



Vrystaat Landbou  
Free State Agriculture  
Tsa Temo Freistata

# FS Agriculture presentation to NERSA objecting to ESKOM tariff increases – Reject RCA

Jack Armour – Operations Manager - FSAgri  
19 Nov. 2020  
Bloemfontein

# Who are we - who do we represent:



- Free State Agriculture (FSA) is a Provincial Association representing 3300 commercial farmer members (*& +-80 000 dependants and workers*)
- FSA affiliates to AgriSA nationally
- The provincial branches of the following Commodity association affiliate to us:
  - RPO (Red meat Producers Association), PotatoesSA, GrainSA, MPO (milk) SAPPO (pork), etc.
- Many of our members are **intensive energy users** in irrigation, poultry, pork and agri-processing

# Free State ESKOM use per Sector



Vrystaat Landbou  
Free State Agriculture  
Tsa Temo Freistata

<i>Total from April19-Dec19</i>		<b>Total Consumption (GWh) %</b>	
FREE STATE	IPP	0.00	0.00%
	<b>Agricultural</b>	<b>387.09</b>	<b>8.60%</b>
	<b>Re-distributors</b>	<b>2982.27</b>	<b>66.28%</b>
	<b>Commercial</b>	<b>309.16</b>	<b>6.87%</b>
	<b>Industrial</b>	<b>236.00</b>	<b>5.25%</b>
	International Sales	66.95	1.49%
	<b>Mining</b>	<b>128.64</b>	<b>2.86%</b>
	<b>Prepayment</b>	<b>284.62</b>	<b>6.33%</b>
	Publiclights	45.86	1.02%
	Remote_APS	0.00	0.00%
	Residential	33.11	0.74%
	Traction	25.55	0.57%
	<b>External_Sales</b>	<b>4499.24</b>	<b>99.81%</b>
	Internal Sales	8.41	0.19%
<b>Total.Categories</b>	<b>4507.66</b>	<b>100.00%</b>	

None in FS?? *Biggest PAYING Client!!*  
**Agric 2nd biggest client in FS!!**  
**= Municipalities & CENTLEC ?**

Lesotho?

**Mines minimal!**

*Agric. uses 3x more than mines*

Eskom FBS in Townships?

Trains?

# Profile of our members



- 80+% of our members are **SMME's**
- Ave. member employs +/-5 full time & +/-5 seasonal workers = 20 **dependants** / 7 HH's
  - Farm workers don't benefit from Free Basic Service – farmers provide, NOT municipality – **HIGH FIXED SERVICE FEE > energy charge** - R2000+/m/transformer point (9000 points @R2000 = **R18mil /m FIXED contribution to ESKOM**)
- Badly affected by a **prolonged drought** – BFAP 2019 report states 10 years to get back to 2015 financial levels **IF** all goes well
- **Farm safety NB** – ESKOM transformer theft and load shedding affects signal of cellphone/ connected IoT devices; e.g. **safety -cameras, -lighting, livestock e-tags, etc.**

# Boere in gevaar as vandale by selfoontorings karring

**Landbou**.com  
Boer op ons werf.

Deur Vida Booysen | 07 Februarie 2020 | 1162 keer gelees



<https://www.netwerk24.com/landbou/Nuus/boere-in-gevaar-as-vandale-by-selfoontorings-karring-20200206>

'n Gebrek aan selfoonontvangs kan die verskil tussen lewe en dood vir boere en hul werkers beteken.

**From:** Hugo, Tom, Vodacom South Africa

**Sent:** 27 January 2020 08:19 AM

**To:** Jack Armour

**Subject:** RE: Signal problems: Mooigelee Silo, Lindley

Hi Jack

Hope everything is going good on your side.

Just an update was work done on the site should be up. The teams is still **struggling with vandalism** of site with **batteries that are stolen together with municipality transformers that the municipality do not fix/replaced.**

These transformers is not necessarily in the same town as the site, but they are influencing the site, due to **if the transformer is faulty we need to run generators** to keep transmission line up to the next town.

We are truly sorry for the network problems, but the team is really doing their utmost best to keep the network running.

Unfortunately there are circumstances where **we are depending other entities,** as mention above, which are making it a bit tough for us.

Hope all is in order, will revert again when re updates.

Have a blessed week.

Kind Regards

**Tom Hugo**

CXX Specialist

Go To Market Central Region

Bloemfontein Unipark, Ground floor, Bloemfontein, 9301

[tom.hugo@vodacom.co.za](mailto:tom.hugo@vodacom.co.za)

**The future is exciting. Ready?**





# ECONOMIC TRANSFORMATION, INCLUSIVE GROWTH, AND COMPETITIVENESS:

## TOWARDS AN ECONOMIC STRATEGY FOR SOUTH AFRICA

*Prepared by Economic Policy, National Treasury*

2	Modernizing network industries.....	18	Higher input costs = <b>more mechanization</b>
2.1	Electricity: planning, pricing, and Eskom’s sustainability .....	19	
4	<u>Prioritizing labour-intensive growth</u> : the role of agriculture and services.....	36	for scale economies
4.1	The role of agriculture in promoting labour-intensive growth.....	37	Higher ESKOM tariffs make it <b>more difficult for new entrants, especially smallholders &amp; irrigation SH farmers &amp; for BEE Agro-Processing</b>
	Innovative joint ventures can boost agricultural production and promote agrarian transformation.....	37	
4.2	Create an <u>enabling environment for investment in agriculture</u> ???.....	39	
	Implement innovative financing solutions required by farmers.....	39	
	Introduce adequate and affordable agriculture insurance .....	40	
	Improve extension services for smallholder and emerging farmers.....	40	
	Enhance trade promotion, market access, and access to water for irrigated agriculture.....	41	
	Invest in establishing innovative market linkages for smallholders.....	41	

• **How does ESKOM align with our national Economic strategy RE Agriculture?? NDP etc.**

# Eskom's impact on SA Economy (pre-COVID!):



- SA Reserve Bank Monetary Policy Committee revised forecasts for 2020 to 1.2% (from 1.4%) and 1.6% (from 1.7%) for 2021 based on:
- World Bank cuts its growth forecast for SA to below 1% for 2020 due to **Eskom's load shedding**.
- WB expects the economy to expand by 0.9% this year. That compares with an estimate of 1% in its Africa Pulse report released in October and is still well below government forecasts.
- **The bank's revision comes as Eskom, which generates about 95% of the country's electricity, resumes rolling blackouts earlier than expected.**
- **The power cuts threaten to drag on an economy stuck in the longest downward cycle since 1945** and that hasn't expanded by more than 2% annually since 2013.
- The World Bank said it sees GDP growth averaging 1.4% in 2021-22 if President Cyril Ramaphosa's administration is able to **ramp up structural reforms** and **address policy uncertainty**, and if there's a recovery in public and private sector investment.

## **Renewables Poised to Support New Age of Development** - Global Decision Makers Gathered for 10th Assembly - Abu Dhabi, United Arab Emirates, 10 January 2020

***“The need for multilateral cooperation and long-term decision making has never been greater in the context of energy planning”***

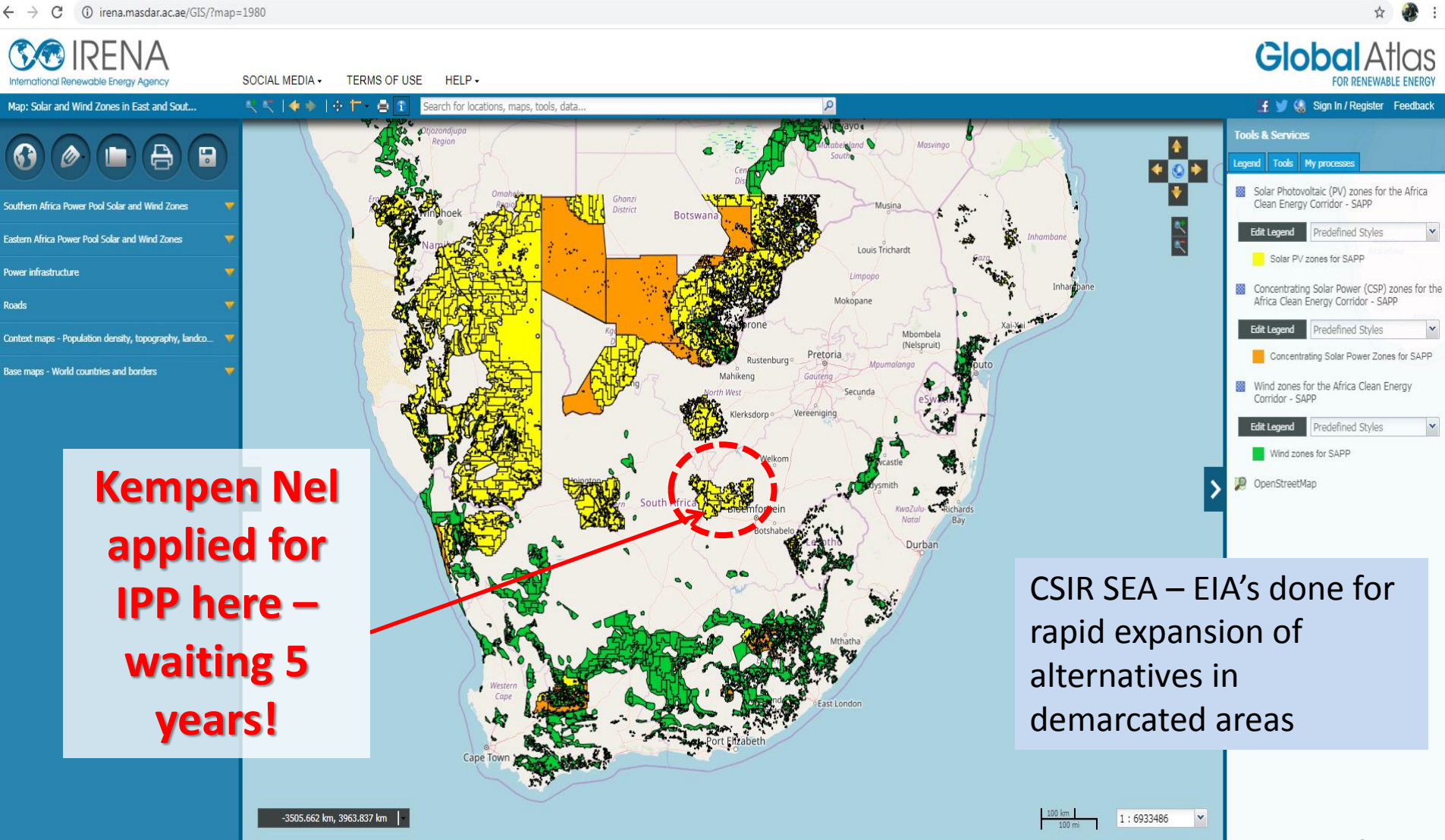
*“a decade of rapid energy sector development to ensure that **renewables** support a new age of universal energy access, sustainable economic growth and climate action”*



# The International Renewable Energy Agency (IRENA)

Supporting countries in their transition to a sustainable energy future

<https://irena.masdar.ac.ae/GIS/?map=1980>

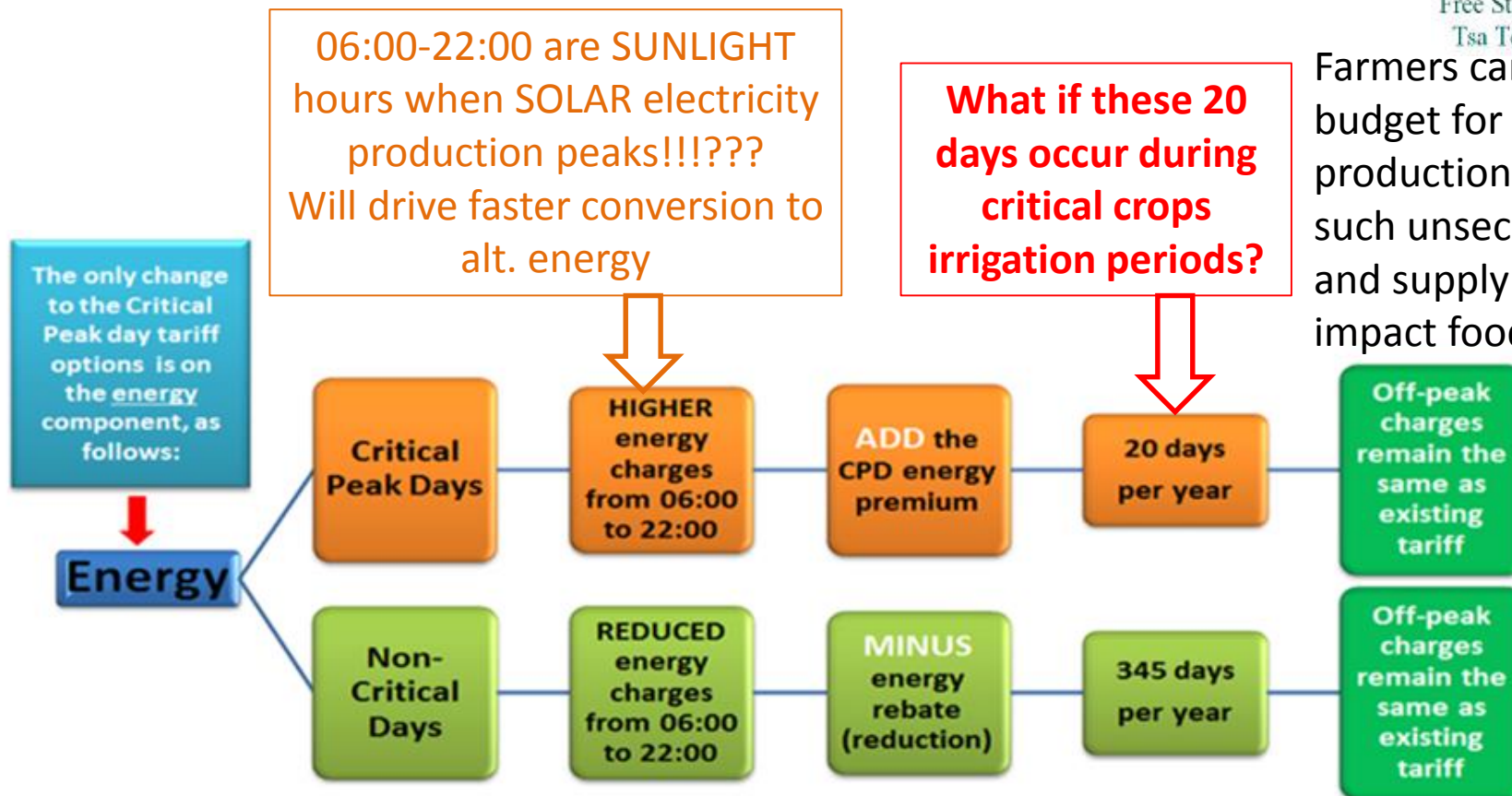


# Why 'critical peak' billing can't always work in agriculture?



Vrystaat Landbou  
Free State Agriculture  
Tsa Temo Freistata

Farmers can't budget for profitable production with such unsecure price and supply – can impact food security



All other non –energy components of the customers' existing tariff will remain unchanged; that is the network, service, admin, reliability, levies and energy demand charges will remain the same as the existing tariff charges.

# Members inputs:

- Irrigation farmers met with Eskom RE load-shedding **new timetable** compiled by NERSA & Eskom **without any Public Participation!**

Through SAAFWUA a request to Mnr De Ruyters for 120hrs (weekdays) continuous power and thereafter (weekends) no power = savings by Eskom.

Big implication on **food security** - 25% from irrigation

- RE **IPP**'s, if "grid tied" systems that feed power into the grid have load-shedding, then they also **can't supply power during load-shedding!**

# What is Just and Equitable?

## A **refund for % service not rendered:**



For someone running a 24hr plant 5 days a week

<u>Loadshedding:</u>	2:30:00	per session	
x2 per day	5:00:00		<b>20.8%</b> of a day
x5 per week	25:00:00		14.9% of a week
X 4.35 per weeks	108:37:51		14.9% of a month
X 52.24 weeks	1303:34:17		14.6% of a year

**2 ½ hrs Level-2 load shedding implemented fully over a month = 20%  
discount on line fees!??**

**(14% if you don't use on weekends)**

# Reduced service delivery – increased costs!?:

- In Jacobsdal & Petrusburg area 3 electrician technicians emigrated to NZ & after a year and a few months no replacements have been made.
  - Technicians / subcontractors refusing to come out after hours stating ESKOM doesn't pay overtime.
  - Losses already suffered due to loadshedding!
    - Increased switch gear and a equipment wear and tear
- And now need to still pay (indirectly) for the power we didn't use?

# Utility death spiral:

Increased fees & unreliability costs pricing  
ESKOM out of the market!

- Farmers are going off grid & to **GROWING BIO-Energy crops to supply PEAK demand!**
- Intensive users; irrigators, dairy, piggeries and chicken **farmers converting to alternative energy**
- Energy from non-renewables is dead / killing the planet – evident from climate change! **Consumers (and BANKS)** demanding ethically produced food – Energy source part of this
- Capture & Corruption have **broken trust in ESKOM**, Municipal debt burdens & Free Basic Services need to be relooked (Treasury pays Municipalities for Indigents!)



# Our position:

- **We cannot afford higher tariffs** ●
- ESKOM has priced itself out of the market itself
- Losses need to be recovered from:
  - **Politicians** who allowed municipalities and SOE's to run up massive debts
  - **Political parties** who benefitted from Rx billions in lucrative tenders ([Medupi and Kusile “tenders corrupt from day 1”](#)) and
  - **Labour Unions** who captured/meddled in running ESKOM into the financial ruin it is currently in
- **NO to RCA**

# AgriSA Media release 21 May 2020



## **Rising electricity tariffs are a major constraint for agriculture and the overall economy**

NERSA has announced its decision regarding Eskom's Regulatory Clearing Account (RCA) application for the 2018/19 financial year. NERSA approved an RCA balance of R13,3 billion in Eskom's favour. Eskom's application was for R27.323 billion. Agri SA provided written commentary to NERSA and presented at the public hearing that took place in February 2020. Our inputs highlighted the importance of agriculture for food security and the negative impact of rising electricity tariffs for the sector. NERSA's Reasons for Decision (RfD) and an implementation plan for the 2018/19 RCA balance must still be released. This RCA balance will be recouped by even further electricity tariff increases.

To stay afloat, Eskom requires higher and higher electricity tariffs. However, weak economic conditions and price sensitive consumers translates to lower electricity sales. The national lockdown and limited economic activity weaken electricity demand and sales even further. In reaction to this, Eskom will again need higher electricity tariffs that push Eskom further into a utility "death spiral". The current trajectory of rising electricity tariffs is unsustainable.

The agriculture sector plays a crucial role to ensure that national food security requirements are fulfilled. In the context of COVID-19, it is even more crucial for agriculture to be able to provide sufficient and affordable food. Over 25% of the country's food is produced by irrigation-reliant and energy-intensive industries, including horticulture, dairy, poultry, grains, and agro-processing.

Farmers are price takers, meaning that they cannot easily pass on rising costs to the consumer.

According to official figures from DALRRD, prices of agricultural products moved sideways for the last two years (2017/18 - 2018/19). Electricity is a key production input and accordingly, increased tariffs will have a severe impact on agriculture. Agricultural expenditure on electricity in 2019 amounted to approximately R7.4 billion. The forthcoming increases in the costs of electricity will place tremendous liquidity pressure on agricultural enterprises, given that electricity constitutes a significant proportion of their variable costs.

Alternative solutions, as part of energy sector reform, should allow for greater private sector participation and competition in the generation of electricity to make it more affordable.

The Centre of Excellence Economics & Trade is active on various fronts to support agriculture's growth and sustainability. In terms of electricity, we lobby to mitigate electricity and fixed cost tariff increases, whilst we have made significant strides in opening-up regulations for the use of renewable energy in agriculture.

Tariff increases are implemented according to the ERTSA methodology whereby fixed cost tariffs are increased by the same percentage as electricity tariffs. Agri SA has undertaken several actions to raise this issue with NERSA and Eskom.

Eskom's revenue application to NERSA and the approved percentage increase for electricity tariffs are based on projections of electricity sales. Accordingly, we have always maintained that fixed cost tariffs should not be increased on the same basis or by the same percentage. We will continue our engagements to support a sustainable solution to make electricity more affordable for the whole sector