

**ESKOM'S FIFTH MULTI-YEAR PRICE DETERMINATION REGULATORY
CLEARING ACCOUNT APPLICATION FOR FINANCIAL YEAR 2024/25**

CONSULTATION PAPER

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ABBREVIATIONS AND ACRONYMS

CMD	Contractual Maximum Demand
DoE	Department of Energy
DR	Demand Response
EAF	Energy Availability Factor
EPP	Electricity Pricing Policy
ERA	Electricity Regulation Act, 2006 (Act No. 4 of 2006), as amended by Act No. 38 of 2024
FY	Financial Year
HCB	Hydroelectrical de Cahora Bassa
IPP	Independent Power Producer
MIRTA	Minimum Information Requirements for Tariff Applications
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
NTCSA	National Transmission Company of South Africa
RCA	Regulatory Clearing Account
REIPP	Renewable Energy Independent Power Producer
SAPP	Southern African Power Pool
SO	System Operator

1. EXECUTIVE SUMMARY

- 1.1 The Regulatory Clearing Account (RCA) is a regulatory mechanism used to determine the allowable pass-through and/or claw-back arising from variances between Eskom's actual audited financial results for a financial year and the revenue approved by the Energy Regulator under the Multi-Year Price Determination (MYPD). The RCA balance is assessed annually on the basis of Eskom's application and audited financial statements.
- 1.2 The RCA is provided for in section 17 of the MYPD4 Methodology. The Methodology serves as a regulatory framework to guide the National Energy Regulator of South Africa (NERSA) in regulating the electricity supply industry in a manner that is rational and conducive to predictable and stable prices. It further provides the basis on which NERSA evaluates Eskom's price adjustments over a multi-year period, including associated RCA assessments.
- 1.3 Eskom's MYPD5 RCA application for the 2024/25 financial year has been developed in accordance with the MYPD4 Methodology published by NERSA in October 2016.

2. INTRODUCTION

- 2.1 In executing its mandate to review regulatory tools, set tariffs and evaluate Eskom's applications, NERSA is guided by the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the Electricity Pricing Policy (EPP) and the broader regulatory framework governing the electricity supply industry.
- 2.2 NERSA must consider a set of objectives when setting tariffs. As some of these objectives may not always align, a careful balancing process is necessary to ensure that regulatory decisions remain fair, rational and consistent with legislative and policy requirements.
- 2.3 Eskom submitted its MYPD5 Year 3 RCA application (**Annexure A**) on 30 March 2026.

3. LEGAL BASIS

- 3.1. The National Energy Regulator Act empowers the Energy Regulator to implement the Electricity Regulation Act, and section 3 of the ERA makes the Energy Regulator the custodian and enforcer of the regulatory framework.
- 3.2. Section 4 of ERA empowers the Energy Regulator to approve prices and tariffs. To give substantive validity and rationality to prices and tariffs, ERA empowers

the Energy Regulator to develop rules and methodology to give effect to the details of what will constitute a lawful application. To this end, NERSA developed the Multi-Year Price Determination Methodology (“the Methodology”), in line with sections 14(1)(e) and 14(1)(g) of ERA.

- 3.3. The Methodology expressly establishes the RCA mechanism as part of South Africa’s electricity tariff-regulation framework. Accordingly, NERSA’s consideration of an RCA application is not merely discretionary policy-making, it is an exercise of a statutory tariff-regulation function under the ERA implemented through the MYPD methodology. Section 17 of the MYPD4 methodology specifically permits the RCA process and describes it as a mechanism for pass-throughs or claw-backs arising from variances between approved and actual costs/revenues.
- 3.4. NERSA therefore derives procedural and methodological authority for RCA adjudication from the published MYPD methodology, which functions as subordinate regulatory framework under the ERA.
- 3.5. RCA determinations materially affect electricity tariffs and public rights, RCA decisions constitute “administrative action” under the Promotion of Administrative Justice Act 3 of 2000 (“PAJA”). Accordingly, NERSA must follow a procedurally fair and meaningful consultation process, consider relevant information, furnish reasons, conduct rational prudence assessments and balance consumer and licensee interests.

4. SCOPE OF CONSULTATION

4.1 Overall Comments

- 4.1.1 Eskom’s RCA application for FY2024/25 amounts to -R8.9 billion, as reflected in Table 1 below. The principal cost drivers underpinning the application are as follows:
 - a) operating expenses
 - b) return on assets
 - c) primary energy costs.

Table 1: Summary of the Application

RCA for FY2025	Decision FY2025	Actuals FY2025	Variance	RCA adjustments	RCA FY2025
Regulated Assets Base (RAB)	988 345	1 086 524	98 180	-	97 739
Return on Assets (ROA)	1.58%	1.58%			-
Return	15 616	17 167	1 551	-	1 551
Expenditure	60 971	109 911	48 940	(26 813)	22 127
Primary Energy	92 817	90 738	(2 079)	8 741	6 662
Independent Power Producers (local)	76 970	47 273	(29 697)	-	(29 697)
International purchases	9 334	6 540	(2 794)	-	(2 794)
Depreciation	73 376	67 257	(6 119)	-	(6 119)
IDM	473	170	(304)	-	(304)
Levies & taxes	6 503	7 270	767	-	767
Carbon Tax	-	3	3	-	3
Total revenue from all customers after RCA's	352 168	353 223	(1 056)	-	(1 056)
Service quality incentive (SQI)	-	-	-	-	-
FY2025 RCA balance due to Eskom/(Customers) applied for					(8 858)

Stakeholder Question #1

Stakeholders are invited to comment on all aspects of the application, as reflected in Table 1 (Summary of the FY2024/25 RCA application) in Annexure A.

4.2 Revenue Variance

4.2.1. Eskom has applied for a revenue variance of -R1 056 million for the 2024/25 financial year, as reflected in Table 2 below.

Table 2: Electricity Revenue Variance

Revenue Variance FY 2025	Note	Decision FY2025	Actual FY2025	Variance
Total Eskom Revenue (AFS)		336 057	338 901	-2 844
Add/(deduct): RCA adjustments			(1 788)	1 788
IFRS 15 adjustment reversed (Unrecognised Revenue)			11 933	(11 933)
Internal electricity costs			1 142	(1 142)
Demand Response & Power buy back reallocated to PE			115	(115)
Non electricity revenue			-	-
Capitalised revenue			-	-
Capitalised costs associated with capitalised revenue			-	-
RCA liquidation included in the Actual Revenue			(16 109)	16 109
IPP network			437	(437)
Load shedding (13 215.3 GWh @ 173.8 average c/kWh)			694	(694)
Electricity Revenue/Electricity Revenue Variance		336 057	337 113	-1 056

- 4.2.2. Eskom indicated that, for the period from 1 April 2024 to 31 March 2025, a total of 13 days of load-shedding and load curtailment occurred. The load reductions were primarily due to the following conditions:
- a) Shortage of generation from Eskom generators and independent power producers (IPPs).
 - b) Increased unplanned unavailability.
 - c) Limited fuel availability at peaking stations.
 - d) The need to conserve and replenish depleted emergency resources.
- 4.2.3. The System Operator implements load-shedding as a result of inadequate capacity to meet demand and to enable the restoration of dam levels at hydro pump storage power stations and recovery of OCGT levels.
- 4.2.4. The FY2024/25 period was marked by improved system stability following the reduction in load-shedding alongside evolving customer consumption patterns. Despite these improvements, total electricity sales volumes were below the NERSA MYPD5 determination, with actual local sales of 175 754 GWh against the decision of 181 359 GWh, resulting in a negative variance of 5 605 GWh. The shortfall was primarily driven by reduced demand from redistributors, prepayment, residential, industrial and mining customers.
- 4.2.5. Key contributing factors included municipal load reduction measures, the increased adoption of alternative energy sources such as solar and gas, illegal connections and meter tampering, operational challenges in energy-intensive sectors, and economic pressures affecting industrial output. Positive variances were observed in the commercial, agricultural, and international categories, with local performance supported by minimal load-shedding, increased water demand and irrigation requirements during dry conditions. International sales increased due to emergency and opportunistic non-firm exports prompted by regional hydropower shortages, alongside new firm supply agreements with Botswana, Namibia and Zambia.

Stakeholder Question #2:

- a) Stakeholders are invited to comment on the revenue variance of R1 056 million payable to customers.
- b) In light of the evolving electricity market, including increasing competition and private generation participation, stakeholders are invited to comment on how the proposed RCA treatment of sales volume variance may be aligned with appropriate efficiency benchmarks in support of a sustainable, reliable and cost-effective electricity supply industry.

4.3 Regulatory Assets Base/Return on Assets

- 4.3.1 Eskom applied for an additional return of R1 551 million, which is based on a closing RAB value of R1 145 913 million and a decision of R949 554 million, resulting in a variance of R196 359 million.

Table 3: RAB and Return on Asset Variance (R'm)

RAB and RoA	Decision FY2025	Actuals FY2025	Variance
Depreciated Replacement Costs (DRC)	801 373	820 245	18 873
Completed assets post valuation	42 748	187 363	144 615
Asset purchases	521	3 620	3 100
Work Under Construction (WUC)	50 647	73 000	22 353
Working capital	69 057	73 849	4 792
Assets funded by customers upfront	(14 791)	(12 165)	2 626
Closing RAB values	949 554	1 145 913	196 359
Average RAB	988 345	1 086 524	98 180
Percentage Return on Assets	1.58%	1.58%	
Return	15 616	17 167	1 551

- 4.3.2 Eskom indicated that the R196.359 billion variance in the RAB is attributable primarily to material differences in completed assets following valuation adjustments of R144 billion and work under construction of R21 billion, arising from the implementation of the MYPD Methodology, as well as the High Court order of 24 October 2022. In its application, Eskom contends that NERSA incorrectly disallowed the opening balances in these asset categories. In Eskom's case, the impact of the RAB valuation gives rise to a return on assets variance of R1 551 million. A variance in the commissioning of the National Transmission Company of South Africa (NTCSA) and Eskom Distribution capital projects, relative to the application, was also observed.

Stakeholder Question #3

Stakeholders are invited to comment on Eskom's RAB variance of R1 551 million and the elements making up the variance.

4.4 Primary Energy

- 4.4.1 The table below details the primary energy elements and their contribution to the RCA balance. The drivers for the RCA balance in favour of Eskom are coal, start-up oil and gas, coal handling and water treatment costs.

Table 4: Primary Energy RCA Balances

Primary Energy (Rm)	Decision FY2025	Actuals FY2025	Variance	RCA adjustments	RCA FY2025
Coal usage	71 863	76 191	4 328	-	4 328
Water usage	3 165	2 911	(254)	-	(254)
Fuel and water procurement	335	320	(15)	-	(15)
Coal handling	2 507	3 179	672	-	672
Water treatment	669	774	105	-	105
Sorbent usage and handling	311	155	(155)	-	(155)
Gas and oil (coal fired start-up)	4 064	7 496	3 432	-	3 432
Nuclear	1 031	588	(443)	-	(443)
Coal and gas (Gas-fired)	10	2	(8)	-	(8)
OCGT fuel cost	8 862	(879)	(9 741)	8 741	(1 000)
Road repairs	-	1	1		1
Eskom Primary Energy	92 817	90 738	(2 079)	8 741	6 662

4.4.2 The total primary energy costs in the FY2024/25 revenue decision were R92.8 bn. Eskom incurred primary energy costs of R90.7 bn in the year, which resulted in a variance of R6.6bn. An adjustment of R8.7 bn was made to the OCGT usage in relation to the SARS diesel rebate. The adjustment reduces the total primary energy to a variance for the benefit of the consumer.

4.4.3 As is reflected in the table above, the key variances are due to the OCGT fuel costs, coal usage costs, costs related to gas and fuel oil for the start-up of coal-fired power stations, international purchases and IPP costs. Some of these variances are in favour of Eskom and some in favour of consumers. The NTCSA incurred a carbon tax liability for CO₂e emissions in category 1A3a (domestic aviation) and 2G1b (SF₆ leaks).

Coal Usage

4.4.4 NERSA approved revenue of R71 863 million for coal usage, while Eskom incurred expenditure of R76 191 million, resulting in an over-expenditure of R4 328 million for FY2024/25, as reflected in Table 5 below.

Table 5: Total Coal Burn Costs (R'm)

Coal Burn (Rm)	Decision FY2025	Actual FY2025	Variance
Cost-Plus	26 755	24 949	(1 807)
Fixed Price	18 976	18 944	(32)
Medium Term	26 132	32 298	6 166
Total Coal Burn Cost	71 863	76 191	4 328

4.4.5 Eskom justifies the overspending due to NERSA increasing production from coal-fired power stations while reducing the production from open-cycle gas turbines (OCGTs) and decreasing the burn rate, which reduced the volume of coal required. Eskom further explained that coal burn costs and volumes are derived from opening stock being added to coal purchases.

- 4.4.6 The total coal burnt was 11 631 kTons, higher than assumed in the application and 10 707 kTons more than the amount in the approved decision. The coal-fired power stations generated 23 292 GWh (including pre-commissioning energy) more than assumed.

Stakeholder Question #4

- a) Stakeholders are invited to comment on the prudence, reasonableness and adequacy of Eskom's coal usage costs claimed in the application, considering the reported reduction in coal-fired generation.
- b) Stakeholders are invited to comment on whether Eskom's coal procurement approach is efficient and supports the provision of least-cost electricity to customers.
- c) Stakeholders are invited to comment on potential measures that could enhance efficiency and cost-effectiveness in Eskom's coal procurement processes.

Coal Handling

- 4.4.7 NERSA approved the revenue of R2 507m for coal handling for FY2024/25, while Eskom spent R3 179m, resulting in an overspent amount of R672m for the 2024/25 financial year, as shown in Table 6 below.

Table 6: Coal Handling Costs (R'm)

Coal Handling (Rm)	Decision FY2025	Actual FY2025	Variance
Coal handling	2 507	3 179	672

- 4.4.8 Coal handling entails activities such as (labour, machinery, vehicles, etc.) that are necessary to get the coal into the boiler from the stock yard.
- 4.4.9 Eskom indicates that overspending in coal handling operations is attributed to higher generation or production and operational stability across the coal fleet. This was integral as Eskom reduced load-shedding from 329 days in FY2023/24 to 13 days in FY2024/25.

Stakeholder Question #5

Stakeholders are invited to comment on the prudence and reasonableness of Eskom's claimed coal handling costs for FY2024/25 and the adequacy of the evidence provided to justify their inclusion in the application.

- 4.4.10 Eskom stated that start-up gas and fuel expenditure reduced from R8.7 billion in FY2023/24 to R7.5 billion in FY2024/25. This was because there were fewer unit start-ups due to improved plant performance. However, there is still a significant difference between the NERSA-approved expenditure of R4 063 million and the actual expenditure of R7 496 million, resulting in the application of R3 432 million in Eskom's favour, as shown in Table 7 below.

Table 7: Start-Up Gas and Oil Costs (R'm)

Start-up Gas & Oil (Rm)	Decision FY2024/25	Actual FY2024/25	Variance
Start-up Gas & Oil	4064	7496	3432

- 4.4.11 Eskom has indicated the price and volume variances quantified in tables 7 and 8. The RCA variance is largely driven by volumes being higher than what NERSA assumed in the determination. Eskom further noted that the circumstances for the resulting variances in FY2025 are similar to those approved by NERSA in the FY2023 RCA decision.

Table 8: Start-up Gas and Oil Consumption Volumes (L)

Start-up Gas & Oil Consumption Volumes (L)	Decision FY2024/25	Actual FY2024/25
Start-up Gas & Oil	317 004 680	558 756 844

- 4.4.12 Eskom emphasised that the price of the start-up gas and oil is driven by the US dollar oil price and the rand/dollar exchange rate. There is a significant variance in the price assumed in the decision and the actual rand per litre price, as illustrated in Table 9.

Table 9: NERSA Decision vs Actual Average Price (R/Litre)

Start-up Gas & Oil Consumption Volumes (R/Litre)	Decision FY2024/25	Actual FY2024/25
Start-up Gas & Oil	R12.82	R 13.42

- 4.4.13 The table below details the primary energy elements and their contribution to the RCA balance. The drivers for the RCA balance in favour of Eskom are coal, start-up oil and gas, coal handling, and water treatment costs.

Stakeholder Question #6

- Stakeholders are invited to comment on the prudence and reasonableness of the start-up gas and oil volumes claimed by Eskom, taking into account the reported improvement in plant performance.
- Stakeholders are invited to provide views on measures that could enhance efficiency and cost-effectiveness in the use of start-up fuel.

OCGT Fuel Usage

- 4.4.14 Eskom's gross OCGT fuel costs for FY2024/25 amounted to R13.2bn, as shown in the breakdown in Table 10 below, representing a significant reduction from the gross R26.6bn recorded in FY2023/24. This decline reflects both lower OCGT operating hours and the successful implementation of the Generation Operational Recovery Plan, which improved baseload station reliability. OCGT energy sent out for FY2024/25 was 2.2 TWh, a decrease from the 3.6 TWh sent out in FY2023/24.

Table 10: OCGT Fuel Costs (R'm)

OCGT cost (Rm)	Decision FY2025	Actuals FY2025	Variance
Open Cycle Gas Turbine fuel cost	-	13 165	-
Ankerlig	-	6 819	-
Gourikwa	-	6 274	-
Acacia	-	36	-
Port Rex	-	36	-
OCGT fuel storage and demurrage	-	151	-
Ankerlig	-	132	-
Gourikwa	-	19	-
Gross OCGT cost	8 862	13 316	4 454
OCGT fuel rebate (SARS)	-	(14 195)	-
Ankerlig	-	(6 684)	-
Gourikwa	-	(6 967)	-
Peaking - Durbanville	-	(544)	-
Total OCGT Cost	8 862	(879)	(9 741)
<i>RCA Adjustment</i>	-	8 741	-
Total OCGT Cost for RCA purposes	8 862	7 862	(1 000)

- 4.4.15 Eskom has indicated that the OCGT plants use diesel as primary fuel. Certain levies like the Road Accident Fund Levy are included in the diesel price, and Eskom is required to pay the full price (including levies) to the supplier. Claims for refunds of the levies are then made to SARS. Meter reading and recordkeeping requirements must be complied with. Before 2019, Eskom claimed and received the refunds in accordance with the legislation.
- 4.4.16 From February 2019 to August 2024, SARS raised concerns that Eskom had not complied with certain requirements in terms of the Customs and Excise Act, including flow meter calibration and recordkeeping. As a result, Eskom did not receive diesel refunds for that period. Eskom disputed SARS's findings, appealed the matter and entered an alternative dispute resolution process. The dispute was later settled, with SARS agreeing to refund Eskom R9 billion, representing 80% of the eligible diesel refund for the period. The agreement also introduced a recordkeeping arrangement from September 2024 onward.

- 4.4.17 The FY2024/25 RCA application addresses the refunds that must be reconciled from FY2018/19. The actual diesel costs are reduced by the historical refund adjustments. This specifically refers to the RCA adjustment for the benefit of the consumer related to FY2022/23. In addition, Eskom added back the amount that had been deducted from the OCGT actual cost in FY2024/25 in respect of the provision that was reversed.

Table 11: OCGT Production Variances

OCGT production (GWh)	Decision FY2025	Actual FY2025	Variance
Ankerlig	No breakdown	1 125	No breakdown
Gourikwa		1 041	
Acacia		5	
Port Rex		5	
Total GWh	1 266	2 176	2 176

- 4.4.18 Table 11 indicates the OCGT-approved generated volumes, actuals, and variances. The FY2024/25 variances between NERSA's assumptions and the actual performance show that both Eskom and IPP OCGTs were required to reduce the impact of load-shedding on the South African economy. Eskom states that the System Operator dispatched OCGTs in line with the NERSA MYPD Methodology.
- 4.4.19 Eskom argues that the higher OCGT usage was mainly due to lower IPP production, which was outside Eskom's control, and a lower Eskom fleet Energy Availability Factor (EAF) than NERSA had assumed. Since NERSA considered the IPP OCGT usage prudent and efficient, Eskom submits that the overall economic impact of load-shedding was minimised.

Stakeholder Question #7

- Stakeholders are invited to comment on the prudence and reasonableness of Eskom's OCGT fuel usage for FY2025 and whether it has been adequately justified, taking into account the reported improvement in baseload plant performance and reliability.
- Stakeholders are invited to comment on the efficiency and cost-effectiveness of Eskom's diesel procurement practices for OCGT operations.
- Stakeholders are invited to provide views on opportunities to improve the efficiency and cost-effectiveness of OCGT utilisation and the associated fuel consumption.

4.5 Independent Power Producers

- 4.5.1 The System Operator used 17 558 GWh less energy from IPPs when compared to the decision during FY2024/25. The average costs for IPPs

were higher at R2 441/MWh than the amount of R2 085/MWh in the decision. The expenditure on IPPs was R29 697m lower than the decision (excluding adjustments for provisions).

- 4.5.2 Price variance: The renewable IPP average price was R327/MWh more than the NERSA determination due to delays in the commercial operation of Bid Window 5. The average price for Bid Window 5 is significantly cheaper than that of prior bid windows.
- 4.5.3 Volume variance: The volumes produced by renewable energy independent power producer (REIPP) generators were significantly lower (by 7 488 GWh) than that assumed in the NERSA determination due to project delays and projects not reaching financial close under Bid Window 5. As discussed in the production planning section, Eskom's generators were required to accommodate the shortfall of energy created by the IPPs not providing energy in accordance with the NERSA determination.
- 4.5.4 Table 12 below summarises the NERSA determination with regard to revenue related to IPP costs for FY2024/25 in the MYPD5 decision, which was R76 970m. The total IPP cost for the FY2024/25 RCA is R47 273m, including the capacity payment for the Department of Energy (DoE) Peakers (which is capitalised as a lease payment for financial reporting purposes).

Table 12: IPP Costs and Volumes (FY2024/25)

IPP cost & volume	Cost (Rm)			Volumes (GWh)			Average costs (Rm)		
				FY2025					
	Decision	Actual	Variance	Decision	Actual	Variance	Decision	Actual	Variance
Renewable IPP Programme	46 363	38 128	(8 235)	24 907	17 420	(7 487)	1 861	2 189	327
Risk Mitigation	10 234	2 078	(8 156)	5 054	859	(4 195)	2 025	2 419	394
DoE Peaker	10 510	6 005	(4 505)	1 056	662	(394)	9 950	9 071	(879)
Storage	2 004		(2 004)	(85)	-	85			
Emergency Generation Programme	5 757	1 062	(4 695)	3 364	425	(2 939)	1 711	2 499	787
Standard Offer Programme	1 778	-	(1 778)	2 628	-	(2 628)	677	-	(677)
Total IPP's	76 647	47 273	(29 374)	36 924	19 366	(17 558)	2 076	2 441	365
Network pass-through	323	-	(323)	-	-	-	-	-	-
Total IPP's	76 970	47 273	(29 697)	36 924	19 366	(17 558)	2 085	2 441	357
Less: current year provisions raised			(160)						
Add: Reversal of prior provisions			3						
Total IPP cost for RCA			(29 853)						

- 4.5.5 Eskom Short-Term Programmes: The uptake in Standard Offer and Emergency Generation Programmes was lower than expected, but costs were higher due to constrained system generation.

Stakeholder Question #8

Stakeholders are requested to comment on the IPP costs, other programmes and the reasons Eskom provided in its RCA application for FY2024/25.

4.6 International Purchases

- 4.6.1 Eskom acquired 7 570 GWh of electricity from neighbouring countries during FY2024/25, resulting in purchases amounting to R6 540 million. The variance between actual amounts and the approved decision is reflected in Table 13 below.

Table 13: International Purchases

International Purchases (Rm)	Decision FY2025	Actual FY2025	Variance
International Purchases	9 334	6 540	(2 794)

- 4.6.2 The majority of cross-border purchases were from Hidroelectrica de Cahora Bassa (HCB), a hydroelectric plant in Mozambique. During FY2024/25, HCB improved on its historical trend as assumed in the MYPD application. When HCB performs better than their Contractual Maximum Demand (CMD) of 1 150 MW consistently, higher volumes are purchased at a lower rate than in the application, resulting in a lower overall cost to the contract. Due to delays in finalising the reset of the tariff, the previous rates were applicable. It is likely that once the rates have been finalised, the adjustment would have to be applied retrospectively.
- 4.6.3 Additionally, Eskom purchased marginal volumes from Lesotho Electricity Company (in terms of its power purchase agreement) and Southern African Power Pool (SAPP) competitive markets (in terms of the SAPP arrangements). These purchases assisted in alleviating the effects of load-shedding.

4.7 Demand Response and Power Alert

- 4.7.1 NERSA determined R416m revenue for the Demand Response (DR) programme in FY2024/25. Eskom spent R122m on the programme, resulting in an underspent amount of R294m to be returned for the benefit of the customers as per Eskom's RCA application, as shown in Table 14 below. NERSA determined R43m revenue for the Power Alert programme in FY2024/25 while Eskom spent R34m, resulting in an underspent amount of R9m to be returned for the benefit of the customers as per Eskom's RCA application, as shown in Table 14 below.

Table 14: Demand Response (DR) and Power Alert RCA FY2024/25 Application

DR and Power Alert (Rm)	Decision FY2025	Actuals FY2025	Variance	RCA adjustments	RCA FY2025
Instantaneous	No Breakdown	19	-	-	-
Supplemental		69	-	-	-
Programme admin costs		34	-	-	-
Total Demand response	416	122	(294)	-	(294)
Power alert	43	34	(9)	-	(9)
Total programme costs	459	156	(303)	-	(303)

4.7.2 The Demand Response programme is one of the tools that the System Operator (SO) uses to manage the reliability of the power system. The Instantaneous Reserve from Demand Response is the consumer load contracted to respond to a reduction in frequency. The purpose of Instantaneous Reserve is to maintain the frequency within acceptable limits following a contingency, for example, a generator trip. The Supplemental Demand Response is a tool the SO uses to balance the supply and demand constraints.

4.7.3 The Power Alert programme entails power alert meters that will indicate the strain on the electricity supply network and urge the public to switch off avoidable appliances should the need arise. The power alert meter creates real-time awareness and voluntary action among the public when broadcast.

Stakeholder Question #9

Stakeholders are requested to comment if the under-expenditure on Demand Response and Power Alert programmes for the FY2024/25 is reasonable or not considering the value these programmes add to consumers.

4.8 Environmental Levies

4.8.1 Eskom has applied for environmental levy costs of R767 million for the 2024/25 financial year, as shown in Table 15 below.

Table 15: Environmental Levy Costs Application (R'm)

Environmental Levy	Decision FY2025	Actuals FY2025	Variance
Non-Renewable energy sent out	171 251	190 011	18 760
Add: Auxiliary volumes	14 569	17 703	3 134
Generating Volumes	185 820	207 637	21 894
Rate in c/kWh	3.5	3.5	-
Generation Environmental Levy Cost	6 503	7 270	767

4.8.2 Eskom indicated that the environmental levy variance of R767 million arose because the relevant power stations generated less energy than the amount determined by NERSA in its decision. In terms of Section 16 of the MYPD

Methodology, such variances may be adjusted through the Regulatory Clearing Account (RCA) mechanism.

Stakeholder Question #10

Stakeholders are requested to comment on the accuracy of the amount of R767m claimed by Eskom as part of the RCA, taking into account that this is based on the legislated rate.

4.9 Operating Expenses

4.9.1 Operating costs comprise employee benefits, maintenance, other operating costs and other income. It excludes corporate overheads, which are treated separately for RCA purposes.

Table 16: Operating Expenses

Allowed operating costs (Rm)	Decision FY2025	Actuals FY2025	Variance	RCA adjustments	RCA FY2025
Employee benefits (incl. GTD, Cx, SAE, EEDSM)	28 879	37 950	9 070	(4 256)	4 814
Maintenance	20 758	29 847	9 089	-	9 089
Other Opex	8 522	19 550	11 028	(539)	10 489
Arrear Debt	-	20 381	20 381	(20 449)	(68)
Corporate Services (excl. EB)	4 168	4 136	(32)	(1 569)	(1 601)
Other income	(1 232)	(1 953)	(721)	-	(721)
Less: Corporate Social Investment	(124)	-	124	-	124
Total Allowed Opex	60 971	109 911	48 940	(26 813)	22 127

4.9.2 Employee Benefits – This relates to short-term incentives and production bonuses paid to qualifying employees based on performance. These costs are being borne by Eskom in this submission and are excluded from the RCA application.

4.9.3 Other Opex – This includes adjustments for corporate social investments, Majuba rail write-off, expected credit loss adjustments on financial assets and stock losses.

4.9.4 Arrear Debt – This amount is excluded as NERSA did not allow for any arrear debt in the MYPD5 decision and alluded to the fact that this would be managed by the government outside of the MYPD process. The R68m movement in the impairment for International Trader as at 31 March 2025 reflects a decrease in the impairment provision from R597m on 1 April 2024 to R530m at year-end. This reduction is primarily due to lower outstanding debt balances from international trading partners by 31 March 2025, resulting in a lower impairment provision compared to that of the prior year.

4.9.5 Corporate Services – This includes adjustments to corporate social investments.

4.9.6 The overall operating costs variance, after adjustments, is R22bn. All elements of operating costs, except for Corporate Services and Other Income, illustrate variances in favour of Eskom.

Stakeholder Question #11

Stakeholders are requested to comment on the variance of R22bn claimed by Eskom and its composition.

4.10 Recovery of Revenue and RCA Balances in a Phased Manner

4.10.1 In its application, Eskom proposed that the recovery of the RCA balances should be phased in a manner that minimises the impact on customers. It should be noted that Eskom does not recover the time value of money as a result of the significant delay in the liquidation delays being made.

Table 17: Eskom's Proposal for Recovery of Revenue and RCA Balances

Decisions	FY2029	FY2030	FY2031	Total
MYPD6 RAB redetermination	R19 721m			R19 721m
RCA FY2021	(R204m)			(R204m)
RCA FY2023	(R232m)			(R232m)
RCA FY2025 (once determined)	(R8 858m)			(R8 858m)
RCA FY2015,2016, 2017 order	R12 573m	R4 785m		R17 358m
RCA FY2018 order		R12 259		R12 259m
RCA FY2019 order		R3 903m		R 3 903m
RCA FY2020 order		R2 371m		R2 371m
RCA FY2021 order			R4 322m	R4 322m
RCA FY2022			R8 095m	R8 095m
RCA FY2024 (once determined)			R15 847m	R15 847m
Total	R23 000m	R23 318m	R28 264m	

Stakeholder Question #12

- a) Stakeholders are requested to comment on the proposed liquidation plan as proposed by Eskom above.

5. THE CONSULTATION PROCESS

5.1 Stakeholders are invited to submit written comments on the consultation paper relating to Eskom's FY2024/25 RCA application. Written comments may be emailed to mypd@nersa.org.za, hand-delivered to Kulawula House, 526 Madiba Street, Arcadia, Pretoria, or posted to PO Box 40343, Arcadia,

0083, Pretoria. The closing date for the submission of comments is **14 August 2026 at 16:00**.

- 5.2 NERSA will collate and consider all comments received as part of its decision-making process. Public hearings will be conducted via Microsoft Teams, during which interested and affected parties may make oral submissions.

Table 18: 2024/25 RCA Application Public Hearing Indicative Dates

Province	Form	Date
National, including all provinces	Virtual public hearing	10 September 2026

*The date of the public hearing might be extended/reviewed depending on the number of presenters that register.

- 5.3 For more information or queries on the above, please contact NERSA at:

Physical address: Kulawula House
526 Madiba Street
Arcadia
Pretoria

Telephone no.: 012 401 4025

Fax no.: 012 401 4700

End.