

Enquiries: Brian Sechotlho (Acting EM)
Tel: 012 401 4619
Fax: 012 401 4700
Email: brian.sechotlho@nersa.org.za

Mr. Phakamani Hadebe
Chief Executive
Eskom Holdings SOC Ltd
P O Box 1091
JOHANNESBURG

Dear Mr Hadebe

DECISION ON ESKOM HOLDINGS SOC LIMITED'S ESKOM'S FOURTH MULTI-YEAR PRICE DETERMINATION (MYPD4) FOR THE CONTROL PERIOD OF 2019/20 – 2021/22

The National Energy Regulator, at its meeting held today, Thursday 7 March 2019 took a decision on Eskom Holdings SOC Limited's fourth (4th) Multi-Year Price Determination (MYPD4) applications as follows:

1. The allowable revenues are approved for Eskom's financial years 2019/20, 2020/21 and 2021/22 as detailed in Table 1 below. Eskom is applying for revenues R219bn, R252bn and R291bn for the 2019/20, 2020/21 and 2021/22 financial years respectively.

Table 1: Allowed Revenues Decision

MYPD4	Decision 2019/20	Decision 2020/21	Decision 2021/22
Total expected revenues from all customers (R'm)	206 380	221 843	233 078
Negotiated price agreement and International customers (R'm)	15 441	16 736	18 480
Revenues from tariffs based sales (R'm)	190 939	205 107	214 598
Forecast sales to tariff customers (GWh)	186 064	184 898	183 856
Standard average tariff (c/kWh)	102,62	110,93	116,72
Percentage tariff increase (%)	9,41%	8,10%	5,22%

2. Table 2 below shows the breakdown of allowable revenues as approved by NERSA.

Table 2: Breakdown of allowable revenue

	Decision 2019/20	Decision 2020/21	Decision 2021/22
Regulated Asset Base (RAB)	949 838	913 213	875 039
Weighted Average Cost of Capital	1,50%	1,50%	1,50%
Return (adjusted for government assistance)	-8 752	-9 302	-9 874
Expenditure	51 267	53 692	57 019
Primary Energy	67 090	67 966	68 330
Independent Power Producers(local)	30 462	35 314	40 631
International purchases	3 059	3 233	3 426
Depreciation	55 867	63 637	66 279
Research and Development	136	144	151
Levies & Taxes	7 443	7 353	7 266
Total	206 572	222 037	233 229

3. The Energy Regulator will subject the costs in Table 3 above to further extensive prudency reviews, efficiency tests and performance thresholds.
4. The Energy Regulator will also perform independent valuation of Eskom's Regulatory Asset Base (RAB).
5. The Energy Regulator will further conduct performance audits on Eskom's generation fleet.
6. The allowed revenues 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.
7. NERSA will consider the ERTSA for the 2019/20 financial year following submission of the application by Eskom.
8. The Energy Regulator considered that Eskom conceded that certain governance failures occurred in Eskom but, at the time of the decision and although some of the adjustments were effected, the extent of the governance failures or amounts associated therewith had not been fully quantified. The Energy Regulator 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, Eskom, National Treasury, Special Investigating Unit, South African Directorate for Priority Crime Investigation (Hawks), the Parliament of the Republic of South Africa or any Commission of Enquiry as and when they are concluded or a conclusive outcome is reached and the costs associated therewith are quantified.

Eskom applied for a Fourth Multi-Year Price Determination (MYPD4) revenue application, totaling R219bn, R252bn and R291bn for 2019/20, 2020/21 and 2021/22 financial years, respectively for consideration by the Energy Regulator. The MYPD3 RCA Year 5 application was received on 12 September 2018, and the MYPD4 revenue application was received on 14 September 2018.

Please also note that the decision will be posted on the NERSA website: www.nersa.org.za and the reasons for decision will follow at a later stage.

NERSA will also hold a media/press briefing to announce its decision today, **7 March 2019 at 14:00**. The media/press statement to be released by the Energy Regulator is attached for your information **(Embargoed until 14:30)**.

I would like to take this opportunity to thank you and the officials for the assistance provided during the processing of this application and trust that this co-operation will continue in the future.

Yours Sincerely,



Chris Forlee
Chief Executive Officer
Date: 7/3/2019

Attachment: NERSA Media Statement

