

THE GREEN CONNECTION

Submission to NERSA on Eskom MYPD6 Revenue Application

By Liziwe McDaid & Lisa Makaula



Who is The Green Connection?

- The Green Connection is a registered non-governmental organisation that believes economic growth and development, improvement of socio-economic status and conservation of natural resources can only take place within a commonly understood framework of sustainable development. It aims to provide practical support to both the government and nongovernmental/ civil society sectors, which are an integral part of sustainable development. The Green Connection believes in good governance and rejects Eskom's latest tariff applications as not being in the public interest.

Grassroots level engagement – Core team members



Neville Van Rooy



Priyanka Naidoo



Warren Blouw



Vuyiseka Mani



Natalie Van Wyk



Environmental Obligations NEMA

NERSA is bound by the National Environmental Management Act (NEMA) section 2 principles. We submit the following to remind NERSA that in making its decision, we believe such principles must be taken into account.

- 4(e): Responsibility for the environmental health and safety consequences of a policy, programme, project, product, process, service or activity exists throughout its life cycle.
- 4(i): The social, economic and environmental impacts of activities, including disadvantages and benefits, must be considered, assessed and evaluated, and decisions must be appropriate in the light of such consideration and assessment.
- 4(k): Decisions must be taken in an open and transparent manner, and access to information must be provided in accordance with the law.
- 4(a)(ii) that pollution and degradation of the environment are avoided, or, where they cannot be altogether avoided, are minimised and remedied.

Reliance of coal

StatsSA point to poverty increasing. *As of 2024, around 13.2 million people in South Africa are living in extreme poverty, with the poverty threshold at 2.15 U.S. dollars daily. This means that 139,563 more people were pushed into poverty compared to 2023. Moreover, the headcount was forecast to increase in the coming years. By 2030, over 13.4 million South Africans will live on a maximum of 2.15 U.S. dollars per day.*

<https://www.statista.com/statistics/1263290/number-of-people-living-in-extreme-poverty-in-south-africa/>

- Eskom continues to assume that they will be able to raise the revenue from the sales of electricity, - price elasticity calculations that conclude that even if the price of electricity goes up, the demand will not fall for residential customers. Our engagements with households do not support this, and we strongly encourage NERSA to listen to people's lived experiences.
- **Dependence on coal and other fossil fuels:**
- Eskom continues to rely on coal and presents an analysis which points to coal being exported, that coal demand is dropping and that banks don't want to fund more coal. At no point in the Eskom summary submission is the reason for moving away from coal articulated, climate change crisis acknowledged and the necessity of an energy transition away from coal admitted.

Cost Reflective Tariff Continued...

Climate Change and replacement of assets.

- Eskom makes the case that a large part of the tariff increase is attributed to the need to plan and fund for the replacement of their fleet – replacement of their assets. However, it is not clear how the value of the asset base is derived. Renewable energy is increasingly cheaper to build and operate than fossil based (IRENA 2021) .

Primary Energy Costs

- Eskom has a fleet that is more than 90% coal, nuclear and gas. If we assume that almost all costs not allocated to IPP purchases are to operate the coal fleet, then a back of the envelope calculation shows that Eskom coal is R2.26/GWh while the IPPs are R2.12/GWh.

TABLE 1: PROPOSED ALLOWABLE REVENUE APPLICATION FOR MYPD 6 PERIOD

Allowable Revenue (R'millions)	AR	Formula	Decision FY2025	Application FY2026	Application FY2027	Application FY2028	Post Application FY2029	Post Application FY2030
Regulated Asset Base (RAB)	RAB		988 345	1 066 724	1 192 878	1 219 244	1 243 078	1 278 277
WACC %	ROA	X	1.58%	4.00%	5.00%	6.00%	7.47%	9.69%
Returns			15 616	42 669	59 644	73 155	92 908	123 916
Primary energy	PE	+	92 816	128 000	133 061	128 869	129 492	134 119
International purchases	PE	+	9 334	10 262	9 737	13 656	11 853	12 387
IPPs	PE	+	76 970	66 633	77 640	109 820	135 510	140 943
Environmental levy	L&T	+	6 503	6 539	6 279	5 337	4 781	4 767
Carbon tax	L&T	+	-	5 534	21 291	19 895	19 274	20 948
Arrear debt	E	+	-	8 914	9 917	10 752	12 037	13 310
Operating costs	E	+	61 442	93 315	93 834	97 864	100 152	105 100
Depreciation	D	+	73 376	66 931	69 952	77 431	79 685	85 961
MYPD6 Allowable Revenue			336 057	428 798	481 355	536 778	585 691	641 450
Add: Approved RCA/court order for liquidation	RCA		16 109	16 765	14 000	-	-	-
TOTAL MYPD6 Allowable Revenue	R'm		352 166	445 563	495 355	536 778	585 691	641 450



Carbon Tax

- Carbon tax was introduced in 2011 and the act was implemented in 2019. For the first few years there was zero tax to Eskom as part of allowing Eskom to plan their exit strategy from coal but till to date Eskom does not seem keen to move away from coal and is now complaining about the carbon tax which will kick in over the next few years. This could have been a predicted cost and there should be a plan for climate change.

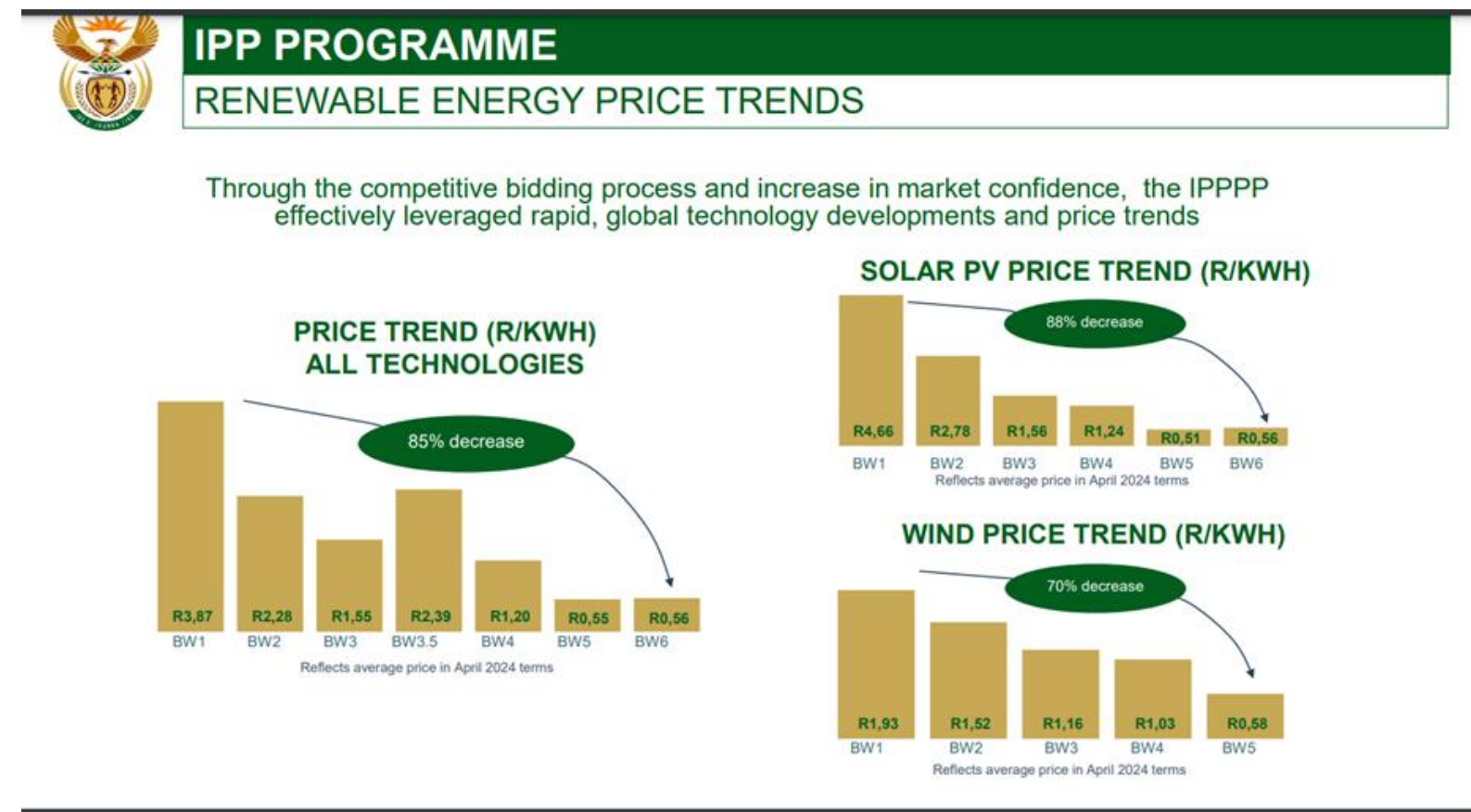


External costs

- *The social costs of Eskom's pollution are extreme and largely imposed on poor people. Some 2,200 premature deaths a year are attributable to its coal burning power stations. Tens of thousands more people are afflicted with asthma and bronchitis. Thousands are, or should be, admitted to hospital. Many more suffer 'restricted activity days' – days when they cannot function normally – and every year about a million working days are lost. Holland, M. 2017. Health impacts of coal fired power plants in South Africa. Report to groundWork and Health Care Without Harm.*
- NERSA must then consider if these are costs that could have been predicted, and avoided had Eskom invested in renewable energy.
- Failing to include the external costs of coal exacerbates any delay in the transition away from fossil fuels.
- There is no point in raising electricity tariffs if customers cannot afford them, and the supposed revenue predicted will not be realized.

Efficiency - Closing coal power stations

- Government should be directing its energy and money towards serving the energy needs of the people providing. It is unclear that pushing money into an inefficient Eskom is an efficient way of providing energy to households and businesses that can't afford cost reflective tariffs.
- NERSA needs to investigate the financial viability of each of the Eskom fleet, as Eskom indicates in its application that unplanned outages and maintenance costs will increase as it extends the life of its power stations. At what point should they be retired as the costs of running them are more expensive than shutting them down and building new power stations.



No support for MYPD6

- The costs of pollution and the failure of Eskom to put in place its emission abatement technologies with the excuse that they are too expensive should be dismissed. People's health must come before profit.
- It is not a prudent or efficient cost to run power stations beyond their financial life.
- NERSA's aim in life is to protect consumers and regulate electricity prices. This does not preclude efficient operations making a reasonable profit as per the NERSA rules but not at people's expense. NERSA needs to demonstrate how it has applied its mind to implementing the NEMA principles in its decision-making.
- The Green Connection does not support the MYPD6 application as it stands. We believe that people cannot afford Eskom's cost reflective tariffs and that the entire electricity pricing system is unsustainable and is broken.

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DANKIE, ENKOSI, THANK YOU

