

23 February 2017

MEDIA STATEMENT

NERSA's announcement of Eskom's Allowable Revenue for the last year of the Third Multi-Year Price Determination (MYPD3) period (2017/18)

The National Energy Regulator (NERSA) at its meeting held today, Thursday, 23 February 2017, confirmed Eskom's allowable revenue of R205 214million for the last year of the MYPD3 period (2017/18 financial year). The allowed revenue will result in percentage increase of 2.2% due to the base adjustments made in the preceding years as a result of the approved Regulatory Clearing Account (RCA) balances for Eskom (12.7% for 2015/16 and 9.4% for 2016/17).

The Energy Regulator confirmed the allowable revenues on the basis of the approved MYPD3 revenues and average price for 2017/18. The allowed revenue for 2017/18 is Eskom's full year's revenue as determined in the MYPD3 decision. The allowed revenue 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 allowable revenue also includes an amount of R23 018m for the Independent Power Producer (IPP) purchases as a cost pass-through in line with the MYPD3 methodology. The cost recovery mechanism for IPP purchases will still be implemented. In this regard, any over or under-recovery will be dealt with through the RCA mechanism.

The decision by the Gauteng High Court has impacted on NERSA's processes in considering the RCA application.

Nothing prevents Eskom from considering any possible cash flow risks and the implications thereof on its financial sustainability and make an application to NERSA for relief in this regard should it consider it necessary.

Confirmed revenues post RCA consideration as per MYPD3 decision are indicated in the table below:

	2013/14	2014/15	2015/16	2016/17	2017/18	Total MYPD3
Allowed revenue to STD customers tariff based sales before RCA	135 226	147 481	163 179	180 070	198 954	824 909
Allowed revenue tariff based sales RCA (R'm)			7 085	10 257		
Total allowed revenue tariff based sales after RCA (R'm)	135 226	147 481	170 264	190 327	198 954	
Forecasted sales to tariff customers (GWh)	206 412	208 442	213 545	218 194	223 219	1 069 812
Standard average price after RCA (c/kWh)	65.51	70.75	79.73	87.23	89.13	
Increase in average tariff based tariff increase after RCA (%)	8.0%	8.0%	12.7%	9.4%	2.2%	
Total expected revenue from all customers after RCA(R'm)	143 101	156 057	179 587	198 035	205 214	881 994

End.

Regulator Members: Mr JRD Modise (Chairperson) Ms MMD Nkomo (Deputy Chairperson) *Mr C Forlee (Chief Executive Officer)
Mr Y Adam *Ms N Maseti *Mr M Ncetezo Ms KR Mthimunye Mr FK Sibanda
*Full-Time Regulator Members

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About NERSA:

NERSA is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).