



NERSA

23rd May 2009

Per Email: [eskominterimprice2009@nersa.gov.za](mailto:eskominterimprice2009@nersa.gov.za)

ATTENTION: MR MOTHIBA AND MS SINGH

Dear Mr Mothiba and Ms Singh

### COMMENTS ON Eskom's PROPOSED INTERIM PRICE INCREASE APPLICATION (MAY 2009)

As a Non Profit Organisation promoting the use of sustainable renewable energy as an alternative to unsustainable fossil fuel energy and showing people how to lead a lifestyle more in tune with nature, we have the following concerns regarding Eskom's proposed 2009 tariff increase:

- (i) If approved, the increases will have been over 30% per year over the last two years. This amounts to a compounded increase of over 69% in two years. For such continued steep tariff hikes, we would expect that a firm plan is in place to substantiate these hikes, yet, from a recent media report, our new energy department announced that it *"would soon embark on a consultation initiative with industry stakeholders regarding the future of the South African energy sector"* ... and ... *"Once that consultation process had been concluded, the Department of Energy would concentrate its efforts on developing an energy roadmap for the next five years."* If no plan is yet in place, is this hike purely about funding Eskom's current operations? If Eskom has a plan in place, does NERSA have the details of this plan and has NERSA established the sustainability of this plan? Who are the stakeholders that the DE is going to consult with regarding SA's energy future (besides Eskom)? Can we have names please?
- (ii) At a time when businesses are reducing staff compliments and / or closing down due to the financial crises and with the people of South Africa struggling to survive with the high price of fuel and food, will NERSA's decision to approve the hike be based on Eskom's best interests or our country's best interests? It seems quite clear that it is Eskom's intention to continue down the nuclear and coal paths, both of which are dirty, unsustainable, expensive, potentially life threatening with long lead times. What is NERSA doing in terms of regulating Eskom's planned activities? If Eskom's planned activities conflicts with the best interest of our country and its people, will NERSA penalise Eskom or revoke Eskom's licence? It is clear that the best long term sustainable solution for SA is to decentralise power production & supply and to heavily start investing in renewables. How, when the electricity sector is controlled by a monopoly heavily invested in unsustainable power production, can we be assured that our money will be spent on sustainable (and quick) solutions?
- (iii) When is Eskom's licence with NERSA up for renewal? Will NERSA renew the licence? If so, on different or the same terms?
- (iv) South Africa's current electricity supply industry is highly unbalanced with 95% of power supplied by one company. It is clear that this causes a major conflict of interest when such

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 A Non-Profit Organisation – Cape Town, South Africa 

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a company proposes hikes as the resultant approval/non-approval by NERSA could impact significantly on the security of supply. What is NERSA doing about this gross imbalance in the electricity supply industry?

- (v) South Africans paid for the electrical infrastructure that we have today and past governments have given away our spare capacity at very low rates to foreigners and foreign companies. What is NERSA doing to mitigate this problem? These companies should bear the brunt of electricity price increases. It is our opinion that if foreign companies wish to operate on our soil, then they must pay the same electricity rates as they pay in their own countries. This would more than amply provide for South Africa's overall electricity needs. What is NERSA's view on this?
- (vi) It has been proved that the costs of renewable energy are going down each year and that the costs of fossil fuels are dramatically increasing every year. In addition, the fuel costs of renewable energy are zero. As it is part of NERSA's mandate to plan for our country's future electricity infrastructure, to promote alternative electricity generation technologies, and to research & develop electricity distribution, what is NERSA's view on the two aforementioned facts and how Eskom will fit into South Africa's energy future? NERSA should have a clear view on this if proper research has been done.
- (vii) What is NERSA doing to show (and encourage) the average South African that there are other ways of reducing their reliance on the national grid so that the national grid mostly supplies businesses whilst private people and small business produce as much of their own renewable energy as possible?
- (viii) Renewable Energy power can be installed in months whereas big coal and nuclear power stations take decades. Big nuclear and coal power stations have huge carbon footprints, not only in their construction, but also when they run (also in their decommissioning and restoration of the environment following their decommissioning). What is NERSA doing to ensure that non-renewable fueled power stations reduce their carbon footprints?
- (ix) Your defined function is to "regulate the electricity industry", however, it is also NERSA's duty to provide our country with a National Integrated Resource Plan. It seems that, thusfar, NERSA simply regulates what is in place (the state owned utility) by instituting what is best for that state owned utility. The best for the state owned utility is not to decentralise power production. This leaves it impossible for a private individual to produce and supply electricity privately. Is it not NERSA's responsibility to ensure that there is a diverse and fair industry in place (placing firmer regulations on Eskom and loosening regulations for independent small local private power producers) which will stimulate and strengthen South Africa's economy?
- (x) It has been shown that Renewable Energy localises jobs and increases job rates dramatically and quickly. What is NERSA doing to ensure that money for building power stations stays in South Africa (ie South Africans (business and private) are given priority [in terms of the issuing of licences and in terms of job creation]).
- (xi) We are expected to fund large increases in electrical infrastructure over the next 10 to 20 years. Before approving this kind of tax increase, we believe it is our right to know how and where the moneys will be spent. Please give us an annual breakdown of planned

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infrastructure spending (including a breakdown of how much will be spent on renewable energy, RE rebates, and RE tax incentives). Please also tell us how you see oil and coal price increases over the next 20 years? Also, how many MW of solar, wind and micro-hydro power does NERSA expect to be rolled out over the next 20 years?

- (xii) Has NERSA considered using dump sites and/or using gas from sewerage in the form of biodigesters to provide gas for our people? Townships could easily create gas for cooking from their sewerage as many of their toilets are together and therefore facilities could easily be erected to take advantage of this gas. Has NERSA considered these options?
- (xiii) NERSA will only provide licences to IPPs which generate more than 1MW of power. How much government support is given to these commercial IPP's, both in the building phase and the production phase? We know that these IPP's will not build power stations without proper financing and income streams over a long term (20 to 30 years). Please can NERSA let us know what their agreements are with these businesses? Why aren't these incentives being made available for smaller private power producers?
- (xiv) We are constantly told that feed in tariffs are expensive, but as per the last question, long term payment plans are already in place for NERSA approved IPPs. Why isn't NERSA being open and honest with its stakeholders, ie the paying public, about the real cost of electricity?
- (xv) What is NERSA doing to promote the use of new electricity meters that measure electricity "in and out", which can also provide for net metering and "time-of-use" billing?
- (xvi) There has been a suggestion that although Americans and Europeans pay a higher nominal rate for their electricity that as a percentage of their total income they pay dramatically less than South Africans. Has NERSA researched this? If South African businesses and private people pay more for electricity as a percentage of their total turnover and income respectively then how are South Africans and their companies meant to compete on the world stage?

We hope that NERSA is (as it should be) an independent organisation (with its own ability to think, act and make decisions having regard to the bigger electricity generation and distribution picture) not representing just one licensee and doing whatever that licensee proposes, but rather acting in the best interests of our country. This is NERSA's true function.

We look forward to your reply.

Yours faithfully

**DAVID LIPSCHITZ**

CHAIRPERSON

*\*Note: Email, as opposed to "snailmail" or fax, is our preferred mode of communication.*



*Please SAVE, don't print!*

**NINETTE POTGIETER**

VICE CHAIRPERSON

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