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Comments from FAPA on Eskom's RCA applications

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Eskom's ZAR 66,7 Billion RCA applications

Nothing different from

Eskom's application for a DEATH SENTENCE



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FAPA members **cannot exist** without Eskom

And

Eskom **cannot afford** to loose more baseload customers like FAPA members



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FAPA members are the Smelters of Chrome, Manganese and Silicon Alloys

*The whole SA Ferro Alloy Industry **faces extinction** because of **too high electricity prices***

*A number of smelters have **closed down** resulting in a large number of direct and indirect **Job Losses***

***More smelters will close down** if this RCA application is approved*



*Currently we have **Surplus Electricity** supply (Excessively High Industrial Tariffs)
More than **80%** of worlds' reserves of **Manganese and Chrome***

FAPA Strongly Opposed to this



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Outrageous RCA application

- **ZAR 66.7 Billion** equals a once off **33% Tariff Increase** (200TWh sales) - even if implemented over a few years it will cripple the economy
- It totally **defeats the purpose** of a Multi Year Price Determination
- If any of this RCA is allowed **Eskom will not change** – Eskom need to change if they want to survive in a rapidly changing environment

FAPA Strongly Opposed to this



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Outrageous RCA application

- Eskom made a profit of **ZAR1.6 Billion** over the period
- Most of this application is based on **sales that did not realize** – Eskom will suffer **even more sales losses**
- Eskom is loosing their most **important customers** first
- Large amounts of **job losses** has already occurred
- Eskom already entered into a **utility death spiral**

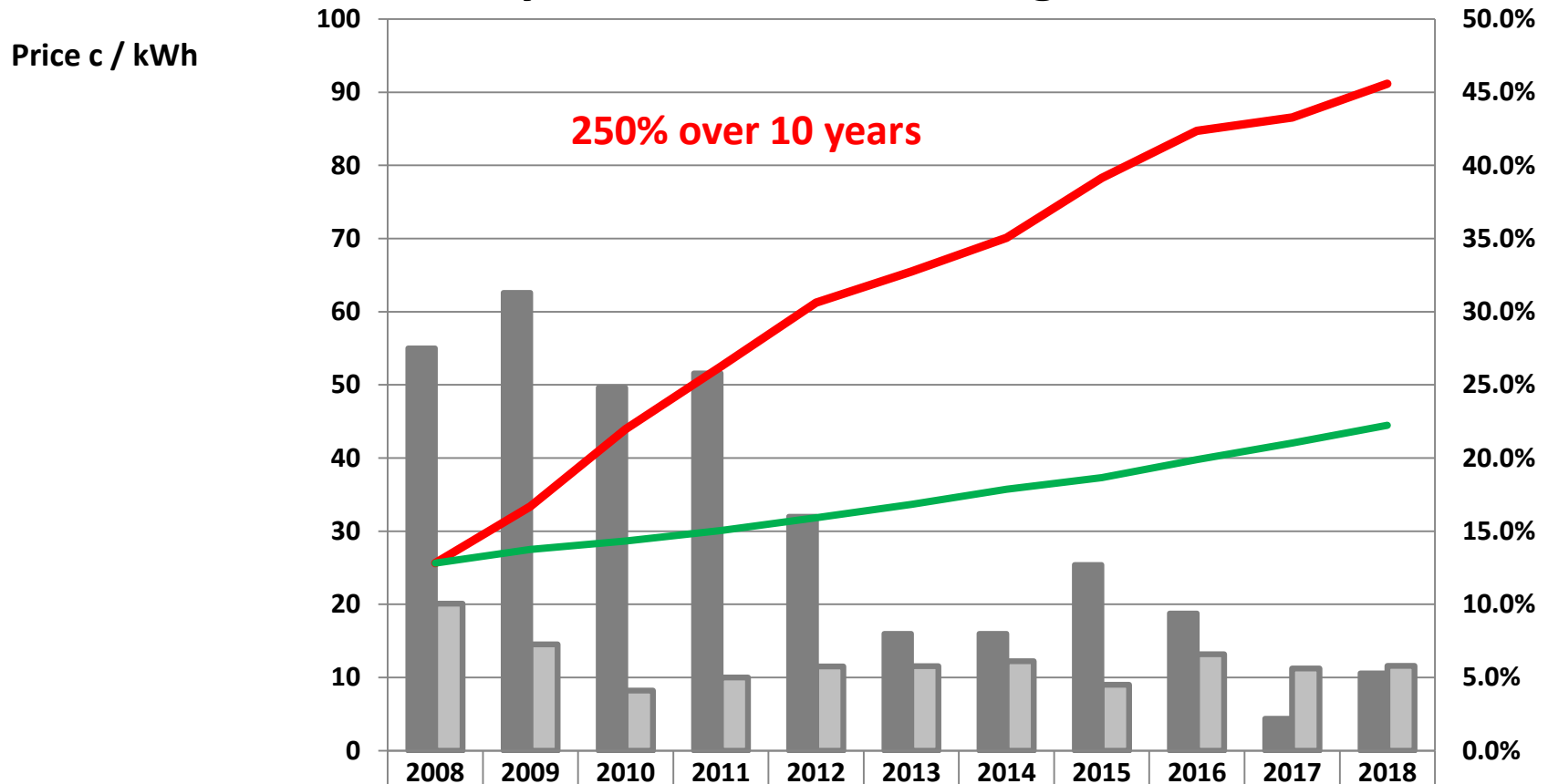
Eskom Tariffs are too High



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Electricity Prices and Percentage Increases



█ Eskom price Increase	27.5%	31.3%	24.8%	25.8%	16.0%	8.0%	8.0%	12.7%	9.4%	2.2%	5.3%
█ SA Average CPI	10.0%	7.3%	4.1%	5.0%	5.8%	5.8%	6.1%	4.5%	6.6%	5.6%	5.8%
— Eskom price c / kWh	26	33	44	53	61	65	70	78	85	87	91
— Electricity price at CPI	26	28	29	30	32	34	36	37	40	42	44

Eskom Tariffs are too High



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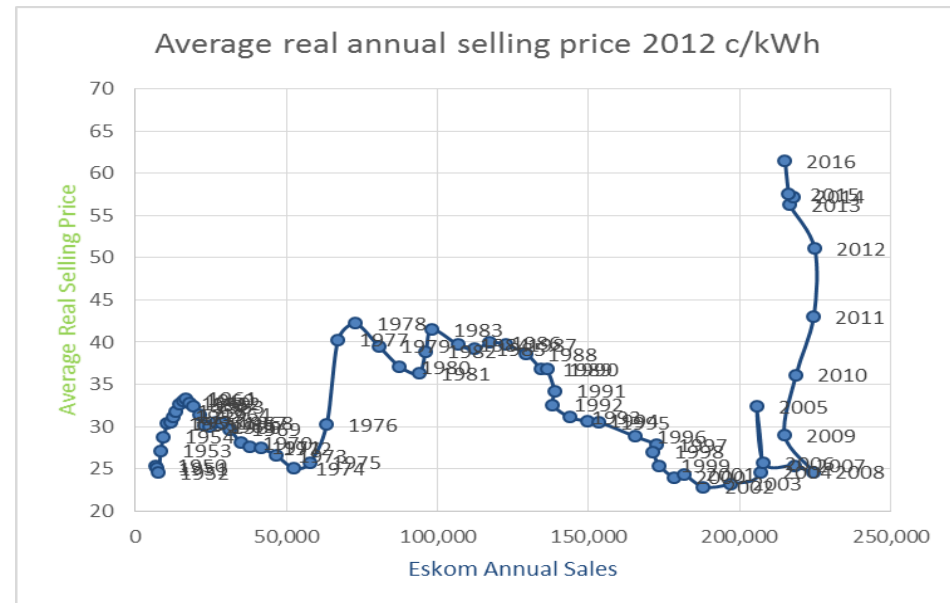
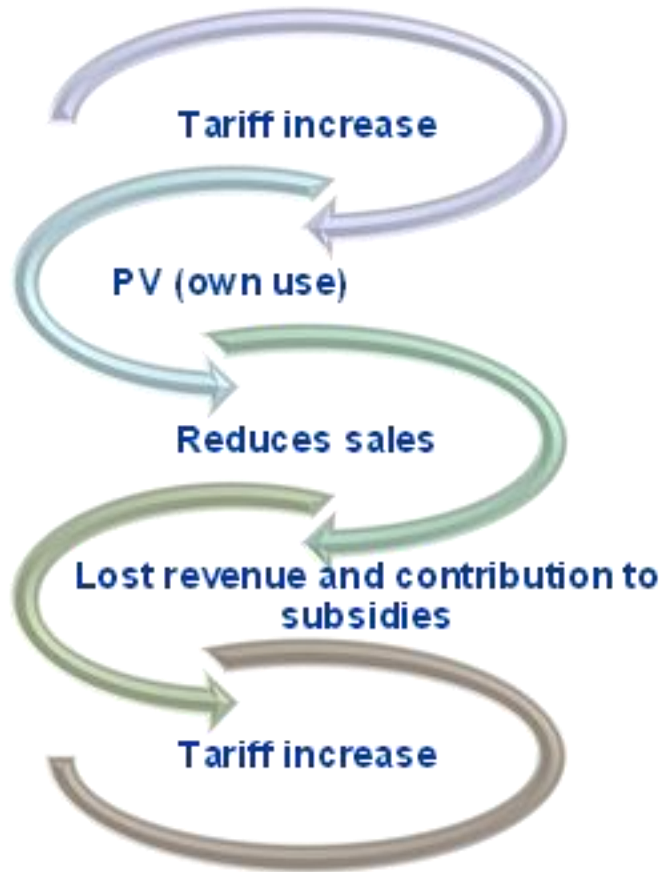
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Smelters in Norway, Finland and France pay **30% less** than SA smelters for electricity

Smelters in China pay **10% less** for electricity



Eskom has entered a Utility Death Spiral





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Eskom has entered a **Utility Death Spiral**

Eskom's Growth Expectations / Targets not realistic

Solar and Wind Generation is already cheaper than Eskom's
Lowest Day time Tariffs (Payback on PV > 10 MVA < 5 years)

More and more people are going partially or totally off the grid

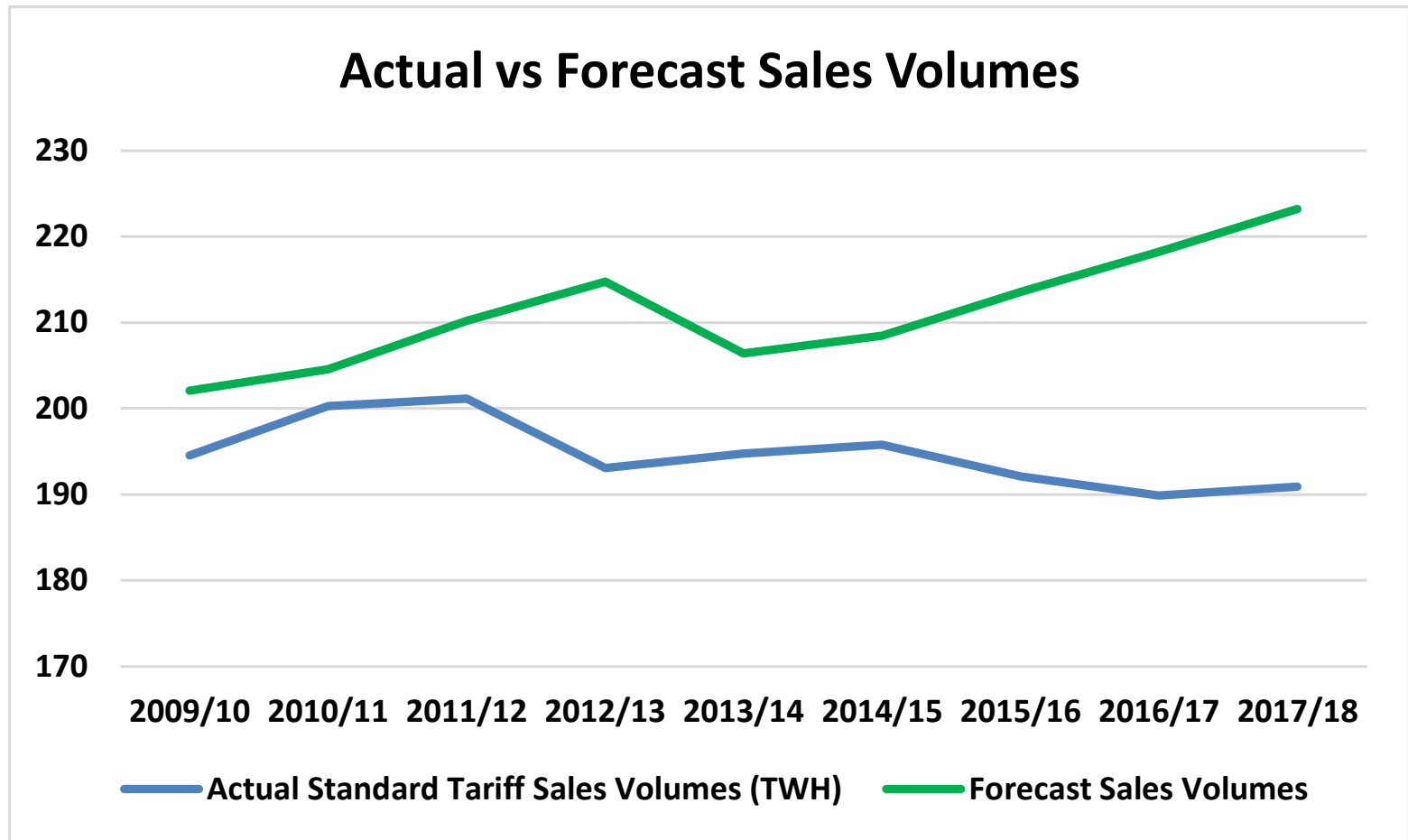
This trend will increase rapidly with the development of lower
cost storage solutions e.g. *Batteries*

Lower sales 67% of RCA



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Lower sales 67% of RCA



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Since 2011 actual annual sales were decreasing – why use the forecast ?

Everybody were asked to reduce their electricity consumption by 10%

Everybody were told to use less electricity and become more energy efficient

Eskom could not reach the forecast – even if they wanted because there were constant Load shedding and load curtailment.

Eskom are loosing their most Valuable Customers the Baseload Consumers



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A number of Smelters Closed Down Recently

TATA, ASA, IFM, Machadodorp and Hernic in BR

Various Mn Furnaces ~ more than 60% capacity not in use

~ 2 439 GWh/a

Only Smelters with access to low cost ore are surviving

Most Smelters will not survive if ore is used at Market prices

We are destroying value by smelting which encourages the shut down of smelting capacity and increased export of unbeneficiated ore

Why are Smelters Important to Eskom and the Economy ?



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Low cost to provide smelters with electricity

Eskom make their **biggest profits** with Smelters

Higher voltages, Less distribution and Maintenance costs

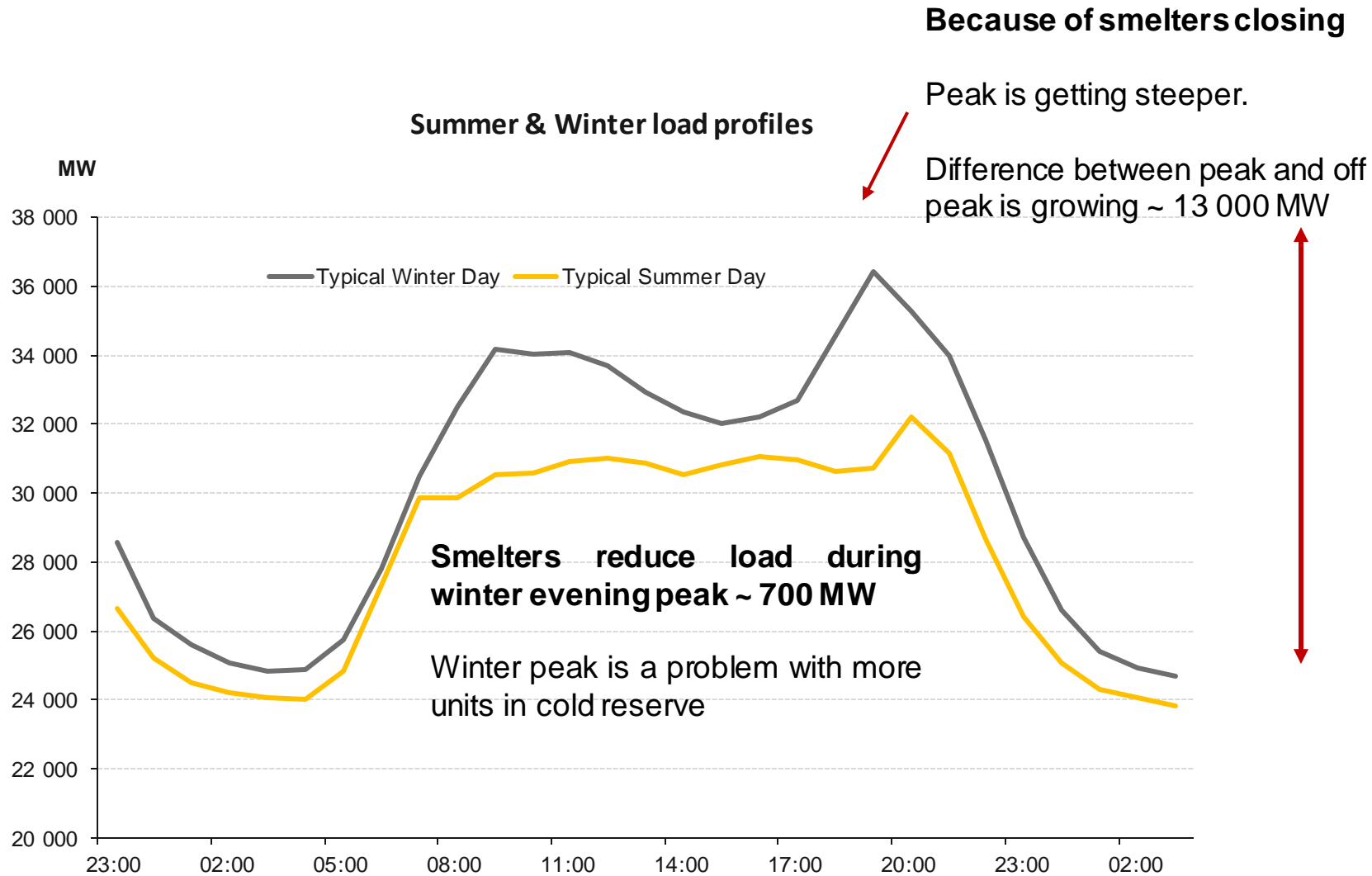
24/7 consumers of electricity with the ability to shift load to assist Eskom in managing peak consumption periods

Eskom face Extreme Technical challenges



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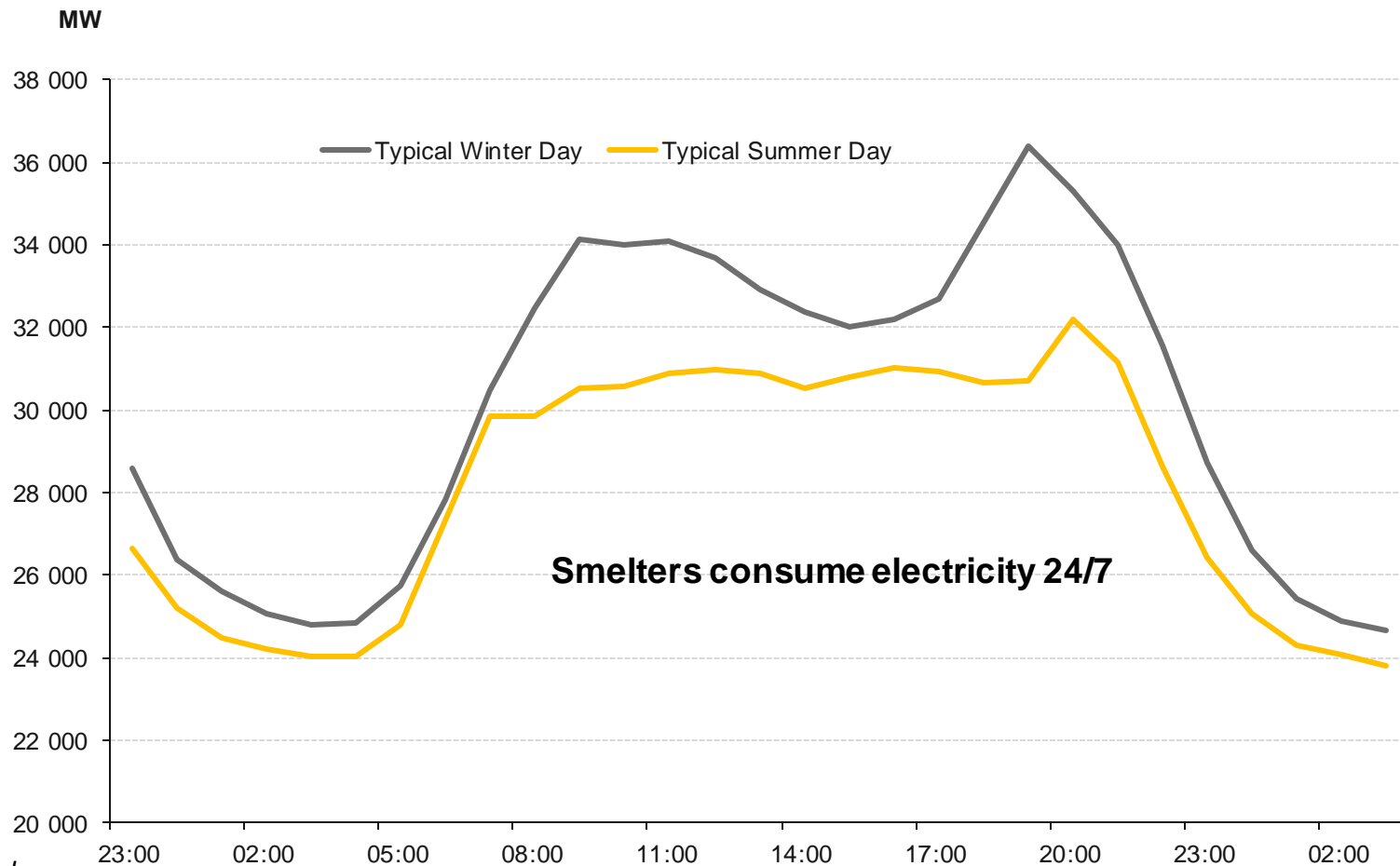
Eskom loose sales with baseload reductions



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Summer & Winter load profiles



Conclusion



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- Eskom **tariffs** are already **too high** and we will see numerous **job losses** if the **RCA's** are **approved**
- Eskom's sales will decrease **at a much faster rate** with higher tariffs
- Eskom should start with **drastic cost savings** to turn themselves and the economy of the country around



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Questions ?