

Objection to 30% increase

9 May 2018

Secretarial Rentals submission to
NERSA Public Hearings on ESKOM application

Objections from across society Civil society (OUTA),
private sector, trades unions (Cosatu)

and us...

Much in common with OUTA and COSATU

Three revenue claw-back applications to tune of R66.6-billion

Regulatory Clearing Account (RCA) applications for: years two (2014/15), three (2015/16) and four (2016/17) of multi-year price determination 3 (MYPD3) for the five-year period from 1 April 2013

RCA

Recoveries and clawbacks

Depends on

- Assumptions & estimates

- Costs & sales

NERSA on single year revenue application

- allowable revenue R219.5-billion, increase of 19.9% from 1 April 1

- but

- December approved allowable revenue of R190.35-billion, increase of 5.23% from 1 April

http://www.engineeringnews.co.za/article/nersa-to-host-hearings-into-r666bn-eskom-claw-back-applications-in-may-2018-01-23/rep_id:4136

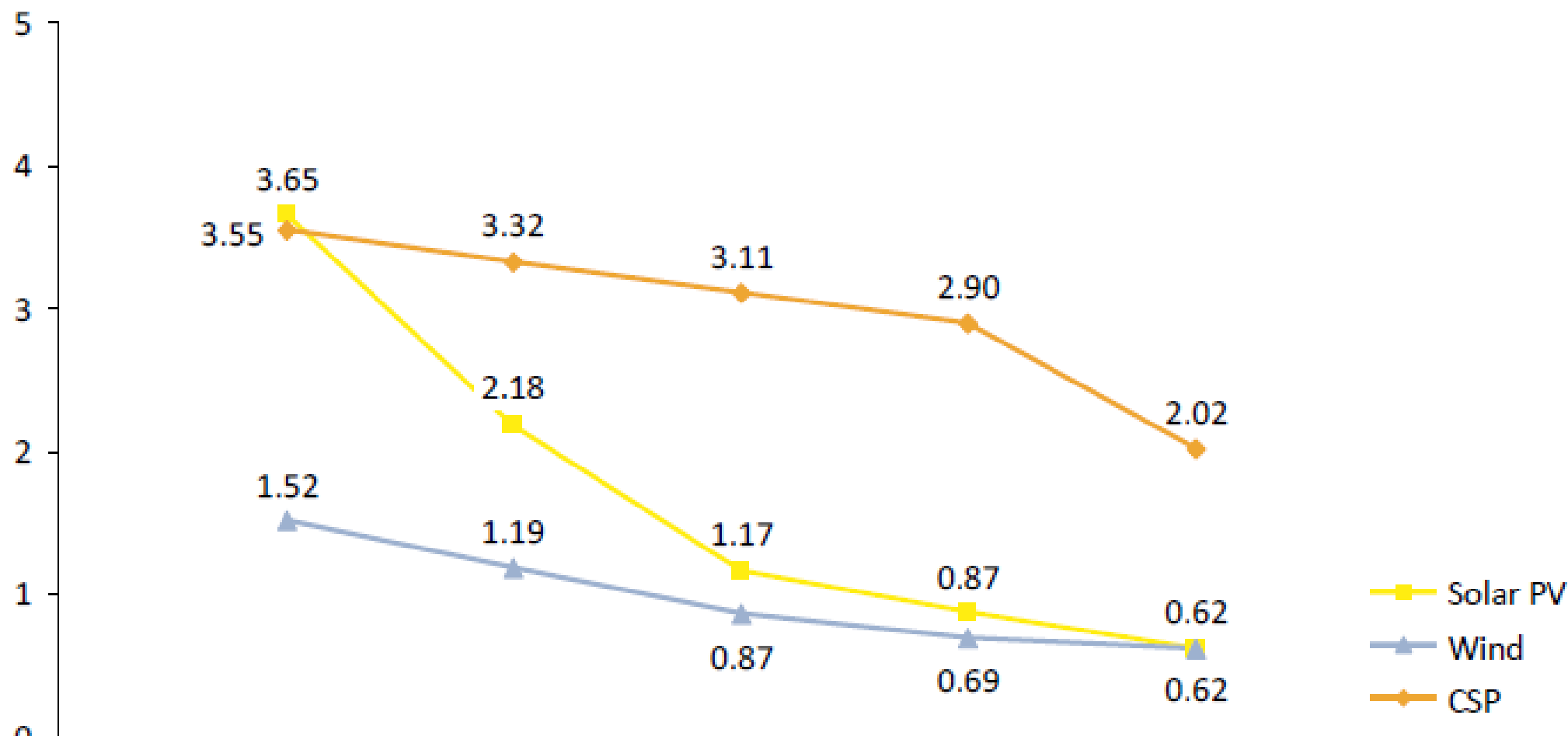
Climate change

Largest per capita emitter of CO₂ in Africa

Actual tariffs: Reductions in tariff for new wind, solar PV and CSP

Results of Department of Energy's RE IPP Procurement Programme

Actual average tariffs
in R/kWh (Apr-2016-R)



Serious lack of rational policy making

– context matters p. 1

- Macro-economic
 - Post-Reconstruction and Development RDP
 - Experiment in Neoliberal Economics that replaced Heterodox Economics characteristics
 - Liberalisation, deregulation, privatisation, outsourcing, commercialisation (user fees, toll fees), corporatisation (government must be run like a business)
 - For Eskom & regulator
 - has the **legal structure** with government as shareholder been successful?
 - Are there different ways of organising the utility/industry outside of a Neoliberal framework?
 - This malady has been called by OECD as called "Agencification"? Is it possible for the regulator to look into this?

Serious lack of rational policy making

– context matters p. 2 - Macro

- Ability to pay the debt for Medupi and Kusile
 - Loan conditionalities on default to International Financial Institutions mean more of the failed Neoliberal conditionalities
 - Continuation of Neoliberal policies of NDP (assumes 7% growth! But we at < 1%)
 - Composition of current account deficit mainly of current payments (dividend outflows, not trade export/import balance)
 - SA CDS trading just behind Turkey, even if not Junk Rated, market has it near junk

Serious lack of rational policy making – context matters p. 3

- The multiplier
 - Increase in electricity costs affects disposable income
 - Context - one of the most indebted consumers in the country – World Bank
 - other regulator only recently stopped unlimited interest rates,
 - Yet another ignores calls for data must fall
 - Increase in cost of basics is similar to increase in taxes
 - Indebted consumers, above inflation increases in basics, VAT increase
- Resilience if no national growth: stagflation or recession (NERSA needs to seriously look BACK at projections of mainstream economic institutions)

Serious lack of rational policy making

– context matters p. 4

- So if no national surge in demand then it must be exports to lead growth?
- But
 - Trade wars
 - Increased protectionism
 - Limited tariff wall protection for local industries
 - Industries in trouble already – clothing, textiles, footwear, foundries, machine tooling, heavy steel engineering, rail building, etc

Strongly urge:

Rejection of the application by ESKOM

without failing to take into account the objective difficulty of the utility

Deal with the structural issues (corporatisation, agencification)

Balanced with development expectations of our people

Extraordinary circumstances demand extraordinary measures