

# WHEELING – PART OF THE SOLUTION OR CONTINUING THE PROBLEM

OUTA 2022

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# WHO IS OUTA?

**OUTA** is a proudly South African non-profit civil action organisation formed to hold those in public office accountable and is funded and supported by ordinary people who are passionate about improving the prosperity of our nation.

## VALUES:

- ✓ Accountability
- ✓ Transparency
- ✓ Promotion and protection of public interest
- ✓ Constructive engagement
- ✓ Strategic partnerships
- ✓ Zero tolerance for corruption and maladministration
- ✓ Active citizenry

**EWMC**

# ELECTRICITY WHEELING CONFERENCE

**29-30 March 2022**

CTICC – CAPE TOWN, SOUTH AFRICA



**THEME: ELECTRICITY WHEELING:  
THE FUTURE OF SUSTAINABLE ENERGY**

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## POLICY

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- 1860 - ELECTRICITY ARRIVES IN SOUTH AFRICA
- 1923 - ESKOM
- 2005 – REDS
- 2006 - Electricity Regulation Act
- 2010 – IPP office
- 2012 – ISMO
- 2019 – Eskom unbundling
- 2022 – Electricity regulation act ERA AMENDMENT
- 2022 – Electricity pricing policy (EPP)

## REGULATION

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- 2004 - NERSA

# WHERE IS THE DISCUSSION HAPPENING?

WHO IS TALKING?

## POLICIES

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DPE

DMRE

ESKOM

EIUG?

BUSA?

UNIONS?

## TARIFFS

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NERSA

COURTS

SALGA

ESKOM

IPPs

DMRE?

## Who

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The majority of people most affected are not there.

This would include:

- Residential households – working and middle class.
- Rural households.
- Farmers? Including emerging farmers.
- Institutions such as hospitals/schools, etc.
- Small businesses – cafes, laundries, panel beaters, hairdressers, etc.

Some NGOs operating in the policy space have raised critical issues in energy discussions, but few have the technical expertise to understand the implications.

Most are focused on generation choices rather than issues concerning transmission, distribution and the concept of wheeling.

## So what...

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Rising electricity prices are part of the increasing frustration that is felt amongst the poor and vulnerable.

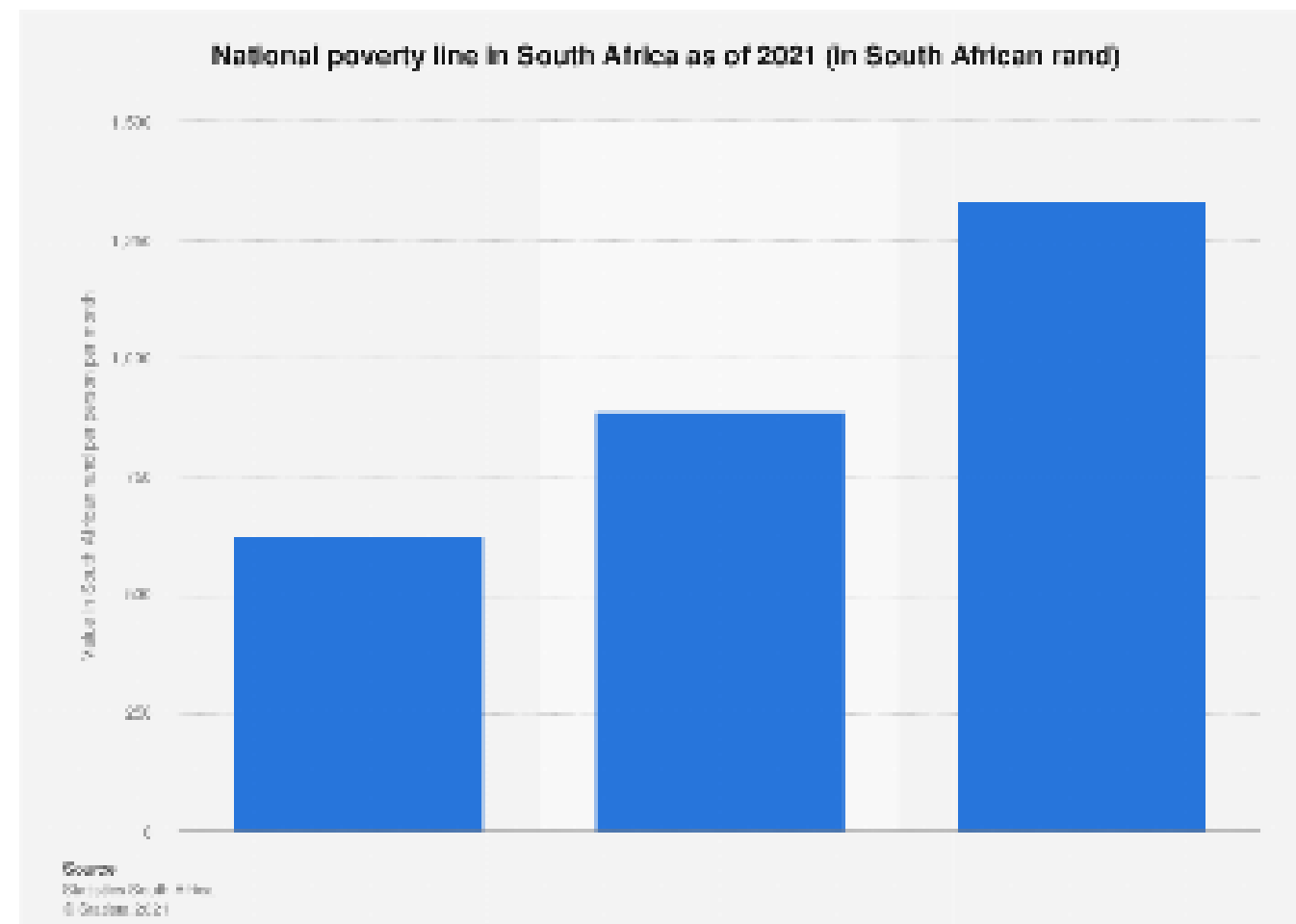
Extending grids as an investment with the assumption that all households will get rich enough to pay for their electricity and provide a return on that investment is not working.

Covid wreaked havoc on the economy and many small businesses did not survive. Those that did do not need more shocks to the system.

Ukraine/Russia conflict shows up weaknesses of international commodification of resources.

## National poverty line

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## How many poor people

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- 19 million people receive social grants.
- Almost half of South Africa's adult population of 35 million live below the breadline.

What are the overall policy objectives: 1998

***Objective 1 - Increasing access to affordable energy services***

***Objective 2 - Improving energy governance***

*Stakeholders will be consulted in the formulation and implementation of new energy policies, in order to ensure that policies are sympathetic to the needs of a wider range of stakeholder communities.*

**Objective 3: Stimulating Economic Development**

*Adjust electricity market structures to achieve effective forms of competition*

*Establish regulations which promote a cost-of-supply approach to electricity pricing for non-domestic consumers.*

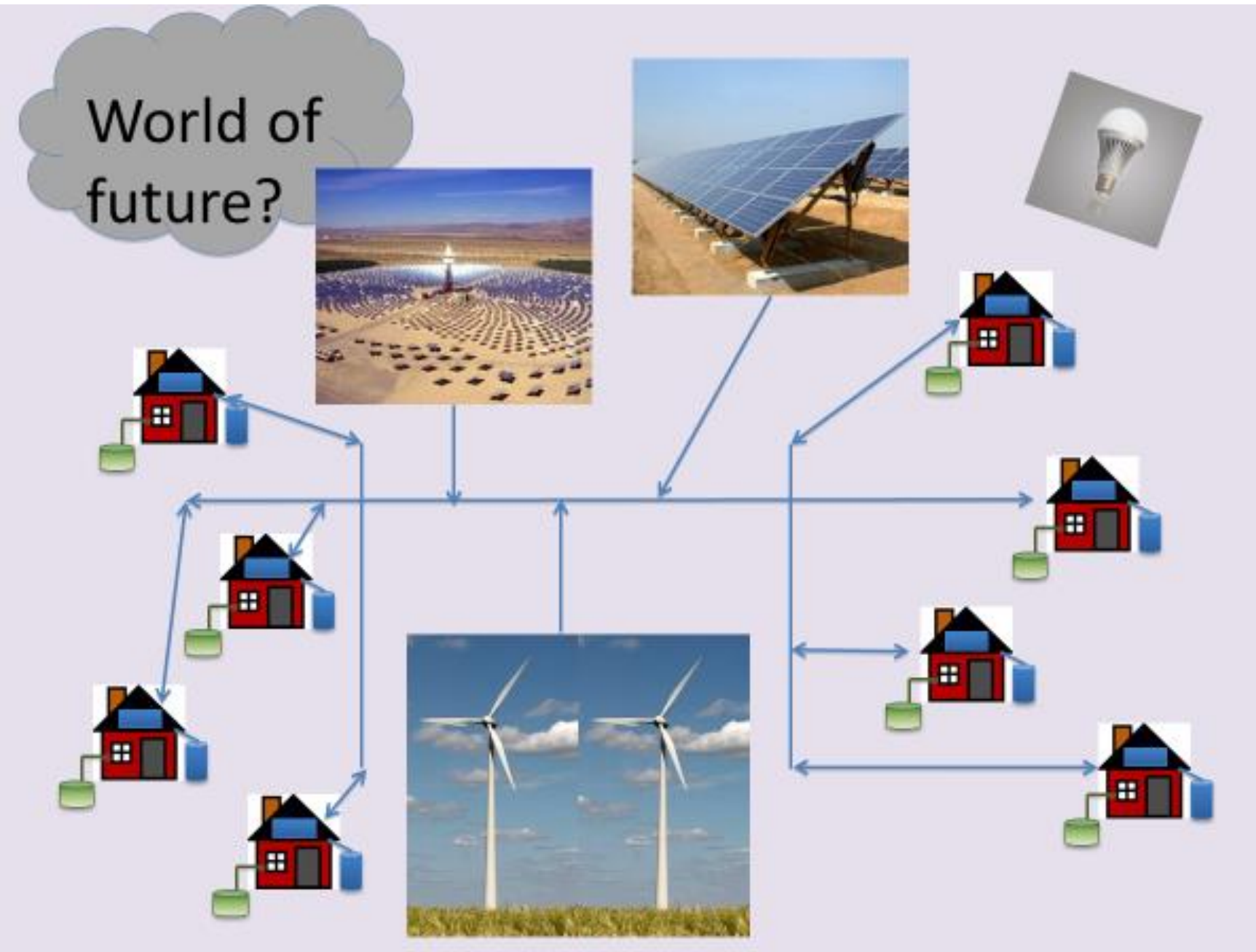
**Objective 4: Managing energy-related environmental impacts**

***Objective 5 - Securing supply through diversity***



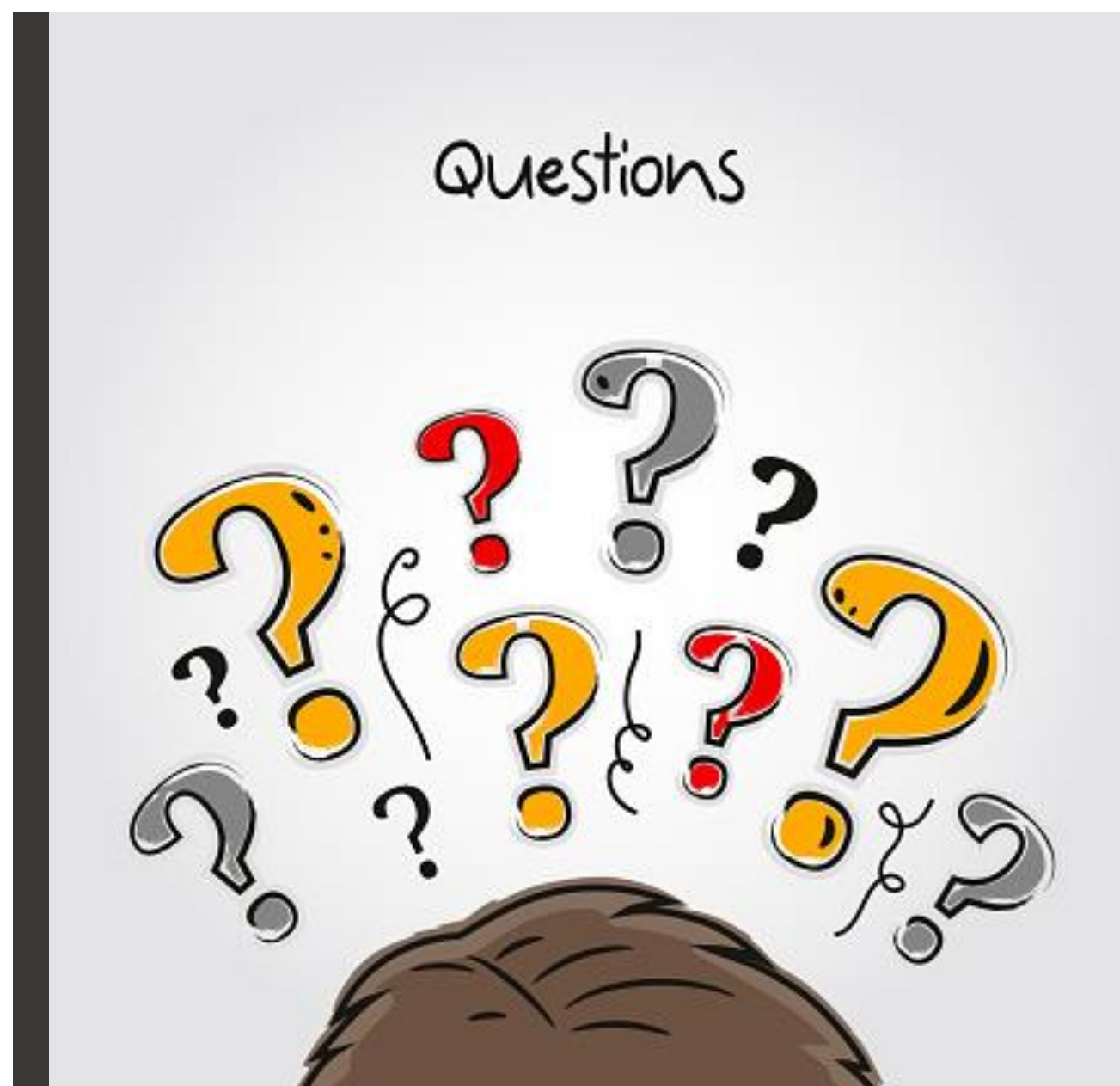
# HOW CAN ELECTRICITY RESTRUCTURING MAKE A DIFFERENCE

Wheeling out of poverty



## Benefits

- Households can contribute to generation – prosumers.
- Choice of generation for households, business to purchase.
- Separation of grid costs from generation.
- Increased transparency with regard to transmission and distribution costs.



## Questions

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- Wheeling charges include cost to access grid.
- Wheeling charges include the cost to maintain the grid.
- The transmission/distribution system needs to ensure sufficient standby generation to maintain reliability – is that passed on to generator and then to customers?
- Or is it included in grid costs what are charged to all customers as part of an availability charge?
- Such charges translate into fixed costs which consumers pay irrespective of the energy usage.



## Driving inequity

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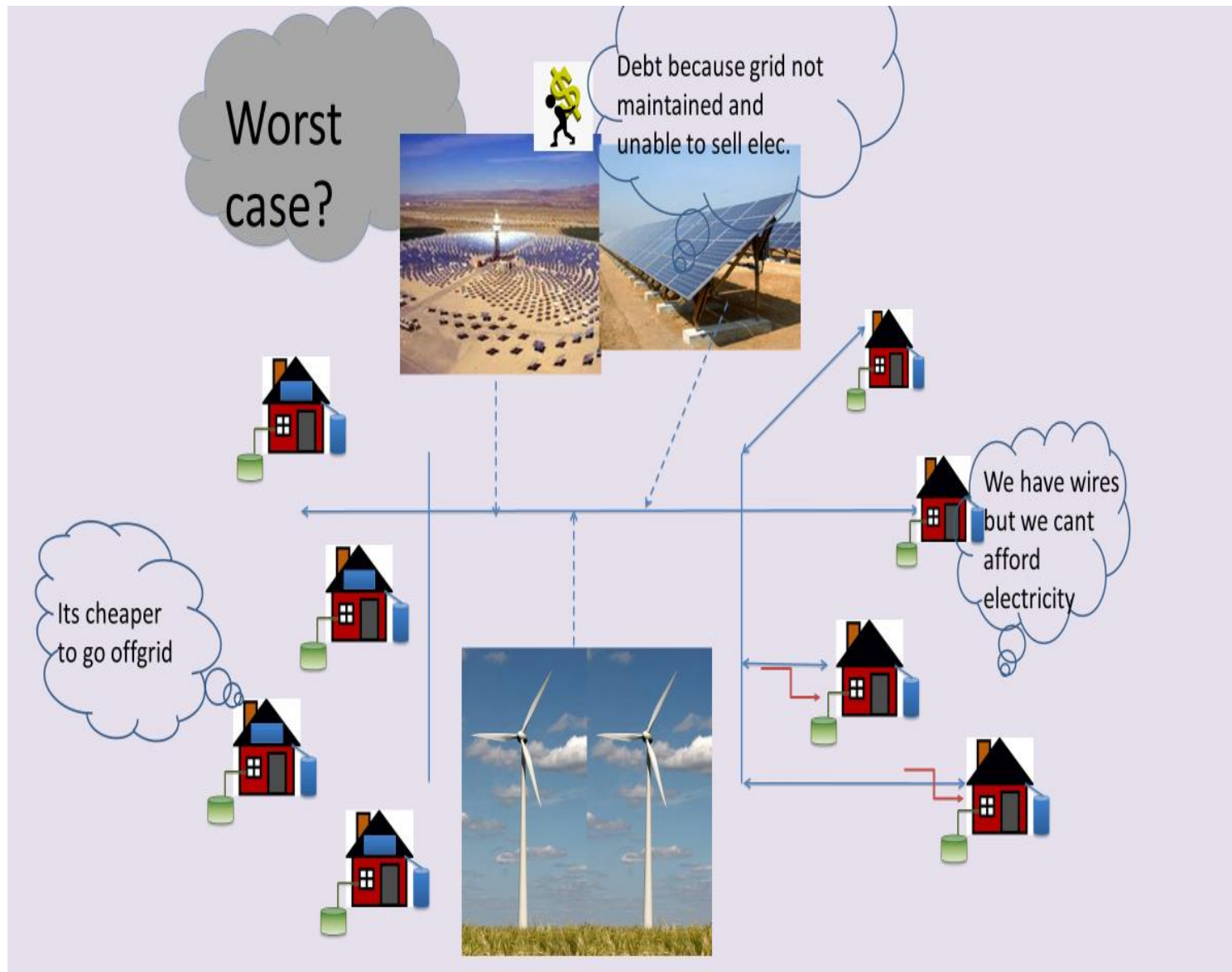
So...

What happens if your fixed charges exceed your energy charges? Poor and vulnerable cannot then save money by choosing to buy food instead of electricity.

Small businesses are then faced with fixed monthly costs even if they have varying customers.

What happens if the grid charges/fixed charges are used by municipalities as way to raise revenue to cross subsidize other services?

What happens if those who have put up their own generation are penalized by municipalities through the addition of extra charges?



## Worst case

The restructuring of electricity system could result in increased inequity.

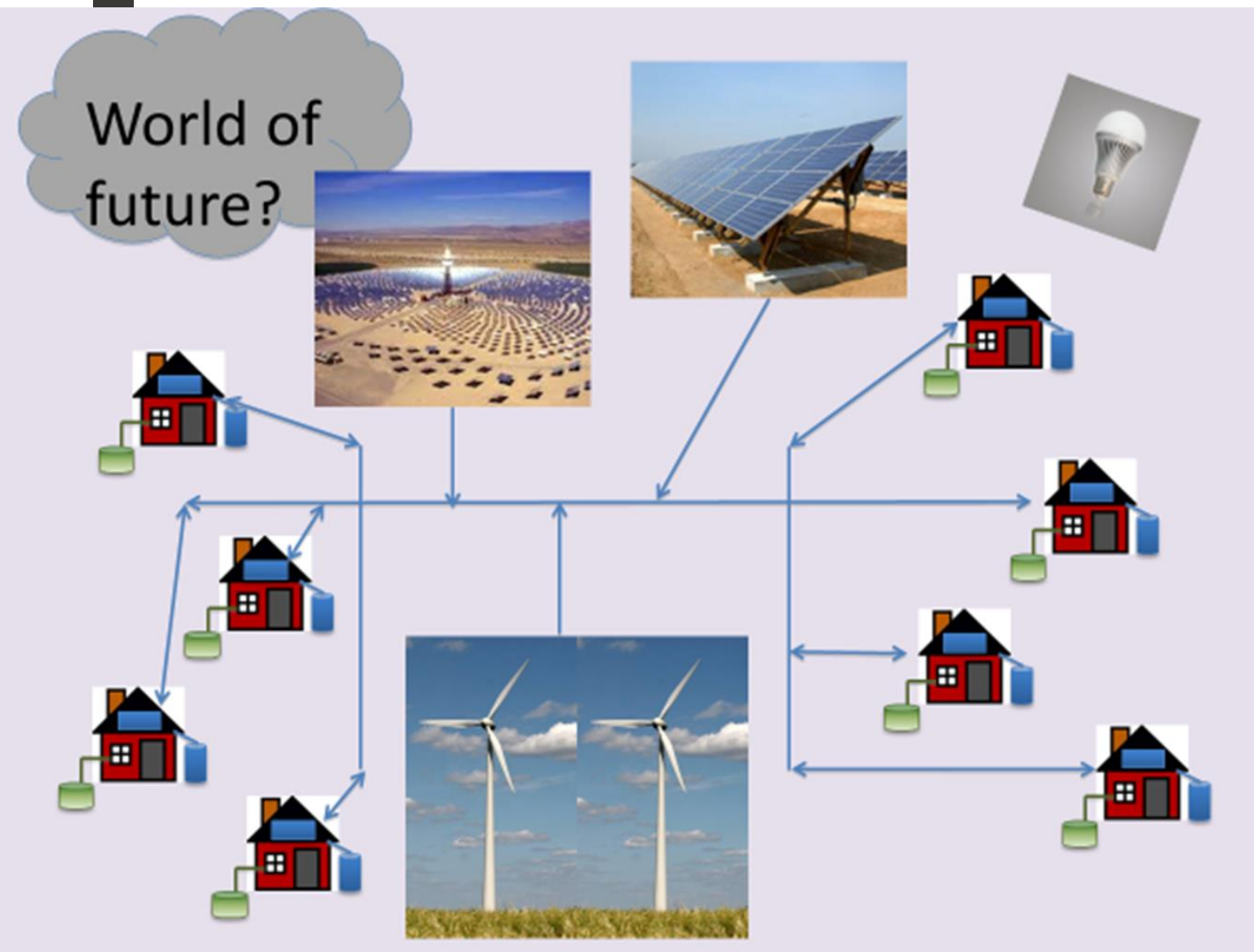
The wealthier go off grid entirely.

The middle/lower classes left to bear the burden of the transmission/distribution

The poor supposed to receive subsidized electricity, but the system cannot be maintained.

Then we are back where we were – with the fixed costs of electricity unaffordable.

Insufficient funds to maintain and grid infrastructure and generators unable to wheel their power to customers.



## Wheeling into the future

- Real costs of grid maintenance need to be established – not guessed.
- Wheeling charges must be related to maintenance and not profit.
- Prosumers should be encouraged and not penalized
- Grid charges should relate to
  - when you want the power
  - How long you want the power
- Power outages penalized – refunds to customers.
- Wheeling should aim to enable electricity choices not act like a middleman which abuse their position to profiteer off captive market – both suppliers and customers.
- Importance of working with people – consultation and engagement – citizen voices must be heard.

# THANK YOU!

Any Questions?