

# How will Eskom spend all the extra money it wants South Africans to pay?

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Eskom wants consumers to cough up more for electricity, but a lobby group has raised questions about how the power utility has spent hundreds of billions in funding.



Picture: Eskom

Eskom is seeking a 20% tariff increase from the National Energy Regulator of SA (Nersa).

Nersa starts its public hearings on the proposed tariff increase in Pretoria on Thursday.

The Organisation Undoing Tax Abuse (Outa) this week revealed to Parliament's public enterprises portfolio committee how the power utility should be relying on its own capital expenditure budget and government for its money, and not on ordinary South Africans.

Finance Minister Malusi Gigaba earlier this month indicated the government was considering granting Eskom a favourable loan or possibly a bail-out.

Outa energy specialist Ted Blom said Outa had revealed to Parliament that Eskom had a qualified audit of R3bn in irregular

expenditure without any supporting documentation.

"Eskom uses the SAP accounting system, which requires full supporting documentation and authorisations before processing can take place.

"Explanations are needed as to how the R3bn was processed without the documentation.

"Either there is a magic password which allowed this or there is an old cheque book lying around.

"Either way, Eskom's chief financial officer, Anoj Singh, must explain."

Blom described the electricity tariffs the average four-person household was paying as "daylight robbery".

"There are three cost drivers to the power utility. They include the financing costs of money borrowed, their power plants, and the operations, which involve buying coal and paying salaries."

He said only Eskom's operations were subject to inflation.

Therefore, said Blom, increases should only be a third of inflation, as two-thirds of its costs were fixed.

He said on the assumption that Eskom was efficient in 2005, and the monthly cost for electricity for an average four-person home was R160, the cost now for electricity, based on an annual escalation of a third of inflation as measured by the increase in the consumer price index (CPI), would be R290 for an average four-person household.

Blom said compounding Eskom's financial problems was the building of the Medupi and Kusile power stations.

"In Eskom's 2005 annual report its chairman and director's statements said the then five-year capital expenditure would be R93bn.

"In 2008, when we saw the first quote for Medupi it was R32bn. India built a carbon copy plant for R35bn."

He said Medupi's costs escalated to R91bn by the time the board approved its construction.

"Because of delays it's now running at a cost of R145bn, with Kusile's costs standing at R160bn."

Blom said Eskom recently announced it needed to borrow R325bn over the next five years to finish off Medupi and Kusile, "which, divided by two, means they will cost R165.2bn to build, plus the current costs of R145bn and R160bn".

He said that equated to each power station costing R300bn - 10 times the original cost.

"For that price we could have had another 20 such power stations."

He said the money Eskom raised between 2005 and 2017 through government equity injections, loans from pension funds, asset managers, international financial institutions, and bond markets amounted to over R1.2-trillion.

"With R93bn spent on capital expenditure, they still have access to R1-trillion. We must question why they want an increase and what have they done with the money they raised."

He said Nersa should, and could, dramatically reduce the electricity tariff.

Energy analyst Chris Yelland said Eskom's 2016 reported irregular expenditure of R348m had risen to R3bn in 2017.

"These only account for those where there is no supporting documents. This directly affects customers through tariff price increases."

He said Nersa was the final safety line for South Africans.

Yelland said in theory Nersa could reduce Eskom's tariff increase to way below what it was asking for.

Nersa spokesman Charles Hlebela would say only that Eskom's application would be considered in terms of the law.

Eskom spokesman Khulu Phasiwe said Eskom would respond to allegations in Parliament and not through the media.

**Source:** *BDPro*

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