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# NEVA MAKGETLA: Oh, for a light-bulb moment at Eskom

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The Eskom Megawatt Park headquarters in Johannesburg. Picture:BLOOMBERG/WALDO SWIEGERS

Eskom's load-shedding is paradoxical. In the past decade its sales of electricity dropped 11% while its revenues climbed 77% above inflation. From 2010 to 2019 its tariff increases extracted an extra R700bn (2019 rand value) from businesses and consumers. But it still can't keep the lights on, with extended load-shedding in three of the past five years.

Fixing Eskom requires a realistic diagnosis and a strategic approach, not the current blame game. Because life is unfair, solutions won't be cheap or quick. And setting up a revolving door at the top won't help. Three core problems destabilise Eskom's generation systems.

First, investments in two huge new coal plants, Medupi and Kusile, cost about R300bn over 10 years, contributing to soaring tariffs. But construction has faced years of delay, while built-in faults mean Medupi's output is already falling behind.

Second, older plants have seen high breakdown levels due to inadequate repair schedules. In the past year output from Eskom's plants gradually dropped below the risk level set by the grid operator. Yet Eskom never rang the alarm or published plans to reverse the trend.

Third, Eskom cannot seem to fix periodic shortfalls in its coal and diesel supply. Heavy rains in Mpumalanga affect coal transport and storage. Corrupt and incompetent procurement has increased the bills while reducing coal quality, aggravating breakdown risks.

These problems arise from far deeper factors than the obvious management failures. Above all, Eskom has not adjusted its business model despite technological developments, the climate crisis and the economic slowdown since the mining boom ended in 2011. Its operations are still founded on old-fashioned technologies; the assumption of continually increasing demand for coal-based electricity, irrespective of tariff levels; and maintaining its monopoly position so that it can raise prices instead of cutting costs.

The past 30 years have seen smaller, more adaptable and cleaner generation technologies emerge to replace big traditional coal plants. But Eskom has remained faithful to colossal projects — Medupi and Kusile rank among the largest coal plants in the world. As a result, its operational failures have had a bigger reach, and it could not easily cut costs when demand declined as the mining boom ended and tariffs escalated.

Though load-shedding has become a feature of its operations, Eskom resists opening the door to other suppliers. Every time Eskom introduces load-shedding, government departments identify numerous options to fast-track new capacity. Yet regulations continue to block most private generation even as electricity rationing has grown more frequent and onerous.

It’s true that increased competition will ultimately force Eskom to write off some of its higher-cost assets. But Eskom’s savings come at the cost of industry and families. Rationing electricity through load-shedding cuts production, damages machinery and electronics, and harms municipal substations. Estimates suggest that for each kilowatt hour saved, load-shedding costs the economy 10 times as much as coal-based or renewable electricity, and three times as much as running Eskom’s diesel generators.

For Eskom’s management, however, rationing electricity is cheaper and easier than adopting new technologies or improving repair systems. In other words, the root problem is Eskom’s monolithic, insular, unresponsive and arrogant corporate culture. Its managers and engineers seem incapable of informing the public candidly and clearly about mistakes or risks, though they expect us to pay for them. Instead, they publicly blame every shortcoming on government policies.

Ending corruption and establishing a fully independent grid operator remain important. But fixing Eskom’s generation systems and fast-tracking permits for new producers have become urgent. These strategies will all add to its financial woes.

The alternative, however, is to accept continued electricity rationing that leads to with lower production and investment overall, and ultimately losses in jobs and incomes.

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