

Should NERSA approve Eskom's proposed tariff increases for 2022 - 2024?

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Quaker community in KZN

My Frames of Reference

- Quakers: concern for peace and social justice
 - we seek to reduce poverty and inequality on systemic, community and household levels
- Sivuselela Ubuntu Alternatives to Violence Project-KZN Network: a non-profit peace education organisation concerned about structural and interpersonal violence
 - we do conflict transformation training in Msunduzi, Ethekwini, surrounding and rural areas of KZN.

NO to across-the-board tariff increases

- Key reasons:
 - National, provincial and local unemployment and poverty levels make current tariffs unaffordable for many. Since energy is a basic requirement, payment is at the expense of fundamental needs, e.g. basic nutrition
 - Systemic problems of energy provision: mismanagement and corruption from national (Eskom) through to municipal levels make it impossible for Eskom to guarantee, and the public to believe, that the increased revenue will produce reliable access to and delivery of energy

Additional Factors

- Social, political and economic instability: we are sitting on a volatile, rumbling volcano, especially in KZN
- Environmental issues: Eskom continues to pursue and put resources into fossil fuel energy despite global warming, climate change and a government policy of a just and rapid transition to green energy

The Big Picture

- **C-19 impact on economies at all levels**
- **Impact of July 2021 looting and arson**
- **Storms, flooding – impact on households, agriculture, economy**
- **Unemployment and low-baseline wage crises** (cf Pmb EJD)
 - Ave. Black South African household: 1 person works to support 4.3 people
 - At max NMW level, after transport to work and electricity costs, R1 652,42 remains.
 - If all used for food, $R1\ 652,42 / 4.3\ \text{persons} = R384,28$ per family member.
 - R384,28 is 38% **less than** the lowest **food poverty line (R624 pppm)**. (Basic nutritious diet for a child Dec 2021 was **R747.95**)

KZN and Msunduzi in distress

KZN population (Stats SA)

- In 2019 38.7% of household were lower income = < R54 000 p.a. or <R5 000 p.m.
- 87.6% are African
- 60.4% were dependents
- 1/3 were 14 years old or under (6 million children)
- Latest C-19 stats: 15 587 deaths, , 34 719 active cases

Municipalities in 2021

- 10 under admin/intervention, mostly rural
- 12 'distressed'
- Many have Eskom debt

Msunduzi

- under admin – again - due to political factionalism in ANC
- Eskom debt just settled? – but no free energy to users

KZN and Msunduzi

KZN

- 2021 looting and arson
 - Job losses 123 000
 - Big cities and **55%** of rural towns severely affected
- Storms and flooding (Ladysmith the latest)
 - Est R50m damage: 3 500ha crops destroyed, 697 livestock, 110 infrastructure (roads etc)
 - Farms not operational, employees without income
 - Est R2bn to get infrastructure going after recent storms
 - Imminent food shortages and price increases

Msunduzi

- R38.5m overtime bill after storms
- 15.4M in aid to households
- Infrastructure breakdowns e.g. Northdale without power 2 weeks
- Poorer rural areas have daily & weekly power outages

The **Food Poverty Line (FPL)** is a monetary instrument to measure the cost of a basket of food, and whether people can afford it or not

- Stats SA updates FPL annually in April based on the CPI's Food Inflation figures
- April 2021 food price inflation was 6,7%
- FPL now R624 pppm, a R39 (6,7%) adjustment, up from R585 in April 2020
- Child Support Grant of R460 is 26% below the FPL
- SRD R350 grant is 44% below the FPL

Basic household and nutritional needs

- Pietermaritzburg Economic Justice and Dignity - <https://pmbejd.org.za/>
- https://pmbejd.org.za/wp-content/uploads/2021/12/December-2021-Household-Affordability-Index-PMBEJD_29122021.pdf
- “The ... NMW has shifted neither the unemployment trajectory nor the low-baseline wage crisis. Instead, because of its poverty-level value which only allows families to secure survivalist consumption expenses, it has **deepened poverty and inequality** whilst doing nothing to boost demand for other goods and services in the economy, and is thereby **not creating jobs.**”

Msunduzi household case study

7 people - 5 adults, 2 children; 1 widowed state pensioner works 1 morning/w (domestic work); 1 child grant

Live in Taylor's Halt, 25km from Pmb

Income p/m (R)

Old age grant	1700 (1,960?)
Wage	1760
Child grant	460
Total	3920

Expenses

Elec. prepaid	500*
Transport	264
<i>Sub-total</i>	<i>764</i>
Balance	<i>3156 for all other expenses</i>

FPL for this family is R4368

No free electricity

Power off daily 5-9pm

* prepaid card for lights & basic appliances. No geysers

If Mrs B were paid the NMW p/h her total income would reduce to R2275

Msunduzi household case study B

4 unemployed adults, one a qualified social worker trying to study for a Master's degree

Income pm

Data allowance for voluntary work R250

SD grant 350

Electricity costs: “No, I don't get free electricity...still experiencing load shedding, three times a week for 2 or 5hrs. You can't believe that the R50 prepaid card only lasts for three days, which is very traumatic. This also forced us to be selective when comes to cooking. For instance, we rarely cook samp because it takes some time to get ready. Obviously, the impoverished people are the most vulnerable ones.”

Likely results of increases

Poor households become poorer

- Basic nutrition will suffer → increase ill health, stunting etc.
- Harmful cooking methods (eg paraffin)
- Other basic needs will not be met adequately if at all
- More illegal connections with attendant danger of injury and death

Greater economic hardship & social instability

- “The higher electricity tariffs, including the additional costs of sourcing back up supplies amid loadshedding, load reduction and black outs, will increase the cost of production, transport, and storage.” (PmbEJD media statement Oct 21)
- Increased food prices
- Increased social unrest, protest – especially if loadshedding continues
- Increased crime

Conclusion

- Eskom put your house in order!
- Municipalities put your houses in order!
- No corruption or mismanagement
- Energy justice: all households have access to and can afford electricity, & not at the expense of other basic needs
- Poor must not be penalised for their poverty
- Shift to green clean energy based on IPPs. No nuclear
- NERSA: do not approve across the board 20.5% increases
 - Sliding scale payment: “First bit free, second bit cheap, third bit more expensive, fourth bit very expensive”