



SALGA DEEPLY CONCERNED ABOUT ESKOMS PROPOSED TARIFF HIKE

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FOR IMMEDIATE RELEASE

In terms of Eskom's MYPD 3 proposal, the average electricity prices over the ten year period from 2007/8 to 2017/18 are projected to increase 600% from 20c to R1.28. It is extremely concerning that according to the application, in the last four years of the MYPD 3, municipalities and therefore close to two thirds of consumers who are supplied electricity through municipal distribution systems will get the highest increases (18% increase for 2013/14 to 2016/17 and 19% increase in year 2017/18). The Eskom Streetlight Tariff will increase by 31%.

The proposed increases added to the impact of past and expected increases beyond the 5 years are a cause for concern to SALGA in terms of the affordability and payment of municipal electricity distribution services by consumers as well as the related ability of municipalities to pay Eskom for bulk electricity provision.

On average, about 70% of municipal electricity tariffs to consumers are made up of Eskom's bulk electricity costs which municipalities have to pass on to consumers, yet it is municipalities who will face the fury of consumers when it comes to electricity price increase.

SALGA is also concerned that once the MYPD3 decision has been made, under pressure from consumers, NERSA, for the next 5 years, can only focus on the 30% of municipal electricity tariff increases that is made up of labour costs, O&M costs, capital charges and surpluses that fund other municipal services (as per fiscal framework of local government). This will put pressure on municipalities to suppress justifiable increases on these, severely compromising the viability of municipalities and the municipal electricity distribution sector.

The tariff increases over the next 5 years are also likely to negatively impact on the viability of many businesses and thereby negatively affecting local economies and the financial viability of municipalities due to a reduction in rates and service charges should the businesses be forced to close down.

NERSA should strive to strike a balance between allowing Eskom the revenue it requires from municipal consumers and the revenue municipalities will require from the same consumers in order to keep the lights on and local government financially viable.

It is recommended that as NERSA takes a decision regarding Eskom's application, it should recognise that it is taking a decision that determines about 70% of the municipal tariff and take into account the factors that affect the overall municipal electricity tariff.