

Eskom MYPD4 application

groundWork

18 January 2019

Abuse of process?

- The RCA process now seems to be routine rather than exception.
- Alongside it, Eskom is also challenging Nersa in court over the MYPD3 RCA decisions and the MYPD4 decisions.
- To assess Eskom's demand, we assume that:
- We must add all three together.
- And then add another RCA next year and the next year.

MYPD 4 +

- In 2019/20: it got 8.4% + RCA 4.5 ~14%
- In 2020/21: it got 8.1% and wants + RCA (~18%)
- Court applications:
- 23bn/pa bailout (10%)
- 40bn review of previous Nersa awards.
- All in all, we're starting to feel a little confused.

But, does this add up something like this?

		2019/20	2020/21	2021/22
Eskom Standard Tariff (R/kWh)		R1.02	R1.24	R1.43

That is, it looks rather like the MYPD4 application.

So is Eskom simply trying to recover what Nersa has previously not awarded it?

PLUS

- Municipal increase

eThekwini rate now at R1.70

So looks like an increase to about

- R2.30 / kWh in 2021-22 + RCA awards

Eskom usually claims to protect the poor – but doesn't mention them here

Over half of South Africans are poor and another quarter are vulnerable to being pushed into poverty.

According to PMB Economic Justice & Dignity, that next quarter are already falling into poverty while the poor are ever poorer. Many of them are borrowing from loan sharks just to put food on the table, keep the lights on, pay for transport & send children to school.

And things will get a lot worse if Eskom is given “a further 17% tariff hike”

Eskom's reasons include

- Sales were down on projections – as usual
- Plant performance was down
- Coal costs are up
- Diesel costs are up – price + to compensate for plant performance.
- Cahora Bassa was hit by drought (this year by flood)
- Operating costs were up - including that Medupi & Kusile needed maintenance already
- And, of course, Eskom cup of debt overflows

Bad Energy

On MYPD 2, we said the issue is not the funding model. We are being asked to pay for the wrong energy model: Wrong on:

- Choice of power generation
- What power is for
- Social and environmental externalities
- Eskom wants people to pay for its choices without consulting them.

It is **STILL WRONG** on all those grounds.

IN 2009, we said:

“Eskom’s choice of very large generating plant creates unaffordable funding requirements. The costs of Medupi and Kusile have risen exponentially. Total costs for Eskom’s new build were estimated at R84 billion in 2004. These two plants alone are now put at R260 billion and it seems that this is not yet the final price.”

The combined cost now is ~R450bn and still rising.

What change? – 2009 to 2018

- Choice of big base load to supply energy intensive energy.
- Then: we pointed to likely over-investment.
- Now: Eskom wants to be compensated for that over-investment
- Then: EIUG complaining of rising costs.
- Now: EIUG wants 'competitive' tariffs for big industry.
- So who gets left with the bill?

Coal costs

On Eskom's own account

- the Highveld coal resource is in decline;
- big old mines are reaching the end of life,
- more coal is coming from smaller mines,
- more is transported long distance,
- coal quality is declining,
- environmental impacts are increasing.

Eskom does not mention of procurement scandals

Demand side management

At the time of this application, Eskom was now focused on 'demand stimulation'.

XX In 2009, we said:

“As with Eskom, government’s record suggests that getting a return on its infrastructure investments will trump conservation as soon as an expanded power supply is secured and irrespective of any rhetorical devotion to climate mitigation.”

We note that Nersa made no provision EEDSM in this period because it thought the supply was in surplus.

SSEG regs

Eskom hikes stimulate SSEG

- We asked about Nersa SSEG regs last year.
- We have not seen any public process.
- We now hear that govt is promising industry that they will be able to install own-gen.
- But it seems that household & community SSEG remains blocked

Likely results:

- Benefits of hhld investments lost to the grid
- Damage 'orderly development' of the grid
- Delay smart grid
- Provoke resistance / rebellion

Prudent & Efficient???

- None of the above prudent or efficient

PLUS

- Maintenance – they never learn!
- Where's the Majuba coal line?
- Turn around strategy – where is it?
- Plant closures – where's the planning?
- Eskom appears to be using 'reserve storage' [75] to avoid closure.
- Just transition – where's the planning?

Externalities

- It is also conservatively estimated that Eskom emissions of PM_{2.5} result in over 2,000 'equivalent attributable deaths' every year and a heavy burden of ill health, affecting tens of thousands, is imposed on the population.
- Minimum emission standards (Nema:AQA) are supposed to limit health and other impacts
- Eskom has resisted MES over 15 years and repeatedly returned to DEA for postponements or effective suspensions

Climate crisis

We argue that the intervention time left to prevent tipping could already have shrunk towards zero, whereas the reaction time to achieve net zero emissions is 30 years at best. Hence we might already have lost control of whether tipping happens. ...

The stability and resilience of our planet is in peril. International action — not just words — must reflect this.

Calls on Nersa

- - demand that Eskom itemise and quantify corruptly incurred costs and that those costs are taken off its allowed revenues;
- - reject Eskom's proposed residential tariff increase and calls for a universal inclining block tariff with a wider lower band for which the tariff is set at 0c/kWh and more bands at the top;
- - call for the repudiation without compensation of the special pricing agreement with South32, inherited from BHP Billiton;
- - propose that the cost of base-load new build be attributed to energy intensive industrial corporations in proportion to their consumption;
- - call on NERSA to consider the externalised costs of construction and operation to the environment and to people's health and well-being – which makes the price hikes even more burdensome;
- - xx call for the closure of equivalent capacity in Eskom's old coal plants as Medupi and Kusile are brought on line;
- - call for expanded and sustained energy conservation to be made a core component of the energy system;

Call on government

- - call on government to conclude the IRP 2018 process in an open, participatory and democratic manner;
- - call on government to create a socially owned systems operator independent of Eskom;
- - call on government to turn away from fossil and nuclear technologies and focus national capacity on building a sustainable energy system under people's control and based on energy conservation and efficiency and renewable generation technologies;
- - call on government to plan for a just transition through an open, participatory and democratic process.

Conclusion

If SA wants to

- supply the energy needs of its people,
- respond to unemployment (just transition),
- avoid catastrophic climate change,
- clean up air pollution to let people breathe,
- conserve water and prevent the further destruction of whole watersheds, and
- avoid bankrupting itself,

it should focus national resources on developing renewables under democratic control while shutting down coal plants.