

NERSA PUBLIC HEARING PRESENTATION

15 NOVEMBER 2017

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- This presentation conveys the views of Centlec on the proposed Eskom tariff increase for 2018/19
- The presentation would be two fold:
 - To address issues raised in the Eskom presentation to stakeholders; and
 - Additional concerns on the proposed tariff increase

ESKOM PRESENTATION

- Local Government is the single biggest source of revenue for Eskom – yet the presentation focussed on the 19,9% increase instead of the proposed 27,5% increase to local government which would have the biggest impact on all communities – this is misleading
- The calculated increase for Local Government is actually 26,5% with another 1% added for tariff harmonisation – yet it is not stated as such
- Eskom derive 90% of its revenue from metros – why is the additional 1% not applied to metros only?

- Eskom would request RCA claw-back for the past 4 years at a later stage – this would result in another extreme tariff increase taking into account R19,2b (2015) and R23,6b (2016)
- The profit for 2016 amounts to R5,151m – why then still a claw-back of R23,6bn?
- This tariff application cannot be evaluated without taking the statements of corruption and lack of governance into account

- Payment of Bonuses increased by R4,2bn by 98%
- Average bonus paid amount to R89000 per employee
- Employee count increased by 45% since 2007
- Irregular Expenditure increased from R348m (2016) to R2,996m (2017)
- Profit decreased from R5,151m (2016) to R888m (2017)
- Provision was made for Debt Impairment of R3,895m but was it allocated and if so to which municipalities
- Technical losses increased by R100m – should address those first

OTHER COMMENTS

- Eskom should be an enabler for economic growth resulting in job creation
- Due to high tariff increases industries are losing the competitive edge resulting in loss of revenue for the country and causing job losses (i.e Ferro-Chrome industry)
- Eskom has still not signed Supply Agreements with local government and therefore makes no contribution to other services rendered by local government in the Eskom areas of supply – this cause an undue burden to other customers to pay higher tariffs to finance non-trading services such as roads, storm water and libraries
- There is no basis for high winter tariffs taking the surplus capacity into account
- The principle of RCA is only applied to Eskom and not to Local Government functioning in the business of electricity distribution – this is unacceptable
- Local Government is already defaulting on payments – this increase will worsen the ability to collect and pay Eskom

HISTORIC TARIFF INCREASES vs CPI

Eskom Tariff Increase vs CPI		
	Average Price Increase	CPI
2003	8,43	5,80
2004	2,50	1,40
2005	4,10	3,42
2006	5,10	4,40
2007	5,90	7,10
2008	27,50	10,30
2009	31,30	6,16
2010	24,80	5,40
2011	25,80	4,50
2012	16,00	5,20
2013	8,00	6,00
2014	8,00	6,00
2015	12,69	5,70
2016	9,40	6,59
2017	2,20	6,60
	191,72	84,57
Difference	107,15	
Average over 15 years	7,14	

An average increase over 15 years of 7,14% above CPI is higher than the performance of pension funds

CONCLUSION

- It is time for Eskom to address their inefficiencies and not pass it through to customers via the RCA
- A condition for the approval of tariff increase should be placed on Eskom to sign Service Delivery Agreements with Local Government or hand-over the areas to Local Government
- Eskom tariffs should stimulate economic growth and not kill the country
- If this increase is allowed, it would put further pressure on small municipalities to be able to collect and pay Eskom

ENKOSI!