



## MINISTRY OF ENERGY

### REPUBLIC OF SOUTH AFRICA

#### NATIONAL COUNCIL OF PROVINCES: 152

#### 152. Mrs M C Dikgale (ANC-Limpopo) to ask the Minister of Energy:

Whether the drastic increase in electricity tariffs in the past years and especially, the increase of industrial tariffs (details furnished) had any negative impact on the country's economy; if not, what is the position in this regard; if so, (a) to what extent were the increases and profits (i) exorbitant and/or (ii) in line with (aa) trends in other developing countries and (bb) global trends in general and (b) what are his department's plans in this regard? CO540E

#### REPLY

##### (a)

(i) Yes, empirical indication is that electricity tariff increases over the past three years have pushed inflation up and might have made some marginal industries, for example foundries and smelters, economically unviable.

##### (ii)

(aa) This trend of steep tariff increases is not peculiar to South Africa in relation to other developing countries. In contrast with other developing countries South Africa has embarked on a massive build programme which is mostly funded from tariffs. Other developing countries, particularly in Africa, do not have the same scale of capital expansion and therefore their tariff increases are not as steep. Incidentally, the steepness of the tariff increase is a function of our past, in respect of which we kept tariff increases

very low for almost one and a half decades. As we begin the capital expansion programme (Medupi, Kusile), it is inevitable that tariffs will have to increase. Nonetheless, we do not believe that they have to increase as fast as that.

**(bb)** In so far as global trends, electricity tariffs are much higher in the developed world due to electricity infrastructure investments that have already been made or are being made. In other words, globally the trend is to avoid concentrating capital investment over a short period but rather to roll it out constantly over a longer period, to avoid steep increases in tariffs.

**(b)** South Africa has now introduced the Integrated Resource Plan (IRP) which outlines the constant investments that needs to be made over the period up to 2050. In addition, a funding model is being designed to implement the IRP in a manner that will keep tariff increases affordable to the economy.

We also have mechanisms for cushioning the poor against high tariff increases, including solar water heaters, inclining block tariffs and free basic electricity.

ENDS