

Price rises reduce electricity use

South African consumers used less electricity last year when compared with the prior year as the price of power more than doubled in three years.



The volume of electricity consumption decreased by 2,6% in the 12 months to December, Statistics SA said in its electricity report last month.

On Tuesday (26 February), the agency said SA's gross domestic product rose 2.5% in the year ended December when compared to the previous year.

Eskom produced 234,174 GWh of power last year, 2.9% less than the five-year peak of 241,170GWh it produced in 2007, StatsSA said.

Analysts say the declining electricity consumption marks a break with the past, when the availability of power helped push economic growth. "That means Eskom has pushed the price of electricity so high that consumers are cutting back," said Chris Logan, an investment manager at Opportune Investments in Cape Town. "It has priced itself out of the market."

Logan said the fact that the economy grew while electricity consumption declined shows that industry had become sophisticated in the way it used power.

"But it could also mean that some big users have been rendered uncompetitive by the price of power and may have had to close," Logan said.

Eskom, which has asked to be allowed to raise the price of electricity by 16% for each of the next five years, has increased the price by 25% for two years and 16% in the past three years.

A major factor for the declining electricity consumption was the cost of power, said Econometrix chief economist Azar Jammine. "The cost of electricity has more than doubled in the last three years," he said. Another factor was the mining strikes last year, which put major consumers out of the market through closures for a few months.

Eskom says there are many factors that can be attributed to the low consumption.

"We cannot exactly say the reason for the lower consumption are high prices," said finance director Paul O'Flaherty.

"Another reason could be Eskom's programme to buy electricity back from some of the biggest users," he said.

Source: *Business Day* via I-Net Bridge

For more, visit: <https://www.bizcommunity.com>