

Just Determine Zero

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- GPA endorse similar calls by Earth-life and NUMSA, that Eskom does not deserve an increase and should get its house in order.
- Including 99.99% of all the presenters

Revenue Recovery

- NERSA must instruct Eskom to disaggregate data concerning revenue recovery of the application in table 3 and table 6.
- There must be clear distinctions between NPA, ICS and STC. STCs particularly households, cannot bare the burden of unfavourable negotiated outcomes between Eskom and NPAs and ICS.
- The methodology must account for variances in the customer groups in proportion to their demand and impact on the tariff.

Undertaking an exercise of deception

- Eskom is purposefully misinterprets the provisions of the methodology and does not seek to achieve the objectives of the methodology.
- In fact, Eskom is subverting the objectives and purpose of the methodology in order to prop up a failing business model.
- The MYPD methodology has objectives and many and if not all are bastardised in this application.

The following MYPD objectives have been undermined:

- ensuring Eskom's sustainability as a business and limit the risk of excess or inadequate returns; while giving incentives for new investment, especially in generation;
This has not occurred in fact no new investments have been incentivised in fact there utility is consistently behind schedule and NERSA seems to be aiding this behaviour by not hold Eskom accountable to its timelines and license conditions.
- ensuring reasonable tariff stability and smoothed changes over time consistent with the socio-economic objective of the Government;

The following MYPD objectives have been undermined:

- appropriately allocate commercial risk between Eskom and its customers;
- provide a systematic basis for revenue/tariff setting;
This has been nullified by Eskom's antics and the publication of numerous and regular application increases without internalising NERSA determinations.
- ensure consistency between price control periods;
This is far from being realised as explained there has been consistency of applications and not price controls between MYPD periods.

The following MYPD objectives have been undermined:

- provide efficiency incentives without leading to unintended consequences of regulation on performance;

The methodology as interpreted by Eskom seems to be protecting Eskom from unintended consequences but it does not do so for the consumer.

In fact the extent to which the regulation on performance occurs, Eskom is protected and seems to not even have to adhere to its own or the regulator's targets, there is a clear unaccountability and non-transparency ethos.

Real price

- The fact that the application does not include RCA amounts is clear that Eskom is still engaged in deceiving the public.
- Eskom must produce a price path with all received and intended RCA alongside applied tariff increases. The real price of electricity is not in this application it is in the culminative RCA and MYPD price period .
- On the context of the MYPD application:
- Nersa must take responsibility of enabling Eskom to have free reign on tariff applications and on the application of the MYPD methodology.
- We warned NERSA of the precedent it was setting with the one-year application and Nersa continued against better judgement. Now we are in a situation where Eskom is invoking the same challenges it used to get the one-year application.

Allowable Revenue

- With regards to AR:
- How is it that Environmental levy decreases over the MYPD period but the coal-generation increases? This does not make sense as the EL is calculated based on very unit of electricity produced using non-renewable resource. If there is more coal and gas etc, why is the levy decreasing?
- This is a clear inconsistency. The whole application is riddled with such flaws.
- MYPD 4 and the IRP, brings us back to the one-year application saga, this section of the application is moot. The IRP update is not yet official.
- Subsidies of residential households, Eskom does not provide a subsidy but there is a process of cross subsidisation within customer groups and across customer groups. Where in the whole process does Eskom provide a subsidy?

And then...

- Eskom is running away from its structural problems. The initial idea that the problems were personnel related seems to have been wrong and now the incumbents can see that the problems are far deeper than they thought.
- Not only is it a question of the cost of coal and the issue of maintenance but the problem is also in revenue collection. Other than municipal debt and the unfavourable long-term supply contracts to large energy users, Eskom is now admitting that the whole time it has been underestimating the true cost of electricity production.
- What this means is that for as long as we have had electricity and Eskom communicating its financial reports, Eskom has been "lying" about how much they were making and how much they were spending.

Word of caution

- The nature of the business model is the problem and that needs to change if Eskom is to be saved.
- Social unrest and fuel-electricity pricing nexus. Not only in SA.
- Consider the Zimbabwe shutdown 2019, the yellow vests of France 2018-19, Armenia 2015, Bulgaria 2013 (not to forget Moldova 2015 or Argentina 2015) and understand that it only takes so much to bring an administration to its knees when socioeconomic emotive forces align.

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