

**CIRCULAR 10 / 2024**

**FROM : CHIEF EXECUTIVE OFFICER**  
**TO : MUNICIPAL MANAGERS**  
**INFRASTRUCTURE/TECHNICAL DIRECTORS/MANAGERS/ HEADS OF ELECTRICITY**

**DATE : 11 JUNE 2024**

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**SECTION 42 OF THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) REQUEST FOR WRITTEN COMMENTS ON ESKOM'S PROPOSED REVENUE APPLICATION FOR THE 2025/26 to 2027/28 FINANCIAL YEARS**

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South Africa's electricity tariffs are regulated by the National Energy Regulator of South Africa (NERSA) in terms of Electricity Regulation Act of 2006. NERSA has implemented Multi-Year Price Determination (MYPD) governing the revenue to which Eskom is entitled in the tariffs they may charge. The current 2024/25 revenue determination ends on 31 March 2025, and Eskom must submit an application to NERSA for the next period. Eskom Board has decided to make the MYPD 6 revenue application for 2026 to 2028 financial years. **Eskom is applying for a total revenue application of R446bn, R495bn and R537bn for FY2026, FY2027 and FY2028, which translates to percentage increases of 36.1%, 11.81% and 9.10% respectively** The MFMA requires that Eskom must first submit its proposed application to the National Treasury and organized local government before submitting to NERSA.

**DRAFT REVENUE APPLICATION**

This draft Multi-Year Price Determination (MYPD) 6 revenue application for the period FY2026 to FY2028 serves to meet the requirements of parts 1 to 3 of section 42 of the Municipal Finance Management Act

(MFMA). It forms the basis of consultation with the National Treasury and Organised Local Government, represented by the South African Local Government Organisation (SALGA). This is a **confidential draft aimed at soliciting responses only from these two entities for consideration by Eskom** as it finalises its revenue application to the National Energy Regulator of South Africa (NERSA). It is understood that NERSA, as part of its public consultation process affords opportunities to all stakeholders to comment on the application once it has been submitted to NERSA by Eskom.

The draft MYPD 6 revenue application has been prepared in accordance with the MYPD methodology as published by NERSA during October 2016, in line with the court order that requires the prevailing methodology be in place by September of the year prior to Eskom submitting to NERSA. In this instance, the methodology in place during September 2023 is applicable. The NERSA revenue and tariff decisions will be implemented from 1 April 2025 for non-municipal customers and from 1 July 2025 for municipal customers. The previous revenue decision was applicable for the three-year period from 1 April 2022 to 31 March 2025 for non-municipal customers; and 1 July 2022 to 30 June 2025 for municipal customers.

The MYPD methodology addresses two broad aspects, namely, the MYPD allowed revenue application and the adjustment of the allowed revenue through the regulatory clearing account (RCA) process. The focus of this application is the MYPD revenue application for the 2026 to 2028 financial years. Once NERSA has determined the allowed revenue in terms of the MYPD methodology, the tariffs and price adjustments are determined by NERSA on an annual basis for the three-year period. These tariffs and price adjustments are determined in terms of the Eskom retail tariff and structural adjustment (ERTSA) methodology, as published by NERSA during March 2016.

This revenue application recognises the RCA implementation decisions already made by the NERSA, who have approved all RCA balance decisions up to FY2021. Tariffs have not yet been adjusted as a result of the FY2021 RCA balance decision. Eskom has submitted the FY2022 RCA application of R23 861m to NERSA on 26 April 2023 and the FY2023 RCA balance application of R9m to NERSA during January 2024. NERSA is yet to determine the RCA balances for both these applications.

Ringfenced revenue applications are made for Generation, Transmission and Distribution, as is accommodated by the MYPD methodology. It is recognised that the industry is undergoing a transformation. The roles being allocated to the National Transmission Company of South Africa (NTCSA) are respected in this submission. To ensure compliance with the MYPD methodology as well accommodate the revised licensed roles, the application also draws the appropriate links to the sector developments.

## **CONSULTATION**

In terms of section 42 of the Municipal Finance Management Act (MFMA), SALGA and its members are hereby requested to provide written comments on the proposed application within a period of 40 days from the date of the Eskom letter which is dated 30 May 2024.

Once the Section 42 of MFMA process is complete, Eskom will submit the application to NERSA for consideration. NERSA will also institute its own consultation process which will be publicized. SALGA and Municipalities will also make comments during this process.

Over and above Eskom's legal obligation to request written comments, it is critical that key stakeholders like SALGA and Municipalities are included in the consultation process to finalise the application.

Municipalities are therefore requested to submit their comments in writing on the Eskom application attached as **Annexure A**. Written comments must be forwarded to Mr Nhlanhla Ngidi or Dr Silas Mulaudzi at [nngidi@salga.org.za](mailto:nngidi@salga.org.za) or [smulaudzi@salga.org.za](mailto:smulaudzi@salga.org.za) by no later than 28 June 2024 to allow SALGA time to consolidate the comments and submit to Eskom in advance of a planned workshop between Eskom, SALGA and municipalities to discuss Eskom's application. A meeting date and venue will duly be communicated with all municipalities.

Enquiries: Nhlanhla Ngidi  
Tel : 012 369 8000  
Fax : 012 369 8001  
E-mail: nngidi@salga.org.za

Municipalities are going to be greatly affected by this Eskom application and it is therefore critical that they give inputs and commitment to this process. Your cooperation, support and participation in this consultation process will be greatly valued.

Yours faithfully,



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**LANCE JOEL**  
**CHIEF EXECUTIVE OFFICER (ACTING)**

**ANNEXURE A**  
**ESKOM MYPD 6 APPLICATION**