

Formal Submission

To: The National Energy Regulator of South Africa (NERSA)

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Regarding: Stakeholder Comments on Eskom's Retail Tariff Structural Adjustment (ERTSA)

Executive Summary

This submission provides formal comments from the Southern African Faith Communities Environment Institute, SAFCEI, on the National Energy Regulator of South Africa's (NERSA) consultation paper regarding Eskom's proposed 8.83% average standard tariff increase. While acknowledging that the underlying revenue requirements have been adjudicated through the redetermined Sixth Multi-Year Price Determination (MYPD6) framework, this submission highlights critical imbalances in how that revenue is structured and distributed. Due to concerns regarding cross-subsidisation, transparent data verification, and vulnerable sectors, the proposal in its current state cannot be supported without structural revisions.

Detailed Responses to Stakeholder Questions as Stipulated by NERSA

1 . Implementation of the MYPD6 Allowable Revenue Decision

The proposed 8.83% average tariff increase mathematically satisfies the literal parameters of the revised MYPD6 mandate. Following the High Court judgment that set aside the original metrics, NERSA's redetermination on 7 February 2026 capped Eskom's allowable revenue at R419.438 billion for the 2027/2028 Financial Year (FY). Based on Eskom's forecast electricity sales of 160,395 GWh, the calculation mathematically yields the 8.83% average standard increase.

The consultation process is intended to obtain stakeholder views on whether the 2027/28 ERTSA application appropriately implements the allowable revenue approved by the Energy Regulator through the MYPD6 redetermination and complies with the approved ERTSA Methodology, the Retail Tariff Plan (RTP), and the applicable legislative and regulatory framework

In assessing compliance across the legal framework, the application must be benchmarked against the Electricity Regulation Act (ERA) and NERSA's RTP. While the submission aligns with the macro- revenue cap determined under MYPD6, it diverges from key unbundling principles mandated by ERA and RTP. Specifically, the cost- reflective tariff components are intended to prevent cross-subsidisation. By embedding unvetted structures require transparent unbundling

of generation, transmission, and distribution components to prevent subsidisation. By embedding unvetted structural changes ahead of finalising the wholesale market rules, the application creates significant regulatory uncertainty and fails to fully satisfy the transparency standards required by the governing legislative framework.

2. Adherence to the Approved ERTSA Methodology

There are notable concerns regarding whether the 8.83% increase fully conforms to the spirit of the approved ERTSA Methodology. The current structure accelerates the recovery of fixed costs through structural components. Eskom continues to aggressively shift costs into fixed network charges, such as raising fixed service and administration thresholds and adjusting Generation Capacity Charges (GCC), while scaling down variable energy rates.

Restructuring tariff components before operationalising wholesale mechanisms risks locking in unvetted pricing signals that conflict with unbundling objectives.

While this stabilises Eskom's revenue against a declining sales baseline, it penalises energy efficiency and structural wheeling setups. Distorting variable-versus-fixed cost allocations under the guise of an "average" increase bypasses the historical intent of the ERTSA Methodology, which is meant to ensure cost-reflective pricing without unfairly penalising specific usage profiles.

3. Fairness and Proportionality Across Customer Categories

The application of the average increase across standard tariffs fails the test of reasonable and proportionate impact.

- **Domestic and Low-Consumption Households:** Direct Eskom customers face an 8.83% surge from 1 April 2027, while municipal buyers are subjected to an average 8.84% hike from 1 July 2027. This increase is nearly three times the South African Reserve Bank's (SARB) 3% inflation target. For the working class and public servants, this compounds an ongoing affordability crisis.
- **The Municipal Debt Complications:** Shifting higher bulk tariffs onto local municipalities aggravates municipal default risks. As non-payment escalates, paying customers are effectively forced to cross-subsidise Eskom's expanding uncollectible municipal debt.
- **Industrial and Renewable Energy Deterrence:** The structural changes embedded within the ERTSA cycle systematically erode the financial viability of private wheeling markets and large-scale solar PV initiatives.

This deters independent infrastructure investment at a moment when national supply stability remains paramount.

- **Municipal versus Non-Municipal Tariff Differential:** Applying an 8.83% increase for direct non-municipal customers effective 1 April 2027 versus an 8.84% hike for municipal buyers effective 1 July 2027 creates timing issues for municipal distributors already struggling with bulk debt and revenue collection challenges.

4. Sufficiency of Information and Supporting Calculations

Eskom and NERSA have not provided sufficient clear information to allow stakeholders to fully verify the underlying calculations or the systemic impact of this tariff structure. Crucially, foundational structural mechanisms, specifically the Final Market Code and Market Conduct Rules, remain unfinalised and unapproved. Attempting to evaluate structural retail adjustments for the 2027/2028 financial year while the overarching regulatory rules governing the newly unbundled South African Wholesale Electricity Market (SAWEM) are absent creates a regulatory vacuum.

Despite the National Transmission Company of South Africa (NTCSA) targeting a phased market launch for Quarter three of the 2026/27 financial year, the final rules have not been formally integrated following the public consultation paper process. Without these legally binding, finalised frameworks, Eskom retains the structural latitude to manipulate the emerging market.

For instance, Eskom can engage in cross-subsidisation by artificially lowering its unbundled Generation prices to crowd out private competitors, while aggressively over-recovering lost revenue through inflated fixed Transmission and Distribution network access fees.

Consequently, the public is being asked to comment on a pricing structure whose foundational anti-monopoly rules are completely missing, rendering meaningful assessment impossible.

Cost Reflectivity, Transparency, and Efficient Pricing Signals

While the restructuring claims to move toward cost-reflective tariffs, shifting high costs into fixed network charges distorts marginal price signals. Unbundling must clearly decouple unvetted transmission and distribution fees from generation costs to avoid sending inefficient pricing signals that penalise energy conservation, renewable self-generation, and demand-side management.

5. Other Material Matters Relating to the Increase

- **The Utility Death Spiral:** Imposing an above-inflation increase of 8.83% during an affordability crisis accelerates the exit of high-paying industrial and affluent residential customers from the national grid. This leaves an increasingly impoverished customer base to support a massive fixed-cost state asset base.
- **National Security and Economic Friction:** As warned by government leadership, unsustainable tariff compounding risks escalating from an affordability issue into a severe national security and socio-economic friction point. Higher power costs act as a severe inflationary anchor that raises input costs for every local industry and business.

Additional Submission Comments: Community- based perspectives

- We strongly object to the over-allocation of underlying costs into fixed monthly network access charges. By inflating the fixed-based rate and flattening volumetric tariffs, the proposal creates a regressive pricing model. It artificially lowers the cost of high-volume consumption while penalising low-income households whose low usage cannot justify a high fixed connection fee. Underlying network costs must remain tied to usage intensity to preserve conservation incentives.
- The proposed allocation fails the principle of equity under cost-causation. High-demand industrial and commercial users drive the utility's peak asset investments, yet this structure shifts a disproportionate burden onto the residential class. Furthermore, the push to eliminate or flatten the inclining block tariff (IBT) ignores the socio-economic reality of multi-family households sharing a single municipal meter, effectively treating survival-level energy consumption as luxury usage.
- The structure fails the statutory tests of fairness and transparency. Introducing heavy fixed service and capacity charges creates an immediate, unimaginable rate shock for vulnerable households. Additionally, the extreme structural complexity of the proposed time-of-use and unbundled components renders the bill completely unintelligible to the average consumer. A consumer cannot fairly adapt their behavior to a price signal they cannot logically interpret.
- We strongly caution NERSA against approving a structural shift that systematically strips the end user of financial agency. Electricity tariffs should empower citizens to control their household expenditure through conscious conservation and energy efficiency. By replacing manageable volumetric rates with aggressive, mandatory fixed access charges, this proposal centralises all financial power within the utility. It forces captive consumers to guarantee the utility's revenue regardless of service delivery

quality, effectively removing the consumer's democratic and economic right to manage their own household budget.

- We formally call for an end to the systematic passing on of errors, miscalculations, and mismanagement onto consumers.
- We strongly reiterated that the fixed charge increases create tariff shocks and deepen household energy poverty.

4. Actionable Recommendations for NERSA

1 . Enforce a Fixed-Charge Cap: Reject any proposed increases to the fixed service and administration components that disproportionately penalise low-volume and wheeling consumers

2. Decline Structural Adjustments Until Market Rules Are Finalised: Halt any major tariff restructuring until NERSA formally approves the Market Code and Market Conduct Rules, ensuring complete transparency in cost allocation.

3. Mandate Strict Efficiency Audits: Require Eskom to absorb operational inefficiencies and cross-subsidise lower-income households out of internal cost savings rather than continuously passing debt-recovery structures onto paying end-users.

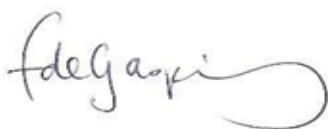
4. 8.83% FY 2027/28 Average Increase: Conduct a comprehensive affordability impact assessment on low- income consumers.

5. Incline Block Tariff (IBT): Retain IBT structures until a comprehensive, direct energy poverty support mechanism is implemented.

6. Free Basic Electricity (FBE): Urgently review and increase FBE thresholds, ring- fence service funds, reallocate VAT from electricity to FBE.

7. Fixed charges: We insist upon fixed charges reflecting the true usage levels rather than penalising smaller users or private generation.

With regards,



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