

Eskom awaits NERSA decision on regulatory clearing account (RCA) balance

Thursday, 15 May 2014: Eskom is awaiting a determination later this month from the National Energy Regulator of South Africa (NERSA) on its submission for the evaluation and approval of the regulatory clearing account (RCA) balance for its previous multi-year price determination (MYPD2) control period. The RCA submission was made during the last quarter of 2013 in line with NERSA rules (MYPD methodology).

The RCA is a regulatory mechanism that reconciles the variance between projected and actual revenue and certain costs, as the price determination is initially based on projections and assumptions. Once the application is submitted, the variances are subject to a prudency review by NERSA. The RCA mechanism allows Eskom to adjust for the over or under recovery to ensure that both Eskom and the customer are treated fairly. The under or over recovery is then recovered through the electricity tariffs in the following year or subsequent years. Customers could experience an increase or decrease in the price of electricity as a result thereof.

The acting Chief Executive of Eskom Collin Matjila says, "Such mechanisms are a common feature in electricity regulation worldwide, especially where the generation sector is regulated. We will endeavour to keep all stakeholders especially our customers informed of any developments on NERSA's decisions on the RCA balance and subsequent tariff adjustments as decisions are made."

It is our understanding that NERSA has since undertaken a prudency review of the application that will inform the balance of the RCA. Once the balance is approved, a decision will have to be made regarding the timing of the liquidation or recovery of such RCA balance through an adjustment of the tariffs by either increasing or decreasing the tariffs compared to what it otherwise would have been.

It is anticipated that this adjustment is likely to commence no later than from 1 April 2015.