



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

OFFICE OF THE EXECUTIVE MAYOR

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20 August 2024

Adv Nomalanga Sithole
Chief Executive Officer
National Energy Regulator of South Africa (NERSA)
Kulawula House, 526 Madiba Street
Arcadia, Pretoria

Per email: nomalanga.sithole@nersa.org.za

And: info@nersa.org.za

Dear Adv Sithole,

OBJECTION TO THE PROPOSED ELECTRICITY TARIFF INCREASE

I write to you on behalf of the City of Cape Town to formally record our objection to the proposed electricity tariff increase of up to 44% that Eskom intends to request for implementation from April 2025.

While we acknowledge the financial pressures Eskom faces, the City of Cape Town is deeply concerned about the significant impact such an increase would have on our residents and businesses. As you are aware, South Africa is currently facing significant economic challenges, including high unemployment rates, rising inflation, and rising costs of living. In this context, the proposed tariff increase would exacerbate the financial pressures on our residents and businesses, making it even more difficult for them to manage their daily expenses.

Whilst NERSA is currently still mandated by Section 15(1)(a) of the Electricity Regulation Act to ensure that electricity tariffs are set at levels that allow licensees like Eskom to recover the full cost of their licensed activities, including a reasonable margin or return, the City is concerned that the proposed increase may not sufficiently account for potential inefficiencies within Eskom's operations, both in production and distribution, as well as the impact on the broader economy.

MAYOR'S SUITE, 6TH FLOOR, PODIUM BLOCK
CAPE TOWN CIVIC CENTRE, 12 HERTZOG BOULEVARD, CAPE TOWN, 8001
www.capetown.gov.za

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SHORT REASONS FOR OBJECTION

Without derogating from our broader and specific concerns, which will be formally conveyed once the official consultation process is opened by NERSA, we wish to highlight the following key points of objection:

1. A 44% tariff increase would significantly strain the finances of households across Cape Town, many of whom are already grappling with high costs of living. This sharp increase could force families to make difficult choices between essential needs such as food, healthcare, and electricity. The resulting rise in food poverty levels would undermine social stability and exacerbate inequalities within our communities, leading to a decline in the overall quality of life for our residents. Furthermore, such a steep increase in tariffs would disproportionately affect low-income households, exacerbating existing inequalities.
2. The proposed tariff hike would place an excessive financial burden on businesses, particularly small and medium-sized enterprises (SMEs) that are the backbone of our local economy. Higher electricity costs would lead to increased operational expenses, reducing profitability and potentially leading to job losses. This, in turn, could stifle economic growth, discourage investment, and contribute to higher unemployment rates. The economic ripple effects could be far-reaching, affecting not only businesses but also the broader Cape Town economy.
3. A steep tariff increase may lead to reduced electricity consumption as residents and businesses seek to cut costs, which could result in a significant drop in revenue for the City. This would constrain our ability to deliver these critical services, potentially leading to service delivery backlogs and negatively impacting the well-being of our communities.

CONCLUSION

The City of Cape Town is committed to participating in the formal consultation process once NERSA invites comment and input from affected parties. At that time, we will provide a detailed submission outlining our full objections and suggestions for a more sustainable and equitable approach to electricity pricing.

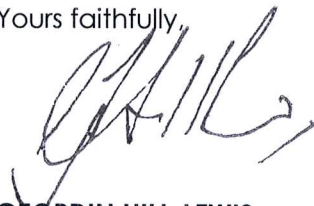
Moreover, the City of Cape Town is ready to collaborate with NERSA and Eskom to explore alternative solutions that could alleviate the financial burden on both Eskom and our

residents. We believe that through joint efforts, we can identify strategies to improve operational efficiency, reduce costs, and develop new revenue streams that do not disproportionately impact our communities.

In light of the concerns raised in this letter, we respectfully suggest that NERSA carefully scrutinises the extent of the proposed tariff increase and obtain and analyse the underlying data and workings from Eskom that purport to justify this increase. To do this effectively it would be prudent to consider commissioning independent experts to assess the efficiency and reasonableness of Eskom's cost structures and margins. We also request that NERSA engages in a collaborative dialogue with the City of Cape Town and other key stakeholders to ensure that the final decision balances Eskom's financial needs with the broader economic and social impacts on South Africans.

Thank you, we look forward to receiving your response.

Yours faithfully,



GEORDIN HILL-LEWIS
EXECUTIVE MAYOR