NUMSA Submission
NERSA Public Hearing

25 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.**
- Two disastrous impacts on working class communities:
  - Unaffordable for the poor and working class pay for electricity
  - 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 costs and the most commonly used method is retrenchments which is an assault workers’ livelihoods.

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

- Reccent Free State and Northern Cape job losses for NUMSA members:
  - KEW – Foundries
  - Cerecast Engineering
  - NCIS- Northern cape Iron and steel Industries
  - Artefusion Plastics
  - S.A Truck Bodies
  - Van Zyl Engineering

IPP Costs: Eskom Department of Energy Peakers

- NUMSA calls on NERSA to reject Eskom Department of Energy (DoE) Open Cycle Gas Turbine fuel cost application to maintain the inefficient 6% load factor which will translate to a cumulative R21bn over the three year MYPD6 period.

- From 1 April 2022 to 31 March 2024, Eskom has spent R27bn on DoE Peakers, exceeding the NERSA allowed cost of R10bn by an additional R17bn.

- We call on NERSA to only approve dispatching these peaker stations at 1% load factor because of the high cost of running these plants from diesel. At 1% load factor, these peaker stations should be available for peak periods and during emergencies, providing much needed security of supply.

IPP Costs: Eskom Department of Energy Peakers

- If NERSA heeds our call of 1% load factor to limit gas IPP's to 88 hours in a year, this will reduce DoE Peaker stations cost from R21bn in the application to R9bn including the capacity payment for the all three years. The Breakdown is as follows:

FY2022-2023	Volume (GWh)				Cost (R'm)			
Open Cycle Gas Turbines (GWh)	Decision	Actual	Variance	% Change	Decision	Actual	Variance	% Change
IPP's OCGT	526	865	339	164%	R 4 946	R 10 100	R 5 154	204%

FY2023-2024	Volume (GWh)				Cost (R'm)			
Open Cycle Gas Turbines (GWh)	Decision	Actual	Variance	% Change	Decision	Actual	Variance	% Change
IPP's OCGT	526	1 876	1 350	357%	R 4 946	R 17 000	R 12 054	344%

IPP Costs: Eskom Department of Energy Peakers

Eskom claims that it is necessary to operating OCGTs at 6 % load factor to cover REIPP delay. This is unjustified considering: (1) delays in coal plant shutdowns, (2) additional coal generation capacity, and (3) the most recent medium-term system adequacy report outcomes:

1. **Delays in coal plant shutdowns:**

   - IRP 2019: shutdown 10 000 MW of coal generation capacity by 2030 and replace it with 20400 MW of renewable energy.
   - 2024 Cabinet Decision: postpone the above coal generation shutdown
   - Therefore, the recently improved generation plant performance, together with declining electricity demand, should see a drop in OCGT utilisation

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.**

IPP Costs: Renewable Energy

- The 2019 government decision to support Eskom with equity injection to service their debt required Eskom's urgent intervention on ten areas.

- One of conditions: DoE and NT must re-negotiate the exorbitant and unnaffordable power purchase agreements for Bid Window 1 and Bid Window 2 which are pushing up the prices of electricity.

- It appears that the outcome of this process didn't yield any positives, all we are witnessing is extremely high tariff from Bid Window 1:

Year	Solar PV	Wind
2025 - 2026	R5.9/kWh	R2.5/kWh
2026 - 202	R6.3/kWh	R2.60/kWh
2027 - 2028	R6.6/kWh	R2.76/kWh

IPP Costs: Renewable Energy

- For almost the same energy generated between bid window 1 and bid window 4, the difference in cost is R10bn for FY2025-2026. This is the result of the exorbitant tariffs from Bid Window 1 which are sitting at R5 per kilowatt-hour and R6 per kilowatt-hour for Solar PV and Concentrated Solar Power, respectively.

- The current renewable IPP procurement trajectory pursued by the department of Energy & Eskom is out of touch with the current context of improving availability of Eskom plants, slowing electricity demand, excess capacity and resultant rising consumer prices.

- The system is not in need of any additional capacity apart from that which has already been planned and committed by Eskom and IPPs that have already signed power purchase agreements. Any additional generation capacity being funded by Eskom or the private sector from renewable energy IPPs rollout will have negatively impacts on our country and Eskom both operationally and financially. The increasing total electricity cost for the country, will lead to job losses and slow economic growth.

Due Diligence: IPPs

- NUMSA calls on NERSA to conduct due diligence on the battery energy storage independent power producers that have recently reached commercial close and renewable energy independent power producers bid window 7 that are still waiting for the preferred bidder status. NUMSA submits that not all these projects will be in commercial operation (connected to the grid) in the third year of MYPD 6 and therefore calls on NERSA to subtract all those projects from the Eskom application.

Amandla!!!