



PRESSTATEMENT

ESWATINI ENERGY REGULATORY AUTHORITY (ESERA) DECISION ON THE ESWATINI ELECTRICITY COMPANY (EEC) 2020/21 AND 2021/22 TARIFF REVIEW APPLICATION

1. The Eswatini Energy Regulatory Authority (ESERA) has reviewed the tariff application from the Eswatini Electricity Company (EEC) in terms of the provisions of the Electricity Act of 2007, Energy Regulatory Act of 2007 and the Eswatini Tariff Methodology of 2012.
2. EEC's application was for an average tariff increase of 5.70% for each of the next two financial years 2020/21 and 2021/22, where a 6.2% increase was for domestic customers while 5% and 5.50% was for Small Commercial (Non Time of Use) and Time of Use customers respectively. This was based on a Revenue requirement of E2,391 billion (2020/21) and E2,793 billion (2021/22)
3. In terms of Section 5 (1) (f) of the Energy Regulatory Act read with Section 32 of the Electricity Act, together with Section 5 and 6 of the Tariff Methodology Regulations the ESERA undertook the tariff review process, having received the request on November 1st, 2019.
4. In accordance with the Electricity Act, ESERA sought stakeholder representations from various stakeholders which included both domestic and business consumers, as well as other stakeholders. Public opinion was received through both oral and written submissions.
5. In coming up with the decision on the current tariff levels, the following factors were considered;
 - The need for the utility to implement projects geared towards local generation to reduce overreliance on imports and projects aimed at improving the efficiency and reliability of electricity services.
 - A rate of return of 7.92% for EEC to meet the cost of raising capital.

- The need for the utility to improve efficiency levels as well as implement cost cutting measures while anticipating growth in customer numbers in the next two financial year
- Views and concerns from various stakeholders consulted during stakeholder meetings.
- Eskom tariff escalation of 13.06% and 10.16% for both the years 2020/21 and 2021/22 respectively which has a significant impact on EEC cost of sales.
- Based on the approved 2016/17, 2017/18 and 2018/19 reconciliation adjustments, EEC made an under-recovery of E107.34 million, over-recovery of E182.795 million an over-recovery of E279.629 million respectively in the allowed revenues. The total over- recovery amounts to E277.543 million for the three years.
- The over-recovery amount of E277.543 million from the last three financial years be ploughed back into the sector to benefit consumers over the next two financial years.

6. Having duly considered the tariff application, taking into consideration the written and oral submissions from various consumer groups and stakeholders, as well as facts and evidence provided by EEC, the ESERA Board met on 24th of January 2020 and approved as follows:

- EEC be allowed a Revenue Requirement of E2,296 billion for the financial year 2020/21 and a Revenue Requirement of E2,549 billion for the financial year 2021/22.
- **The above allowed revenues translates to an average tariff increase of 1.03% for the financial year 2020/2021 and an average tariff increase of 1.05% for the financial year 2021/2022.**
- In an effort to balance the approved Revenue Requirement, EEC will be allowed to adjust the tariffs within a range of 2.5 percentage points above and below average of the approved tariff increase for each year.
- Each increase will be implemented with effect from the 1st April each year.

7. The Authority further directs that the implementation of this tariff adjustments include rebalancing of tariffs to make them more cost-reflective, in line with the findings of Cost of Service Study (2018).

8. In an effort to gradually reduce prevailing unsustainable cross-subsidies currently being shouldered by business customers, the Authority modelled different scenarios for migration towards cost-reflectivity, following an 8-year migration plan.

- An eight(8) year migration plan showed that domestic tariffs have to increase by at least 12% per year to reach cost-reflectivity and release some burden from the business customers.
- Currently, inflation is projected at 4.58% for 2020 and 5.18% for 2021.
- Energy import costs will increase by 13.06% in 2020 and 10.16% in 2021.

- The allowed tariff adjustment range in point (6) above takes into account the implementation of cost reflectivity migration and the subsidy framework.

9. A detailed tariff order reflecting all analysis made, stakeholder submissions and approval conditions is available at www.sera.org.sz.

10. ESERA urges consumers of electricity to act responsibly through timely payment of full bills, as well as implement energy efficiency and demand side management programs to ensure that the electricity available is used productively and prudently.

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