

Nersa announces R32.69bn approval for Eskom RCA application

The National Energy Regulator of SA (Nersa) announced a R32.69bn approval for Eskom's regulatory clearing account (RCA) applications.



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The power utility's applications had totalled R66.6bn.

Thursday's decision follows the January publication of Eskom's third multi-year determination (MYPD3) Regulatory Clearing Account (RCA) applications for public comment. Published by Nersa, the applications were for year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) of the MYPD.

For the three years Nersa decided on the following:

- an RCA balance of R12.577bn for the 2014/15 financial year;
- an RCA balance of R12.058bn for the 2015/16 financial year; and
- an RCA balance of R8.055bn for the 2016/17 financial year.

The regulator's chairman, Jacob Modise said the funds will be recoverable from the standard tariff customers, local special pricing agreement (SPA) customers and international customers.

The RCA is a monitoring and tracking mechanism that compares certain uncontrollable costs and revenues assumed in the MYPD decision (made by Nersa) to actual costs and revenues incurred by the power utility.

In addition, the energy regulator announced that the reasons for the decision, which was made after countrywide public hearings, will be made public once the applicable requirements have been finalised.

“An implementation plan for the RCA balance of year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) of the MYPD3 will be developed for approval by the Energy Regulator by 30 September 2018,” said Modise.

In the decision making process, the regulator considered that Eskom conceded that certain governance failures occurred in Eskom, “but [that] at the time of the decision, the extent of the governance failures or amounts associated therewith had not been quantified”.

Nersa may initiate its own investigation into the governance failures in Eskom and may effect adjustments to Eskom's revenue based on the relevant outcome of its investigation and/or those undertaken by bodies or entities, including, but not limited to National Treasury and the Special Investigating Unit, among others.

Eskom's applications were driven substantially by revenue under-recovery and higher primary energy costs to meet demand, while operating in a constrained electricity system.

Court action

The regulator confirmed that it received a notice of motion of Eskom's intention to take its decision on revenue requirement for the 2018/19 financial year for judicial review.

This followed the 15 December 2017 approval by Nersa of an allowable revenue of R190.348bn for Eskom for the 2018/19 financial year.

The approved allowable revenue resulted in an average percentage price increase of 5.23%, effective from 1 April 2018.

Eskom had applied for a total allowable revenue of R219.514bn, which would translate to a 19.9% average percentage price increase.

Public hearings

Reflecting on the road travelled since January, Nersa received more than 85,000 written comments, from stakeholders such as private individuals, small energy users, intensive energy users and non-government organisations.

Issues such as affordability, economic impact and cost savings were among those raised in the written comments.

In addition, the regulator also conducted countrywide public hearings into the matter between 16 April and 14 May 2018.

A total of 96 oral presentations were made at these public hearings.