



# **NERSA PUBLIC HEARINGS**

19 February 2020



# AGRI LIMPOPO



- ▶ Agri Limpopo is a federation of farmers' associations located across Limpopo.
- ▶ Through its affiliated membership, Agri Limpopo represents a diverse grouping of individual farmers regardless of gender, colour or creed.
- ▶ We aim to protect and advance the interests of our members and of agriculture as a whole within the province.
- ▶ This submission is made on behalf of Agri Limpopo, its affiliated associations and their member farmers.



# CONTEXT



- ▶ Agriculture in Limpopo has over the past few years been confronted with numerous challenges, including:
- ▶ Devastating drought conditions;
- ▶ Impact of climate change;
- ▶ Policy uncertainty;
- ▶ Persistent load shedding;
- ▶ Sustained above inflations increases in electricity tariffs; and
- ▶ Outbreaks of Foot and Mouth Disease, amongst other factors ...



# CONTEXT



- ▶ ... all of which has forced some farmers out of business and left others facing enormous financial constraints.
- ▶ Our sector continues to face rising input costs.
- ▶ Electricity is a key production input for the agricultural sector and increased tariffs will undoubtedly have a severe impact on the agriculture in Limpopo and its ability to contribute to economic growth and a reduction in unemployment, poverty and inequality.



# CONTEXT



- ▶ This is particularly so with respect to irrigation-reliant and energy-intensive sectors such as horticulture, dairy, poultry, grains and the agro-processing industry.
- ▶ The current trajectory of rising electricity tariffs over many years is unsustainable for the economy as a whole and for agriculture in particular.
- ▶ Further increased electricity tariffs (on top of years of above-inflation and unsustainably high increase) will only add further unnecessary pressure to an already constrained operating environment for the agricultural sector.



# CONTEXT



- ▶ In our view Eskom's business model is no longer sustainable.
- ▶ In fact, it's clearly in a death spiral.
- ▶ According to this RCA application will in all probability exacerbate Eskom's woes as its consumers look to alternative sources of energy
- ▶ The real solution lies in the radical reformation of the entire electricity sector.



# CONTEXT



- ▶ It is immoral to expect business and civil society to carry the burden of bad, malfeasant and corrupted governance;
- ▶ of state capture and rampant looting committed with absolute impunity;
- ▶ of poor policy choices; and
- ▶ of intransigence by government in the face of a crisis given factional politicking – much with nefarious alternative intent



# CONTEXT



We believe that the entire RCA process should be scrapped:

- ▶ It allows Eskom to claw back extra revenue by means of loaded future tariffs from customers for years when its revenue did not reach expected levels and/or when prudent costs were higher than predicted.
- ▶ This process effectively allows Eskom to overstate its sales predictions and understate its operating costs without reference to reality, and then go back to NERSA to get the extra funds;



# CONTEXT



- ▶ The mechanism, which allows Eskom to return to the regulator every year to gain approval for unforeseen cost increases, leads to inconsistency and adds to the economic uncertainty in the country
- ▶ In most instances Eskom's consumers are unable to pass this claw back on to their customers as their product/produce has already been sold and thus have no alternative but to simply absorb the claw back cost.



# RECOMMENDATION



Considering the above, we recommend that Eskom's RCA application not be approved as:

- ▶ It is inherently unfair for Eskom's consumers to carry the burden of bad, malfeasant and corrupted governance;
- ▶ of state capture and rampant looting committed with absolute impunity;
- ▶ of poor policy choices;
- ▶ and of intransigence by government in the face of a crisis given factional politicking – much with nefarious alternative intent



# RECOMMENDATION



- ▶ The Agricultural sector can no longer sustain continual above-inflation electricity tariff increases.
- ▶ The proposed increase will negatively affect the agricultural sector which is already under pressure as set out above.
- ▶ Eskom's business model is broken and no longer sustainable.
- ▶ Eskom is now in a death spiral – acceding to this application could very well exacerbate its plight



# RECOMMENDATION



- ▶ The real solution lies in the radical reformation and restructuring of the electricity sector and sources of energy generation and storage; and
- ▶ a return to good, ethical, clean, corrupt-free and progressive governance.
- ▶ We further recommend that the Regulatory Clearing Account system be scrapped for the reasons advanced.



# RECOMMENDATION



**THANK YOU**