

**ESKOM'S FOURTH MULTI-YEAR PRICE DETERMINATION REGULATORY  
CLEARING ACCOUNT APPLICATION FOR THE 2022/23 FINANCIAL YEAR  
CONSULTATION PAPER**

**April 2024**

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## **Abbreviations and Acronyms**

EPP	Electricity Pricing Policy
The ERA	Electricity Regulation Act, 2006 (Act No. 4 of 2006)
FY	Financial Year
IPP	Independent Power Producer
MIRTA	Minimum Information Requirements for Tariff Applications
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
RCA	Regulatory Clearing Account

## **1. Executive Summary**

- 1.1 The Regulatory Clearing Account (RCA) is an account (for the purpose of determining the pass-through and/or claw-back) that consists of the variance between the actuals for the full financial year and what was allowed in the Multi-Year Price Determination (MYPD) decision of the Energy Regulator. This account is evaluated on a year-by-year basis after an application by Eskom to the Energy Regulator for adjustment, and shall be based on audited financial statements.
- 1.2 The RCA is permitted in terms of section 17 of the fourth MYPD (MYPD4) Methodology. The MYPD methodology was developed as a guide to the National Energy Regulator of South Africa (NERSA) in the regulation of the electricity supply industry in a manner that could be deemed rational and would result in predictable and stable prices. It forms the basis on which NERSA will evaluate the price adjustment for Eskom over a multi-year period and corresponding RCAs.
- 1.3 Eskom's MYPD5 RCA for the 2022/23 financial year (FY) application has been developed using the MYPD4 Methodology published by NERSA in October 2016.

## **2. Introduction**

- 2.1 In performing its duties to review regulatory tools, set tariffs, and evaluate Eskom's application, NERSA is guided by, amongst others, the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the Electricity Pricing Policy (EPP) and the regulatory framework.
- 2.2 NERSA's regulatory framework, according to the ERA, requires the achievement of several objectives, which include:
  - a) safeguarding the needs of customers;
  - b) achieving the efficient, effective and sustainable development of electricity supply infrastructure;
  - c) facilitating investment;
  - d) promoting universal access;
  - e) promoting competitiveness and customer and end user choice, and importantly;
  - f) facilitating a fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public.

Thus, NERSA has a broader set of objectives to consider in setting tariffs. As some of these objectives may work in different directions, a balancing process is required.

- 2.3 Eskom submitted its MYPD5 Year 1 RCA application (see annexure A) on 24 January 2024.

### **3. Legal Basis**

- 3.1 Section 4(c) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA) empowers and burdens NERSA with the responsibility to undertake the functions detailed in section 4 of the ERA.
- 3.2 The ERA sets out the powers and functions of NERSA. Specifically, relevant to this application is section 4(a) (ii), in terms of which NERSA is empowered and required to regulate prices and tariffs.
- 3.3 In performing its mandated functions, NERSA is required to ensure that the following ERA objects are achieved:
- a) The efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in South Africa.
  - b) The interests and needs of present and future electricity customers and end users are safeguarded and met, having regard to the governance, efficiency, effectiveness and long-term sustainability of the electricity supply industry within the broader context of economic energy regulation in the Republic.
  - c) Investment in the electricity supply industry is facilitated.
  - d) Universal access to electricity is facilitated.
  - e) The use of diverse energy sources and energy efficiency is promoted.
  - f) Competitiveness and customer and end user choice are promoted.
  - g) A fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public is facilitated.
- 3.4 In order to facilitate compliance with the regulatory framework and create regulatory certainty regarding Eskom's revenue applications, NERSA developed a Multi-Year Price Determination Methodology in line with section 14(1)(g) of the ERA and Minimum Information Requirements for Tariff Applications (MIRTA) in line with section 14(1)(e) of the ERA, which are to be complied with by Eskom but do not restrain the exercise of discretion by the Energy Regulator when taking a decision.

## 4. Scope of Consultation

### 4.1 Comments on the FY2022/23 of the application

4.1.1 Eskom's revenue application amounts to R9m, for FY2022/23. The main drivers of this application are:

- primary energy;
- independent power producers (IPPs);
- international purchases; and
- Depreciation

#### **Stakeholder Question 1**

Stakeholders are requested to comment on all areas of the application as per Table 1: Summary of FY2022/23 RCA Application in Annexure A (the application).

## 5. The Consultation Process

- 5.1 Stakeholders are requested to comment in writing on the Consultation Paper on Eskom's FY 2022/23 RCA application. Written comments can be forwarded to [mydp@nersa.org.za](mailto:mydp@nersa.org.za); hand-delivered to Kulawula House, 526 Madiba Street, Arcadia, Pretoria; or posted to PO Box 40343, Arcadia, 0083, Pretoria. The closing date for the submission of comments is **23 May 2024 at 16:00**.
- 5.2 NERSA will collate all comments received, which will be considered when making a decision. Public hearings will be held using MS Teams, wherein interested and affected parties may make presentations.
- 5.3 The process for consultation and decision-making is outlined in the table below.
- 5.4 Table 2 below shows the indicative timelines that will be published on the NERSA website.

**Table 2: Timelines to process 2022/23 RCA**

Task Name	Duration	Start	Finish
<b>Approval of the publication of 2022/23 RCA</b>	<b>170 days</b>	<b>Tue 24/04/09</b>	<b>Mon 24/12/02</b>
Electricity Subcommittee (ELS) to approves publication of the applications and indicative timelines.	1 day	Tue 24/04/09	Tue 24/04/09
Incorporation of comments from members of the ELS and preparation of the publication	1 day	Wed 24/04/10	Wed 24/04/10
Preparation Publication of the consultation	1 day	Thu 24/04/11	Thu 24/04/11
Closing date for stakeholder comments	30 days	Fri 24/04/12	Thu 24/05/23
Notice for public hearing	30 days	Fri 24/05/24	Thu 24/07/04
Microsoft Teams Public Hearings	2 days	Fri 24/08/02	Mon 24/08/05
Analysis of stakeholders comments and drafting the Reasons for Decision (RfD) for ELS consideration	40 days	Tue 24/08/06	Mon 24/09/30
ELS to recommend the Draft Decision and Reasons for Decision	1 day	Tue 24/10/01	Tue 24/10/01
Requesting licensee to provide comments on the ELS recommendation before ER approval	7 days	Wed 24/10/02	Thu 24/10/10
Energy Regulator decision	1 day	Tue 24/10/29	Tue 24/10/29
Submission of the RfD to Eskom for treatment of confidentiality (Eskom given 7 days to indicate matters deemed confidential)	15 days	Wed 24/10/30	Tue 24/11/19
NERSA analysis of matters deemed confidential by Eskom	5 days	Wed 24/11/20	Tue 24/11/26
Regulator Executive Committee (REC) deals with the treatment of matters deemed confidential by Eskom	1 day	Wed 24/11/27	Wed 24/11/27
Publish NERSA decision and reasons for decision	3 days	Thu 24/11/28	Mon 24/12/02

**Table 3: Public hearing indicative dates**

Province	Form	Date
National, including all provinces	Virtual public hearing	02 August 2024
National, including all provinces	Virtual public hearing	05 August 2024

\*The dates of the public hearings might be extended/reviewed depending on the number of presenters registered.

5.5 For more information and queries on the above, please contact Mr Thilivhali Nthakheni or Ms Lehuma Masike at:

Physical address: Kulawula House  
526 Madiba Street  
Arcadia  
Pretoria  
Telephone no.: 012 401 4025/4724  
Fax no.: 012 401 4700

**End.**