

Nersa approves 2.2% Eskom tariff increase

The National Energy Regulator of South Africa (Nersa) has allowed Eskom to raise tariffs by 2.2% in the 2017/18 financial year.



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“The allowed revenue of R205,214m for the 2017/18 financial year will now result in a percentage increase of 2.2%,” Nersa chairperson Jacob Modise said on Thursday, 23 February.

Addressing the media in Pretoria, Modise said the allowed revenue is Eskom’s full year revenue, as determined in the Multi-Year Price Determination (MYPD3) decision.

In the MYPD3 decision, Nersa approved an 8% average increase per annum for a period of five years, starting from 1 April 2013 to 31 March 2018.

Modise said the reason for the lower percentage increase is due to the base adjustments made in the preceding years as a result of the approved Regulatory Clearing Account (RCA) balances for Eskom.

He emphasised that the decision on Eskom’s allowable revenue was not new as it was made in February 2013 as part of the MYPD3 decision.

“You will recall that as a result of the RCA reconciliation, the Energy Regulator approved 12.7% for 2015/16 and 9.4% for 2016/17 instead of the average increase of 8%. The 2.2% increase, taking into account the adjustments already given, maintains the approved allowable revenue for the last year of MYPD3,” he said.

Modise said the only decision that needed to be considered by Nersa on Thursday was the retail tariffs structural adjustments that arise out of these revenues to enable Eskom to table in Parliament by 15 March 2017, as required by the law.

“The only new matter that was considered by the Energy Regulator today was the potential financial harm that may be occasioned by Nersa not being able to process new RCA applications as a result of the interventions of the Gauteng High Court.

“In this regard, Nersa has decided to allow Eskom to make a new application that will be considered in accordance with Section 4 of the Electricity Regulation Act, should they wish to, which application will be considered through a full public consultation process.”

Modise said the approved revenues of R205,214m will be able to cover all of Eskom’s allowed costs, plus a return to the value of R33,667m, as per the MYPD3 decision.

“The decision by the Gauteng High Court has resulted in Nersa being unable to process RCA applications until its appeal has been heard and decided upon,” Modise said.

Nersa is appealing the North Gauteng High Court judgment in which the court set aside the regulator’s decision to grant Eskom a tariff increase.

The decision under review concerns Nersa’s approval of the RCA application for the tariff year 2013/14, which culminated in a 9.4% increase in the average tariff for standard customers for the 2016/17 financial year.

“Nothing prevents Eskom from making an application to Nersa for relief should it consider any possible cash flow risks and implications thereof on its financial sustainability.

“The Energy Regulator would, upon receipt of such an application, embark on a public consultation process as required by the law before making its decision,” Modise said.

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