

No economic growth without a reliable power supply, says De Ruyter

Although load shedding is likely to remain on South Africa's radar for the foreseeable future, Eskom chief executive officer, Andre de Ruyter promises it will be significantly reduced by September 2021, if everything goes according to plan.

Load shedding is a barrier to business investment in South Africa, without which economic growth won't become a reality. "You can't grow an economy without adequate electricity supply," he said at a Think Big webinar, hosted by PSG.

In addition to fixing Eskom's generation system, the power utility needs to focus on building more generation capacity. "Eskom has previously insisted on keeping the lights on at all costs, a philosophy that has done untold damage to the generation plant. Refurbishments were deferred and maintenance was continually neglected. This has left us with a generation system that is fundamentally unreliable and unpredictable, despite our best efforts to turn it around. We have to enable the country to procure additional generation capacity. This is why we are restructuring Eskom and separating the transmission business into a new wholly owned subsidiary that will be independently governed," said De Ruyter.

"New private investment in generation capacity is critical and separating the transmission business will enable Eskom to buy electricity on an arms-length, independent basis," he said.

This will give private investors confidence that their bids will be fairly adjudicated by an independent transmission systems

operator.

The problem with municipalities

While he understands the resistance against paying more for electricity, De Ruyter said that reaching cost-reflective tariffs is critical for Eskom.

“At a rate of R1.30/kWh we could continue investment and maintenance of our existing assets, and at that level our electricity would still be amongst the cheapest in the world. One of the big problems is that municipalities across the country use electricity as a money spinner for their revenue collection, and the margins they add on are sometimes higher than 80%. This is outside of Eskom’s control, and it is something that needs to be regulated by the National Energy Regulator of South Africa (Nersa), but the public needs to know that the amounts they see on their monthly bills are not all Eskom.”

On top of charging the public these high margins, many municipalities have continually failed to meet their payment obligations to Eskom. “There is over R31bn in municipal debt owed to Eskom,” said De Ruyter.

He believes the public have a role to play in holding their local councillors accountable, because, in the final analysis, the financial affairs of the municipality is the responsibility of the elected officials.

New generation capacity

The role of nuclear power in South Africa’s energy mix is a hotly contested issue.

De Ruyter said Eskom is applying to extend the life of the Koeberg nuclear power station for a further 20 years. “It’s a great asset to have because the station stays online 24 hours, seven days a week for 430 days at a time. But if you look at the capital cost of building a new nuclear plant it will probably end up costing R1.80/kWh.”

New nuclear capacity is not a viable option for South Africa at this point because of the 12 to 15 years to bring a plant on line. “When you compare that to wind power at 70c/kWh, and photovoltaic at about 60c/kWh, and the fact that you can bring wind and solar online in 18-24 months, the decision makes itself, even if you ignore any environmental considerations,” said De Ruyter.

The challenge then comes down to storage, and this should be where South Africa should be focusing significant investment. “This is going to be a big part of the programme going forward, but even if you add on the cost of storage, renewable energy is still going to be more cost competitive,” he said.

Wiping out corruption

De Ruyter said that he is committed to assisting with the criminal investigations into corruption at Eskom, and the utility has initiated steps to recover billions from some Eskom former executives that were lost to corruption at the height of state capture. “People have criticised me, saying that all I’m going to do is enrich the lawyers – and of course the lawyers are going to make money off it. But if we don’t take this course of action, the message is clear: you can steal with impunity. That is just not a message that I think South Africa can afford.”