



## The 2019/20 Nersa-approved price increase

On 7 March 2019, the National Energy Regulator of South Africa (Nersa) determined Eskom's allowable revenue for Eskom for the Multi-Year Price Determination (MYPD) 4 period of 2019/20 to 2021/22 as follows:

**Table 1: Allowed Revenues Decision**

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

However, on 2 October 2018 and 30 October 2018 NERSA also approved the recovery of Eskom's MYPD3 RCA balance for year 2 - 4 of R7 776million for a period of 4 years, which means the following revenues (and consequent annual price increase percentages) are at this stage allowed during the MYPD4 control period:

		2018/19	2019/20	2020/21	2021/22
<b>Standard tariffs:</b> Nersa Decision	RCA Year 2-4		7 776	7 776	7 776
	MYPD4		190 939	205 107	214 598
	<b>Total revenues</b>	<b>176 409</b>	<b>198 715</b>	<b>212 883</b>	<b>222 374</b>
	<b>Sales volumes</b>	<b>188 082</b>	<b>186 064</b>	<b>184 898</b>	<b>183 856</b>
	Avg price before RCA	93,79	102,62	110,93	116,72
			9,41%	8,10%	5,22%
	Avg price after RCA	93,79	106,80	115,14	120,95
			<b>13,87%</b>	<b>7,81%</b>	<b>5,05%</b>

Based on this allowed revenue, the Eskom Retail Tariff Structural Adjustment (ERTSA) submission for 2019/20 was approved by Nersa on 13 March 2019. The tariff increases for the 2019/20 financial year are as follows:



<b>Total Standard tariffs</b>	<b>13.87%</b>
<b>Municipal - 1 July</b>	<b>15.63%</b>
<b>Eskom direct</b>	
<b>Key industrial and urban</b> <i>Megaflex, Miniflex, Nightsave Urban, WEPS, Megaflex Gen</i>	
Other tariff charges	13.87%
*Affordability subsidy	15.41%
<b>Other Urban</b> <i>Businessrate, Public Lighting</i>	13.87%
<b>Rural</b> <i>Ruraflex, Nightsave Rural, Landrate, Landlight, Ruraflex Gen</i>	13.87%
<b>Homelight 20A</b>	
Block 1 (>0-350kWh)	13.87%
Block 2 (>350kWh)	13.87%
<b>Homelight 60A</b>	13.87%
<b>Homepower</b>	13.87%

\* For the non-municipal key industrial and urban tariffs, the effective annual average increase is 13.98% due to the increased affordability subsidy charge.

The municipality tariffs have been tabled in Parliament on 15 March 2019 to comply with the Municipal Finance Management Act (MFMA) requirements. There are no tariff structural adjustments for 2019/20.

### **Update on the latest developments regarding the Municipal Tariff rationalisation**

Eskom had made an application for the rationalisation of Municipal tariffs on 6 November 2017. NERSA undertook a public participation process during 2018 and a decision was made on 28 November 2018. This decision was communicated to Eskom on 7 February 2019 that NERSA has not approved the rationalisation of Municipal tariffs. It was requested that an updated cost of supply study needs to be undertaken before it will be considered again. Eskom is in the process of finalising the updated cost of supply study. Eskom has also requested a further engagement with NERSA to understand the NERSA requirements as no reasons for the decision were given.

For more information and modelling tools relating to the tariff increase, kindly visit the website: [www.eskom.co.za/tariffs](http://www.eskom.co.za/tariffs).

