



Eswatini Electricity Company (EEC) Regulatory Clearing Account 2020/21

Performance Analysis for the First Quarter

Introduction

The Regulatory Clearing Account (RCA) is a mechanism for reconciling the licensee's allowed revenue requirement with the actual results. The Eswatini Electricity Supply Industry (ESI) uses a rate of return methodology to set a revenue requirement and subsequently, tariffs for the regulatory period.

The revenue requirement is based on assumed uncertain economic and business variables. The RCA aims to reconcile the actual financial performance with the budgeted and any variations recorded so that they can be recouped in future tariff applications. Depending on the changes in the assumed economic and business variables, the RCA can either have an over-recovery or under-recovery position.

The 2020/21 RCA

We will recall that the 2020/21 tariff adjustment was suspended as a response to the difficulties brought about by the COVID-19 pandemic. The RCA is therefore based on budget prepared by the utility for the financial year 2020/21, as well as taking into consideration that tariffs will remain the same for the period. Below is a summary of the Revenue Requirement and the projected revenue recovery streams.

Table 1: Budgeted Annual Revenue Requirement

2020/21	
Allowed Revenue	SzI
Cost of Sales	1,583,995,958
Opex	574,941,657
Depreciation	171,016,440
RCA & Return on RAB	260,250,129
Total Allowed Revenue	2,588,162,984

Table 2: Recovery Streams for Annual Revenue Requirement

2020/21	
Revenue Recovery	Szl
Energy Charges (SZL)	1,823,385,538
Demand Charges (SZL)	352,643,386
Facility Charges (SZL)	72,163,402
Access Charges (SZL)	155,561,385
Total Revenue Recovered	2,403,753,711

First Quarter Performance (April to June 2020)

ESERA monitored the performance of the utility during the first quarter of 2020/21 against the EEC's budget. The actual revenue requirement was E585.79 million against a budget of E630.88 million whilst revenues recovered were E554.16 million against a budget of E583.82million. Cost of sales were 12% below the budget due to reduction in demand by business customers as a result of the COVID-19 pandemic. Opex went 2% above the budget due to unexpected expenditure necessitated by the need to respond to the pandemic. Depreciation was 7% below budget as many capital projects stalled.

The average electricity tariff for the quarter was E2.13/kWh against a budgeted average price of E2.07/kWh for the quarter. The average energy charge for the quarter was E1.64 against a budgeted charge of E1.57. This is was mainly due to the low energy demand. Year to date, the average price was E2.13 kWh (against budgeted E2.07/ kWh) and average energy charge was E1.64/ kWh (against budgeted E1.54/ kWh). The RCA balance stood at E31.63 million under-recovery.

Table 3: Summary of First Quarter Revenue Requirement and Recovery Streams

	Quarter 1			
	Budgeted	Actual	Variance	
Allowed Revenue				
Cost of Sales	387,280,412	342,496,266	44,784,146	12%
Opex	138,132,864	140,884,982	2,752,118	2%
Depreciation	42,761,610	39,697,863	3,063,748	7%
RCA & Return on RAB	62,713,139	62,713,139	-	0%
Total Allowed Revenue	630,888,024	585,792,249	45,095,775	7%

Revenue Recovery				
Energy Charges (SZL)	438,725,644	427,116,945	11,608,699	3%
Demand Charges (SZL)	88,160,846	73,419,608	14,741,238	17%
Facility Charges (SZL)	18,040,850	17,235,438	805,413	4%
Capacity Charges (SZL)	38,890,346	36,387,841	2,502,506	6%
Total Revenue Recovered	583,817,688	554,159,832	29,657,856	5%

Table 4: Year-to-date Performance

	Year to Date			Variance
	Total Annual Budget	Budgeted Year to date	Actual Year to date	
Allowed Revenue				
Cost of Sales	1,583,995,958	387,280,412	342,496,266	12%
Opex	574,941,657	138,132,864	140,884,982	2%
Depreciation	171,016,440	42,761,610	39,697,863	7%
RCA & Return on RAB	260,250,129	63,223,439	63,171,215	0%
Total Allowed Revenue	2,588,162,984	630,888,024	585,792,249	7%
Revenue Recovery				
Energy Charges (SZL)	1,823,385,538	438,725,644	427,116,945	3%
Demand Charges (SZL)	352,643,386	88,160,846	73,419,608	17%
Facility Charges (SZL)	72,163,402	18,040,850	17,235,438	4%
Access Charges (SZL)	155,561,385	38,890,346	36,387,841	6%
Total Revenue Recovered	2,403,753,711	583,817,688	554,159,832	5%

Table 5: Accumulative RCA Balances and Year-to-date Balance

Under/ Over-recoveries				
Budgeted Costs vs Actual Costs	Budgeted Costs	Actual Cost	Variance	Variance
Quarter 1	630,888,024	585,792,249	45,095,775	7%
Quarter 2	-	-	-	0%
Quarter 3	-	-	-	0%
Quarter 4	-	-	-	0%
Y-T-D	630,888,024	585,792,249	45,095,775	7%
Budgeted Revenues vs Actual Revenues	Budgeted Revenues	Actual Revenues	Variance	Variance
Quarter 1	583,817,688	554,159,832	29,657,856	5%
Quarter 2	-	-	-	0%
Quarter 3	-	-	-	0%
Quarter 4	-	-	-	0%
Y-T-D	583,817,688	554,159,832	29,657,856	5.1%
Actual Costs vs Actual Revenue	Actual Costs	Actual Revenues	Variance	Variance
Quarter 1	585,792,249	554,159,832	(31,632,417)	5%
Quarter 2	-	-	-	0%
Quarter 3	-	-	-	0%
Quarter 4	-	-	-	0%
Y-T-D	585,792,249	554,159,832	(31,632,417)	5%