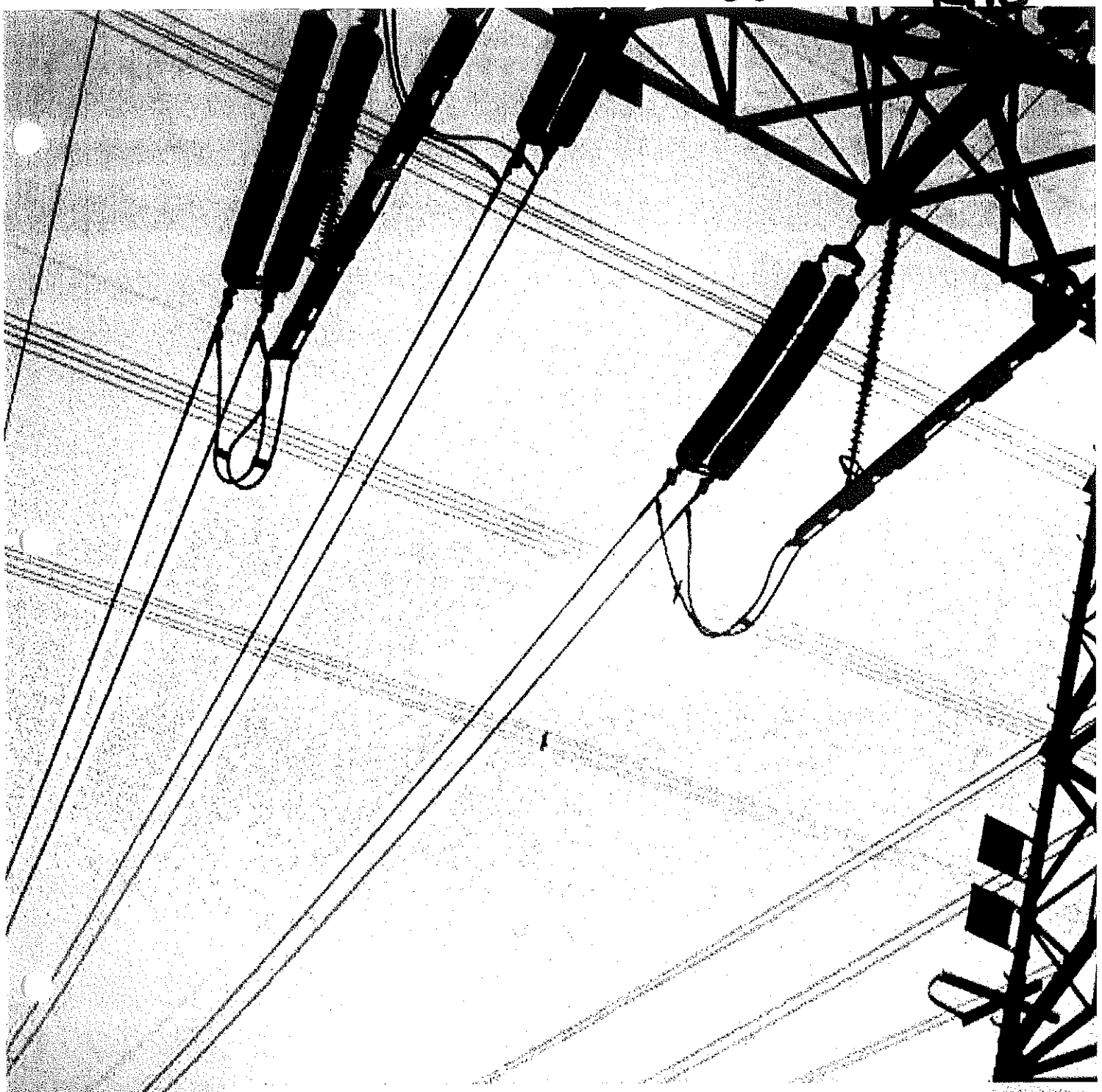
262 "RAZ 2"



Revenue Application

FY2018/19

August 2017

Eskom

- Energy Conservation Scheme (ECS) rules were embedded in Electricity Supply Agreements

- Reluctance by global companies to invest in SA due to a lack in competitiveness and the uncertain situation in SA from a political and sustainable financial perspective (i.e. credit rating, labour)
- Internationally governments (not utilities) provide mechanisms for incentivised electricity prices for large energy intensive users in their countries
- A sustainable solution requires a coordinated national (SA Inc) effort and should consider all options. Eskom is completely supportive of any policy interventions by the Government in ensuring further economic growth that is likely to attract further industrial investment.
- As reflected in Eskom's application, Eskom is making every effort to increase local in cross-border sales. However, as alluded to earlier a concerted effort by the country is needed to improve economic conditions.

As cost drivers are not only electricity prices, growth initiatives are driven from a country platform together with the key role players, i.e. Department of Trade and Industry, Economic Development Department, Industrial Development Corporation, National Treasury, Department of Energy, and the National Energy Regulator of South Africa to ensure an integrated and focused SA Inc approach to maximise growth stimulation.

The Government has initiated the establishment of a work group facilitated by the Department of Public Enterprises to find alternative options that can be implemented. This include short term price incentives for electricity intensive users as well as more cost reflective tariffs for energy intensive industrial customers.

19.2.9 Impact on Municipal Debt

SALGA is concerned that any price increase will result in further debt burden on Municipalities. Approximately 50% of Municipal electricity customers are residential customers. Approximately 40% of these are indigent. It is felt that this is a vicious cycle.

It is agreed that the Municipal debt challenge needs to be addressed. It is submitted that the challenge needs to be looked at holistically from a Municipality financial sustainability point

of view. The economic impact study undertaken by Eskom illustrates the impact of price increases on various economic factors.

Eskom has committed to look at some of the items which the Municipalities deem to be contributing to the Municipal debt situation.

Eskom has agreed to implement the following (after following due governance processes)

1. Changing the interest rate charged on overdue amounts from Prime plus 5% to Prime plus 2.5%
2. Changing the payment cycle from 15 days to 30 days
3. Changing the payment allocation to Capital debt first and then interest
4. Allowing municipalities to pay connection charges for new/upgrading of supply points over a period of time instead of on a cash upfront basis.

It is proposed that these concessions would make it easier for the municipalities to deal with the debt situation.

