



SALGA Position on Eskom MYPD6 Application

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The Eskom Application

*Eskom is applying for a total revenue application of **R446bn**, **R495bn** and **R537bn** for **FY2026**, **FY2027** and **FY2028**, which translates to percentage increases of **36.1%**, **11.81%** and **9.10%** respectively*

The Problem Statement

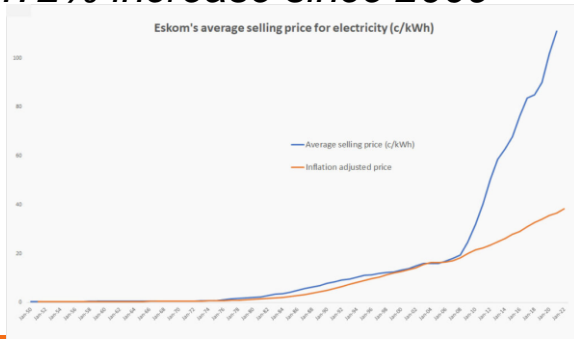


What is the sector facing ?

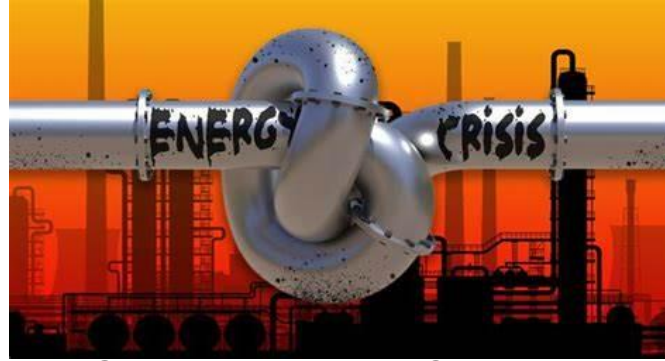
Legacy EDI Problems



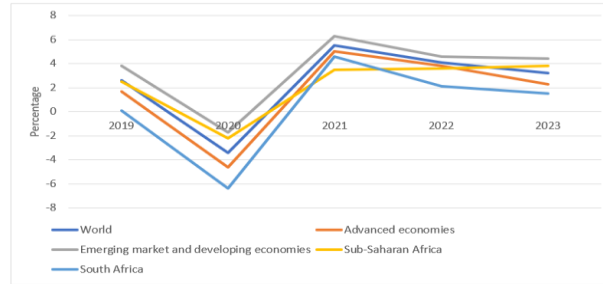
Inflation vs Price Increases
472% increase since 2009



Energy Crisis



SA Economy not Growing



Just Energy Transition



Wholesale Energy Market

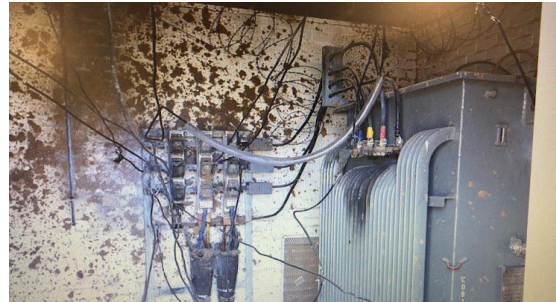


Performance of the Sector

<R90 Billion Debt



Theft and Energy Losses **R347 bn**
debt by **Municipal customers**



<50% of Munics have more than
25% losses

No more than 80 Munics have
done COS



<70% of Munics cannot invest
6% of revenue in Maintenance



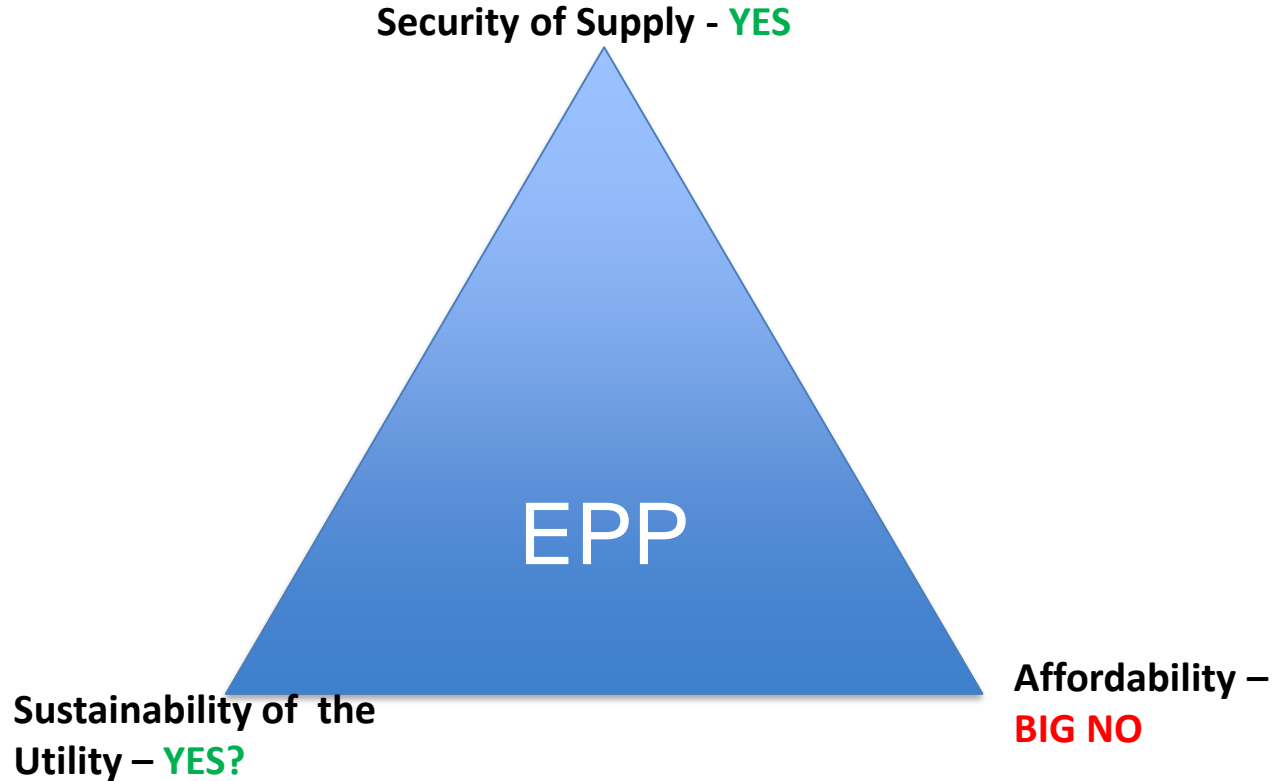
<R120 Billion Infrastructure
Backlog



The Position



The Electricity Pricing Policy Tenets vs Reality



36.1% increase - A hard pill to swallow

- Exacerbation of affordability challenges – looming public unrest (472% increase since 2009)
 - Key tenants of **Pricing Policy** is to raise tariffs that should amongst others ensure security of electricity supply, sustainability of electricity supply and above all **affordability of electricity supply**.
- Moving towards Cost Reflective Tariffs – Possible twice or tripling of prices.
 - How should municipalities make sense of this to the customer?
 - In a municipal environment that is a recipe for more losses/non payment.
 - Needs careful consideration by the sector (Strike a balance between social and economic realities)
- We need to establish a compact with the public to make them understand the need and reasons for the upcoming increases due to cost reflective tariffs requirements
- The economic development in municipalities is greatly driven by the price and security of electricity
 - Big Corporates moving abroad or deciding to be independent of Grid Electricity
- At the centre of issues facing the ailing Municipal Electricity Utilities is an economy that is not performing well

Going Forward

- Call for the entire industry and Government to have a dialogue on how can these increases which at times may be necessary but unaffordable be implemented in a manner that does not cause a shock in the economic system.
- There is a need to simultaneously harmonize cost reflectivity and affordability to enable Eskom and municipalities to still get their prudent and efficient cost reflective tariffs where end users can still afford to pay
- It getting more apparent that there is a need for innovative models that includes some form of subsidies introduced by Government
- Fast-track the development of the tariff framework for the entire sector
- The sector need to conduct a study on the possible impact of the energy market to the electricity prices – Unchartered territory
- In developing economies where the cost reflectivity has been reached or maybe close to be reached, it greatly reduced access
 - We want universal access, cost reflective tariffs, but in an economy that has more than 30% unemployment, and not performing – **Huge dilemma**

In conclusion

- In a competitive Electricity supply environment, fair competition must result in winners and winners for all
- In RSA currently and arguably the sector and its landscape is so fractured with so many structural and operational deficiencies that fair competition is virtually impossible – Arguably municipalities will come out losers everytime
- A level playing field has to be established, and these Eskom increases are further exacerbating this imbalance
- NERSA and Government together with the industry role players have to move fast in implementation of the necessary reforms to bring models that include sustainable energy packages and proper subsidies for the poor
- Call for NERSA to be stringent in its prudency tests of this application, there is just too much at stake.



Thank You



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