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SAFCEI Submissions for NERSA on Eskom MYPD6

18 November 2024

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Overarching Concerns

- MYPD is a narrow and outdated response to the energy crisis in South Africa
- SAFCEI is calling for a review of electricity pricing methodologies and the electricity supply system
- The Electricity Regulation Act mandates NERSA safeguarding the needs of customers; and facilitating universal access to electricity.
- Electricity is an important contributor to socio-economic development. NERSA and Eskom should be supporting policies for affordability of electricity.
- SAFCEI objects strongly to Eskom's proposed 36,15% tariff hike. Anything above a 10% increase is unreasonable.

Costs that should NOT be loaded onto the general tariff:

- RCA (regulatory clearing account): the claw back mechanism. This inefficiency should not be added in the tariff (4%)
- Debt repayments
- NPA (negotiated pricing agreements): this subsidy should be supported by DTI rather than consumers in the tariff (10%)
- RAB (regulatory asset base): another inefficiency, inflated by cost overruns of power plants. (7.9%)
- Carbon Tax: this should be added to the Energy Intensive User Group, not general tariff. (1.6%)

The role of Eskom, linked to the National Development Plan

- The increasingly unaffordable rates of Eskom electricity is in contradiction with the NDP's plan to eliminate poverty and reduce inequality.
- Eskom is not considering the impacts of tariff increase on low income households, nor on local authorities trapped in a debt spiral.
- NPAs given to the EIUG. Lack of transparency in this process. Contradicts the ERA Section 15: tariffs must avoid undue discrimination between customer categories.

The Public Affairs Research Institute (PARI) warns that, *"The current operation of the energy distribution system is actively and significantly contributing to increased poverty and inequality"*

What is the role of Eskom when it provides cheaper electricity to big business at what appears to be a cost to domestic customers?

Unaffordability of Eskom:

36.15% increase from 1 April 2025 followed by 11.81% and 9.10% in the following years to recoup its costs.

The tariff hike is in the order of 43% for Local Authorities- impacting other basic service delivery.

An alternative funding model needs to be developed urgently to stop the debt burden on municipalities, households and businesses as well as to ensure the future of Eskom

Eskom CFO Calib Cassim: *"the debt burden is growing by an average of nearly R2 billion a month and is expected to grow by R20 billion each financial year. If this continues, it will result in debt owed to Eskom reaching R100 billion by March 2025 and R130 billion by March 2026. By the 2028 financial year, Eskom will be owed R200 billion by municipalities."* ***"If the growth of municipal debt is not addressed, the R254 billion debt relief from the government will effectively be null and void"***

IS MYPD methodology fit for purpose?

- SAFCEI has been calling for a review of electricity pricing system
- Problems with MYPD:
 - RCA: users subsidise poor performance in forecasting and performance by Eskom.
 - RAB: inflated by corruption and mismanagement

Both the RCA and the RAB impose costs on customers that are the result of inefficiency and imprudent management.

Recommendations

1. Affordable energy as a basic human right in the constitution (protection against excessive electricity tariffs)
2. Urgent revision of Electricity Pricing Policies
3. Governmental agencies to re-evaluate pro-poor energy policies and strategies
4. Rework FBE system, ring-fenced funds
5. VAT from electricity should be allocated to FBE
6. A shift from complete dependence on government to locally appropriate co-operative strategies within communities and local businesses that promote affordable reliable energy access
7. Involvement of state actors in consultation with provincial and local administrations, and the people of SA
8. Review of the role of Eskom and of the principle of Eskom's CoS reflective tariff model (for a genuine JET)
9. Alternatives to mainstream grid tied electricity should be a part of JET
10. Relationship between the Energy Intensive User Group and Eskom must be reviewed

Additional Comments:

- Tariff increases have lost legitimacy with the public- being asked to “tighten your belts one last time”
- Our current energy crisis (supply and affordability) is rooted in the failure of a number of governmental departments to act, over the years
- Energy provision is in transition across the entire supply chain. Energy pricing policies need to be reviewed without further delay
- Leaders are amplifying calls for affordable energy

Politicians promise protests ‘we last saw in 1976’ over electricity tariff hikes

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City firmly rejects Eskom’s proposed 44% electricity tariff increase and will continue to fight it

Featured IND Power & Energy Efficiency

September 25, 2024



Electricity - [Google Images]

On Monday, 23 September 2024, the National Energy Regulator of South Africa

OPINION / COLUMNISTS



LUNGILE MASHELE: ‘User-pays’ principle leaves everyone vulnerable to energy poverty

It is scandalous that people still die from carbon monoxide poisoning and fires related to the use of paraffin

16 AUGUST 2024 - 05:00

by LUNGILE MASHELE

Finally:

ESKOM has sent its Retail Tariff Plan to NERSA for comment:
proposing the removal of the Inclining Block Tariff.

This links to the 36,15% tariff increase:

Low income households won't be subsidized for first block of
electricity they buy.

In the absence of an efficient pro-poor electricity supply mechanism,
the 36,15% increase is an unacceptable burden on low income
households.