



Presentation to NERSA on ESKOM tariff application

28 January 2019

Why all here? Will it really help?

- Thank you for the opportunity. Instilled confidence in NERSA.
- However, it seems NERSA has NO TEETH when Municipalities are involved. The multi-year tariff determination is effectively about a 52% hike in ESKOM tariffs over the next three years!
- Should NERSA not have been able to detect what was happening at ESKOM?
- In the public eye, NERSA is seen as a watchdog over ESKOM?
- Was the public wrong in its expectation of the role of NERSA?
- My expectation: That NERSA will see further than us, see more than me and see before I see.

My experience in Rustenburg

- RLM: NERSA approved tariff increases two years ago **subject** to R&M budget being 6% of income. Flatly IGNORED by RLM. Now, especially consumers on small holdings around town seems to have more outages than supply!
- Despite engaging NERSA – no consequences!
- Media reported last year a R260 million debt of RLM to Eskom.
- RLM refused access via PAIA. Eskom “transferred” it to RLM on 3 December. Should have received it by 6 January 2019. Not yet received!
- NERSA wrote letter dated 15 November 2018, stating RLM is not one of defaulting municipalities, has a dispute, which is confidential and we should get info from RLM.
- Implies: NERSA bailed RLM out.
- Where does it leave the electricity consumers of RLM? Should NERSA not have instructed RLM to supply the information?
- Now: Can we trust Eskom’s application – would they not have withheld information deemed “confidential”? Media24 had to approach the High Court in the past to get info on BHP Billiton contracts.

Why all here? Will it really help?

- Will mining industry, already subjected to depressed commodity markets, be able to withstand an increase of this magnitude? What about job losses emanating from this increase?
- There is yet NO measures to stabilize and improve ESKOM's financial position and ensure uninterrupted energy supply.
- So: Does it really help to be here? Can these engagements be viewed as "meaningful"?
- Should NERSA not have come to us AFTER the TT appointed to come up with solutions have actually put a rescue plan on the table?
- However: We would not have been here if we were not confident that NERSA will actually consider our concerns and let it find expression in the tariff increase to be approved for ESKOM (and Municipalities as licensed distributors, subject to license conditions)

The real problem: CONFIDENCE

- The critical problem: The people of South Africa DO NOT TRUST ESKOM – and ESKOM is the sole provider to most households and businesses!
- I do not even trust the accuracy of their calculations submitted to NERSA in support of their price determination application
- ESKOM have demonstrated that INDIVIDUALS employed by ESKOM were capable of capturing ESKOM and enriching themselves and a few politically connected – refer to media reports on McKinsey, Trillian, Regiments, Optimum coal mine acquisition via a R600 million pre-payment to Tigeta – to name but a few!
- What guarantee do we have that it will not happen again?
- ESKOM cannot even run their Customer Care Service's e-mails or their SMS service ("35328") where people have to report faults! How can we trust ESKOM to deliver on MEDUPI, do preventative maintenance on power stations or the electricity grid, sign value adding contracts on the supply of coal or loan agreements of BILLIONS from China based financiers?
- ESKOM is currently a major risk to our economy and the SA tax payer! What has been allowed to happen to ESKOM – under the watch of NERSA? ESKOM was once viewed as one of the top public entities in Africa and reportedly one of the biggest 4 power generators in the world!
- Now: R410 billion in the red measured against a R40 billion in 2007! 48 628 employees! Government guarantees of R350 billion! Makes SAA and Sanral look like Sunday school picnics!
- City of Cape Town is reportedly even charging a R150/month fee for "declining electricity income"!

Our experience: Since first 35% in 2008

- Increase to ESKOM: 35%
- Increase allowed to municipalities: 35%
- Was wrong – implies every cost driver increased by 35%
- NERSA subsequently correctly changed.
- However, 35% adjusted retrospectively? NO!
- Consumers still pay the wrong tariff, as all tariffs are based on % increases. Cost of supply (COS) at muni's means nothing!
- Am not aware that RLM EVER went back to actual cost of supply and used that as basis for any applications!



Rustenburg: Business (400 V) tariffs (Consumption based portion) (VAT exclusive)

- 8000 kWh in 2007 (R0.16/kWh): R1 280
- 8000 kWh in 2015 (summer) (R 0.6407/kWh): R5 176
- 8000 kWh in 2015 (winter) (R1.90/kWh): R 15 200
- 8000 kWh in 2015(average) (R0.9602/kWh): R 7 682
- Average increase between 2015 and 2016: 49.90%
- Increase in winter months: 196.55%
- Increase/month since 2007, based on average: R6 400.80
- Increase in %: 499.75%
- Average increase/year (%): 62.47%



Rustenburg: Household tariffs (VAT inclusive)

- 1000 kWh in 2007
 - 1000 kWh in 2015
 - Increase in R
 - Increase in %
 - Average increase/year
 - Comparison: Did income of consumers increase at 35% per year since 2007?
- R 364.80
 - R 1 393.21
 - R 1 028.41
 - 281.91%
 - 35.24%



Process

- ESKOM application
- Public hearings
- NERSA consideration
- NERSA “caps” ESKOM increase
- NERSA determines “tariff guideline increase” for Municipalities
- Municipalities submit applications. Limited municipal capacity
- Municipal own calculations – mostly none - just based on NERSA increase
- NERSA approves with conditions. Municipality (like RLM – ignores). So: How did application to NERSA benefit the end user except for any limitation on ESKOM application?
- Does it help the public to approach NERSA? My experience: NO. NERSA is a toothless bulldog when it comes to protecting the end user.

Debtors/municipalities not paying

- Media: Soweto consumers owe Eskom R4 billion – 2016
- Reported over weekend: R 17 billion
- Municipalities owe now apparently R17 billion. Shows magnitude of Soweto problem. Eskom providing “bridging finance” to non-paying Soweto consumers and municipalities? Eskom acts as the bank to municipalities.
- All knows: Non-collection finds expression in tariffs – somebody must pay for the non-payment!
- Who will feel the brunt?
 - Law abiding consumers like us
- Municipality do not pay Eskom. Eskom refuses to give info on outstanding account, despite PAIA application. Eskom will eventually cut supply to town. Who suffers: Law abiding consumers who paid.
- Are the Council dissolved? No!
- Are the MM and/or CFO fired: No!
- Are the conditions of the license agreement enforced/license of the municipality withdrawn: No!
- Are Eskom allowed to cut supply to town: Yes!
- Who should now protect the law abiding and paying residents/electricity consumers? Does NERSA not have a role to play?
- **Only solution: Legislated ring-fencing of electricity in Municipalities**

Distribution losses

- Distribution losses filtered into tariffs
- Norm set by National Treasury: 8%
- Electricity distribution losses exceeds norm in Rustenburg: About 22% if Glencore is left out of calculation, as should be.
- Distribution loss totally unacceptable, yet tariff increases already approved for years by NERSA!
- What does it imply? At Eskom and Municipalities?
 - Poor leadership and management find expression in increased tariffs
 - Law abiding consumers pay for inefficiencies!
- Any repercussions: No!
- Who suffers?: The law abiding paying consumer

Conclusion

- Under NERSA's nose, on their watch, electricity consumers of RLM pay today between 288 & 499 % more for electricity than in 2008 and if challenged: RLM hides behind the NERSA approval!
- Since 2008: On average an increase far beyond inflation!
- Reported inflation of between 5 & 6 %
- Economic growth of not even 1% predicted for 2018/19
- Yet: ESKOM has the audacity to ask for 15%, blaming previous requests for increases not granted, even taking NERSA to court, in a market where it has no competitor AND where it discouraged consumption of its product.
- Now: When consumers use less of ESKOM's product, ESKOM applies for a tariff increase of three times the inflation?
- Can any business recoup such increases from their customers and retain their customers?

Conclusion (2)

- If a business is poorly managed, it closes its doors. ESKOM has been poorly managed for years, yet it is reported that their employees have the highest average salary in SA? Is that the action of a public body that is serious about their product?
- We are already paying for inefficient management at ESKOM. After the state capture disclosure and how coal of poor quality are sold to ESKOM, where does the audacity comes from to threaten us with load shedding?
- Make NO mistake: Load-shedding is seen as ESKOM's way to bully the consumer into accepting higher tariff increases. ESKOM should rather shed about 10 000 jobs and fire incompetent senior managers.
- What are the top 100 employees paid at ESKOM? I bet not one of the people present today earns that type of income!
- How is it possible that Medupi could be initially costed at R 56 billion in 2007, is not yet fully operational and costs estimated to be R 145 billion (158% more?). The same problem at Kusile! Kusile will apparently cost R156 billion at completion. Insane and ALL linked to poor management!
- The R100 billion restructuring to be funded by the taxpayer is also not an option, as we, the people, are again left to bail out without ANY real plan on the table?



Munsolve' s request to NERSA

- Consequence management: At Eskom and Municipalities
- Do fair credit control. Not collecting from residents of Soweto, but disconnecting supply to widows amounts to unfair, selective credit control. Currently only consequences for business/households – they must pay, adapt lifestyles, cut back on other expenses or suffer disconnection of supply, yet senior managers at Eskom and Municipalities seem to be remunerated at above average salaries.
That is not FAIR, more so when competitors are not allowed!
- Every business in SA (and the SA economy) suffered the consequences of load shedding, yet Eskom continued with its poor practices? Not even load shedding brought them to their senses!
- How many senior managers at Eskom or Municipalities were effectively held accountable?
- ***Do not grant Eskom the increase applied for – let them do what all of us were forced to do – cut back and become more effective, efficient & economical.***

Munsolve's request to NERSA



- Review and ENFORCE license agreements of all muni's, first non-paying municipalities. Electricity should be ring-fenced – MUST prevent Municipalities from not paying ESKOM or not doing preventative maintenance
- Get clarity on disconnection of pre-paid electricity: Can it be legally disconnected? How can any municipality disconnect pre-paid electricity, but allow illegal connections?
- There must be consequences for a Council/Municipality that do not pay ESKOM – ESKOM CANNOT punish paying residents!
- Get organized business and specialists like Ted Blom involved in management of ESKOM.
They should review turn around plan, present it to NERSA and ESKOM Board for approval and ESKOM be forced to implement – like business rescue. ESKOM has had its chance – for years!
- Insist on substantial reduction of operating costs at ESKOM!
- No increase BEYOND 5% UNLESS a proper turn around plan, subjected to public participation, with complete details and signed off by NERSA and the TT on ESKOM, with timetables for deliverables and detailed disclosure to the public.

Lastly: What is the actual voice of consumers in NERSA at decision time? How do we know that our concerns are actually taken to heart and considered? Is ESKOM's failure not proof of NERSA's inability?

Should the role of NERSA not be reconsidered?

Closure

Granting the ESKOM request makes NERSA an accomplice to the poor leadership and management prevailing at ESKOM.

It is NOT supported by Munsolve CC!

NERSA should grant at the most an inflation linked increase WITH enforceable conditions to substantially reduce employees, increase productivity, improve debt collection and speed up completion of new power stations.

- Thank you
- Baie dankie
- Ke a leboga
- Obricado
- Siyabonga

