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NEVA MAKGETLA: Busting the myriad electricity myths

Ending endemic theft will not immediately remedy Eskom's faulty plants

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Virtually every South African has developed a personal loathing for the electricity system over the past few weeks. That in turn has provided fertile ground for various myths: that load-shedding results entirely from Eskom breakdowns; that we should just go back to coal; that stopping corruption will end the electricity crisis.

While these myths hold some truth, they would ultimately misdirect policy. On the one hand we could do far more to mitigate the effects of Eskom's shortcomings. On the other, durable solutions need systemic changes going beyond changed Eskom leadership and a renewed love affair with coal.

In practice, a lot of load-shedding results because Eskom can't afford diesel generation when its coal plants break down. It needs the Treasury to meet the shortfall. In turn, the Treasury has in effect favoured load-shedding over higher taxes, even though the cost of outages is far higher for the economy and society.

Consider the implications for national competitiveness. In 2020 the World Bank estimated that electricity outages cost SA producers 6% of their sales revenues, up from 2% in 2007. The figure will undoubtedly be far higher for 2022. In other upper-middle-income countries 2020 outages cost producers just 2% of sales.

Even if load-shedding were unavoidable we could do far more to limit the harm done. Outages weigh hardest on small businesses and working-class communities, which cannot afford the initial cost of off-grid solutions, whether batteries or generators. They use very little electricity, so a few panels and a battery would make a big difference. But they need concessional financing to cover the upfront costs. In addition, simply giving recipients of social grants a light and portable phone charger would help.

A second myth relates to the virtues of coal. For many it is hard to accept that evolving energy technologies and the climate crisis have dramatically reduced its value, turning a historic SA advantage into a dangerous vulnerability.

Three factors necessitate a gradual shift away from coal, even though it will remain critical for energy and incomes for the next 20 years or so. First, over the past decade the coal companies have wrested rents away from Eskom and its customers. The cost of coal for domestic use rose almost 50% from 2010 to 2019 in constant rand, while export prices remained almost unchanged.

Second, the cost of renewable energy, even with storage, has declined precipitously, making it easily competitive with coal. Third, we can no longer ignore the effects of the climate crisis on the economy. Tariffs are bound to rise on emissions-intensive exports; deepening cycles of drought and flooding have periodically undercut GDP growth; and pollution near coal plants is devastating health, local farming and tourism.

A final cherished myth relates to the power of Eskom itself. For decades it projected itself as a world-class utility, the saviour of the SA electricity system. The past decade has drawn back the curtain on its weaknesses. Above all it proved unable to replace its ageing plant efficiently. Its huge new coal plants at Medupi and Kusile were delayed by years, and now remain fault-ridden. As a result Eskom has overworked its older plants and piled up immense debt. Corruption contributed to these problems, but so did weak technical capacity combined with an inordinate affection for large old-fashioned coal plants, which diminished Eskom's ability to adapt to changing circumstances.

Ending endemic theft will not immediately remedy Eskom's faulty plants, new or old, and continually changing management could make things worse. In the medium term the only solution is more private generation capacity. Instead, growth in private supply to the national grid slowed over the past five years, even as Eskom's breakdowns accelerated.

To speed it up, SA needs far more decisive and co-ordinated regulatory reforms, plus financing to facilitate both private supply for the grid and off-grid solutions for businesses and households.

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