

Eskom's RCA Applications 2014/15 to 2016/17

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11 May 2018

What do the Eskom RCA claims consist of?

Eskom's RCA claims of R66.7bn are almost exclusively made up of:

- a shortfall in forecast revenue
- an excess in primary energy costs

But at the same time:

- no sign of any effort to curb spending

Eskom's conduct not reconcilable with that of a socially responsible public utility

Eskom is a public utility with a monopoly on a crucial economic and social service.

It is obvious that the effect of reclaiming R66.8bn will have a serious effect on the economy and on individual consumers.

But Eskom's attitude continues to be:

- we are selling less
- our expenses are rising
- the consumer must pay up

Eskom's essential problem

Eskom's problem is not just one of cash management problems. It has an out-of-date business model and shows no signs of moving towards a fit-for-purpose model.

This out-of-date business model has led to:

- overly aggressive capex programme
- massive increase in borrowing and financing costs
- increasing surplus generating capacity
- confusion as to how to deal with the IPP programme

Eskom's essential problem - continued

- no strategy for using renewable energy which is now cheaper than alternatives
- fixation on “base load” energy, until recently used to justify an unaffordable nuclear programme
- an inability to accept that demand has stagnated and shows no signs of increasing
- an unwillingness to adapt to changing consumer behaviour

These issues present very substantial problems, quite apart from the well-documented corrupt behaviour at executive/management level.

An important role for NERSA

Until Eskom confronts reality, it will continue to be faced by increasingly problematic funding issues.

NERSA will in turn, continue to be confronted by these issues in Eskom's tariff applications.

Eskom needs to be guided into the real world, and in this context, NERSA has no choice but to consider playing a more forceful role.

Should Eskom's RCA applications be approved?

Against the background of:

- a completely out-of-date business model and a refusal to engage with reality; and
- no signs of spending being curbed where demand continues to stagnate,

we cannot see why these applications should be approved.