

Eskom RCA Application:

Exploring the bigger picture

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Exploring the bigger picture

Rapid and continuing technology advances, coupled with an abundance of natural renewable resources in South Africa, afford us the opportunity to effect a just transition to an exciting future of declining electricity prices. Eskom, along with the regulator and civil society are all core players in managing and effecting this transition.

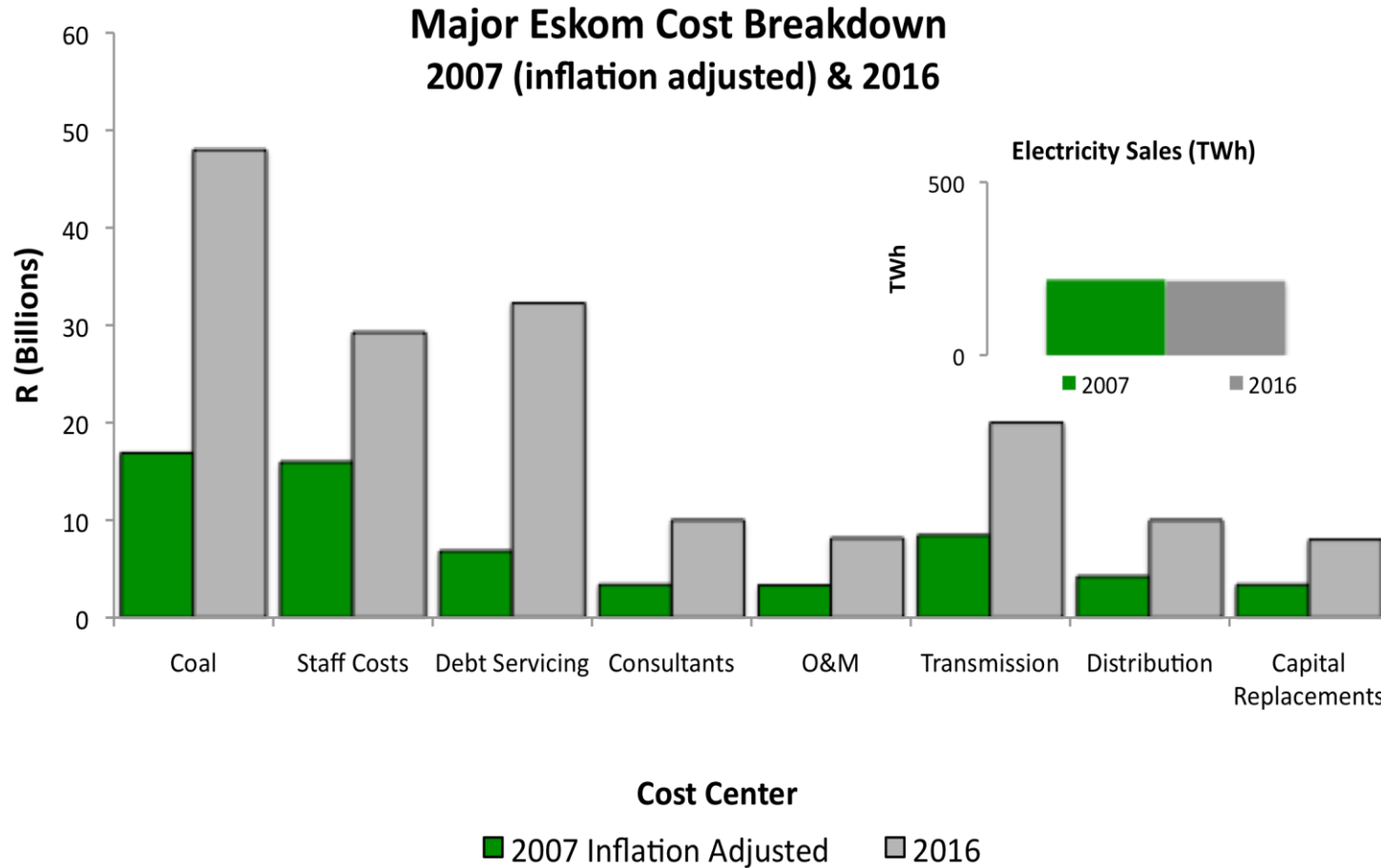


Transition planning

- Integrated approach required to energy transition planning;
- There are always unintended consequences of subsidised constructs of any sort;
- Need for a managed transition from fossil-fuel derived electricity generation to renewable supply;
- Changing demand patterns require maximum system design flexibility to be properly handled and managed; and
- When new generation capacity is constructed or contracted, older generation fleet needs to be systematically shut down in concert with actual demand



Some comparative statistics



Realistic (efficient) tariff trajectories

	Old Plant	New Plant	Old Plant	New Plant	Total Rev/a	Ave Tariff	CPI
	TWh/a	TWh/a	c/kWh	c/kWh	Rbillions	c/kWh	adjusted
2007	218	0	18	54	39	18	18
2008	211	7	18	54	42	19	20
2009	205	13	18	54	44	20	23
2010	198	20	18	54	46	21	25
2011	192	26	18	54	49	22	28
2012	185	33	18	54	51	23	31
2013	179	39	18	54	53	24	35
2014	172	46	18	54	56	26	38
2015	166	52	18	54	58	27	42
2016	159	59	18	54	60	28	47
2017	153	65	18	54	63	29	51
2018	147	71	18	54	65	30	56



RCA Request

- Eskom are seeking to recoup roughly R66 billion by applying the RCA mechanism over a three year period;
- This translates to a once-off 30% tariff hike, or CPI + 10% hikes over the next three years, plus potential RCA claims at the end of the next MYPD cycle; and
- At these levels of tariff increases, the wholesale selling tariff is rapidly approaching R1.00/kWh, or 90% more than the figure suggested by efficient tariff trajectories derived from a blended mix of old and new generation capacity.



energy expert
coalition

Mandate

The energy expert coalition have a mandate from over 90 000 respondents to urge Nersa not to accept these applications for RCA claw backs that will result in steep tariff increases.



Recommendations

- A comprehensive forensic audit of Eskom must be undertaken;
- A strategic restructuring plan for Eskom needs to be jointly crafted by Eskom, Nersa, the Departments of Energy and Public Works, the private sector, labour, and civil society; and
- Any such plan must include a just transition from the status quo to the intelligent electricity system of the future which is upon us.

Thank you

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