

Electricity used to be cheap

By Ghaleb Cachalia MP - DA Shadow Minister of Public Enterprises

Between 2007 and 2020, Eskom's average electricity price rose by 460%.

In 2021, the electricity price was hiked by more than 15%, with another hike of 10% this year.

Now, let's do what economists do and hold everything constant – when you do this, you see that a 1% increase in electricity prices causes economic growth to drop by .036%.

Then consider that the South African economy is expected to grow by 1.9% this year and even the ANC should be able to understand the importance of finding a balance between low supply and high demand ... and that the only solution is to allow more players into the industry rather than increasing prices.

And, unless you're thick as mince, you will realise that price controls should never be used to rule demand because even if managing price causes a decrease in usage, the decrease in electricity demand results in a decrease in economic activity.

It's time to remove price controls – implement a windfall profits tax on producers to capture a portion of any electricity price increases above a benchmark and return the proceeds to consumers through tax reductions that moderate the impact on the poor, small businesses and other consumers.

Electricity must be available and affordable. Sadly, it is neither and the only credible solution is to fix the baseload issues at Eskom, open up the playing field to competitors and ensure that the grid is able to support significant new generation. And while government finally appears to be moving in this direction, albeit at a snail's pace, the model has to change.

The crisis is now deep into its second decade. Loadshedding hovers like a dark cloud. Moreover, there is unlikely to be any reprieve from steeply rising tariffs. Surely it's time for sense to prevail and institute a commission of inquiry that the DA has called for ... in 1983 large price increases caused disquiet among stakeholders led to government appointing the De Villiers Commission – as a result Eskom underwent major organizational and institutional changes following the Commission's recommendations.

It's time again. No?