



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

Performance Analysis for the Second 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 forecast 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, where by the utility has recovered more revenues than allowable costs, or under-recovery position, where by recovered revenues do not cover allowable costs.

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 the revenue allowance 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
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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

Second Quarter Performance (July- September 2020)

ESERA continued to monitor the performance of the utility during the second quarter of 2020/21 against the EEC's budget. The actual revenue requirement was E625.22 million against a budget of E704.80 million whilst revenues recovered were E610.49 million against a budget of E613.14million. Cost of sales were 7.75% below the budget due to reduction in demand by business customers as a result of the COVID-19 pandemic. Many businesses that were affected by the COVID-19 have not yet regained their footing. Opex was 26.77% lower than the budget. This is mainly due to delayed dredging of dams as EEC has to follow the Eswatini public procurement regulations in contracting expertise. Furthermore, there were less adverse conditions within the transmission network than anticipated, hence an underspending in opex. Depreciation was 7.30% below budget as many capital projects stalled.

The average electricity tariff for the quarter was E2.25/kWh against a budgeted average price of E2.18/kWh for the quarter. This was mainly due to the low energy demand. Year to date, the average price was E2.19 kWh (against budgeted E2.12/ kWh) The RCA balance stood at E46.37 million under-recovery.

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

	Quarter 2			
	Budgeted	Actual	Variance	
Allowed Revenue				
Cost of Sales	436,780,173	402,950,563	33,829,610	7.75%
Opex	159,410,294	116,777,444	42,671,421	26.77%
Depreciation	42,751,610	39,631,434	3,120,176	7.30%
Return on RAB & RCA	65,862,792	65,862,792	0	0.00%
Total Allowed Revenue	704,804,869	625,222,233	79,621,207	11.30%
Revenue Recovery				
Energy Charges (SZL)	468,046,824	483,442,805	15,395,981	3.29%
Demand Charges (SZL)	88,160,846	73,419,608	14,741,238	16.72%
Facility Charges (SZL)	18,040,850	17,235,438	805,413	4.46%
Capacity Charges (SZL)	38,890,346	36,387,841	2,502,506	6.43%
Total Revenue Recovered	613,138,867	610,485,692	2,653,175	0.43%

Table 4: Year-to-date Performance

	Year to Date			
	Total Annual Budget	Budgeted Year to date	Actual Year to date	Variance
Allowed Revenue				
Cost of Sales	1,583,995,958	824,060,585	745,446,829	9.54%
Opex	572,900,457	296,522,558	256,655,478	13.44%
Depreciation	171,016,440	85,513,220	79,329,297	7.23%
Return on RAB & RCA	260,250,129	129,596,530	129,582,879	0.01%
Total Allowed Revenue	2,588,162,984	1,335,692,893	1,211,014,482	9.33%
Revenue Recovery				
Energy Charges (SZL)	1,823,385,538	906,772,468	1,037,602,637	14.43%
Demand Charges (SZL)	352,643,386	176,321,693	73,419,608	58.36%
Facility Charges (SZL)	72,163,402	36,081,701	17,235,438	52.23%
Capacity Charges (SZL)	155,561,385	77,780,693	36,387,841	53.22%
Total Revenue Recovered	2,403,753,711	1,196,956,555	1,164,645,524	2.70%

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	7.15%
Quarter 2	704,804,869	625,222,233	79,582,636	11.29%
Quarter 3	-	-	-	0.00%
Quarter 4	-	-	-	0.00%
Y-T-D	1,335,692,893	1,211,014,482	124,678,411	9.33%
Budgeted Revenues vs Actual Revenues	Budgeted Revenues	Actual Revenues	Variance	Variance
Quarter 1	583,817,688	554,159,832	29,657,856	5.08%
Quarter 2	613,138,867	610,485,692	2,653,175	0.43%
Quarter 3	-	-	-	0.00%
Quarter 4	-	-	-	0.00%
Y-T-D	1,196,956,555	1,164,645,524	32,311,031	2.70%
Actual Costs vs Actual Revenue	Actual Costs	Actual Revenues	Variance	Variance
Quarter 1	585,792,249	554,159,832	31,632,417	5.40%
Quarter 2	625,222,233	610,485,692	14,736,541	2.36%
Quarter 3	-	-	-	0.00%
Quarter 4	-	-	-	0.00%
Y-T-D	1,211,014,482	1,164,645,524	46,368,958	3.83%