



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA
Private Bag X1000, Pretoria, 0001

NATIONAL ASSEMBLY

QUESTIONS FOR ORAL REPLY
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★798. Ms J C N Mkhwanazi (ANC) to ask the Minister in The Presidency for Electricity:

- (1) Whether there are any strategic interventions in place aimed at ensuring that the volumes sales that have been declining for several years and the implementation of the Electricity Regulation Act, Act 4 of 2006, do not lead to a deterioration in Eskom's liquidity for funding access and credit rating; if not, why not; if so, what are the relevant details;
- (2) How will the diminishing volumes of sales for Eskom be reversed amid the increasing number of efficient independent power producers?

REPLY

- (1) The Electricity Regulation Act (ERA) requires the National Energy Regulator of South Africa (NERSA) to ensure that it allows the recovery of all efficient costs for the production of electricity. Eskom is still at the stage where this requirement of the ERA is being implemented. Thus, the implementation of the ERA does not lead to the deterioration of Eskom's financial sustainability. Rather, it is the ability of NERSA to implement the policy requirements of the ERA that contributes to the deterioration.
- (2) Nonetheless, one of the interventions is to properly structure electricity tariffs to ensure that fixed costs associated with immovable lines, transformers, and power stations are fairly recovered through the fixed charges that are not dependent on kWh sales volumes. Eskom remains committed to its goal of aligning fixed cost recovery through fixed charges. This continued effort signifies Eskom's dedication to finding a mutually beneficial approach that ensures fair cost recovery while maintaining the stability of the energy sector.
- (3) The government-procured independent power producers (IPPs) sell their energy to Eskom. Thus, the majority of energy produced by IPPs is included as Eskom sales. There are other IPPs that do not sell to Eskom, and thus, this is likely to contribute to a reduction in Eskom sales.

- (4) The decline in sales is associated with market demand patterns rather than directly with the ERA. The increase in awareness of energy efficiency and the accelerated adoption of embedded self-generation, propelled by Generation (Gx) plant performance, have contributed to a contraction in market demand. When adjusting actual sales to accommodate estimated load-shedding impacts since 2018, there seems to be an average annual loss of approximately 3 TWh on a straightforward progression.
- (5) Amongst the deliberate measures put in place to keep Eskom consumers and increase revenues include grid strengthening and the introduction of new products and services. As a result, Eskom will be able to mitigate the impacts of declining sales and augment revenue. The following are among the initiatives:
- Retain existing customer sales and revenue through improving customer service (increasing accessibility and engagement), tariff restructuring, renewable energy credits, smart meters, and decreasing energy losses.
 - Increase availability of electricity supply through alternative energy sources such as renewable energies, microgrids, and battery energy storage system (BESS) technology.
 - Enable generators to wheel energy to different off-takers connected to the grid, thus securing the cost recovery for networks, including fixed generation standby costs.
 - Increase the customer base by fast-tracking customer connections of new applications and grid strengthening to ensure that all customers who apply are connected.
 - Increase the customer base by increasing the products and services offering to include eMobility services, the Distribution System Operator, the Distribution Energy Trader, and providing consultancy services.
 - Actively market all the products and services, and find new markets.