NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Kulawula House
526 Madiba Street
Arcadia 0083
Pretoria, SOUTH AFRICA

PO Box 40343
Arcadia 0007
Pretoria
SOUTH AFRICA

Tel: +27(0)12 401 4600
Fax: +27(0)12 401 4700
Email: info@nersa.org.za
www.nersa.org.za

@NERSA_ZA

@NERSAZA

**22 February 2025**

# MEDIA STATEMENT

## NERSA APPROVES ESKOM RETAIL TARIFF PLAN APPLICATION

The National Energy Regulator of South Africa (NERSA) announced today that, based on the information at its disposal and the analysis of Eskom Retail Tariff Plan (RTP) application, requesting the Energy Regulator to approve changes to the structures of the Schedule of Standard Prices for Eskom Tariffs (Standard Tariffs) for implementation in the 2025/26 financial year (FY), the Energy Regulator, at its meeting held on 18 February 2025, made the following decisions:

**1. Time-of-Use (TOU) Charges**

1.1. Approved adjustments to TOU periods and rates to better align with system requirements and customer needs.

1.1.1. The reduction of the morning peak and increasing the evening peak in the following way:

i. High-season morning demand would be two hours from 06:00 to 08:00, and the evening peak would be three hours from 17:00 to 20:00.

ii. Low-season morning demand would be two hours from 07:00 to 09:00, and the evening peak would be three hours from 18:00 to 21:00.

1.1.2. The peak-to-standard ratio will change from 1:8 to 1:6.

1.1.3. The introduction of standard hours on a Sunday evening will change from 17:00 to 19:00.

**2. Municipal Tariff Rationalisation**

2.1. Approved consolidation of multiple municipal tariffs into three categories: Municflex (LPU), MunicRate (SPU) and Public Lighting.

**3. Residential Tariffs**

3.1. Approved the introduction of cost-reflective tariffs for Homepower and Homeflex. The fixed component of the service charge must be phased in over three years.

3.2. Approved the removal of the Inclining Block Tariff (IBT) structure for Homepower and Homelight tariffs.

4. **Unbundling Energy Charges**
   4.1. Approved the introduction of a fixed Generation Capacity Charge (GCC) in principle, but the proposal introduces a step change too high for the below-average users. Therefore, the allocation towards fixed charges must be reduced to 20% of its current level in year 1 and 30% of the proposed level in years 2 and 3.
   4.2. Approved the separation of the legacy charge to cover costs from legacy contracts with independent power producers (IPPs).

5. **Network Charges**
   5.1. Approved the network charges to be split into fixed and variable components to better reflect cost drivers as proposed.

6. **Service Charges**
   6.1. Approved the conversion of service charges into the number of point of deliveries (PODs) as this will reflect the true costs incurred, thus ensuring equity and fairness among users while encouraging efficient resource allocation.

7. **Affordability Subsidy Charge in the Gen-Wheeling/Gen-Offset**
   7.1. Approved removing the affordability subsidy credit for customers wheeling energy so that all customers contribute fairly to inter-tariff subsidies.

8. **Amending Transmission Loss Factors for Generators to Reflect the Current Network Configuration**
   8.1. Approved the amendment of the current loss factors applicable to Transmission-connected generators. Currently, in certain Transmission zones, the loss factors are negative, effectively meaning that Eskom could pay a generator for being in this specific zone.

The above changes will impact households, municipal customers and large power users in distinct ways, which include the following:

- **Households:** The introduction of a cost-reflective network and retail charges will lead to a phased adjustment over three years. The removal of the Inclining Block Tariff (IBT) structure for Homepower and Homelight tariffs simplifies the pricing model and will have a positive impact on low-consuming customers. Transitioning to a single energy rate structure will enhance affordability for many households, promoting a clearer understanding of energy costs.
- **Municipal customers:** Consolidating multiple municipal tariffs into three categories (Municflex, Municrate and Public Lighting) reduces complexity and aids in better forecasting. Some municipal customers will experience lower average monthly bills, while others will experience increases based on their consumption profiles.
- **Large power users (LPU):** The shift to base service charges on the number of points of delivery (PODs) rather than per account aims to create equity and fairness among users. However, customers with multiple PODs linked to a single account may see an overall increase in their rates.
- **Unbundling energy charges:** The introduction of a fixed generation capacity charge will have a minimal immediate impact. However, it is expected to rise in subsequent years at a rate not exceeding inflation. The additional legacy charge for costs associated with contracts with

independent power producers (IPPs) promotes transparency and does not introduce additional or new costs.

- **Affordability subsidy charge:** The removal of the affordability subsidy credit for customers wheeling energy ensures a fair contribution across the board, ensuring all customers contribute fairly to inter-tariff subsidies.
- **Transmission loss factors:** Adjusting transmission loss factors for generators to reflect current network configurations promotes fairness in cost allocation, ensuring that customers pay accurately for the services they use.

'The approved changes aim to create a more cost-reflective, transparent, and equitable tariff structure. The decision has considered the concerns raised by stakeholders regarding the rationalisation of tariffs and fixed charges. In this regard, the fixed component of the service charge will be phased in over three years. The allocation towards the proposed Generation Capacity Charge (GCC) was reduced to 20% of its proposed level in year 1 to protect customers from significant price increases. Furthermore, the rationalisation of municipal tariffs into three categories will reduce complexity and aid in better forecasting, which will result in some municipal customers experiencing lower average monthly bills,' said Ms Nomfundo Maseti, the Acting Regulator Member Responsible for Electricity Regulation.

The Reasons for Decision document will be available on the NERSA website at www.nersa.org.za in due course.

**End.**

**Enquiries:**


Mr Charles Hlebela Head of Communications

Mobile: 083 646 8280

Email: charles.hlebela@nersa.org.za