

Consultation into Eskom RCA application begins

The National Energy Regulator of SA (Nersa) has initiated a public consultation process into two Eskom applications.



One of the applications, said Eskom, is for the regulatory clearing account (RCA) application of R21.6bn for the fifth year (2017/18) of the multi-year price determination (MYPD 3) period.

The power utility said this was a backward looking application. The Nersa MYPD methodology requires Eskom, after financial year end, to submit its RCA application to the regulator based on efficient and prudent costs reflected in audited financial statements.

The RCA is an account in which all potential adjustments to Eskom's allowed revenue, which has been approved by Nersa, is accumulated and managed. The methodology allows Eskom to adjust for the over or under-recovery of preceding years' regulated costs and revenues through the electricity tariffs in subsequent years.

The second application relates to the MYPD 4 revenue application of R219bn for 2019/20; R252bn for 2020/21 and R291bn for 2021/22.

"Eskom, in this revenue application, has applied the Nersa MYPD methodology, with a smoothed price path over the MYPD 4 period by phasing-in of the return on assets.

“The phased implementation was adopted to ensure that by only the third year (2021/22) will the allowed revenue cover the full debt service commitments. This revenue requirement would correspond to a phased 15% average price increase for each year of the MYPD 4 period.”

Eskom said the allowed revenue being applied for does not cover the entire debt commitment costs, equating to a cash shortfall for the 2019/20 and 2020/21 years.

“Eskom will use the proceeds from the liquidation of the MYPD3 RCA decisions to contribute to mitigating the debt service shortfalls,” it said.

Following a meeting in September, the regulator announced that it had approved the liquidation of Eskom’s third Multi-Year Price Determination (MYPD3) RCA balances for the 2014/15, 2015/16 and 2016/17 financial years over a four-year period.

This followed a 14 June approval by the regulator that a total RCA balance of R32.69 billion will be recoverable from standard tariff customers, local Special Pricing Agreements (SPAs) and international customers.

For more, visit: <https://www.bizcommunity.com>