



MINISTRY OF ENERGY
REPUBLIC OF SOUTH AFRICA

PRIVATE BAG x 96, PRETORIA, 0001, Tel (012) 406 7658

PRIVATE BAG x 9111, CAPE TOWN, 8000 (021) 469 6412, Fax (021) 465 5980

Enquiries: Malusi.ndlovu@energy.gov.za

499. Mr P van Dalen (DA) to ask the Minister of Energy:

- 1) What progress has been made to date by the National Energy Regulator of South Africa (Nersa) to implement marginal cost-based electricity tariffs in the country?
- 2) Whether Nersa employs a geographically differentiated marginal cost-based cost-of-supply methodology in this regard; if not, what steps are being taken to prepare such a methodology; if so, what are the relevant details? NW553E

Reply

- 1) NERSA does not use the marginal cost based method for electricity tariffs but rather the revenue requirement method. The Electricity Regulation Act requires that NERSA allow an efficient operator to recover its cost plus a reasonable return. This method is applied fully for Eskom. In case of Municipalities, this method has just been approved for implementation. It has therefore not been applied for municipal regulation. The cost of supply studies will be performed by municipalities and submitted to NERSA for review and consideration when municipal tariff applications are considered.
- 2) Please refer to (1) above.