

AMEU Convention – Just Energy Transition

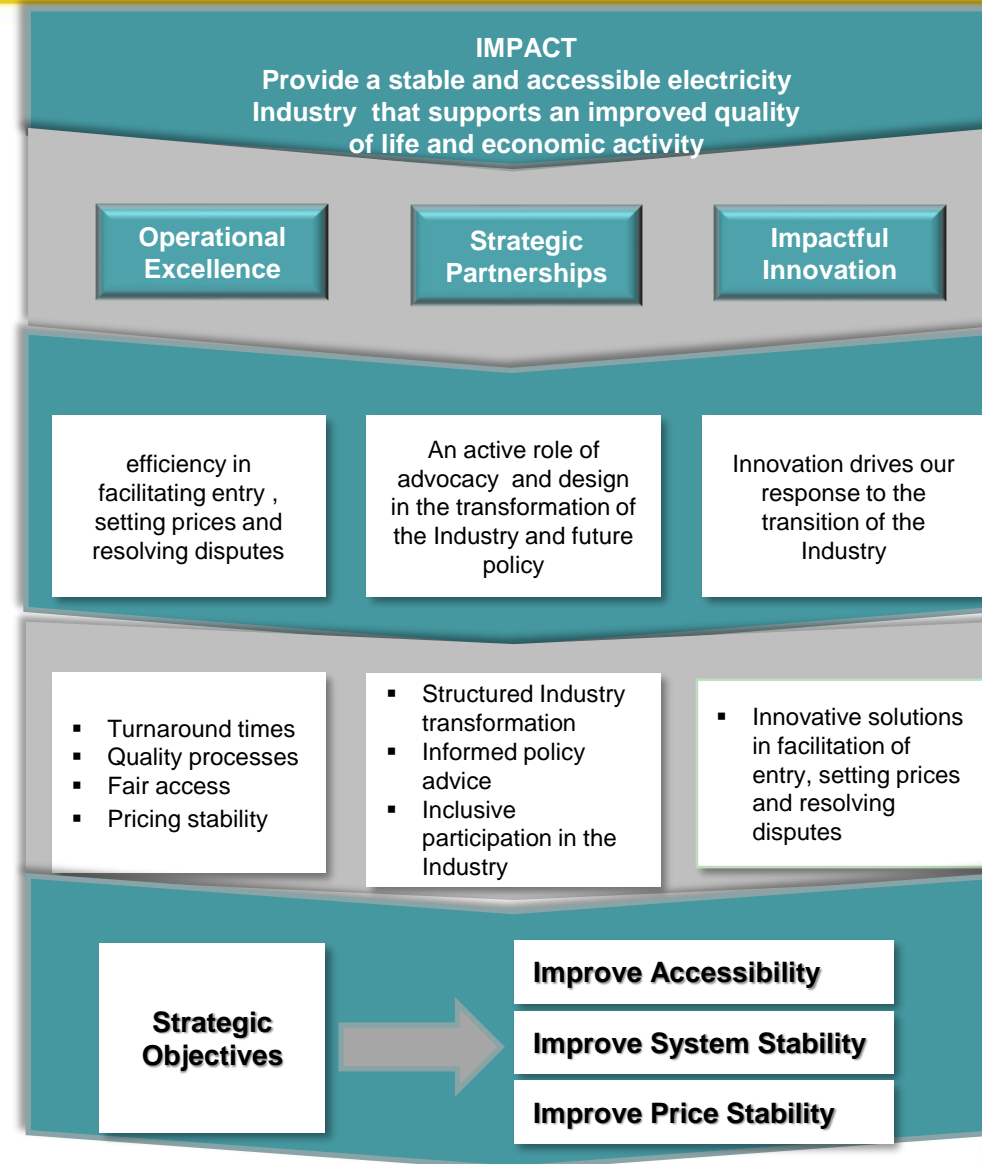
The response to the impact of the SA electricity crisis on sustaining an effective service delivery by municipality electricity utilities to its end customers

03 October 2022

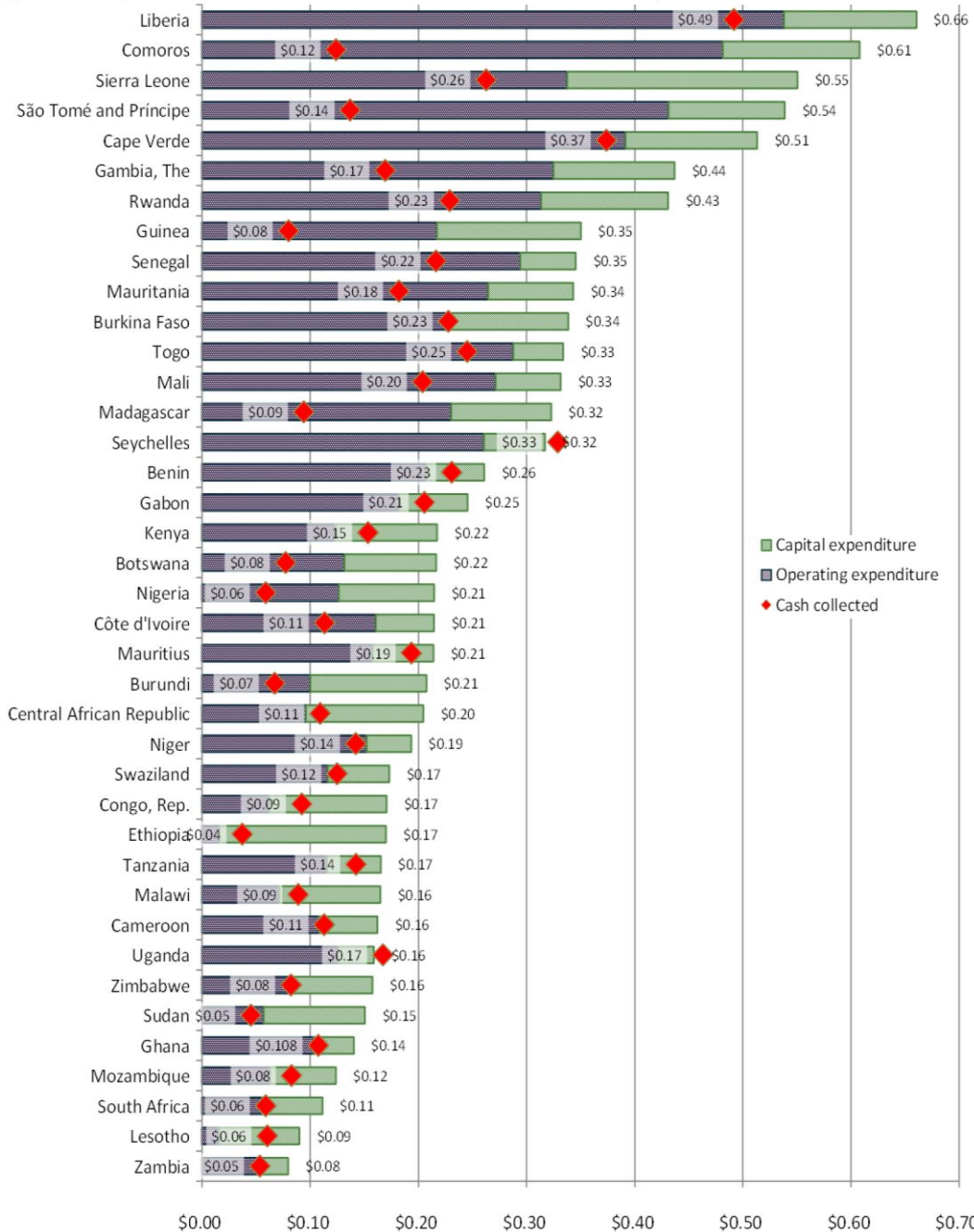
“If you always do what you always did, you'll always get what you always got” - Henry Ford

NERSA's role in the electricity industry is and will continue to be 3 fold

- Regulating **entry** into the industry
 - Our role is shifting from controlling entry to facilitating entry
- Regulating **prices and tariffs** of all market participants
 - Our role is shifting from regulating Eskom's allowed revenue to regulating unbundled industry cost reflective tariffs and consumer prices
- Resolving **disputes**
- **Correct pricing** however is the **most important determinant** of behaviour



According to the World Bank, only 3 countries in Africa have cost reflective tariffs

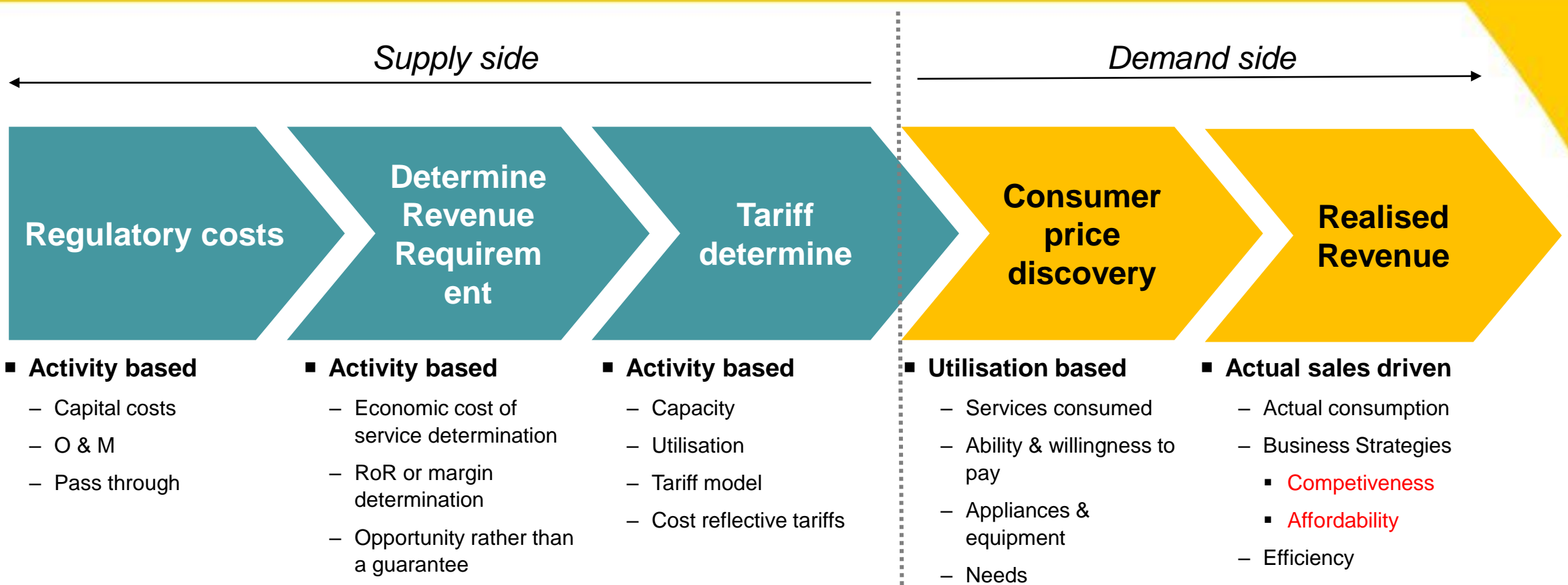


Source: World Bank staff calculations based on utility financial statements and other documents.

- Only Uganda, Namibia and Seychelles have cost-reflective tariffs
- These countries have stable electricity industries and sustainable utilities
- We however need a shared view of what cost reflective tariffs and prices mean
 - Major difference btw regulating a company revenue from regulating tariffs
 - Major different customer retail prices and industry tariffs
 - Tariffs need to be unbundled horizontally and vertically for visibility, fairness and sustainability
 - Cost reflectivity does not mean acceptance of imprudent costs in rate setting

Source: Financial Viability of Electricity Sectors in Sub-Saharan Africa: Quasi-Fiscal Deficits and Hidden Costs, The World Bank Group Energy and Extractives Global Practice Group August 2016

Confusion with tariffing under a **unitary single supplier** environment and **unbundled** environment is understood



In a monopoly situation where a critical public good/service is sold, service tariffs tend to equal consumer prices and from the revenue requirement there is an expectation of realised revenue

When there is only one supplier of all services, there is also no need to consider activity based tariffs

THANK YOU

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