



NUMSA Submission

20 November 2024

Competitive electricity tariff to power the economy

- NUMSA:
 - Largest trade union in South Africa
 - Recognised in Eskom
- **We reject Eskom's revenue application and the resultant tariff increases of 36 %, 12 % and 9 % for the next 3 financial years.**
- Disastrous impact on working class communities:
 - Retrenchments, lay-offs, short time, worsening unemployment and de-industrialisation

Unaffordable electricity

- Municipal arrear debt shows that electricity is unaffordable:
 - **R2.6bn** in March 2014
 - **R90bn** in October 2024
- These proposed electricity tariffs increases are unaffordable and as the result employers find painful ways to cut cost and most commonly used method is retrenchments which is an assault to our workers livelihood.

Impact on NUMSA membership

- National crisis of unemployment and de-industrialisation
- Retrenchments across the country:
 - Glencore
 - Mercedes Benz-South Africa
 - Arcelor Mittal South Africa
 - Ford Motor Company South Africa
- Eastern Cape job losses for NUMSA members related to expensive electricity:
 - MBSA: +- 700 employees retrenched [electricity costs mentioned in S189 Consultations??]
 - FORD SA: Subjected to short time for the past 2/3 months due to electricity issues.
 - Alucast/Autocast: Retrenched more than 500 workers due to high electricity tariffs, since 2011 to date.
 - MW Wheels: Retrenched 163 workers in 2022.
 - Welfit Oddy: Retrenched 350 workers between last year and this year.

Primary Energy Cost

- We reject the **R35bn (38 %)** increase in primary energy cost from **R93bn** to **128bn** for FY2026. If Eskom can drive efficiencies within their operations, the primary energy cost will remain below R100bn for the MYPD6 period.
- An area in Primary energy cost that we firmly believe that Eskom can reduce significantly is the **diesel Powered Open Cycle Gas Turbines(OCGTs)**.

Open Cycle Gas Turbines

- NUMSA calls on NERSA to reject The Eskom OCGT fuel cost (diesel) application to maintain 6 % load factor which will translate to increases of **R11bn, R11bn and R12bn** for respective financial years in MYPD6 period.
- We are calling for NERSA to strictly apply the multi-year price determination methodology **clause 12.3** when assessing prudent and efficient cost for OCGTs as was done in 2018-19.

Open Cycle Gas Turbines

Multi-year price determination methodology Clause 12.3:

12.3 Gas Turbine Generation Costs

- 12.3.1 Gas turbines are provided to operate during peak periods as well as emergency situations. Subject to the conditions set out in this Methodology, gas turbine generation cost will be allowed as a full pass-through cost, but limited to volumes allowed by the Energy Regulator, except where such use was necessary to ensure security of supply due to events outside of management control.
- 12.3.2 Capacity constraints shall be mitigated by gas turbine generation as a last resort. For avoidance of doubt, gas turbine generation should be employed before implementation of load shedding activities.

Open Cycle Gas Turbines

- When Eskom was using OCGTs efficiently between 2016-2018, Eskom spent **R668m** on their diesel Powered Open Cycle Gas Turbines(OCGTs) for two financial years. The OCGT load factor was below 1%.
- In contrast, Since April 2022 to date, Eskom inefficient OCGT utilisation attracted a shocking cost of **R51bn** on their diesel powered OCGTs. As consequence, Eskom exceeded NERSA approved by whopping **R33bn**.

Open Cycle Gas Turbines

Eskom is not efficient, the below is cost breakdown and volumes of diesel powered OCGTs since April 2022.

FY2022-2023	Volume (GWh)				Cost (R'm)			
Open Cycle Gas Turbines (GWh)	Decision	Actual	Variance	%Change	Decision	Actual	Variance	%Change
Eskom's OCGT	733	3 018	2 285	412%	R 3 753	R 21 400	R 17 647	570%
IPP's OCGT	526	865	339	164%	R 4 946	R 10 100	R 5 154	204%
					R 8 699	R 31 500	R 22 801	

FY2023-2024	Volume (GWh)				Cost (R'm)			
Open Cycle Gas Turbines (GWh)	Decision	Actual	Variance	%Change	Decision	Actual	Variance	%Change
Eskom's OCGT	1 266	3 626	2 360	286%	R 8 403	R 23 400	R 14 997	278%
IPP's OCGT	526	1 876	1 350	357%	R 4 946	R 17 000	R 12 054	344%
					R 13 349	R 40 400	R 27 051	

Open Cycle Gas Turbines

- Diesel generation is the most expensive form of generation in the fleet and the lowest in the merit order.
- The extensive utilisation of OCGTs outside peaking period imprudent and inefficient. This was the case since April 2022 to date.
- Eskom is contending in this application that they will continue to utilise OCGTs outside clause 12.3 of the methodology. As NUMSA we reject the utilisation of OCGTs outside clause 12.3 for the following reasons.

Open Cycle Gas Turbines

- Eskom coal plant generation performance is now improving and it is on track to attain 70 % EAF by March 2025.
- This should lessen the over-utilisation of Eskom diesel powered OCGTs.
- Eskom weekly system updates already announced cost saving of **15bn** in diesel cost as a result of improved generation plant performance.

Open Cycle Gas Turbines

Operating OCGTs at 6 % load factor to cover Renewable energy IPPs delays is unjustified considering delays in coal plant shutdowns, additional coal generation capacity, and the most recent medium-term system adequacy report outcomes:

1. Delays in coal plant shutdowns:

- The IRP 2019 indicated that a total of 10 000 MW coal generation capacity will be shutdown by 2030 and replaced mainly by 20 000 MW of renewable energy.
- In 2024, the cabinet took a decision to postpone 10 000MW to be shutdown
- Therefore, with the above and improved generation plant performance, together with declining electricity demand, there should be no energy gap.

Open Cycle Gas Turbines

2. Additional generation capacity added to the national grid:

Coal Generation Unit	Generation Capacity	Schedule
Kusile unit 5	800 MW	Commercial operation achieved in July 2024
Kusile unit 6	800 MW	Commercial operation scheduled for July 2025
Medupi unit 4	800 MW	Expected to return to service end of March 2025

3. Medium-term system adequacy report 2025-2029 states that the system is adequate and will remain adequate if the high EAF, (above 65 %) is maintained.

Open Cycle Gas Turbines

- OCGT's should only be used in peaking and emergency periods in line with regulatory methodology. OCGT usage above regulatory levels can only be permitted when growth in electricity demand outstrips coal generation supply.
- However, it is clear that electricity demand will not be outstripping coal generation supply to justify the application for 6 % load factor on OCGTs. This application includes substantial OCGT volumes that will be used outside peaking and emergency periods. Therefore, in light of the above, the utilisation of OCGTs at 6% load factor for MYPD 6 period is nonsensical and must be rejected.

Conclusion

- NUMSA calls on NERSA to allow Eskom OCGT load factor of 1% which will be in line the methodology.
- This will translate to not more than **R2bn** in diesel cost for the MYPD 6 period as compared to the unreasonable **R34bn** in the application.

Conclusion

Amandla!!!