



SALGA
South African Local Government Association

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MEDIA RELEASE

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SALGA ON ESKOM'S REGULATORY CLEARING ACCOUNT APPLICATION AT NERSA PUBLIC HEARING

The South African National Energy Regulator (NERSA) is hosting public hearings on Eskom's application for the evaluation and approval of the regulatory clearing account (RCA) balance for the financial year 2013/2014 for the third multi-year price determination (MYPD3). The public hearings, where SALGA is fully participating, are being rolled out nationally, having commenced on 18 January in Cape Town until 5 February 2016 in Johannesburg.

The RCA process reconciles variances between the actual costs that Eskom incurred in 2013/2014 financial year in the production of electricity and the MYPD3 record of decision by NERSA.

Eskom has submitted an RCA to recover R22.8 billion, translating into a proposal for 16% tariff increase.

SALGA understands and accepts the RCA process, but also wishes to point out the unintended consequences which defeat the purpose of having a 5-year multi-year price determination.

At the heart of this, the question that needs to be asked is whether the South African economy and its citizens are ready for another unaffordable electricity increase at this point? Affordable and reliable electricity still underpins every aspect of social and economic life of citizens and the country.

SALGA members contribute to more than 40% of the Eskom's electricity sales which means that municipalities are a major stakeholder and contributor to Eskom's heartbeat and sustainability.

As NERSA continues with the public hearings, the reality confronting South Africa, many of our municipalities in general and customers in particular cannot afford another unaffordable electricity increase;

- Too many of our municipalities are already confronted with challenges of high non-payment for electricity services as well as electricity theft which amounts to billions of

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Rands losses in revenue. Increased tariffs have a negative, inflationary impact on an already constrained economy.

- Eskom's revenue shortfall needs to be addressed but it cannot be solved by simply demanding higher tariffs from hard-pressed consumers.
- SALGA supports a financial viable Eskom and sustainable industry, affordable to consumers, which is accompanied by municipal financial viability.
- SALGA would like to see further funding options explored by Eskom towards building a financially viable Eskom.

SALGA and its members support the financial sustainability of Eskom but also maintain this sustainability being achieved responsibly and not to the detriment of the customers and the public as a whole. SALGA has to protect the interest of the customer and its members and therefore remains concerned about affordability for customers and municipalities.

Electricity is a strategic asset for the implementation of the National Development Plan. Making electricity unaffordable would most likely affect the poor and is against the spirit of the NDP.

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