

Electricity prices to increase by 15%

The North Gauteng High Court has ordered that an amount of R10bn be added to Eskom's allowable revenue to be recovered from tariff customers in the 2021/22 financial year.



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“This consent order follows Eskom’s application in terms of section 18(3) of the Superior Courts Act, 2013, that Eskom should be permitted to recover R23bn in the financial year 2021/22 as per the 28 July 2020 court judgement,” the National Energy Regulator of South Africa (Nersa) said.

The above consent court order follows discussions and an agreement between Nersa and Eskom.

“The agreement was informed by the fact that Nersa has already taken decisions on other Eskom applications that will be implemented in the 2021/22 financial year, which had a direct impact on the application Eskom has made to the court.

“However, this order does not stop Nersa from proceeding with the appeal that has commenced at the Supreme Court of Appeal against the High Court’s judgement of 28 July 2020, which substituted the Energy Regulator’s decision on Eskom’s fourth multi-year price determination (MYPD4) with its own,” Nersa said.

The energy regulator has also approved that Eskom’s regulatory clearing account (RCA) applications for year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) of the third multi-year price determination (MYPD3) period and Eskom’s

supplementary tariff application for the 2018/19 financial year of R4,749m and R1,288m respectively, be recovered in the 2021/22 financial year.

This will result in an average tariff percentage increase of 15.63% in the 2021/22 financial year.

Recovering costs

Meanwhile, Eskom has taken note of the court order.

“This order will result in an average price increase of approximately 15% in the electricity tariff for standard tariff customers starting on 1 April 2021. This court decision allows Eskom to recover efficiently incurred costs for the production of electricity,” said the power utility in a statement.

The power utility said the order contributes to the “user pay” principle and is likely to lessen the financial burden of “supporting Eskom on the government, releasing the government to focus on other priorities.”

Eskom said the implementation of the order will allow it to move towards addressing some of the revenue shortfalls and enable it to recover prudently incurred costs for the production of electricity, which will help to improve Eskom’s financial sustainability.”

The utility’s chief financial officer, Calib Cassim, welcomed the decision, and stressed that poor residential customers will continue to be supported through the free basic electricity programme, as well as affordability subsidies provided for in the Nersa tariff decision.

Identified vulnerable industrial sectors will be considered by Nersa in terms of the short-term and long-term negotiated pricing agreements promulgated recently by the Department of Mineral Resources and Energy.

The court order is in response to Eskom requesting the execution of a high court decision that allowed the recovery of incorrectly deducted government equity support for the financial year 2021/22.

“Since Eskom made this urgent application to the high court, the Nersa had made additional decisions related to recovery of efficient costs from previous years. The high court order allows a further 5.44c/kWh increase,” said Eskom.

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