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NEVA MAKGETLA: It's easy to blame Eskom, but what about local government?

It won't help to fix
Eskom if the
economic centres
of the country
cannot deliver
reliable, affordable
electricity

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by NEVA MAKGETLA



Eskom headquarters, Megawatt Park,
in Sunninghill, Johannesburg. Picture:
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As load-shedding persists and electricity costs escalate, it is easy to blame Eskom. Yet almost all formal businesses, though only half as numerous as households, get their electricity through municipalities.

In at least some major economic centres — notably Johannesburg, Ekurhuleni and some of the Vaal — both outages and costs have escalated over the past decade. Neither the regulator nor the government track municipal electricity for businesses, making it hard to hold them to account. Meanwhile, cities struggle with declining revenues as tariffs soar.

The electricity crisis

threatens economic recovery, with consumption still 5% below pre-pandemic levels. In contrast, mining and manufacturing sales recovered by December. To some extent low electricity demand reflects the constraints on high-risk hospitality businesses and office work. But it also results from load-shedding by Eskom and breakdowns in municipal infrastructure. These interruptions impose huge costs on businesses through foregone production, damage to equipment and disrupted work organisation.

About 3,500 large, electricity-intensive companies, mostly in the mining value chain, buy direct from Eskom. The rest rely on municipal grids, primarily in metros and secondary cities, which are in turn supplied almost exclusively by Eskom. In both eThekweni and Johannesburg two-

thirds of electricity goes to business.

The metros and secondary cities serve the majority of formal producers. In 2019 labour market surveys found that two-thirds of formal businesses were in metro areas, and almost half of informal enterprises. The metros served more than 500,000 formal businesses with more than 6-million employees, as well as 800,000 informal enterprises that generated livelihoods for another 1.2-million. About a fifth of informal enterprises were not on the electricity grid. Formal enterprises had electricity, but some core economic regions suffered from repeated breakdowns, unreliable current and escalating costs.

It's hard to hold municipalities to account because they don't have to publish data on the quality of the electricity supply to

industrial and commercial sites. Internationally there are standard indicators for the duration and extent of blackouts. But municipalities don't have to record how they perform against these measures, though the Treasury requires that they report on new connections in informal areas.

The limited available information points to an uneven performance. In 2018, for a World Bank survey, three metros — Cape Town, eThekwinini and Johannesburg — reported on outages.

Cape Town logged just under one interruption daily per customer, somewhat better than the average for the US. But the figure was 2.5 in eThekwinini and 6.5 in Johannesburg. Ekurhuleni didn't respond to the survey question but in 2017/2018 it reported its electricity down time at 0.64%, which translates

into an average of 10 minutes a day. The other metros simply left the answer blank in the World Bank survey. And there is no published data at all on secondary cities, even important industrial hubs.

Because municipalities are required to publish their budgets, more information is available on the financial aspects of their electricity supply. In constant rand, the unit cost of municipal electricity rose 300% from 2009 to 2020, compared with 160% for Eskom.

But higher prices gradually led to falling demand, ultimately depressing revenue. As a group, municipal income from electricity after paying Eskom climbed 20% from 2009 to 2015, but then fell 3% through 2019 before crashing 40% in the year to June 2020 as the pandemic hit. In eThekweni from 2010 to 2019 businesses cut their electricity use by 6%.

Ultimately, it won't help to fix Eskom if the economic centres of the country cannot deliver reliable, affordable and increasingly green electricity to producers. That in turn requires better monitoring as well as the development of more sustainable financial models that ensure adequate expansion and maintenance of systems to serve industrial and commercial sites as well as the growing number of urban households.

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