 2018/19 financial year

R'm	Decision FY 2019	Actuals FY 2019	Variance	RCA Adjustment	Application FY 2018/19	NERSA Adjustment	NERSA Decision
Total Revenue Rm	190 348	179 892	10 456	(5 006)	5 451	(3 038)	2 413
Primary Energy , Rm	86 094	99 489	13 395	3 392	16 786	(5 339)	11 447
Coal	39 177	49 903	10 726	1 689	12 416	(1 554)	10 861
Open Cycle Gas Turbines (OCGTs)	345	3 768	3 423		3 423	(2 937)	486
Other	782		(782)		(782)	0	(782)
Other primary energy	7 595	9 320	1 725		1 725	(717)	1 008
Water usage and procurement	2 353	2 146	(207)		(207)	0	(207)
Start-up gas and oil (coal-fired)	2 122	3 741	1 619		1 619	(717)	902
Start-up gas and oil (gas-fired)	9	0	(9)		(9)	0	(9)
Coal handling	2 010	2 000	(10)		(10)	0	(10)
Water treatment	499	474	(25)		(25)	0	(25)
Nuclear	499	768	269		269	0	269
Fuel procurement	39	144	105		105	0	105
Sorbent usage	64	47	(17)		(17)	0	(17)
Independent Power Producers	26 596	24 952	(1 644)	1 369	(275)	(130)	(406)
International Purchases	3 216	3 740	524		524	0	524
Environmental levy	8 093	7 805	(288)		(288)	0	(288)
Demand Response (DR) – Instantaneous	110		(110)	110			
Demand Response (DR) - Supplementary	162		(162)	162	44	0	44
Demand Response (DR) – Programme administration	18		(18)	62			
Other costs	104 254	106 871	2 617	2 221	4 837	(5 510)	(672)
Depreciation	24 903	26 427	1 524	0	1 524	0	1 524
Return on Assets (ROA)	28 117	28 107	(10)	0	(10)	(3 077)	(3 087)
Research & Development (R&D)	112	90	(22)	0	(22)	0	(22)
Demand Side Management (EEDSM)		29	29	(2)	27	(6)	21
Operating costs	51 122	52 218	1 096	2 223	3 318	(2 426)	893
Service Quality Incentives (SQI)		186	186	0	186	(186)	0
FY 2019 RCA Balance Application					27 259	(14 072)	13 188
Nuclear decommissioning from RCA FY 2013/14 decision phased in over 10 years					83	0	83
Total RCA balance					27 323	(14 072)	13 271

NERSA received Eskom's RCA application for the 2018/19 financial year, totalling R27 323m, on 8 August 2019. NERSA reviewed the application for compliance with the fourth Multi-Year Price Determination (MYPD4) Methodology and Minimum Information Requirements for Tariff Application (MIRTA) requirements. After several interactions with Eskom, a revised application was submitted on 13 November 2019. Full compliance was confirmed by the Energy Regulator on 19 November 2019, after all outstanding information was submitted by Eskom.

Eskom's RCA application was evaluated using the MYPD4 Methodology. In terms of the provisions of the MYPD Methodology, the Energy Regulator has to, upon application by Eskom, assess qualifying allowed revenue and qualifying allowed expenditure against the relevant actual revenue and actual expenditure, as well as performance incentive-based adjustments.

The Energy Regulator made the decision after conducting the due regulatory process, which included publishing Eskom's application and inviting written comments from stakeholders from 3 December 2019 to 20 January 2020.

The Energy Regulator also conducted public hearings in eight of South Africa's nine provinces from 3 to 24 February 2020. The public hearings afforded interested and affected stakeholders the opportunity to present their views, facts and evidence.

The Energy Regulator has, in arriving at this decision, balanced both Eskom's interests and those of the public, in line with section 2(b) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006).

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

End.

Enquiries:

Mr Charles Hlebela

Head of Communication

Cell: 083 646 8280

Email: charles.hlebela@nersa.org.za