



MINISTRY FOR ELECTRICITY AND ENERGY

Ministerial Energy Briefing



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Minister of Electricity and Energy

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GENERATION PERFORMANCE





GENERATION PERFORMANCE

KEY HIGHLIGHTS



Eskom recorded an **average 70% EAF** over the past week



On 23 July 2024, a significant milestone was **achieved with available capacity reaching 35 000 MW**, with an evening peak demand of 30 740MW. This level of available capacity **has not been seen for six years**, specifically since 16 July 2018.



Six power stations recorded an EAF **greater than 70%**, namely, **Medupi, Kusile, Matla, Matimba, Grootvlei, and Lethabo**, while an **additional four** power stations achieved an **EAF above 60%**



Unplanned Capacity Loss Factor (UCLF) has **decreased to 26.5%** for the financial year to date (1 April 2024 to 25 July 2024), **improving from 35.0%** in the corresponding period last year, representing an **8.5% pt improvement y-on-y**



Unplanned outages of the generation units **averaged at 9 841MW** during the past 7 days **compared to ~16 467 MW** in the corresponding week last year..



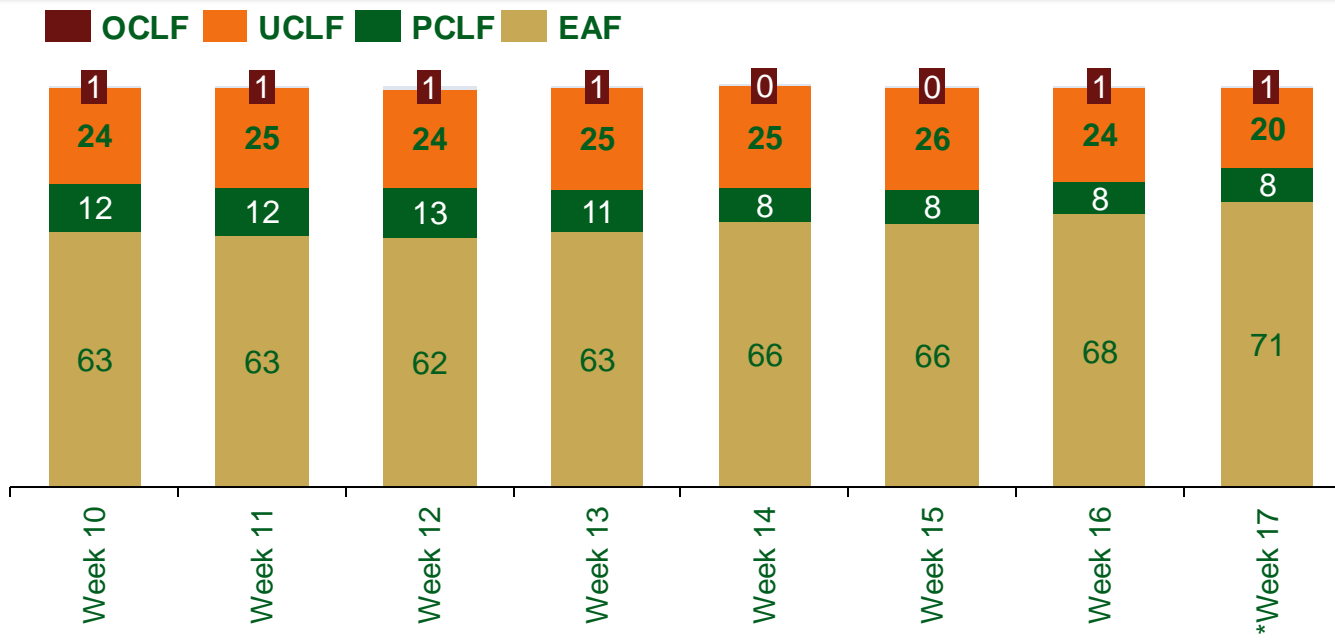
Unplanned outages **averaging between 9800MW and 12 400MW** since 1 April 2024.



GENERATION PERFORMANCE

KEY HIGHLIGHTS

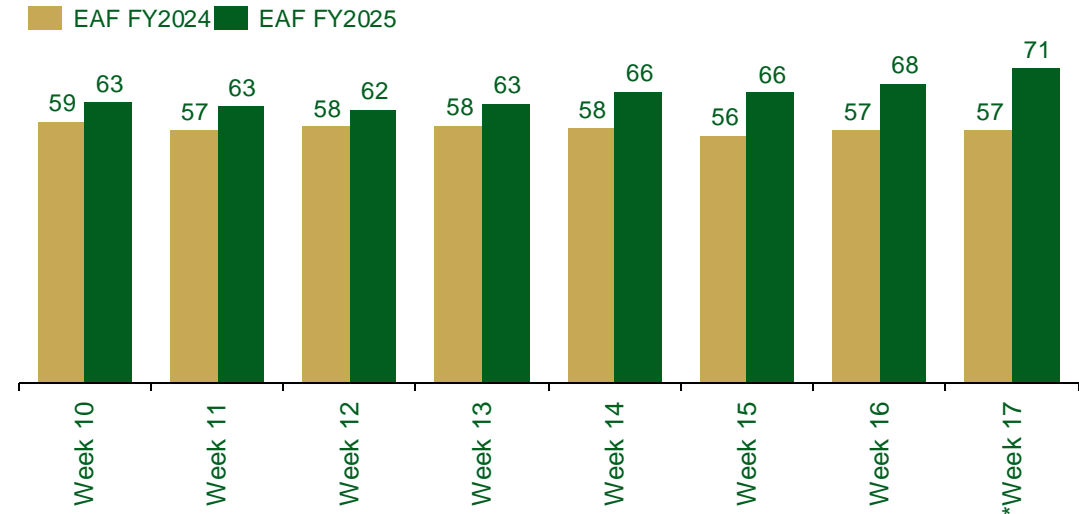
Generation Overview weekly performance (%) FY24/25



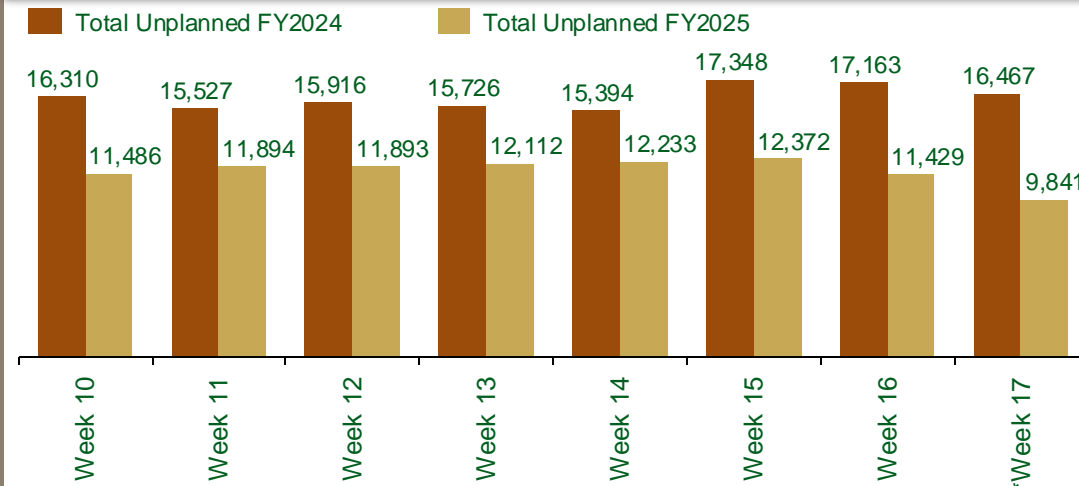
Key Insights

- The YTD EAF of 62.5% is ~7.5% pt. more compared to the same period last year where EAF was 55.0%, with FY2024/25 YTD UCLF of 26.5% significantly better than 35.0% same period last year.

Weekly EAF performance comparison Jun - Jul



Weekly Total Unplanned performance comparison in MW

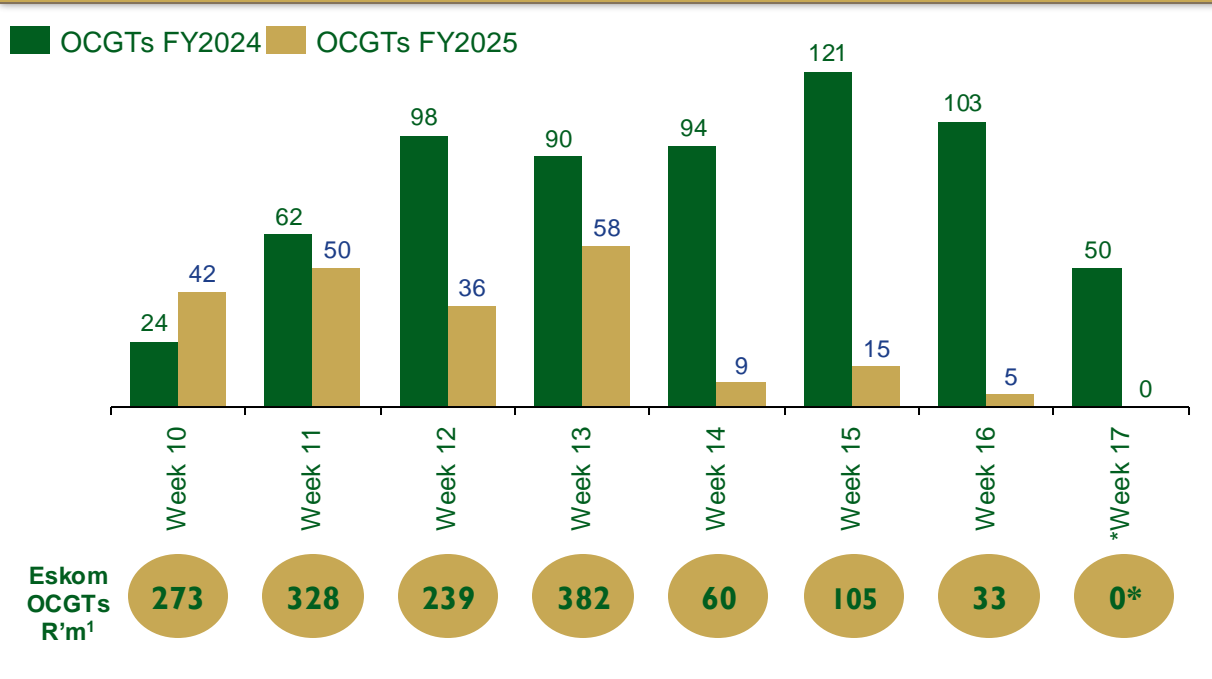




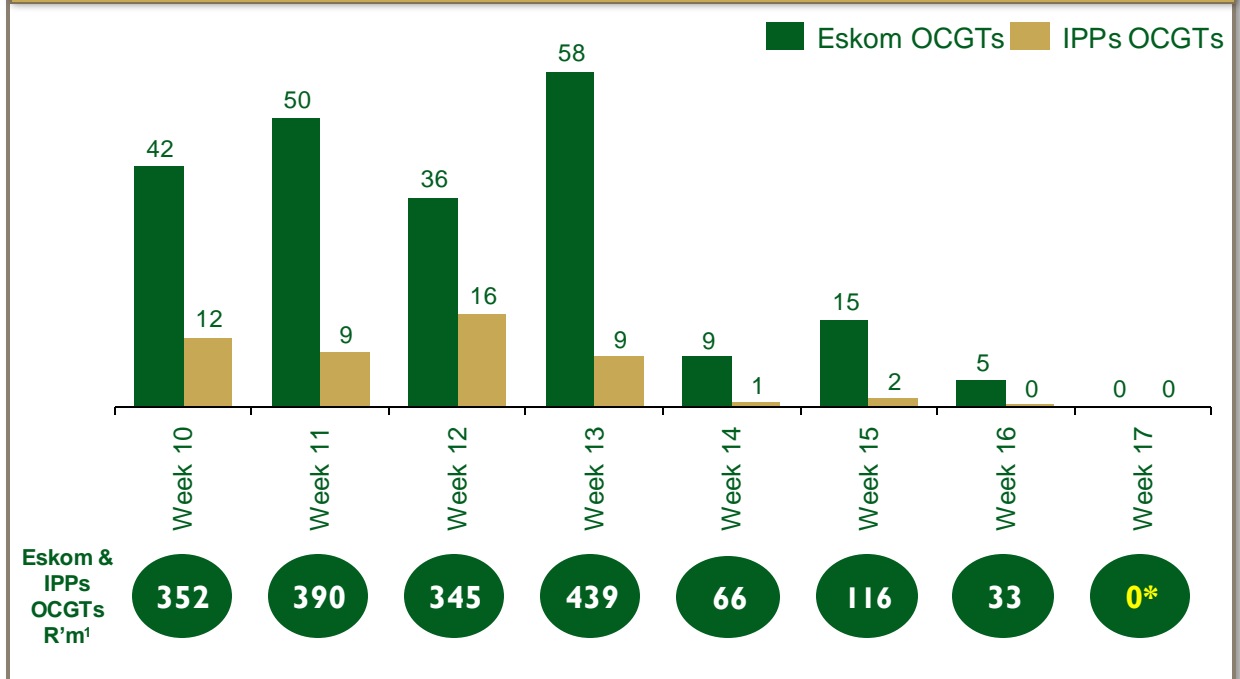
GENERATION PERFORMANCE

KEY HIGHLIGHTS

Eskom Only Weekly OCGTs Usage (GWh) Comparison June – July¹



Eskom vs IPPs Weekly OCGTs Usage (GWh) Comparison June – July¹



Key Insights

- The system has been running more than **123 days** without loadshedding, the last day of load shedding was on 26 March 2024 for five hours.
- With the present breakdown performance trending between 9 800 MW and 12 400 MW,
- The OCGTs usage decreased for the week, and is still lower compared to the same period last year.

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Denotes Eskom OCGTs weekly actual costs

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Denotes Eskom and IPPs Fuel OCGTs Weekly costs

¹: The report is based on prelim figures, i.e., subject to verification

*: Week: only 4 days for the week. The weekly cost are estimates



ELECTRICITY PRICING POLICY





TARIFF POLICY REVIEW

Towards cost recovery tariff methodology for sustainable, accessible and affordable energy charges

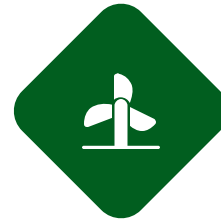
6 key issues that will guide/inform sustainable development of Electricity pricing in the sector



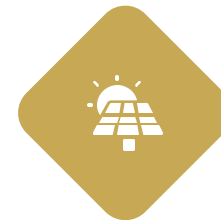
Eskom Holdings Distribution and NTCSA tariff structures



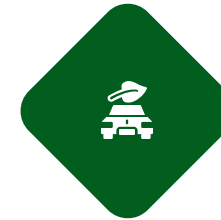
Evolution of the electricity subsidy framework



Microgrids pricing framework.



Review of Free Basic Electricity (FBE).



Distributed generation in the context of Electricity Distribution Industry (EDI) reform.



Review of the annual tariff increase methodology.



TARIFF POLICY REVIEW

Towards cost recovery tariff methodology for sustainable, accessible and affordable energy charges



Globally, electricity supply industries are responding to a wide range of economic, environmental, strategic, structural, organisational, technological, and other challenges.

These disruptions impact Eskom and municipalities, **affecting their cost structures, cost of supply studies, tariffs, tariff-setting processes, and revenue stability.**



Eskom unbundling into separate generation, transmission, and distribution entities is to improve security of supply, system reliability, and in preparation for the future competitive electricity market.

This raises many **questions regarding cost recovery, classification of underlying costs, electricity subsidies, and the consequential impacts on efficiency, equity and sustainability.**



The review of the Energy Pricing Policy (EPP) is imperative for setting a **clear pricing policy for the industry and for the NERSA to implement.**

The EPP seeks to strike a **balance between providing affordable electricity tariffs for low-income consumers and a cost-reflective electricity tariff for all other consumers.** The policy provides the general **pricing principles, the wholesale energy and transmission pricing structure, and the distribution and retail pricing structure.**



To ensure the **tariffs reflect the cost structure into the future**, the Multi-year Price Determination Methodology (MYPD), for municipalities and the Eskom Retail Tariff Structural Adjustment (ERTSA) Methodology need to be evolved. The NTCSA's **transmission tariffs will also need a regulatory process** for annual adjustments.



TARIFF POLICY REVIEW

Towards cost recovery tariff methodology for sustainable, accessible and affordable energy charges



An **integrated national subsidy framework in line with the Electricity Pricing Policy** is required to guide the application of tariff subsidies, further enabling the **balance of subsidy impacts on the price and affordability of electricity** to recipients and contributors.

A clear framework is necessary to **address equity concerns, prevent unintended subsidies, and promote a fair distribution of costs** among different customer categories.



There remains a backlog in household electrification; that is, **around ~14% of South African households are neither connected to the grid nor supplied with electricity via off-grid solutions**. While micro-grid solutions, particularly in rural areas, are possible, for such solutions to be used more widely, **an appropriate pricing framework needs to be developed**.



Despite the National Treasury making significant annual contributions to municipalities for this purpose, the distribution of these subsidies to vulnerable households is not prioritised. **In 2019, 10 million households were funded** by the national budget to receive FBE; however, **only 2 million received the subsidy**. Reasons include low indigent households' registration with Municipalities for FBE.

Furthermore, the electricity consumption levels have changed significantly since the 50kWh monthly allocation was determined in 2005. The current allocation is insufficient, and warrants review, tied into off-grid solutions.



TARIFF POLICY REVIEW

Towards cost recovery tariff methodology for sustainable, accessible and affordable energy charges



Large to small private embedded generation including residential rooftop contribute additional kilowatts to the grid. For residential, small commercial and other customers connected at a low-voltage can be served through a national Feed-in-tariff (FiT). However, **this requires that Distributors' tariffs are not only unbundled, that is, providing for separate energy, network, and retail charges but that the energy component is based on time-of-use charges for energy export payments / rebates.**



Unbundling and restructuring tariffs will **remove artificial subsidies, provide greater transparency of costs, and ensure the correct economic signals.** This will also reflect more accurate payback periods when utilities' energy costs are compared to alternatives when the cost of networks is excluded.



Tariffs that currently recover fixed costs through a variable **charge impose a revenue risk for the utility and increase tariffs for all customers.** Correct separation and structuring of network, retail, and energy costs in the tariff charges **would provide the correct economic signal and payback period for alternative energy decisions by comparing the energy cost of the utility versus the energy cost of the alternative.**



The cost structure of a transmission wires business consists primarily of asset-related costs, namely the capital invested in the assets and the cost of investment into the assets (cost of debt capital and cost of equity). **The tariff must reflect these costs, regardless of who builds.**



THANK YOU

