



VRYSTAAT LANDBOU
FREE STATE AGRICULTURE



AGRICULTURE'S OBJECTION

to ESKOM's requested MYPD6 tariff proposals

NERSA Public Hearings
25 November 2024

- Dr Jack Armour - *Operations Manager*
Gernie Botha - *CEO*
Francois Wilken - *Farmer, President of FSA*
Ben Duminy - *Farmer, Chair – Commercial Affairs*
Christo Doman - *Farmer, vice Chair Commercial Affairs*
Anton Coetzee - *Consultant – co-opted member, Commercial Affairs*



Questions posed by NERSA:



- ▼ **General** comments on Eskom's application
- ▼ Treatment of **costs and utilization** of Eskom's fleet
- ▼ Separate revenue applications and treatment of **inefficiencies**
- ▼ **Cross-cutting** issues

GENERAL COMMENTS:

*Farmers say **NO to increases!***



This is the message from our **2500 commercial farming entities** whom we represent, organized into 144 local Farmers Associations:

- ▼ In the current economic climate, Free State Farmers can't even afford ESKOM at current tariffs!
- ▼ **We thus object to any ESKOM price increases!**
- ▼ Any increase gets passed down to the farmer, a price taker, through increased input costs and lower prices.

NERSA's regulatory framework, as outlined in the Electricity Regulation Act, aims to:



- ▼ Safeguard customer needs, (*affordable, reliable & Safe energy?*)
- ▼ Achieve the efficient and sustainable development of electricity infrastructure, (*Rural service delivery?*)
- ▼ Facilitate investment, (*who are Eskom's investors??*)
- ▼ Promote universal access, (*and LM payment for this? Expensive line fees & immediate cut-off for direct rural users?*)
- ▼ Enhance competitiveness and customer choice, and
- ▼ Balance the interests of customers, end-users, licensees, investors(?), and the public.

ESKOM blames NERSA

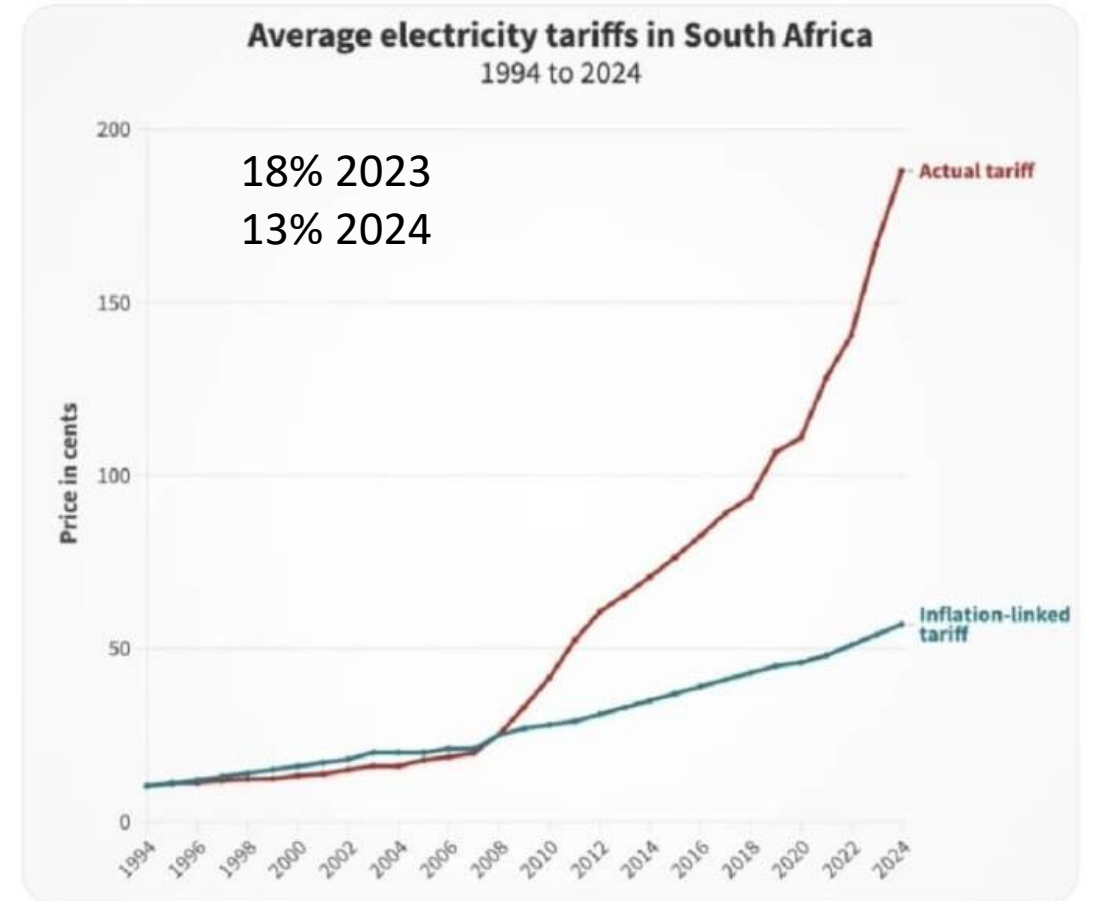


- ▼ for “*not allowing Eskom to recover the actual efficient cost of producing electricity for many years*”
???
- 10X cost over-runs at Medupe and Kusiele ???
- ...
- ▼ And what not allowed just goes into perpetual **Claw Back Mechanism**
- ▼ Call for urgent review of electricity pricing = preferably **full market pricing**.

Affordability:



- ▼ ESKOM increases way above inflations since 2008
- ▼ For farmers-Not just electricity,
 - Labour costs
 - R:\$ linked input costs
 - Infrastructure cost
 - Disasters Losses (*no state help*)
 - Changing weather increases insurance costs
 - ... absorbed farmers, etc. etc.



Price increases (AR) granted and proposed going forward"



Table 1: Historic, Current, and Projected Price Increases

	Decision FY2023	Decision FY2024	Decision FY2025	Application FY2026	Application FY2027	Application FY2028	Projected FY2029	Projected FY2030
Allowable Revenue	R250b	R319b	R352b	R446b	R495b	R537b	R586b	R641b
Tarif Increase %	9.61%	18.65% 41%	12.74%	36.15%	11.81%	9.1% 80%	9.1%	9.4%
PPI March	10.6%	4.6%	-	-	-	-	-	-
CPI March	7.1%	5.3%	-	-	-	-	-	-

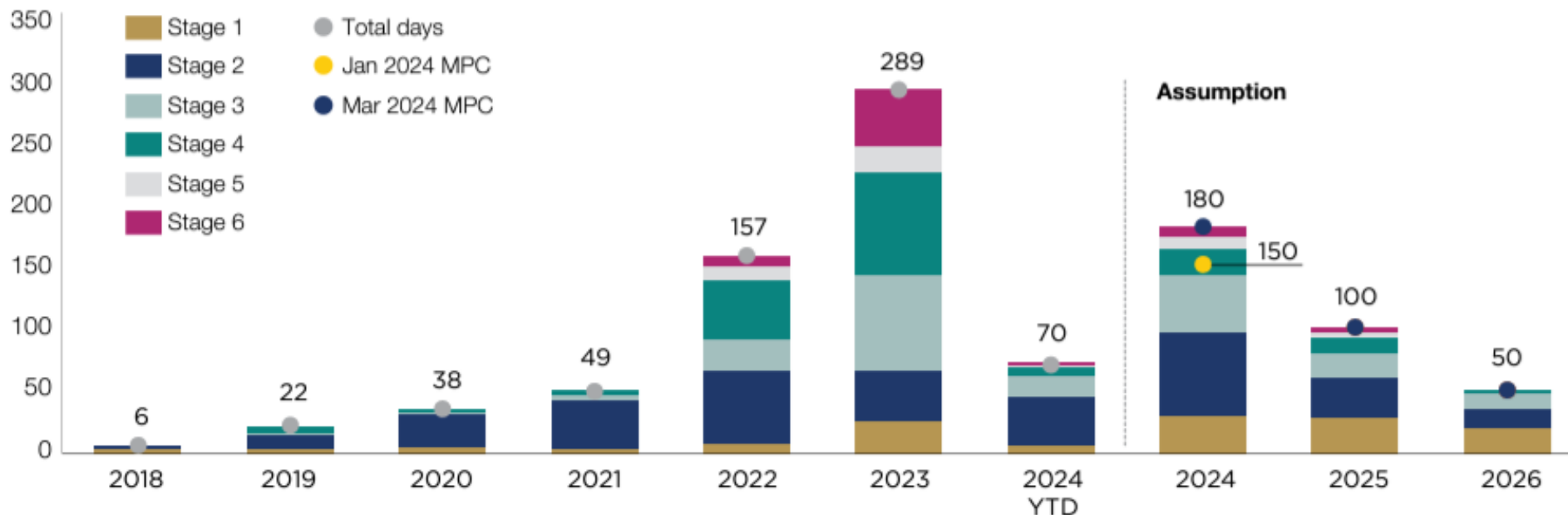
- ▼ Continues to be way above inflation & for **fixed costs** as well!
- ▼ Despite reduced energy demand??
- ▼ And no-one brought to book for GROSS overspending at Kusile and Medupi, inflated procurement, coal and transport mafia etc.

ESKOMs loadshedding **destroyed** ECONOMY => affordability issues



▼ We don't applaud ESKOM for doing their job now to keep the lights on!

Frequency of load-shedding
Number of days*



* Calculated as total hours of load-shedding/24.
Sources: ESP app, Eskom X account and SARB

1. Based on non-seasonally adjusted data from Stats SA.



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*Gas as a
transition
fuel???*



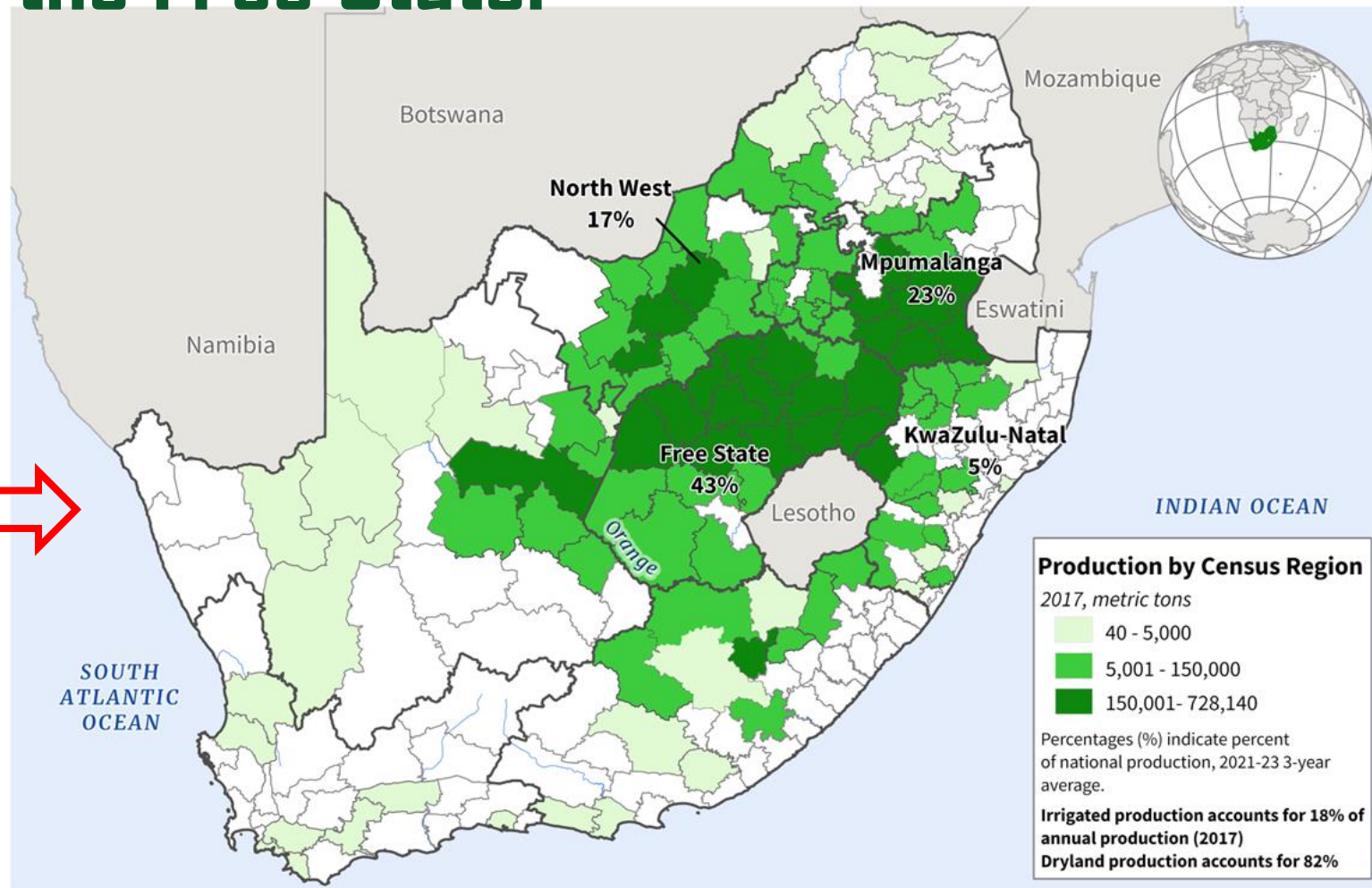
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CROSS-CUTTING: The importance of a viable agricultural sector in the Free State:



▼ Staple & Stable Food Security

- Sunflower 58%
- Maize 43%
- Soya 43%
- Potatoes 30%
- Beef 19%
- Sheep 20%

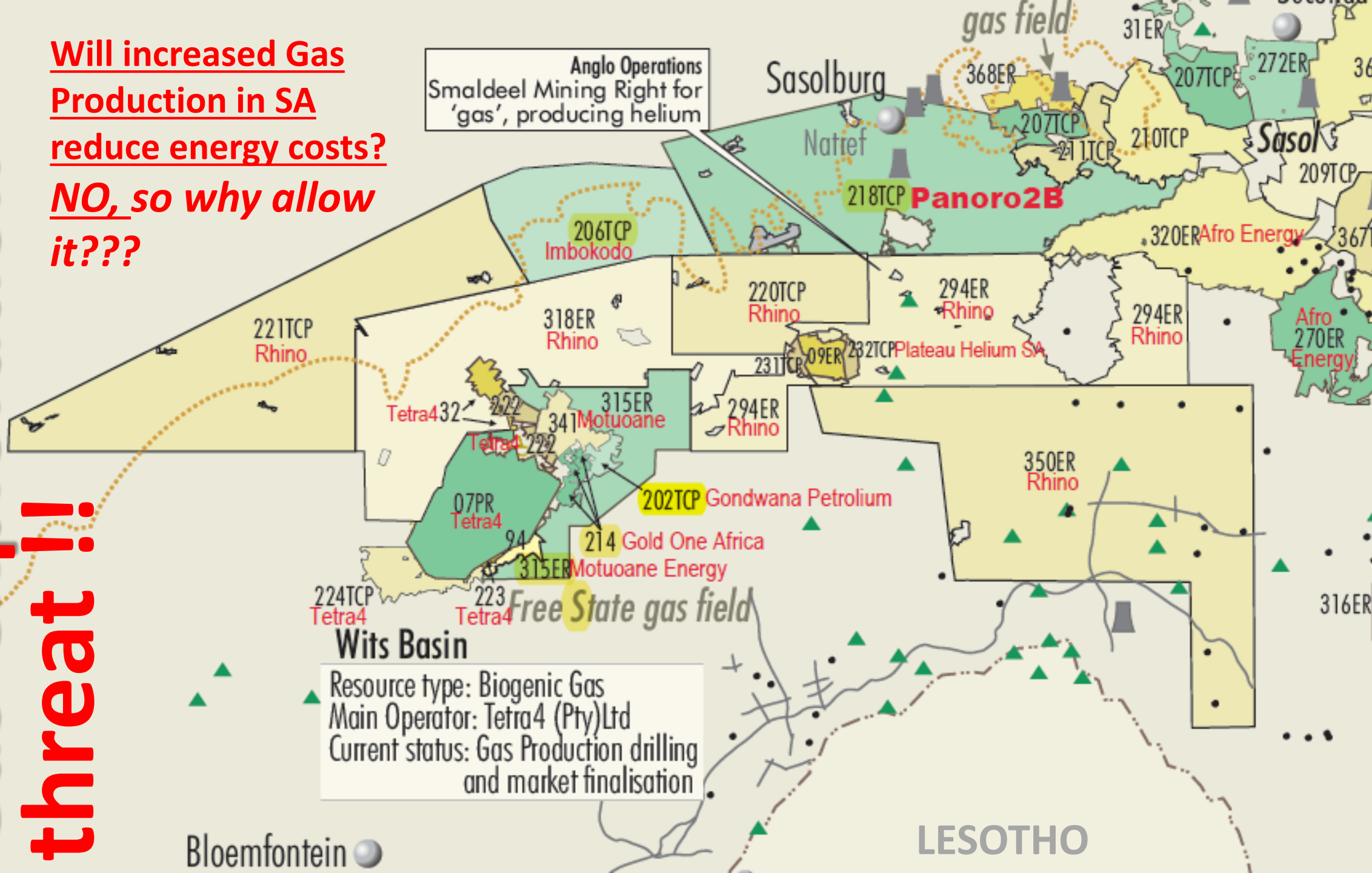


N-FS Breadbasket

Gas-exploration

threat !!

Will increased Gas Production in SA reduce energy costs?
NO, so why allow it???



Energy price elasticity & Substitution threshold



- ▼ *“ESKOM pricing is not elastic”* - Deputy Governor of the Reserve Bank, Dr Rashid Cassim. The costs of **ESKOM is not elastic** for farmers – you are either dependent on it (certain times) or not.
- ▼ The **threshold pricing** for which it becomes viable for farmers to convert to alt. energy has long been reached BUT depends on various factors:
 - Being able to sell back into the grid **or not**
 - Cost of battery storage, ESKOM as a back-up
 - Uncertainty not warranting conversion

INEFFICIENCIES: How can ESKOM adapt?



- ▼ Demand 2% down. Sales forecast to go down even further! = ***Downward Utility Spiral!!!***
- ▼ If ESKOM were a market player and not a monopoly:
 - Rationalize staff – reduce wage bill
 - Ensure buying viable coal – value for money=EFFICIENCY!
 - Ensure outstanding LM bills are paid up – outstanding debt NOT the farmers fault! Why must paid up customers suffer??
 - Accept **role as a baseload / peak power provider** only then
 - Focus on increasing grid capacity where excess alt. energy generation capacity already exists

INEFFICIENCIES: Carbon Tax & Emissions

Reductions: *Sustainability!*



▼ How can ESKOM be asking for exemptions from their air quality GHG pollution limits???

Sent: 06 November 2024 05:08 PM

Subject: 41107109 - **APPLICATION FOR EXEMPTION WITH THE MINIMUM EMISSION STANDARDS FOR EIGHT ESKOM POWER STATIONS**

Notice is hereby given in terms of Section 59 of the National Environmental Management Air Quality Act (No. 39 of 2004) (NEM:AQA) that **Eskom intends to apply for an exemption from compliance with certain aspects of the Minimum Emission Standards (MES) for eight Eskom Power Stations.**

Reuters

▼ ONGEAG

Calculation of Allowable Return:



$$AR = (RAB \times WACC) + E + PE + D + R\&D + IDM \pm SQI + L\&T \pm RCA$$



Input	Definition
<i>AR</i>	Allowable revenue
<i>RAB</i>	Regulated asset base
<i>WACC</i>	Weighted average cost of capital
<i>E</i>	Expenses (operating and maintenance costs)
<i>PE</i>	Primary energy costs (inclusive of non-Eskom generation)
<i>D</i>	Depreciation
<i>R&D</i>	Research and development programmes/projects
<i>IDM</i>	Integrated demand management costs
<i>SQI</i>	Costs related to service quality incentives
<i>L&T</i>	Government-imposed levies or taxes (not direct income taxes)
<i>RCA</i>	The balance in the Regulatory Clearing Account

- ▼ Investor return: At what interest rate is Eskom lending?
- ▼ Efficiently measures NB
- ▼ Why is Eskom still paying so much for IPP energy?
- ▼ & subsidising smelters so much!
- ▼ Is this capped ???



Fixed cost component:



8710

ACCOUNT MONTH	NOVEMBER 2024
CURRENT DUE DATE	2024-11-22
VAT REG NO	NOT SUPPLIED

TAX INVOICE

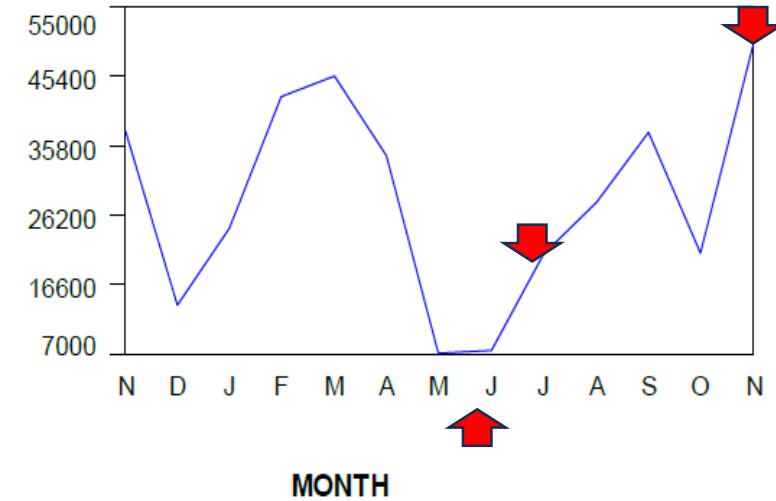
ACCOUNT TRANSACTION SUMMARY

ADMINISTRATION CHARGE		R	316.51
DIST. NETWORK CAPACITY CHARGE		R	3,671.00
NETWORK DEMAND CHARGE (C/KWH) (ALL)	36%	R	10,678.97
ANCILLARY SERVICE (ALL)		R	164.01
ENERGY CHARGE (PEAK)	4,363.00	R	9,108.20
ENERGY CHARGE (OFF)	6,981.00	R	6,364.58
ENERGY CHARGE (STD)	9,156.00	R	13,156.26
SERVICE CHARGE		R	1,116.00
TOTAL CHARGES FOR BILLING PERIOD		R	44,575.53

Service and Administration Charge @ R46.25 per day for 28 days		R	1,295.00
Network Capacity Charge @ R136.84 per day for 28 days	37%	R	3,831.52
Network Demand Charge 8,505 kWh @ R0.5209 /kWh		R	4,430.25
Ancillary service charge 8,505 kWh @ R0.008 /kWh		R	68.04
Energy Charge 8,505 kWh @ R2.0848 /kWh		R	17,731.22

TOTAL CHARGES FOR BILLING PERIOD		R	27,356.03
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ACCOUNT SUMMARY FOR JULY 2024



90%



Summary:



- ▼ Farmers cannot afford an Eskom price increase
 - Not small farmers – *can't afford networks charges*
 - Not extensive crop/livestock farmers -*basically just household use – “line fees” already exorbitant*
 - Not intensive farmers *reliant on Eskom e.g. irrigation, dairy, piggery, greenhouse, poultry*
- ▼ Consumers cannot afford an Eskom price increase
- ▼ **Eskom needs to restructure, downscale and stop draining the economy (*through non paying LMs*).**

DANKIE
THANK YOU

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