

# NEVA MAKGETLA: Eskom is bullying the state, media and citizens to get funding

SA's electricity generating system needs real change but the power utility won't loosen its grip

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Eskom has a new board and CEO working hard to clean up corruption. But they still have to come to grips with the underlying business and negotiations model, says the writer. Picture: REUTERS

SA's electricity system needs real change, and for years Eskom has played hardball to stop it. It lobbies political leaders and government officials, mobilises coal transporters and workers to support the *status quo*, and misleads the media.

And rougher: at least behind the scenes, it threatens load shedding or, even worse, a weeks-long national blackout because the grid is destabilised. Invariably, the only way to avoid disaster is to give Eskom more money, more monopoly power, higher tariffs. And it always asks for twice the money it really needs, so it still wins if it only gets half.

Eskom has a new board and CEO working hard to clean up corruption. But they still have to come to grips with the underlying business and negotiations model, which pose even bigger threats to SA.

In August, the new Eskom leadership outlined a four-part economic turnaround strategy to parliament: subsidising energy-intensive users to boost demand (ironic, with more load shedding looming); getting its debtors to pay; managing coal costs; and, very vaguely, raising productivity.

Eskom's vicious tactics work in part because no-one else in government knows as much about the electricity system. It's hard to tell when it's bluffing.

More recently, Eskom has said government must take on R100bn of its debt — which would squeeze all other government spending, from education and health to infrastructure and economic development.

Privately, it is certainly threatening a national blackout if it doesn't get the money.

Eskom's vicious tactics work in part because no-one else in government knows as much about the electricity system. It's hard to tell when it's bluffing. Moreover, Eskom has shown that it can convince the press and public that its problems are due to obstructive bureaucrats. Eskom itself is never to blame.

Eskom's latest annual report underscores its resistance to change.

The report starts with Eskom's mandate, which since 2016 has centred on providing electricity "to assist in lowering the cost of doing business in SA and enabling economic growth". Nonetheless, it doesn't commit to holding the line on tariffs — and in virtually every one of the past three years it has demanded (but not gotten) double-digit hikes. Its latest performance indicators still don't include restraint on electricity prices.

A similar schizophrenia emerges around renewable energy. The National Development Plan says that by 2030 clean energy should provide half of new generation capacity. The government takes this path in its most recent update on the Integrated Resource Plan for energy.

And Eskom? It plans to bulk up its investment in coal, with maybe some nuclear and the illusory promise of "clean coal".

In its annual report, it explicitly commits to lobbying against new renewable generation by anyone else, which it views as the competition. It expects to expand generation from coal three times faster than its purchases of renewable energy over the coming three to five years — and contends that even then, renewables are growing too fast.

Oddly enough, Eskom's annual report explicitly recognises the risk of a utility death spiral — as new technologies permit more small-scale generation, the old-style electric company "having invested in long-term assets with a large proportion of fixed operational costs, requires an ever-increasing tariff to generate the required revenue from declining sales. These price increases add to customers' incentive to move off-grid, further decreasing the customer base."

Its response, however, is to subsidise selected energy-intensive customers and block off-grid options, not to re-think its own business model.

That business model can be characterised as building large, costly and inefficient coal plants; when that leads to higher tariffs, subsidising energy-intensive metals refineries to bolster demand without providing relief to other businesses and households; and lobbying the government to prevent anyone else from selling cleaner, lower-cost electricity, or even producing it for their own use.

In the era of climate change and ever-cheaper renewables, the Eskom model cannot be sustained. Still, as long as Eskom can threaten to turn out the lights, it's hard to make it develop a more sensible plan.