Note: This information was presented by GOOD Secretary-General and Member of the Western Cape Provincial Parliament, Brett Herron, during NERSA's Public hearing on the Eskom MYPD6 application

Thank you for the opportunity to make these representations on behalf of GOOD, the political party.

If one reads the ESKOM Multi-Year Price Determination 6 (MYPD6) application, which is a revenue application for the 2026, 2027 and 2028 financial years, and if what ESKOM sets out in its application is factually correct, then the ESKOM revenue shortfalls and debt crisis is partially caused by historical decisions made by NERSA.

According to ESKOM their 2026 revenue requirements are a result of an accumulation of "inadequate decisions made in the past"; and "due to having to correct for the past decision".

What is clear from the contents of this application is that our electricity supply regulator regime is in a crisis and it is the systemic failures of our electricity supply regime that has partially brought us to this point.

These systemic failures, and the fact that our whole country is currently still captive to ESKOM as a virtual sole supplier, must be addressed as part of the outcome of this process, even though this process is not about the entire system.

NERSA and ESKOM will fail in their duties, as state entities operating in a developmental state, not to advise our government of the conflicts and complexities that legislation, policies and international climate change commitments create.

With respect, your duty also requires that you advise on how these complexities can be addressed in the best interests of a secure and affordable supply of electricity, a reduction in carbon emissions and an increase in access to electricity as a basic service.

The technical and bureaucratic conflicts and challenges are not burdens to be passed on to the end user.

The expertise lies in the state supplier of electricity and the state regulator of pricing. Your duty is to use that expertise to help our country navigate away from the patently absurd point we have reached.

Eskom is effectively seeking a 36.15% tariff hike which threatens to devastate an already struggling population.
Whatever decision is taken cannot ignore the economic and financial realities of our country and our people.

Eskom's tariff Hike
The proposed 36.15% tariff hike is nothing short of a financial assault on the people of South Africa. Consider the consequences:

The crushing impact on households and businesses.
We are paying for failure.

Either ESKOM's failure to prudently manage its revenue, operations and expansion or NERSA's failure to help ESKOM achieve revenue requirements, over an expanded period of time, without the financial shock of a massive cost of purchase hike for consumers.

This raises a question of fairness.

South Africans already pay among the highest electricity prices in the world relative to income.
Is it fair to ask consumers to pay even more without addressing the entire system's inefficiencies?

Eskom tariff hike: what is the actual cost
The tariff hike will not be capped at 36.15%. That is the amount for direct customers. Eskom's hike translates to a 43.55% increase for municipalities.
However, it does not stop there. There are multiple reforms and changes to subsidy structures that will affect the most vulnerable in society.

The proposed TOU (Time-of-Use) tariff reforms, for example, raise concerns about equity and feasibility.
Low-income households and small businesses may face higher costs during peak hours due to limited flexibility in energy usage.

The lack of advanced metering infrastructure poses a major implementation challenge, with high costs and long timelines for rollout.

Spending vital funds on implementing a new metering infrastructure is reckless, when there is no guarantee that these meters will be properly monitored.
Without clear regulatory oversight, vulnerable groups could disproportionately bear financial burdens.

Unregulated municipal surcharges
Unregulated municipal surcharges are unfairly increasing residents' bills without transparency.
With the municipal tariff projected to be 43.55%, what will the total be once the additional surcharges have been added?

Section 16(2) of the Electricity Regulation Act states that a licensee may not charge a consumer any other tariff than those approved by the Regulator.

However, the Municipal Fiscal Powers Act, allow municipalities to implement surcharges, as long as they comply with the norms and standards furnished by the Minister of Finance.

One glaring issue, however, is that there have been no norms and standards issued by the Minister.
Without clear guidelines, municipalities can impose arbitrary surcharges without accountability or consistent oversight, leading to potential financial burdens on residents without clear justification.

This has been seen already, for example the City of Cape Town already imposes additional, unchecked costs, leaving residents in the dark about how fees are calculated or used.

This lack of oversight undermines consumer protection and worsens financial burdens. Instead of prioritizing residents' affordability, the City of Cape Town has spent millions fighting NERSA for higher tariffs, exacerbating the problem with opaque charges and policies.

This is a growing issue across municipalities, deepening inequality rather than alleviating it.

What makes this even more aggravating is that the ERA mandates the Regulator and licensees to have a Consumer/End User Forum, yet the municipalities charging these increased tariffs have no such mechanism, certainly not in the City of Cape Town.

Where are the Consumer/End User Forums now? This is precisely the time we should be seeing properly constituted and funded forums making representations on behalf the residents' the licensee serves.
But they appear to be absent – because they have never been properly implemented. That's a failure by NERSA to require licensee's to adhere to the law.

This limits the public's voice, when it comes to matters affecting their livelihoods and access to the basic right of electricity.

Legal Contradictions
At the heart of the issues is a legislative conflict that undermines consumer protections:

The Electricity Regulation Act (ERA) establishes NERSA as the regulator for electricity tariffs in South Africa, ensuring that pricing is fair, transparent, and cost-reflective.

It mandates national regulation of tariffs, including those set for Eskom, which are intended to protect consumers from unjust pricing and ensure affordability

The Municipal Finance Management Act (MFMA) supports municipal autonomy in managing local finances, it also requires compliance with national laws and oversight mechanisms.
However, the MFMA doesn't address the issue of surcharges in the context of electricity pricing specifically, creating a gap in clarity when municipalities impose such charges.

The Municipal Fiscal Powers Act (MFPA) gives municipalities the power to impose surcharges on electricity, which adds another layer to the pricing structure.
However, the Act requires municipalities to follow prescribed norms and standards for surcharges.
These are subject to oversight and potential ministerial exemption. The contradiction arises because the MFPA allows municipalities to impose surcharges independently of NERSA's regulations.

There are several key contradictions that stem from the conflicting mandates that need to be highlighted here:

The first is:
Surcharge Autonomy vs. NERSA's Oversight: The ERA centralizes tariff regulation under NERSA, while the MFPA grants municipalities significant autonomy to impose surcharges on top of regulated tariffs. This creates confusion and possible financial burdens for consumers, as surcharges may not be transparent or consistent with national pricing principles.
Surely this was not the intention of the ERA? There is no point in NERSA being empowered to regulate the price of electricity if the MFPA allows municipalities to impose surcharges that are unregulated.

Secondly;
Local vs. National Control: The MFMA provides municipalities with the responsibility of financial management, but this sometimes conflicts with national regulation under the ERA, particularly in terms of tariff oversight. Municipalities might be incentivized to impose higher surcharges to generate revenue without aligning with the national goals of affordability or transparency

Lastly;
Absence of Norms and Standards: As already discussed above, without clear norms and standards in the MFPA, municipalities could impose arbitrary surcharges, undermining both the financial management principles of the MFMA and the tariff fairness goals of the ERA.

Broader Implications of the “actual cost” of the tariff hike
The implications of Eskom's tariff hike are far-reaching and go beyond just the cost of living
A 937% increase in tariffs from 2007 to 2024, compared to 155% for inflation, shows the stark reality: electricity prices are outpacing the cost of living.
For vulnerable communities already grappling with food inflation, unemployment, and housing insecurity, this tariff hike is a direct blow to their already fragile economic situation.

Small businesses, the backbone of our economy, face higher operating costs that could lead to job cuts and closures.
The ripple effect? Consumers will pay higher prices, deepening inflation and choking economic recovery.

According to the **South African Chamber of Commerce and Industry (SACCI)**, this threatens to reduce economic productivity, making it harder for us to make economic strides in this new era.

Research from the **Institute for Economic Justice (IEJ)** points out that these types of hikes will exacerbate inequality, with wealthier households, who have access to energy-saving technology like solar panels, barely feeling the pinch, while poorer communities bear the brunt.

The **South African Federation of Trade Unions (SAFTU)** warned that electricity costs have become a key driver of poverty for millions, forcing families to choose between basic necessities: food, healthcare, or energy. The growing divide between rich and poor is becoming increasingly entrenched.

This isn't just a financial burden; it's a social crisis.

And according to ESKOM’s own application:
1. In large part as a consequence of historical under-pricing and under-investment, Eskom’s current operational and financial challenges are placing a significant strain on the country’s economy; and
2. Consumers will be worse off due to the impact of the MYPD6 on inflation – if approved.

Conclusion: A Call to Action
In conclusion, the challenges we face are significant, but they are not insurmountable.
1. Eskom’s proposed allowable revenue increase will cause a tariff hike that is unjustifiable in its current form. Reform must come first.
2. Legal contradictions allow stakeholders to get away with unjust actions. There needs to be consistency.

We urge Eskom, municipalities, and NERSA to prioritize the people they serve. South Africans deserve affordable, reliable electricity, not as a luxury, but as a basic right.
It is time for our leaders to step up, act with integrity, and deliver on their promises. The current approach is unsustainable and unacceptable.

Let us demand the accountability and fairness we all deserve.

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