

**CONSULTATION PAPER ON THE
REDETERMINATION OF ESKOM'S SIXTH MULTI-YEAR PRICE
DETERMINATION (MYPD6) REGULATED ASSET BASE (RAB) FOR THE
GENERATION BUSINESS FOR YEAR 1 (2025/26), YEAR 2 (2026/27) AND YEAR
3 (2027/28)**

December 2025

published by

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Abbreviations and Acronyms

| | |
|---------|--|
| EPP | Electricity Pricing Policy |
| The ERA | Electricity Regulation Act, 2006 (Act No. 4 of 2006), as amended by Act No. 38 of 2024 |
| FY | Financial Year |
| IPP | Independent Power Producer |
| MIRTA | Minimum Information Requirements for Tariff Applications |
| MYPD | Multi-Year Price Determination |
| NERSA | National Energy Regulator of South Africa |
| RCA | Regulatory Clearing Account |

1. Introduction

- 1.1 The Multi-Year Price Determination (MYPD) is a process of determining allowable revenues for Eskom. This approach is a cost-of-service, rate of return-based method with incentives for cost savings, efficient and prudent procurement by the licensee (Eskom). This is the process which is the basis for the determination of tariffs to various customer categories. To ensure that electricity prices in South Africa are implementable by 1 April 2025, Eskom is required to table in parliament the NERSA-approved tariffs before 15 March 2025.
- 1.2 The MYPD is developed as a guide to the Energy Regulator in the regulation of the electricity supply industry in a manner that could be deemed rational and would result in predictable and stable prices. It forms the basis on which the National Energy Regulator (NERSA) will evaluate the price adjustment for Eskom over a multi-year period and becomes the de facto price path.
- 1.3 Eskom's MYPD6 revenue application has been developed using the MYPD4 methodology that has been published by NERSA in October 2016. The revenues and tariff decisions that will be determined by NERSA will be implemented from 1 April 2026 for non-municipal customers and from 1 July 2026 for municipal customers.

2. Executive Summary

- 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 Thus, NERSA is required to consider a set of objectives when determining the revenue and 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 On 23 January 2025, the Electricity Subcommittee (ELS) considered the submission recommending the approval of Eskom's MYPD6 revenue applications for the 2025/26, 2026/27, and 2027/28 financial years for Generation (Gx), Transmission (NTCSA/Tx), and Distribution (Dx) to the

Energy Regulator (ER). The ER made its determination on the application on 30 January 2025.

- 2.4 The Energy Regulator subsequently approved the Reasons for Decision (RfDs) for Generation, Transmission, and Distribution on 27 March 2025 (**Annexure A**).
- 2.5 On 30 June 2025, NERSA received a notice of motion indicating that Eskom had lodged a review application with the High Court (**Annexure B**). Eskom is seeking an order to review and set aside the decision published by NERSA on 9 June 2025 citing errors which resulted in its revenue shortfall for depreciation, regulatory asset base (RAB) for its generation business, working capital and the treatment of depreciated replacement cost. Eskom contended that the shortfall affected its allowable revenue for the 2025/26, 2026/27, and 2027/28 financial years ("the 2026–2028 revenue application").
- 2.6 On 8 July 2025, NERSA received a proposed settlement agreement from Eskom relating to the same matter (**Annexure C**).
- 2.7 On 25 July 2025, the special ELS considered the submission recommending the approval of a settlement of R54 billion between NERSA and Eskom to the ER. The ER made its determination on the settlement on 30 July 2025 (**Annexure D**).
- 2.8 Upon approval of the settlement by the ER, NERSA and Eskom applied to the High Court to make the settlement an order of the court (**Annexure E**). Subsequently, the High Court made a judgment on 21 December 2025 on the matter in line with figure 1 below which is an extract from the judgement. The full judgement has been attached as **Annexure F**.

[47] I make the following order:

[47.1] The decision published by NERSA on 9 June 2025 in respect of ESKOM's allowable revenue application for the 2025/2026, 2026/2027, and 2027/2028 financial years is reviewed and set aside.

[47.2] The order in paragraph 1 above shall not have retrospective effect on the validity of the ESKOM tariff determined by NERSA in respect of the 2025/2026 tariff year.

[47.3] The decision referred to in paragraph 1 above is remitted to NERSA so that NERSA can re-determine, after having considered submissions as provided for in paragraph [47.4] below, the value of the ESKOM Regulatory Asset Base and the allowable revenue due to ESKOM in respect of

Figure 1: Judgement extract 1

- 2.9 The judgement implies that the NERSA's decision on Eskom's allowable revenue application for the MYPD6 period has been reviewed and set aside especially given the fact that there is still uncertainty as to the correct RAB value as discussed in paragraphs 45 and 46 in figure.

[45] Furthermore, for the reasons set out above, remittal is the only remedy that can be granted. It follows, also from what I have said above, that public submissions have to be sought, especially given the fact that there is still uncertainty as to the correct RAB value. However, there are

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some time pressures to the matter, as the 2026/2027 tariffs have to be approved and tabled in Parliament by 15 March 2026. I therefore propose to allow a brief period for written submissions to be made, only on the specific aspect to be reconsidered, whereafter NERSA may reconsider its decision.

[46] As for costs, the intervening parties were, as I have found, entitled to intervene, and they have been substantially successful. They were opposed by both ESKOM and NERSA. There is no reason why ESKOM and NERSA should not pay their costs jointly and severally.

Figure 2: Judgement extract 2

Deviation from the revised public hearing rules and notice and comment procedure

- 2.10 Following from paragraph 2.9 above, this decision has been remitted to NERSA so that it can re-determine the value of the Eskom RAB and the allowable revenue due to ESKOM in respect of depreciation and then adjust the allowable revenue and Eskom average tariff for the 2026/2027 and 2027/2028 tariff years accordingly after undertaking a stakeholder consultation process, as shown in figure 3 below which is an extract from the judgement.

[47.4] Any person having an interest in the re-determination referred to in paragraph [47.3] above, may make written submissions to NERSA by no later than 21 January 2026, whereafter NERSA may continue to make its re-determination.

Figure 3: Judgement extract 3

- 2.11 In compliance with the judgment, NERSA has undertaken is embarking on a consultation process for re-determination of the Eskom's allowable revenue in respect of the aspects that were before the High Court for review. Notably, RAB for Generation business, transfer of funds for assets ready for commercial operations, omission of depreciation amount on the decision table, depreciated replacement cost, working capital and asset purchases.

3. Legal Basis

- 3.1. The legal basis for the decision of the Energy Regulator to approve electricity prices is derived from the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ("the Act") and the National Energy Regulator Act, 2004 (Act No.40 of 2004) (NERA). The procedure to be followed in deciding the price is derived from the Promotion of Administrative Justice Act, 2000 (Act No.3 of 2000) ("PAJA") read with section 10(1)(d) of NERA
- 3.2. Section 4(c) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA) empowers the National Energy Regulator of South Africa (NERSA) with the responsibility to undertake the functions detailed in section 4 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA').

- 3.3. The ERA sets out the powers and functions of NERSA. Of relevance to this application is section 4(a)(ii), wherein NERSA is empowered and required to set and approve prices and tariffs in a manner prescribed by a rule.
- 3.4. In performing its mandated functions, NERSA is required to ensure that the following objects are achieved:
- 3.4.1. The efficient, effective, sustainable, and orderly development and operation of electricity supply infrastructure in South Africa.
 - 3.4.2. That the interests and needs of present and future electricity customers and end users are safeguarded and met, having regard to the governance, efficiency, effectiveness, and long-term sustainability of the electricity supply industry within the broader context of economic energy regulation in the Republic.
 - 3.4.3. That investment in the electricity supply industry is facilitated.
 - 3.4.4. That universal access to electricity is facilitated.
 - 3.4.5. That the use of diverse energy sources and energy efficiency is promoted.
 - 3.4.6. That competitiveness and customer and end-user choice are promoted; and
 - 3.4.7. That a fair balance among the interests of customers and end users, licensees, investors in the electricity supply industry and the public is facilitated.
- 3.5. In order to facilitate compliance with the regulatory framework and create regulatory certainty regarding Eskom's revenue applications, NERSA developed a Multi-Year Price Determination (MYPD) Methodology in line with section 14(1)(g) of the ERA and Minimum Information Requirements for Tariff Applications (MIRTA) in line with section 14(1)(e) of the ERA, which Eskom must comply with, but does not restrain the exercising of discretion by the Energy Regulator when taking a decision.
- 3.6. The licences issued to Eskom set out conditions for the setting and approval of revenue, tariffs, charges, prices, and rates charged by Eskom.
- 3.7. In terms of section 15 of the ERA, a licence condition relating to the setting and approval of tariffs, charges, and prices, and the regulation of revenue must, *inter alia*, enable an efficient licensee to recover the full cost of its licensed activities, and a reasonable return proportionate to the risk of the licensed activity; provide for or prescribe incentives for continued improvement of the technical and economic efficiency with which services are to be provided; and give end users proper information regarding the costs that their consumption impose on the licensee's business.

4. Scope of Consultation and Redetermination

- 4.1. The Court found that the proposed settlement agreement between Eskom and NERSA referred to in paragraph 2.8 above did not comply with the law and then ordered a remittal of the decision to NERSA for reconsideration.
- 4.2. The reconsideration does not include Distribution and NTCSA decisions and Reasons for Decisions (RfD) documents on the entire MYPD6 application. It only relates to issues which were before the Court i.e. the errors and miscalculations in the amount of R107 billion or less relating to the depreciation, Generation RAB which is made up of the DRC, transfers to commercial operation, work under construction, net working capital and asset purchases.
- 4.3. Therefore, stakeholders are requested to comment on the re-determination of the MYPD6 Generation RAB application for FYs 2025/26 to 2027/28, in line with the court judgement and order of 21 December 2025. The stakeholders are also requested to comment on each question raised below.

5. Original Eskom Application on Generation RAB

- 5.1. Table 1 shows Eskom's Generation RAB original application.

Table 1: Original Eskom's Generation RAB application

| TABLE 54: REGULATORY ASSET BASE (RAB) SUMMARY | | | | | | | |
|---|------------------------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------------|--------------------------------|
| GENERATION - REGULATORY ASSET BASE (R'm) | Decision FY2024 | Decision FY2025 | Application FY2026 | Application FY2027 | Application FY2028 | Post Application FY 2029 | Post Application FY2030 |
| Depreciated Replacement Costs (DRC) | 677 641 | 633 995 | 611 670 | 572 153 | 533 036 | 494 789 | 457 585 |
| Asset transferred to commercial operation post valuation date | 45 961 | 28 757 | 224 221 | 256 027 | 281 300 | 287 587 | 325 403 |
| Work Under Construction (WUC) | 40 712 | 32 137 | 41 750 | 49 359 | 54 378 | 46 452 | 61 251 |
| Net Working Capital | 32 321 | 41 505 | 42 007 | 19 423 | 18 003 | 23 015 | 23 981 |
| Assets Purchases | 128 | 171 | 1 221 | 1 480 | 1 717 | 1 374 | 1 099 |
| Assets funded upfront by customers | - | - | - | - | - | - | - |
| Total Regulatory asset base (RAB) | 796 763 | 736 565 | 920 870 | 898 442 | 888 434 | 853 216 | 869 319 |
| Average RAB | | 766 664 | 828 717 | 909 656 | 893 438 | 870 825 | 861 267 |

- 5.2. In line with Table 1 above, Eskom Generation applied for average values of R828 717 million for FY206, R909 656 million for FY2027, and R893 438 million for FY2028. The original Eskom Generation application is attached as **Annexure G**.

Stakeholder Question 1:

Stakeholders are requested to comment on any aspect that formed part of the Generation RAB as depicted in Table 1 and in line with the attached original application.

6. Regulatory Assets Base / Return on Assets re-determination

6.1. Generation RAB re-determination has been introduced in this Consultation Paper to provide stakeholders with a clear perspective on how the settlement between NERSA and Eskom was reached which led to the North Gauteng High Court reviewing and setting aside the decision published by NERSA on 9 June 2025.

6.2. Table 2 below shows the summary of NERSA's original MYPD6 Generation RAB decision in getting to the recommended average RAB values for the purpose of calculating the returns.

Stakeholder Question 2:

- Stakeholders are requested to comment on the plants that should not be included as part of the Eskom RAB.
- The last valuation was submitted in 2020. Stakeholders are requested to comment on how undue compensation to Eskom can be avoided given this non-compliance.

6.3. Eskom did not submit its latest asset valuation with its MYPD6 application in line with section 9.4.3 of the MYPD methodology which states that *"The RAB to be used for the depreciation of the assets will be the RAB as approved by the Energy Regulator. The DRC is arrived at, for each regulated asset, by the following steps:*
9.4.3.1 Step one: Eskom will submit the MEAV study to the Energy Regulator."

Table 2: Original MYPD6 RFD Generation total RAB summary

| Generation RAB Summary(R'millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|--|----------------|------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Depreciated Replacement Costs (DRC) | 611 670 | (18 121) | 593 549 | 572 153 | (10 542) | 561 611 | 533 036 | (3 363) | 529 674 |
| Assets transferred to commercial operation post valuation date | 224 221 | (78 020) | 146 201 | 256 027 | (252 249) | 3 778 | 281 300 | (277 065) | 4 235 |
| Work Under Construction (WUC) | 41 750 | (15 290) | 26 460 | 49 359 | (15 347) | 34 012 | 54 378 | (21 251) | 33 127 |
| Working capital | 42 007 | (11 933) | 30 074 | 19 423 | (11 527) | 7 896 | 18 003 | (11 500) | 6 503 |
| Asset purchases | 1 221 | 0 | 1 221 | 1 480 | 0 | 1 480 | 1 717 | 0 | 1 717 |
| Assets funded by customers upfront | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total RAB | 920 869 | (123 364) | 797 505 | 898 442 | (289 665) | 608 777 | 888 434 | (313 179) | 575 256 |
| Average RAB | 828 717 | (61 682) | 767 035 | 909 656 | (206 515) | 703 141 | 893 438 | (301 421) | 592 017 |

6.4. Most adjustments were in the transfers to commercial operation. The section that follows is a reconstruction of this decision, using the same information that was available at the time of making that determination,

however, this recommendation will be correcting any under or over-estimations identified in NERSA's original decision for all RAB elements.

Stakeholder Question 3:

- a) Stakeholders are requested to comment on the approach that NERSA should take to value Eskom's asset base considering Eskom did not submit the latest asset valuation with the MYPD6 application and that the last valuation was submitted in 2020.
- b) Stakeholders are requested to comment on how undue compensation to Eskom can be avoided and what discretion NERSA can apply to remedy the situation.

Depreciation Replacement Cost (DRC)

- 6.5. In the original MYPD6 determination, NERSA undertook a valuation exercise on the Generation RAB resulting in adjustments to the DRC, which was inconsistent with the 2022 High Court ruling (**Annexure H**) which compelled NERSA to maintain the MYPD5 determination.
- 6.6. As a result, it is NERSA's proposed decision to allow the Generation DRC as applied for in compliance with the High Court order as shown in table 3 below.

Table 3: Depreciated Replacement Cost re-determination

| Generation RAB Summary (R'millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|-------------------------------------|---------|-------------|---------|---------|-------------|---------|---------|-------------|---------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Depreciated Replacement Costs (DRC) | 611 670 | 0 | 611 670 | 572 153 | 0 | 572 153 | 533 036 | 0 | 533 036 |

- 6.7. This will have a further impact on depreciation specifically resulting from the DRC as any adjustments to the depreciation linked to the DRC would have to be reversed.

Stakeholder Question 4:

Stakeholders are requested to comment on the approach taken by NERSA in re-determining the DRC and propose alternative approaches and other considerations if applicable.

Transfers to Commercial Operation post valuation date

- 6.8. In the original MYPD6 determination, NERSA relied on section 9.1.8.3 of the methodology to adjust transfers from WUC using Eskom's asset revaluation of March 2020 as a basis because Eskom did not submit another asset valuation for its MYPD6 application.
- 6.9. Section 9.1.8.3 of the methodology reads thusly: "...capital expenditure of expansionary nature, to create additional capacity (i.e. which is not used and usable) should be capitalized and included in the RAB as and when construction costs are incurred for return purposes."
- 6.10. NERSA proposes to maintain its original position that these transfers emanating from WUC should originate from capital expenditure for the creation of additional capacity to qualify. As a result, NERSA only allowed transfers relating to the new build.
- 6.11. However, NERSA identified an inconsistent application of the principles used in 2025/26 and those used in 2026/27 and 2027/28. The correct principle of cumulative balances was used for the 2025/26 financial year, but, for the 2026/27 and 2027/28 financial years, transfers were applied only for the respective years, abandoning the cumulative balances principle.
- 6.12. Eskom applied for R224 221 million for FY2025/26, R256 027 million for FY 2026/27 and R281 300 million for FY2027/28 as outlined in Table 4 below. After having corrected the cumulative balances principles, it was NERSA's decision to approve R146 201 million, R149 979 million and R154 215 million over the MYPD6 period respectively as shown in table 4 below.

Table 4: Generation transfers to commercial operation re-determination

| Generation RAB Summary (R'millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|--|---------|-------------|---------|---------|-------------|---------|---------|-------------|---------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Assets transferred to commercial operation post valuation date | 224 221 | (78 020) | 146 201 | 256 027 | (106 049) | 149 979 | 281 300 | (127 086) | 154 215 |

- 6.13. Eskom maintains a separate balance for transfers to commercial operation as opposed to transferring to the DRC. This allows for the transfers to be measured at cost in line with section 9.1.8.3 of the methodology which identifies that capital expenditure of expansionary nature, to create additional capacity, should be capitalised and included in the RAB as and when construction costs are incurred for return purposes.

- 6.14. This limits the transfers to commercial operation from being subjected to a revaluation in line with section 9.2 of the methodology which requires Eskom assets to be valued at their modern equivalent asset valuation.
- 6.15. This approach therefore inhibits NERSA from excluding any inflated capital expenditure (i.e. cost overruns) that Eskom undertakes in relation to the value created.

Stakeholder Question 5:

- a) Stakeholders are requested to comment on the approach taken by NERSA in redetermining the transfers to commercial operation, taking into consideration the 2022 High Court ruling (Annexure H) which compelled NERSA to maintain the MYPD5 determination and propose alternative approaches and other considerations if applicable.
- b) Stakeholders are requested to comment on how undue compensation to Eskom can be avoided considering the non-compliance in terms of submitting a RAB valuation and what discretion NERSA can apply to remedy the situation.

Work Under Construction

- 6.16. In the original MYPD6 determination, NERSA relied on section 9.6.4.1 of the methodology in the main to adjust WUC.
- 6.17. Section 9.6.4.1 of the methodology reads as follows: *The WUC projects to be included in RAB are with respect to the creation of additional generation, transmission, and distribution capacity.*
- 6.18. NERSA proposes that it maintains its original position that only WUC from capacity addition should be allowed. As a result, capital expenditure relating to outage capex are still disallowed.
- 6.19. Eskom applied for R41 750 million, R49 359 million and R54 378 million over the MYPD6 period, respectively. It is NERSA's decision to approve R26 460 million, R34 012 million and R33 127 million over the MYPD6 period respectively as shown in table 5 below.

Table 5: WUC redetermination

| Generation RAB Summary (R' millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|--------------------------------------|---------|-------------|--------|---------|-------------|--------|---------|-------------|--------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Work Under Construction (WUC) | 41 750 | (15 290) | 26 460 | 49 359 | (15 347) | 34 012 | 54 378 | (21 251) | 33 127 |

Stakeholder Question 6:

Stakeholders are requested to comment on the approach taken by NERSA in re-determining the WUC and propose alternative approaches and other considerations if applicable.

Net Working Capital

- 6.20. In the original MYPD6 determination, NERSA relied on section 9.5 of the of the methodology that deals with net working capital, the only adjustments were on inventory.
- 6.21. The main reason for these adjustments was that Eskom included coal stockpiles exceeding 42 days as part of the inventory. The coal stockpile days are at an average of 82 days over the MYPD6 period, which is above the 42 days allowed as per stock day policy. This is due to Medupi having a stockpile that will last for over 300 days, which is caused by Eskom delays in completing construction and commissioning the power plant.
- 6.22. During MYPD5 (2022/23, 2023/24 and 2024/25 years), Eskom mentioned measures in place to bring and maintain stock days at expected levels. The average number of stock days was 79 in MYPD5 and, currently, the average is 84 days over the MYPD6 period. Only coal stockpiles of 42 days or less are allowed by NERSA.
- 6.23. NERSA proposes to maintain this decision. As a result, Eskom applied for net working capital of R42 007 million, R19 423 million and R18 003 million over the MYPD6 period respectively. Based on the analysis provided, NERSA proposes to maintain amounts of R30 074 million, R7 896 million and R6 503 million over the MYPD6 period respectively as shown in table 6 below.

Table 6: Net working capital redetermination

| Generation RAB Summary (R'millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|-------------------------------------|---------|-------------|--------|---------|-------------|-------|---------|-------------|-------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Working capital | 42 007 | (11 933) | 30 074 | 19 423 | (11 527) | 7 896 | 18 003 | (11 500) | 6 503 |

Stakeholder Question 7:

Stakeholders are requested to comment on the approach taken by NERSA in redetermining the networking capital and propose alternative approaches and other considerations if applicable.

Asset Purchases

- 6.24. In the original MYPD6 determination, NERSA relied on section 9.1.8.1 of the of the methodology which makes provision for the inclusion of

assets that are used and usable to make it possible to supply demand in the short term (12 months).

- 6.25. Figure 3 below illustrates the historical trend of actual expenditure in line with approved RCAs in the MYPD4 and MYPD5 relative to the MYPD6 application, which shows that the asset purchases are in line with historical trends.

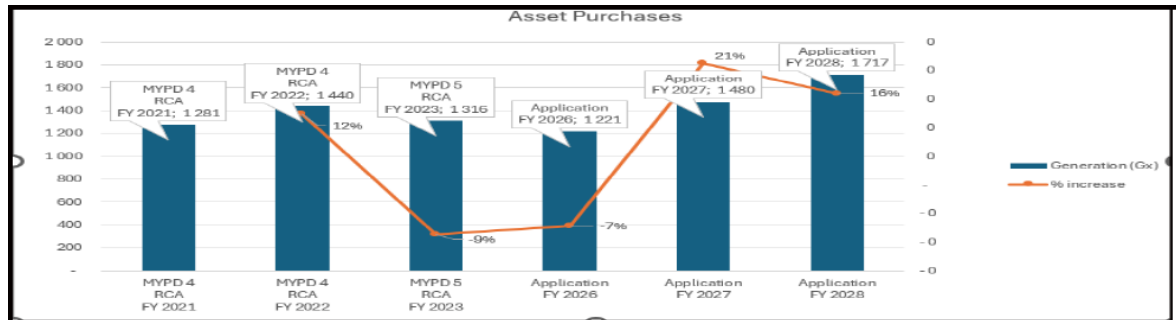


Figure 4: Generation RfD asset purchases trend analysis

- 6.26. NERSA conducted a trend analysis by observing the approved Regulatory Clearing Accounts (RCAs) from MYPD4 and MYPD5 and determining the quantum of the approved values in relation to the Asset Purchases for the Generation Business. These were averaged over a three-year period, and they totalled R1 346 million. This is consistent with the MYPD6 application. As a result, this decision is maintained.

Table 7: Asset purchases redetermination

| Generation RAB Summary (R' millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|--------------------------------------|---------|-------------|-------|---------|-------------|-------|---------|-------------|-------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Asset purchases | 1 221 | 0 | 1 221 | 1 480 | 0 | 1 480 | 1 717 | 0 | 1 717 |

- 6.27. Eskom applied for asset purchases of R1 221 million, R1 480 million and R1 717 million over the MYPD6 period respectively. Based on the analysis, NERSA proposes to maintain amounts of R1 221 million, R1 480 million and R1 717 million over the MYPD6 period respectively as shown on table 7 below.

Stakeholder Question 8:

Stakeholders are requested to comment on the approach taken by NERSA in redetermining the asset purchases and propose alternative approaches and other considerations if applicable.

Generation RAB total redetermination

6.28. Table 8 below shows the summary of the NERSA proposed recalculated decision in getting to the recommended average RAB values for the purposes of calculating the returns.

Table 8: Total Generation RAB redetermination

| Generation RAB Summary (R' millions) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|--|----------------|------------------|----------------|----------------|------------------|----------------|----------------|------------------|----------------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Depreciated Replacement Costs (DRC) | 611 670 | 0 | 611 670 | 572 153 | 0 | 572 153 | 533 036 | 0 | 533 036 |
| Assets transferred to commercial operation post valuation date | 224 221 | (78 020) | 146 201 | 256 027 | (106 049) | 149 979 | 281 300 | (127 086) | 154 215 |
| Work Under Construction (WUC) | 41 750 | (15 290) | 26 460 | 49 359 | (15 347) | 34 012 | 54 378 | (21 251) | 33 127 |
| Working capital | 42 007 | (11 933) | 30 074 | 19 423 | (11 527) | 7 896 | 18 003 | (11 500) | 6 503 |
| Asset purchases | 1 221 | 0 | 1 221 | 1 480 | 0 | 1 480 | 1 717 | 0 | 1 717 |
| Assets funded by customers upfront | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total RAB | 920 869 | (105 243) | 815 626 | 898 442 | (132 923) | 765 520 | 888 434 | (159 837) | 728 598 |
| Average RAB | 828 717 | (52 622) | 776 095 | 909 656 | (119 083) | 790 573 | 893 438 | (146 379) | 747 059 |

Depreciation

6.29. In the original MYPD6 determination, NERSA relied on section 9.4 of the methodology which details how depreciation should be calculated.

6.30. In the original MYPD6 determination, NERSA undertook a valuation exercise on the Eskom RAB resulting in adjustments to the DRC and the related depreciation as shown in table 12 above which is in violation of the 2023 High Court ruling which compels NERSA to maintain the MYPD5 decision.

6.31. Based on the analysis, NERSA proposes to allow the Generation DRC-related depreciation as applied for in compliance with the High Court order as shown in table 11 below.

6.32. As a result, Eskom applied for Generation depreciation of R53 053 million, R55 504 million and R61 920 million over the MYPD6 period respectively. Based on the analysis provided, NERSA proposed to approve amounts of R50 386 million, R51 380 million and R54 060 over the MYPD6 period respectively as shown in table 9 below. However, Eskom's amounts are not substantiated by the most recent asset valuation as stipulated in section xxx of the methodology. Eskom failed to submit asset valuation and did not adhere to the methodology. This failure presents a risk of undue overcompensation of Eskom's RAB values.

Table 9: Depreciation redetermination

| Generation Depreciation (R'm) | 2025/26 | | | 2026/27 | | | 2027/28 | | |
|---|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Depreciated Replacement Costs (DRC) | 41 505 | 0 | 41 505 | 39 517 | 0 | 39 517 | 39 117 | 0 | 39 117 |
| Assets transferred to Commercial Operations | 11 243 | (2 667) | 8 576 | 15 520 | (4 027) | 11 493 | 22 374 | (7 860) | 14 514 |
| Asset purchases | 305 | 0 | 305 | 370 | 0 | 370 | 429 | 0 | 429 |
| Assets funded by customers upfront | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Generation Depreciation | 53 053 | (2 667) | 50 386 | 55 407 | (4 027) | 51 380 | 61 920 | (7 860) | 54 060 |

Total impact of redetermination

6.33. Table 10 below shows the summary of the Generation RAB-related revenues because of the redetermination. Keeping in mind that table 4 which showed the original MYPD6 decision of R767 035 million, R703 141 million and R592 017 million for average RAB for the MYPD6 period respectively, the redetermination resulted in different amounts for the average RAB which are R776 095 million, R790 573 million and R747 059 million respectively for the MYPD6 period.

Table 10: Impact of Generation RAB redetermination on allowable revenues

| Impact of Generation RAB redetermination on revenue | 2025/26 | | | 2026/27 | | | 2027/28 | | | Total MYPD6 | | |
|---|---------------|----------------|---------------|----------------|----------------|---------------|----------------|-----------------|---------------|----------------|-----------------|----------------|
| | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA | Eskom | Adjustments | NERSA |
| Average RAB | 828 717 | (52 622) | 776 095 | 909 656 | (119 083) | 790 573 | 893 438 | (146 379) | 747 059 | | | |
| WACC% | 4% | 0 | 4% | 5% | 0 | 5% | 6% | 0 | 6% | | | |
| Return | 33 149 | (2 105) | 31 044 | 45 483 | (5 954) | 39 529 | 53 606 | (8 782) | 44 824 | 132 238 | (16 842) | 115 396 |
| Depreciation | 53 054 | (2 668) | 50 386 | 55 406 | (4 026) | 51 380 | 61 921 | (7 861) | 54 060 | 170 381 | (14 555) | 155 826 |
| Total RAB-related revenue | 86 203 | (4 773) | 81 430 | 100 889 | (9 980) | 90 909 | 115 527 | (16 644) | 98 883 | 302 619 | (31 397) | 271 222 |

6.34. Eskom Generation business originally applied for a total of R302 619 million in RAB-related revenue over the MYPD6 period which comprised of R132 238 million in returns and R170 381 million in depreciation. In line with the redetermination, NERSA redetermined an amount of R271 222 million which comprises of R115 396 million in returns and R155 826 million in depreciation.

Stakeholder Question 9:

Stakeholders are requested to comment on the approach taken by NERSA in redetermining the transfers to commercial operation and propose alternative approaches and other considerations if applicable.

Implication of the re-determination

6.35. Table 11 below shows the summary of the Generation RAB-related revenues because of the re-determination

Table 11: implications of the NERSA redetermination on revenues

| Implications of the NERSA redetermination on revenues | 2025/26 | | | 2026/27 | | | 2027/28 | | | Total MYPD6 | | |
|---|---------------|---------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Original | Adjustments | Revised | Original | Adjustments | Revised | Original | Adjustments | Revised | Original | Adjustments | Revised |
| Average RAB | 767 035 | 9 060 | 776 095 | 703 141 | 87 432 | 790 573 | 592 017 | 155 042 | 747 059 | | | |
| WACC% | 4% | 0% | 4% | 5% | 0% | 5% | 6% | 0% | 6% | | | |
| Return | 30 681 | 362 | 31 044 | 35 157 | 4 372 | 39 529 | 35 521 | 9 302 | 44 824 | 101 359 | 14 036 | 115 396 |
| Depreciation | 31 203 | 19 183 | 50 386 | 31 266 | 20 114 | 51 380 | 31 327 | 22 733 | 54 060 | 93 796 | 62 030 | 155 826 |
| Total RAB-related revenue | 61 884 | 28 606 | 81 430 | 66 423 | 111 917 | 90 909 | 66 848 | 187 077 | 98 883 | 195 155 | 76 066 | 271 222 |

- 6.36. Eskom Generation business will be awarded a further R76 066 million over the MYPD6 period comprised of R14 036 million in returns and R62 030 million in depreciation.

7. The Consultation Process

- 5.1 NERSA will be deviating from the revised public hearing rules and notice and comment procedure formulated by NERSA in terms of section 10(d) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), read with section 4(1) of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ('PAJA').
- 5.2 According to these revised rules, a committee conducting a public hearing must give notice of a public hearing, which date may not be earlier than thirty (30) days (previously seven days) before the public hearing is to be held.
- 5.3 This consultation paper on the re-determination of the Eskom Generation RAB will be published for twenty-five working days, as opposed to the 30 days prescribed in the rules. This is done to ensure that NERSA complies with paragraphs 45 and 47.4 of the judgement of 21 December 2025 (Case number: 99969-2025) which emphasize the need for the decision to be expedited.

Stakeholder Question 10:

Stakeholders are requested to comment on the impact of the deviation from PAJA rules considering the court order, the urgency to conclude this decision, and impact it will have on the electricity supply industry.

- 5.4 Stakeholders are requested to comment in writing on the Consultation Paper on the re-determination of the Eskom Generation RAB for the years 2025/26, 2026/27 and 2027/28.
- 5.5 Written comments can be forwarded 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 **21 January 2025 at 16:00**.

- 5.6 NERSA will collate and consider all comments received as part of its decision-making process. The process for the consultation and decision-making is outlined in the table below.

| Activities | No. of days | Due Date |
|--|-------------|----------------------|
| Development of consultation paper | 1 | 22 Dec 2025 |
| ELS approval of consultation paper via round robin | 8 | 29 Dec 2025 |
| Publishing for notice and comments | 9 | 30 Dec 2025 |
| Closing date: submission of comments | 23 | 21 January 20206 |
| Special ELS approval of the decision and RFD document | 7 | 22 - 28 January 2026 |
| ER approval of the Generation RAB decision and the RFD | 2 | 30 January 2026 |

- 5.7 For more information and queries on the above, please contact Mr Rhulani Mathebula at:

Physical address: Kulawula House
526 Madiba Street
Arcadia
Pretoria
Telephone no.: 012 401 4616
Fax no.: 012 401 4700

End.