

FISH HOEK VALLEY RATEPAYERS & RESIDENTS ASSOCIATION

(Incorporating Fish Hoek, Clovelly and Sun Valley)

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TO: THE NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)
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CC: Esmeralda.Abrahams@capetown.gov.za FOR CITY OF CAPE TOWN'S
COUNCILLOR I R IVERSEN

SUBJECT: INVITATION FOR PUBLIC COMMENTS ON ESKOM'S REVENUE
APPLICATION FOR 2018/19

CLOSING DATE: 13 OCTOBER 2017 AT 16:00

1. DISCUSSION

In terms of Section 16 of the Electricity Regulation Act of 2006, the setting of prices, charges, tariffs and the regulation of revenues and as stated in Government Gazette #31741 of 19 December 2008, Section 2.1 General Tariff Principles, for customers, the tariff objective is to be **affordable**. Price levels should assume an **efficient** and prudent utility, in other words prices should be based on least cost options and exclude inefficiencies. Tariffs should be **equitable and fair**. Prices should be **predictable** and fair preventing price shocks. Prices should be **transparent** with no hidden costs.

Affordable

Any energy commodity necessity that increases above the consumer price index (CPI) is not affordable. Many of our members are either pensioners or new families with small children. The annual increases in pensions and negotiations of salaries have difficulties pegging to CPI as a minimum, much less an exorbitant increase of 19.9%.

Efficient

Corruption is not efficient. The Democratic Alliance has laid fraud, racketeering and collusion charges against McKinsey after the US global consultancy firm was implicated in the Eskom corruption scandal. The consultancy stands accused of having subcontracted 30% of its business with Eskom to the Gupta-linked Trillian firm, in what critics say essentially amounted to a bribe to secure the contract for McKinsey. Corruption and bribery are prohibited in terms of the Prevention and Combatting of Corrupt Activities Act.

Equitable and Fair

Other energy costs are not escalating by 19.9%. Oil and its derivative products are an international energy commodity, which has not increased by 19.9% even with our wildly fluctuating currency, but especially not in constant US Dollar terms. Disregarding briefly the recent 4.9% increase, these prices have been dropping since 2014.

Predictable

At 19.9% as per Eskom's average increase in electricity tariff application, this is a price shock. Price shocks are normally attributed to a lack of supply, but Eskom has spare capacity. Eskom has connected two 794MW units from the Medupi power station, one 800MW unit from the Kusile power station and all four 332MW units from the Ingula pumped storage scheme to the grid by the end of 2016. Since January 2017, this spare capacity stood at 27.1% of demand. Eskom should lower the prices to increase consumption.

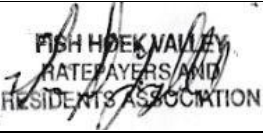
Transparent

Transparent means no hidden costs. Paying bribes and awarding contracts without going through requisite tendering processes cost more. This amounts to broken trust. Savings from corruption should be recovered and applied to further reduce the cost of electricity to consumers. Perpetrators should be charged for their criminal activities.

2. RECOMMENDATION

It is recommended that, for the reasons set out in this report that:

- Eskom's 19.9% average increase in electricity tariff application **BE DENIED**;
- Eskom's prices should be lowered due to the spare electricity generation capacity, savings from not paying bribes and recovered funds spent fraudulently.

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DATE	20 September 2017