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Ref: NERSA-1532172523-74915

**The Honourable Mr Kevin Mileham, MP**  
Spokesperson on Electricity and Energy  
**The Parliament of South Africa**  
90 Plein Street  
CAPE TOWN  
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**Attention** : The Honourable Mr Kevin Mileham, MP

**Email** : [kmileham@gmail.com](mailto:kmileham@gmail.com)

## **NERSA'S CLARIFICATION REGARDING ESKOM'S R54 BILLION SETTLEMENT IN REVIEW OF ITS MYPD6 REVENUE DETERMINATION**

Dear Honourable Mr Mileham,

1. I refer to your letter dated 1 September 2025 regarding the National Energy Regulator's (NERSA or Energy Regulator) R54 billion settlement with Eskom Holdings SOC Ltd (Eskom). In the aforesaid letter, you expressed displeasure and concerns regarding the errors occurred in the final amounts of the MYPD6 revenue determination decision which resulted in the settlement negotiated between the Energy Regulator and Eskom.
2. On 2 July 2025, Eskom lodged a judicial review of the Energy Regulator's decision in line with section 10(3) of the National Energy Regulator Act of 2004. Eskom sought to set aside the Energy Regulator's decision, citing a revenue shortfall of R107 billion, which is the difference between what Eskom applied for and what the Energy Regulator approved. Eskom challenges the Energy Regulator's decision only in respect of a revenue shortfall that occurred in the generation business due to a data input error, which mainly affected depreciation and the Regulatory Asset Base (RAB) value for the generation business.

### **Regulator Members:**

Mr T Bukula (Chairperson) Ms Z Mpungose (Deputy Chairperson) \*Adv NP Sithole (Chief Executive Officer)  
\*Ms N Maseti \*Mr MW Mkhize Ms T Semane Mr FK Sibanda Ms PN Sibiya  
\*Full-Time Regulator Members

3. The reliefs Eskom sought through the judicial review were assessed to evaluate the validity of Eskom's claims and to determine whether NERSA could mount a sustainable opposition to the grounds of the review application. NERSA also considered Eskom's requested reliefs in relation to their potential impact on customers and the broader economy, taking into account the public interest. Drawing on the findings from the founding papers and relevant case law on administrative decision reviews, NERSA decided not to oppose the application. However, this decision did not imply acceptance of all the reliefs Eskom requested in its review application.

4. Following an assessment of Eskom's review application, NERSA identified omissions that resulted in underestimation in certain components of Eskom's application. Specifically:

**4.1. Generation Depreciation**

NERSA acknowledges a clerical error amounting to R14,513 million. This omission did not arise from incompetence but was the result of a version control issue. **In particular:**

4.1.1. The submission considered by the Electricity Subcommittee meeting on 23 January 2025 contained the correct figures.

4.1.2. These were, however, not updated in the documentation presented to the Energy Regulator (ER) meeting on 30 January 2025.

4.1.3. Importantly, this figure does not constitute an additional allowance but, rather represents the amount that ought to have been awarded originally.

**4.2. Generation Transfers to Commercial Operation**

4.2.1. Eskom raised concerns regarding the methodology applied to transfers from work under construction to commercial operation. The resulting correction to depreciation, reflecting the cumulative transfers, amounted to an additional R20,069 million.

4.2.2. In the first year FY2026 of the Generation business, the correct roll-forward methodology was applied.

4.2.3. However, in FY2027 and FY2028, the balances were not properly rolled forward, as actual annual balances were used instead of the cumulative additions from the previous years' closing balances.

4.2.4. It must be stated that the cumulative balances principle was properly applied for Transmission and Distribution businesses, but not in Generation.

4.2.5. The correction also included the corresponding additional Return on Assets (ROA) of R10,185 million, linked to the corrected asset values.

**4.3. Generation Depreciated Replacement Costs**

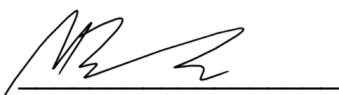
4.3.1. The Depreciated Replacement Costs rule requires that closing balances of one financial year must become the opening balances of the following year. While this principle was consistently applied in Transmission and Distribution, zero balances were used in the Generation business.

4.3.2. NERSA initially excluded fully depreciated power stations from the Generation RAB. However, as part of the review process, Eskom required reinstatement of the 2020 asset valuations as the basis for DRC calculations, in line with the 2016 MYPD Methodology and the 2022 RAB Court Order.

4.3.3. NERSA conceded to the order, which contributed to the settlement quantum.

5. Having rectified these errors, NERSA concluded that Eskom was entitled to an additional R54,000 million over the three-year MYPD6 period, an amount substantially lower than Eskom's original claim of R107,000 million. The parties settled for R54,000 million on 30 July 2025.
6. In line with the governance policies, remedial process has been initiated with the aim of ascertaining the origin of the errors and where appropriate, consequence management process will ensue to warrant accountability on this matter.
7. Enhanced quality control measures designed to prevent any recurrence of similar errors in the future have also been triggered.

Yours sincerely,



**Mr Thembani Bukula**

Chairperson

Date: 04 September 2025