



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

17 January 2025  
Mr Zwanga Ralufhe  
Kulawula House, 526 Madiba Street, Arcadia,  
Pretoria; 0083, South Africa  
[erts@nersa.org.za](mailto:erts@nersa.org.za)

## SUBMISSION TO ESKOM'S PROPOSED RETAIL TARIFF PLAN CONSULTATION PAPER

### Contents

Introduction:.....	1
Specific comments: .....	2
Conclusion: .....	7
Appendix A: Legal arguments: .....	9

### Introduction:

The Green Connection is a registered non-governmental organisation, that believes economic growth and development, improvement of socio-economic status and conservation of natural resources can only take place within a commonly understood framework of sustainable development. It aims to provide practical support to both the government and nongovernmental/ civil society sectors, which are an integral part of sustainable development.

In principle, we support the submissions of the NGOs groundwork and SAFCEI in calling for a broader overview of financing of the energy system going forward.

We believe that the old system which involved large centralised power stations sending out power from the centre to the periphery is over and we are moving to a more variable system. This will be made up of



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

a variety of generation sources, different grid ownership (both at transmission and distribution) and generation technologies with various production dynamics, which are able to follow the load.

Such a system change is bigger than Eskom and should have at its heart, the principles contained in NEMA (broadly aligned with putting social and ecojustice ahead of profit), as well affordability and sustainability as described in section 6 of the National Energy Act which is now in force.

At the moment, South Africans are constantly being asked to react to Eskom applications. This is a very unequal playing field. Eskom has dominated the electricity generation space and has a particular culture of appearing to defend the past technology choices, avoid its environmental responsibilities if possible and to drive its tariff applications to financial profitability for Eskom rather than in the national interest of affordable electricity for all.

This leads to civil society and other stakeholders constantly reacting to Eskom ideas, rather than proactively planning a tariff system that will fulfil broader societal goals.

We therefore call on NERSA to approach the Minister of Energy and Electricity to initiate a process of stakeholder engagement to find the appropriate energy pricing system for South African context. Such a financing system needs to look at financing for transmission and generation infrastructure, system operations such as the ISMO or system operation which will be independent of generation (i.e the unbundling and ERA implementation).

We need to look at how to make electricity affordable over time, and how to subsidise energy provision particularly to the poor and vulnerable at the present in order to provide for the societal good not Eskom profit.

We have also attached our supplementary legal submission which outlines the legal framework that we believe informs NERSA's decisions (see Appendix A).

## Specific comments:

With these introductory comments, we respond to NERSA's specific questions, focusing our responses on where the structure of the tariffs would be beneficial for a future energy system, rather than on Eskom's demands. We would also ask that NERSA considers substantive points that apply to more than one



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

stakeholder question to have that applicability even if, due to time constraints, it was not possible to elaborate fully under each point.

**Stakeholder Comment #1:** Eskom CTS Stakeholders are invited to comment on the acceptability of basing the tariff restructuring on approved revenue allocation as opposed to the true cost to supply customers and the potential impact thereof.

We do not support the idea that Eskom tariffs be based on revenue and feel it is unacceptable as it covers up flaws in the revenue allocation calculations. For example Eskom makes comments about baseload provide most of the electricity and will added expensive generation in periods of high demand. Eskom also refers to increased costs for transporting electricity over longer distances. This is out of date thinking that continues on centralised generation and distribution out from Mpumalanga to the rest of the country. The world is a different place and if we had a proper cost of supply in a modern electricity generation system, we would see very different costs.. generation located close to demand as well as diverse generation to be transport shorter distance. Instead of expensive base load that waste money generating when there is no demand, we would have generation that follows the load.

We support SAFCEI and Groundwork submissions in principle – as SAFCEI states, In its application ESKOM repeatedly states that a key objective of the proposed new RTP is transparency around the cost of the different services that make up the total cost to supply electricity. The tariff restructuring should therefore be based on the true costs of supply. SAFCEI has concerns regarding the *approved revenue allocation* as an accurate reflection of the actual cost of supply.

**Stakeholder Comment #2:** Peak hours changes Stakeholders are invited to comment on the potential impact of increasing the evening peak hours from 2 to 3 hours as well as on the potential impact on demand management and load shifting.

Time of use is a useful way of load shifting to try to balance out demand. However, inequities in society need to be taken into account. Poorer and more marginalised communities travel longer hours to and from work for example and hence any incentives provided to shift peak hours need to take this into account.

Additional measures need to be included in an energy financing methodology and we need to look broader than just at Eskom. Solar water heaters with electric backup set to operate outside peak hours will reduce peak demand considerably as well as reducing energy costs to poorer households.



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

For industrial and commercial customers, TOU which incentivise daytime use shift the system to use solar plants can generate with zero fuel costs. This reduces the need for fossil based back up power. Batteries and pumped storage then can be used for nighttime use for 24 hour operations.

**Stakeholder Comment #3:** Ratio change Stakeholders are invited to comment on the change in ratio from 1:8 to 1:6 and whether these ratios are representative of the intended signals or related costs. Furthermore, stakeholders are requested to comment on whether signalling should take precedence over cost-causation and how this balance should be struck.

The issue should be to run the system efficiently, and any signally should be used to shift the system towards lower costs. For example, daytime reliance on free fuelled solar should be first choice and fossil based should be last as that should be the most expensive if the cost of supply has been correctly worked out, to include all the health and environmental externalities.

**Stakeholder Comment #5:** Unbundling energy charges Stakeholders are invited to comment on whether it is equitable and fair to recover fixed capacity charges differently from customers with and without own generation, considering that customers with own generation were forced to fund alternative energy sources when Eskom experienced capacity constraints.

Green Connection supports both groundwork and Safcei's inputs.

In summary, Eskom seems to be intent on maximising revenue by pushing for a system where people pay irrespective of whether they receive any electricity. This approach is rejected in totality.

To use a non energy example, if a shop produces pies (with flour, eggs etc) and sells them, the shop has to work out what is the cost per pie taking into account, the cost of all the ingredients and how many pies they are going to sell. Good research must go into these calculations because if they underestimate the number of pies that will be sold or if the cost of eggs goes up, they could make a loss.

However, Eskom's answer to this is to charge people to enter the shop. And to increase the cost of entering the shop to the point where people pay to enter the shop and have no money to buy any pies.

Eskom then continues to charge higher entry fees and to claim that the increasing costs are justified by the costs of making the pies.



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

The green connection rejects the logic of fixed charges and believes that all costs should be calculated to be included in the price per kwh of electricity.

For those that have undertaken the expense of installing infrastructure to ensure their own energy security because Eskom electricity was not supplied or too expensive, these households are contributing to energy security of the country by reducing demand on the Eskom generation.

However, where such households or businesses do need Eskom back up power, their tariffs should reflect their demand. For example, should they need power during 3 months of the year or during 12 of the 24 hours per day, their per unit charges would be higher to include the capacity and other fixed costs associated with such demand.

We do also believe that Cape Town's fixed tariff part of the electricity tariff is calculated according to property values which provides an example of a means of cross subsidising poor households from richer households.

However the cost of selling power to the grid should also be calculated according to the same rules that apply to Eskom, which is not happening at the moment for example, those SSEG sellers have a feed in tariff which is not dependent on the cost of their system installation or operation.

**Stakeholder Comment #6 and #7:** Generation capacity cost determination Stakeholders are invited to comment on the approach taken to determine the Generation Capacity Charge (GCC), propose alternative ways to recover fixed generation costs and identify the potential impact of introducing the GCC.

Comment #7: Legacy charge Stakeholders are invited to comment on the approach adopted by Eskom to recover legacy costs and to comment on any other alternative approach to deal with legacy costs.

Industry consumes 56% of produced power, and the remaining 25 members of the Energy Intensive Users Group consume about 40%.<sup>1</sup> Hence, the bulk of Eskom's coal power capacity is to supply big industry. In particular, industrial demand drove the 'new build' and the misguided choice of very large coal fired power – Medupi and Kusile. The massive cost and time overruns were predictable and predicted. A large part of these costs have been picked up through Treasury bailouts (groundwork submission).

**We highlight SAFCEI's input: SAFCEI finds the legacy charge attributed to the first rounds of the REIPPP unacceptable.** While it is true that the early RE generators did result in contracts for higher energy costs,

---

<sup>1</sup> /[https://eiug.org.za/wp-content/uploads/2024/09/EIUG\\_Membership\\_20240917.pdf](https://eiug.org.za/wp-content/uploads/2024/09/EIUG_Membership_20240917.pdf)



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

numerous studies have shown that these RE generators reduced the need for load shedding, reduced the costs of running the OCGT peaking plants AND saved the economy billions of rands by helping to keep 'business lights' on. **SAFCEI wishes to remind ESKOM that as a state owned utility it serves national interests and not just an electricity supply profit motive.**

The cost overruns, delays and bad management of the build programme of Medupi and Kusile have collectively created a legacy debt, which is an ongoing burden for ESKOM and National Treasury. The additional ongoing legacy of air, soil and water pollution and the impacts on the respiratory health of people living near ESKOM coal power stations with inadequate, and illegal, emissions control is a tragic legacy.

**Stakeholder Comment #8:** Tariff rationalisation Stakeholders are invited to comment on: 1. Whether the rationalisation will lead to reduced complexities in that it will simplify the sales and revenue forecasting process for both municipalities and Eskom as well as simplify the process of determining the electricity purchase cost for municipalities. 2. Whether the rationalisation does not lead to too much aggregation and to identify any potential unintended consequences. 3. The potential impact of rationalisation on Eskom and municipalities' revenue.

If a rational approach was to be taken to tariffs, it would mean that we would look at the energy system as a whole, not Eskom. A methodology that looks at the cost to supply for the entire system would be worked out and a per unit costing worked out.

Additional incentives for "good behaviour" or cross subsidies, or subsidies from treasury to poor households would be policy decisions that would allow the tariffs to be policy adjusted.

Any such adjustments would be in the national interest, would aim to redress past injustices and to ensure that equity prevails. For example, rural consumers should not pay more because they are further from the grid.

**Stakeholder Comment #9 a)** Stakeholders are invited to comment on the proposal to remove the IBT and whether the implementation of IBT has yielded its intended purpose.

*"The IBT as a tariff structure is no longer appropriate because of customer perceptions and provides uneconomic incentives for customers installing embedded generation."*



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

The above statement is unlikely to be true for Homelight customers, as very few households would be in a position to afford Small Scale Electricity Generation (SSEG).

Regarding ESKOM's survey of *customer perceptions* it appears that a number of customers complained about the cost of electricity and that they could not afford to purchase more electricity units than they currently do.

Green Connection supports SAFCEI's sentiments and concurs that on the evidence presented by Eskom on its customer survey is meaningless in answering the question.

The principle would be to be charged more the more you use, but many poorer households use more electricity due to backyarders and large numbers of people per dwelling. At this point the tariff system should ensure that those poorer and more vulnerable users are not made worse off by any tariff restructuring. We endorse the SAFCEI statement: **SAFCEI does not support the removal of the IBT for Homelight customers until an effective subsidy structure has been put in place for Low Income Households.** We note that ESKOM's application for a 36% tariff increase for 2025/26 will have a devastating impact on Homelight and all LIHs.

The Green Connection believes that before we move forward with massive changes in tariff structuring, we need to have a meaningful stakeholder dialogue about the consequences, intended and unintended.

**Stakeholder Comment #12:** Subsidy adjustments 1. Stakeholders are invited to comment on whether the current cross-subsidies take into account the need to balance the socio-economic interests of the country as well as the fact that large power users that pay the subsidies are currently facing economic hardships. 2. Stakeholders are invited to comment on how cross-subsidies should be determined due to the fact that there is no national cross-subsidy framework to deal with the issues of retail tariff cross subsidies. 3. The effectiveness of Free Basic Electricity (FBE) for indigent end-users. 4. What are other Methods that can be applied to minimise the burden on subsidy payers, considering the fact that the fiscus is under pressure.

Please see responses to other comments.

## Conclusion:

The Green Connection appreciates the opportunity to comment on this Eskom application but in our view, this amounts to fiddling while Rome burns.



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Civil society expertise as well as other stakeholders should rather be applied to restructuring the entire national energy system financing. This should be to ensure that national priorities are the focus not Eskom profits.

We support SAFCEI and Groundwork in their call for intergovernmental intervention such as a national stakeholder process which ensures affordable energy for all.

We endorse Groundwork's statement that "Cost to serve makes a virtue of ever expanding demand. It is calculated to the advantage of big industrial users. High line charges and reduced energy charges are also calculated to advantage rich and energy extravagant households, and disadvantage poor households who use least, households who conserve energy, and households and communities who install grid-tied renewables. This is the opposite of what is needed".

Energy should not be seen as a means to extract and exploit those that cannot resist for profit, but as an enabler that provides economic development, meeting social needs and respecting ecological boundaries.

We look forward to engaging further.

Sincere regards,

L. McDaid  
**Strategic lead**





# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

## Appendix A: Legal arguments:

Eskom's proposed tariff increases are "aimed to support an evolving electricity supply industry, ensuring that electricity tariffs reflect NERSA-approved costs for generation, transmission, and distribution services, while considering affordability, fairness, and transparency."<sup>2</sup> Despite this, the proposed increase will potentially breach the right to equality, a healthy environment. NERSA as the regulator operates within the bounds of the Constitution and is empowered to make decisions through the Electricity Regulation Act.

### **Equality: Section 9**

This is an inequality issue that carefully needs to be considered. The price increase would undoubtedly hit poor and lower middle-class consumers the worst, disproportionately impacting marginalised people including the elderly and children whose primary caregivers are already stretched in trying to make ends meet.<sup>3</sup> The right to equality is enshrined in s9 of the Constitution and must be given effect to. The need for the price increase is, among other things, due to the chronic mismanagement of Eskom. The responsibility for this self-created crisis should not be shouldered by the poor. An increase of this nature would both directly and indirectly discriminate against poor and marginalised people.

### **A healthy environment: Section 24**

Section 24 of the Constitution is the starting point with regard to the constitutional protection of environmental rights. It provides that:

"Everyone has the right— (a) to an environment that is not harmful to their health or wellbeing; and (b) to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that— (i) prevent pollution and ecological

---

<sup>2</sup> [The National Energy Regulator of South Africa \(NERSA\) publishes Eskom's proposed tariff changes to make electricity pricing fairer and more transparent - Eskom](#)

<sup>3</sup> <https://www.timeslive.co.za/news/south-africa/2024-04-23-hungry-and-powerless-households-battle-to-access-basic-necessities/>



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

degradation; (ii) promote conservation; and (iii) secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.”

Additionally, NERSA is also bound by subsidiary legislation that gives effect to Constitutional Rights such as the National Environmental Management Act (NEMA).

NERSA is bound by the National Environmental Management Act (NEMA) section 2 principles. We submit the following to remind NERSA that in making its decision, we believe such principles must be taken into account. The relevant principles are enumerated below:

- S2(e): Responsibility for the environmental health and safety consequences of a policy, programme, project, product, process, service or activity exists throughout its life cycle.
- S2(i): The social, economic and environmental impacts of activities, including disadvantages and benefits, must be considered, assessed and evaluated, and decisions must be appropriate in the light of such consideration and assessment.
- S2(k): Decisions must be taken in an open and transparent manner, and access to information must be provided in accordance with the law.
- S2(a)(ii) that pollution and degradation of the environment are avoided, or, where they cannot be altogether avoided, are minimised and remedied.

## **Fundamental Principles, objectives and :**

NERSA is also bound by fundamental principles and objectives that require prudence, efficiency and reasonableness. The following strategic objectives have been considered when developing the approved principles:

- (a) Achieve stable electricity prices for the Electricity Industry
- (b) Achieve a stable electricity system for the Electricity Industry that supports Eskom's sustainability



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

(c) Improved systems and tools.<sup>4</sup>

Further, in the NERSA “Principles to Determine Prices in the Electricity Supply Industry” document, it states that:

Revenue requirement is founded on three pillars of regulation that determine whether utilities will be provided with an opportunity to recover their costs and earn a return on their capital investments - costs and investments must be: 3.1.3.1 “prudent,” 3.1.3.2 “used and useful,” and 3.1.3.3 “known and measurable”<sup>5</sup>

According to NERSA’s prudency guidelines, while regulators should allow an entity to recover only prudently incurred costs, what constitutes a prudently incurred cost is dependent on the decision on how to incur the costs was made. In other words, consumers should not have to pay the price for chronic mismanagement of Eskom’s operations. Further, the prudency guideline highlights that costs should be efficient and reasonable

Prudent costs are further outlined in paragraph 6.1.1.3 of the Prudency Guideline:

---

<sup>4</sup> [Enquiries](#)

<sup>5</sup> 3.1.3: [ENERGY REGULATOR OF SOUTH AFRICA](#) at page 8.



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

- a) costs incurred in a corrupt and dishonest manner, or obvious wasteful expenditures, will be excluded;
- b) expenditures that meet a standard of care which a reasonable person would be expected to exercise under the same circumstances encountered by licensee at the time the decision had to be made; and
- c) actions that would be considered reasonable by a person with similar skills and knowledge under similar circumstances.

NERSA should take note of Section 7 of the Prudency Guideline which outlines the principles of Prudency as follows:

## 7. PRINCIPLES OF PRUDENCY

7.1. The following principles, referred to as 'prudency principles', were developed based on the principles of good regulation and other regulatory practices as discussed above. These principles were also developed to support the concepts of prudency, efficiency and reasonableness as required in the three regulated industries' acts and prescripts.

7.1.1. **Legality:** The operations and activities of the licensee should be legal and in line with the legislative framework. This entails compliance with all relevant laws of the Republic and, in particular, the ERA, the PPA and the Gas Act, along with the regulations, rules and guidelines of the regulated industries.



# THE GREEN CONNECTION

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

Cape Town  
Western Cape  
South Africa

7.1.2. **Due process:** The decision-making (including procurement decisions) regarding licensed activities must follow the due process. Established principles and processes must be laid down to ensure the assessment of such decisions. These processes and principles should not be violated and should be attested through audit reports, minutes of board meetings, procurement or supply chain policies, and relevant legislation such as the Public Finance Management, 1999 (Act No. 1 of 1999) (PFMA) and the Municipal Finance Management, 2003 (Act No. 56 of 2003) (MFMA), as required by the Energy Regulator, Companies Act, 2008 (Act No. 71 of 2008) and the King Code IV.

7.1.3. **Relevance:** The cost incurred should be relevant to the licensed activity and should ensure efficient operation and maintenance of the licensed activity. Similarly, decisions relating to the licensed activity should be aimed at achieving efficient operation and maintenance of the licensed activity.

7.1.4. **Foresight:** In general, decisions on the licensed activity should be based on a long-term view rather than a short-term view. Decisions should be made with the aim to avoid foreseeable problems and with the purpose of



# THE GREEN CONNECTION

Cape Town  
Western Cape  
South Africa

[www.thegreenconnection.org.za](http://www.thegreenconnection.org.za)

reasonably ensuring the long-term sustainability of the licensee and the industry.

7.1.5. **Value:** The licensee should endeavour to provide safe, reliable and good quality services to its customers at a fair cost.

7.1.6. **Planning:** The licensee is expected to properly plan for its licensed activities. It is also expected to execute those plans properly and efficiently. Implicit in this is the assumption that it will plan to avoid emergencies wherever possible and have plans in place to deal with foreseeable emergencies.

7.1.7. **Tariff stability and predictability:** The licensee is expected to ensure that tariffs follow a smooth tariff trajectory to ensure stability, predictability and practicality, and to avoid volatility in tariffs.

In this case, prudence requires careful consideration and decision-making based on weighing potential consequences of the increase on ordinary South Africans and the subsequent human rights impacts including the right to equality and a healthy environment.

NERSA is obligated to interpret its powers and make decisions by understanding the environmental, social and economic content within which South Africa's electricity generation takes place.<sup>6</sup>

---

<sup>6</sup> Powers and Duties of NERSA as contained in the Electricity Regulation Act s4(a)(ii)