

BUSA media statement on the urgent need for decisive action on Eskom and energy policy

In light of widespread reporting that the Integrated Resource Plan (IRP) is to be tabled before Cabinet this week, BUSA urges the expedited gazetting of a least-cost, least-regret option that identifies the optimal energy sources required to power the economy and sustain and create jobs. According to BUSA President Sipho Pityana, “the finalisation of a least-cost IRP is the necessary first step towards the stabilisation of the energy sector.”

The IRP has been subject to a substantive Nedlac process, and any further delay will prejudice urgent procurement and investment decisions that are necessary to ensure electricity supply security and the avoidance of further load-shedding. As the first quarter GDP results show, load-shedding significantly damages economic growth. The gazetting of the IRP needs to be followed by an immediate Ministerial Determination for the procurement of new generation capacity.

The restructuring of Eskom needs to be considered in the context of a gazetted IRP. BUSA has consistently argued that the current model of a vertically integrated, state-owned monopoly electricity utility is increasingly out of step with global trends, posing a major risk to South Africa’s fiscal sustainability. A review of Eskom’s capital model, operating structure and tariff regime is therefore of the utmost urgency to ensure that demand can be stimulated, energy output optimised and costs minimised.

In BUSA’s view, government needs to take decisive action to render Eskom fit-for purpose, and appropriately capitalised and competitive, such that it continues to play an appropriate role in supporting South Africa’s economy. Specific actions include:

1. The appointment of an Eskom CEO with proven leadership capability, assessed independently of political considerations;
2. Reinforcing the board and management with competent and capable members / executives;

3. The creation of an appropriate governance and management platform to drive the restructuring of Eskom into three separate entities responsible for generation, transmission and distribution, commencing with the immediate establishment of a transmission / system operator subsidiary company, with its own board, to take the first steps in the restructuring and create the momentum for reform;
4. Formalising the government support package and conditions thereof, such that Eskom's financial sustainability is maintained, including optimising the allocation of debt and assumption of liabilities. Funds available to Eskom should be accessed on optimal terms. As such, the Eskom Sustainability Task Team should be mandated to explore the feasibility of lower-cost climate-linked finance for Eskom;
5. Putting in place a cost-reflective tariff regime that enables business to flourish and play its appropriate role in driving sustainable, inclusive economic growth;
6. Encouraging private sector participation where it can be competitive and maximise its contribution to Eskom and the sector;
7. Launching of Round 5 of the Renewable Energy Independent Power Producers' Programme to ensure security of supply over the medium-term;
8. Unlocking significant new investment in the power sector by lifting licence exemptions for small-scale distributed generation up to 10MW per project. This intervention, which can be comparatively rapidly implemented, will ensure security of supply for critical sectors of the economy and ease pressure on Eskom's supply; and
9. Acting with urgency to put in place a roadmap that inspires confidence that all stakeholders are committed to addressing the challenges facing Eskom and the sector.

"We believe that the stabilisation of Eskom in a restructured industry is a long-term proposition where business can be of significant assistance as a partner", said Pityana.

BUSA, on behalf of the broader business community, remains committed to engaging with government and other stakeholders with a view to developing a secure, stable and cost-effective energy supply for our country.

ENDS.