NERSA hearings on Eskom tariff increase:

Public Servants Association's objection to Eskom's electricity tariff increase application

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It is true that energy is the ability to do work. The intermittent supply of energy in South Africa by the Energy Supply Commission (Eskom) had a major impact on the productivity of the South African economy, employment creation, and the sustainability of many jobs. The crucial role of electricity as a basic necessity for life and as a critical resource for the development of a nation has been laid bare for the country to appreciate the need to conserve and use electricity sparingly. Load shedding and load reduction (euphemism for blackouts) and the ever-increasing cost of electricity have driven many households and companies to consider alternative sources of energy and to opt out the national energy grid. Meanwhile, Eskom is owed billions of rands by government departments, entities, municipalities, and households that are failing to pay for their electricity consumption. These implications for Eskom's financial sustainability are dire and the entity is forced to find creative ways to stay afloat.

Therefore, year in and year out, Eskom has either kneeled before National Treasury for bailouts or petitioned the National Energy Regulator of South Africa (NERSA) with requests for tariff hikes. Eskom's latest multi-year tariff increase request of 36% has devasted consumers as they contemplate the hardships they will have to endure to keep lights on.

The Public Servants Association (PSA), as a voice of workers, cannot stand by whilst Eskom pickpockets its constituency and the general public of the little that remains of their disposable income to cover for its inefficiencies. This paper is the PSA's submission to NERSA as it contemplates a response to Eskom's request for the exorbitant tariff hike.

Cheaper energy mix

South Africa's energy sector is facing significant challenges, including high costs, inefficiencies, and environmental concerns. Finding a cheaper energy mix for South Africa, prioritising renewable energy sources, energy efficiency, and demand-side management is no longer an option, but a necessity if South Africa is to live to its promise of a developmental state.

South Africa's energy sector is dominated by coal-fired power plants, which account for approximately 90% of the country's electricity generation. This reliance on coal has resulted in high greenhouse gas emissions, air pollution, and negative impacts on public health. A more sustainable energy mix is required to reduce costs, improve energy security, and mitigate environmental impacts.

Such an energy mix must be anchored in five pillars, namely:

1. Renewable energy. This must be increased to constitute the lion share of at least 40% of the country's energy sources. With its clear skies and scorching sun, South Africa can harvest lots of solar energy. Efforts must also be increased to harvest wind power and hydroelectric power to feed into the national grid.

2. Gas power: The discovery of gas beneath the soil in the Karoo and coastal lines is an economic windfall and an endowment that should be harness and harvest to be the benefit of the economy and posterity. The use of gas-fired power plants can also serve a transitional fuel, reducing the dependence on coal, lower emissions, and reduce environmental degradation.

3. Coal power (20%): Coal is one of South Africa's sought after commodities. It fuels power plants and keeps the engine of economic growth running. It will remain one of the major pillars of the energy mix for a long time. An expectation that there could be an abrupt stoppage of the use of coal as a source of energy for South Africa is unrealistic and unimaginable. A gradual phasing out of coal-fired power plants, replacing them with cleaner energy sources, is a possibility and a responsible approach.

4. Nuclear power (10%): A small nuclear power component must be maintained to provide baseload power and support grid stability.

5. Energy efficiency and demand-side management (10%): Implement energy-efficient measures and demand-side management strategies to reduce energy consumption and peak demand.

Implementation roadmap

The PSA is practical and realistic in its approach. Even as the Union makes proposals for an energy mix, it is fully aware that the transition towards the realisation of such a mix must be reasonable, realistic, and practical. The PSA's submission thus proposes a realistic roadmap towards the rolling out of such an energy mix. The implementation of this must be gradually adopting a phased-in approach with clear short-term, medium-term, and long-term milestones and targets. For instance, a short term of five years (2025 to 2030) must aim to increase renewable energy capacity of up to 15 GW, develop gas-fired power plants to replace coal-fired capacity and implement energy-efficient measures in buildings and industry. In a medium-term of ten years (2030 to 2040) the aim should be to achieve at least 30 GW of renewable energy capacity, roll out the phasing out of coal-fired power plants and replace with gas-fired and renewable energy sources and significantly reduce peak demand. In the long term (2040 to 2050), 50 GW of renewable energy capacity should be reached and achieve a carbon-neutral energy sector whilst implementing advanced energy storage solutions to support grid stability.

Return on investment

There is no doubt that the energy mix proposed by the PSA will be beneficial to the South African economy, big and small consumers of electricity alike. By implementing the proposed mix, South Africa will be playing her part, contributing to the reduction of greenhouse gas emissions, and ensuring that climate-change commitments are met, and air pollution is reduced.

The PSA believes that the energy mix that is anchored on renewable energy resources will contribute significantly to lower energy costs for households and businesses. The current drivers of high cost are the price of coal and the large dependence on diesel to stabilise the energy grid. Consumers are made to bear the brunt and the cost of these commodities. By moving from coal to renewable energy sources the cost of production can be reduced significantly. The lower the cost of production, the lower the cost for the consumers.

Diversifying energy sources will also improve energy security. Current dependence on coal has proven to be insecure as South Africa risked a complete shutdown of the grid owing to, amongst others, wet coal during rainy seasons and a lack of regular maintenance of power stations. By diversifying the energy mix, South Africa will reduce the dependence on imported fuels and enhance energy security.

By developing the necessary infrastructure to produce and supply the required energy, there will be lots of opportunities for job creation and economic growth. It is not far-fetched to expect thousands of jobs as spin-offs for the transition into the energy mix the PSA has proposed. The extraction of gas, construction of dams for hydroelectric energy, laying out of solar panels, *etc*., will be labour intensive, giving opportunities for South Africans to participate meaningfully in the economy.

It is the PSA's view that the proposed energy mix offers a cheaper, cleaner, and more sustainable energy future. By prioritising renewable energy sources, energy efficiency, and demand-side management, South Africa can reduce energy costs, mitigate climate change, and promote economic growth.

Just-energy transition

The PSA congratulates the South African government for pushing for a just-energy transition to a low-carbon economy. It is noted that the proposed just transition is crucial for addressing climate change and promoting sustainable development. The PSA will be even more delighted to see a plan that ensures a fair and equitable transition for workers and communities. The PSA concurs with government in this as long as the plans for the just transition prioritise the needs of workers, communities, and the environment. In adding the PSA's voice to this call, the Union would like to see a plan that ensures a fair and equitable transition to a low-carbon economy, minimises job losses, and promotes sustainable development.

This can be achieved by ensuring that there is social dialogue and meaningful participation by workers, communities, and civil society organisations in the transition process. The transition will not be just or fair if it does not mitigate job losses or promote job creation in the renewable energy sector and protect existing jobs in the fossil-fuel industry. There must be skills development and training for workers in the fossil-fuel industry to transition to the renewable energy sector. The just transition must also prioritise environmental sustainability and ensure that the transition is guided by principles of environmental justice.

The PSA is committed to a just transition that prioritises the needs of workers, communities, and the environment. The Union's proposal provides a comprehensive framework for a fair and equitable transition to a low-carbon economy. The PSA looks forward to engaging with government, business, and civil society to make this vision a reality.

Response to Eskom meter-update bungle

The coincidence of Eskom's request for a tariff increase with the requirements for residents to update or upgrade their electricity meters left much to be desired.

Eskom's sudden announcement of the meter update requirement and deadline has left many workers, residents, and businesses scrambling to comply. The PSA is appalled by the chaos and disruption caused by Eskom's meter update requirement and deadline. The Union has received numerous complaints about the lack of clear information and guidance from Eskom on the meter update process. The meter update requirement has caused significant inconvenience and disruption to workers, residents, and businesses, particularly those in rural and township areas.

The deadline has significant implications for workers and residents who will be affected by the potential disruptions to electricity supply. There is a lack of appreciation of the serious implications of these cut-offs on citizens in general and workers in particular. The threat of electricity disconnections will compromise the livelihoods of workers who rely on a stable electricity supply to perform their duties. The health and safety of workers will be severely compromised in a powerless environment. Workers may experience loss of income owing to reduced working hours or temporary layoffs resulting from electricity disruptions.

Residents' access to basic services such as healthcare, education, and sanitation are affected by the cut-offs. Food security will be affected particularly for those who rely on electrically powered food storage and preparation. Residents will be forced to bear the additional costs of alternative energy sources, such as generators or candles, exacerbating economic hardship.

It is against this backdrop that the PSA has called for the reasonable extension of the deadline to allow workers, residents, and businesses sufficient time to comply. The PSA calls for a more gradual and managed recalibration process. Eskom must provide clear and concise information and guidance on the meter update process to avoid confusion and misinformation. The PSA calls for a robust consultation process with all stakeholders, unions, community organisations, and other stakeholders to develop a comprehensive plan to mitigate the impact of the meter updating and recalibration process. Consideration me given to provide technical support to workers and residents who are affected by the updating process.

The PSA will not stand idle whilst workers and citizens are threatened by Eskom's deadline for meter recalibration. The PSA will continue to engage with Eskom and other stakeholders to ensure that the rights and interests of workers and citizens are protected.

Improving Eskom efficiency

One of the factors affecting Eskom’s sustainability is its efficiency. There are electricity losses that can be avoided, and new technologies are available that can be deployed to enhance efficiency. The PSA believes that Eskom can become more efficient without burdening citizens with high electricity tariffs. Several measures, if implemented consistently and meticulously, can improve Eskom’s efficiency. However, a strategy to improve efficiency must target operational, financial, and regulatory efficiencies, and improve accountability.

Operational efficiency

Eskom lost close to R5 billion in the 2022/23-financial year owing to illegal connections, meter bypassing, cable theft, and other criminal activities. This significantly affected its operational efficiency. Criminal activities must be combated and law enforcement agencies, the police, and organised crime intelligence divisions must intensify actions to deal with this criminality. Those who connect illegally and those who vandalise infrastructure must face the full wrath of the law.

In the meantime, Eskom must implement energy-efficient technologies and practices, such as smart grids and demand-side management, to reduce energy losses and optimise energy distribution. The share of renewable energy sources must also be increased to avoid over reliance on coal-fired power plants and boost the grid when demand is high. There must be regular maintenance and upgrading of existing infrastructure to minimise downtime and reduce energy losses.

Financial efficiency

Eskom's debt is not sustainable. It owes creditors, including financial institutions, some R254 billion. On the other hand, Eskom is owed R82.3 billion by municipalities, accumulating in arrears. Whilst the PSA welcomes government's decision to provide Eskom with debt relief over the next three years, the entity will need to radically restructure its debt if it is to remain a viable institution. The restructuring of debt will reduce interest payments and free up resources for investment in efficiency improvements. On the other hand, municipalities and government departments that owe Eskom must be engaged to pay such debts. The failure of government and municipalities to pay Eskom for what they have consumed is crippling the entity and compromising its efficiency. Meanwhile, cost-cutting measures such as reduction of administrative expenses and streamlining operations must be implemented to minimise waste and optimise resources. Eskom must also explore partnerships with private-sector companies to access funding and expertise for efficiency improvement projects.

Regulatory efficiency

The PSA is advocating for a regulatory framework that promotes efficiency and competition in the energy sector. There must be non-discriminatory access to the grid for all generators of electricity. The coming of independent power producers in the sector will increase competition and drive efficiency in the energy sector. There more competitive the environment, the better the chances for consumers to benefit from lower prices.

Transparency and accountability

The PSA calls for transparent financial reporting. Eskom is a public entity and must account to the public transparently and openly. It must not be shielded from accountability or given exceptions for provision of its annual financial reports. There must be transparent and regular financial reporting to stakeholders, including details on costs, revenues, and efficiency improvement initiatives. The PSA proposes the establishment of an independent oversight body to monitor Eskom's efficiency improvement initiatives and ensure accountability. Instead of engaging stakeholders in crisis management, Eskom must regularly engage with stakeholders, including residents, businesses, and civil society organisations, to ensure that their concerns and needs are considered in efficiency improvement initiatives. By implementing these measures, Eskom can become more efficient without burdening citizens with high electricity tariffs.

Make government buildings fields for solar energy harvest

As of 2022, there were approximately 1 230 835 public servants in South Africa. This number represents the total number of employees in the public service at national and provincial level. In addition to this number, approximately 194 494 people were employed in the local sphere of government in 2016. This gives a total estimate of 1.4 million workers in government. More than 60% of these employees are housed in office buildings with roofs. Government is also the largest developer and owner of public infrastructure such as schools, hospitals, recreational facilities, police stations, prisons, *etc*., yet it does not maximise the abundant potential of these infrastructure as fields from which to harvest solar energy. Government can play a leading role in promoting renewable energy and reducing its carbon footprint by harnessing the solar energy potential of its buildings

The PSA therefore proposes a plan to install solar photovoltaic (PV) systems on government buildings, feeding excess energy back into Eskom's power grid. Such a plan can be rolled out by the Department of Public Works in collaboration with Eskom with the primary objectives to:

- Decrease energy costs: Solar energy can help reduce government's energy expenditure, allocating resources to other critical areas.
- Promote energy security: By generating energy locally, government buildings can reduce their reliance on the national grid, enhancing energy security.
- Reduce greenhouse gas emissions: By generating clean energy from solar PV systems, government buildings can significantly reduce their carbon footprint.
- Create jobs and stimulate local economies: The installation and maintenance of solar PV systems can create employment opportunities and stimulate local economies.

The roll out of this project proposal must be preceded by a feasibility study to assess the solar energy potential of government buildings, considering factors such as roof size, orientation, and shading. The selection of buildings must be scientific to select suitable buildings sufficiently fortified to avoid disasters. Eskom must guide the installation to ensure that service providers are suitably qualified and certified to provide such services. Once installed, the system must be monitored regularly to evaluate its performance, track consumption and contribution to the national grid.

The PSA believes that the proposed initiative offers a unique opportunity for the South African government to demonstrate its commitment to renewable energy, reduce its carbon footprint, and promote energy security. This initiative will have a positive impact on the environment, the economy, and the lives of South Africans.

Conclusion

The PSA strongly objects to Eskom's application for an electricity tariff increase. As a responsible Union and voice of a multitude of workers and voiceless masses of electricity consumers, the PSA believes that this increase will have devastating consequences for households, businesses, and the entire economy. The proposed 36% tariff increase will disproportionately affect the most vulnerable members of society, including low-income households, pensioners, and small businesses. Many of these people and entities are already struggling to make ends meet and will be forced to make difficult choices between essential expenses, such as electricity, food, and healthcare.

Such a tariff increase will furthermore exacerbate already high levels of energy poverty in South Africa. It will also undermine efforts to promote economic growth, job creation, and social development.

Instead of increasing tariffs, Eskom and the government should focus on implementing cost-saving measures, increasing energy efficiency, and promoting renewable energy sources. This will reduce the financial burden on consumers and contribute towards a more sustainable and environmentally friendly energy sector.

The PSA therefore respectfully requests that NERSA rejects Eskom's application for an electricity tariff increase and, instead, work with stakeholders to develop a more equitable and sustainable solution to South Africa's energy challenges.