

Speech by **Edwin Baptie MP**

DA Deputy Spokesperson on Electricity and Energy

Honourable Chair, Honourable Members,

Today, we address a critical issue of national importance, the electricity tariff hikes which will force millions to make an impossible choice between food and electricity. As representatives of the people, we cannot ignore the devastating impact these electricity tariff hikes will have on South African households and businesses, already struggling under the weight of economic pressures and a cost-of-living crisis.

Eskom's request for a 4% increase which has been approved by NERSA, totalling R8 billion, is concerning on its own. However, the further proposal for a 36% increase in 2025 is nothing short of an attack on the very livelihoods of millions of South Africans. This debate is not just about balancing Eskom's books; it is about ensuring that electricity remains accessible and affordable for all.

Municipalities play a crucial role in electricity distribution. They purchase bulk electricity from Eskom, distribute it to their residents and businesses, and rely on the revenue generated to fund essential services. In well-functioning municipalities, this system works efficiently, as we see in places like the City of Cape Town and Midvaal.

But unfortunately, this is not the case across much of South Africa. Many municipalities are failing to manage their finances responsibly, leading to escalating debts. By 2023, municipalities owed Eskom R82 billion. This is unsustainable and directly contributes to the increasing cost of electricity.

When municipalities default on payments to Eskom, the utility is left with a shortfall that must be recovered elsewhere. Inevitably, this means Eskom seeks further tariff hikes, placing the burden on consumers. This vicious cycle of mismanagement and rising costs will continue unless we confront the inefficiencies that are crippling our local governments.

The proposed 36% increase, if approved, will push South Africans into an even deeper crisis. Energy poverty is already a reality for millions, and this increase will force even more households to choose between buying electricity and meeting basic needs like food and housing. The DA's local government mayors has made clear in their submissions to NERSA, this proposal is not only unacceptable but morally indefensible.

Moreover, rising electricity costs will have a ripple effect across the economy. Businesses, particularly small and medium enterprises, will face skyrocketing operational costs, forcing many to close their doors. Unemployment will rise from an already shocking 32,9%, and our local economies will suffer further stagnation, forcing more people into a life of poverty.

Municipal inefficiencies compound this crisis. Many municipalities have failed to maintain accurate financial records, neglected basic maintenance of infrastructure, and are unable to collect revenue for services provided. This failure puts increasing pressure on municipalities abilities to meet their obligation to Eskom and ultimately forces Eskom to raise its tariffs which leads to higher costs.

For example, municipalities must provide NERSA with Cost of Supply Reports to justify their tariffs. However, in 2023, 101 out of 177 municipalities could not do so, leading to inaccurate tariff determinations that hurt consumers.

In light of this, it is essential to highlight the recent High Court ruling, which found that NERSA's consideration of municipal electricity tariff increases without the required cost studies was unlawful and invalid. This judgment confirms what many have long suspected, NERSA has failed in its regulatory duty to protect consumers from unjustified tariff hikes and to act as an impartial referee in making tariff determinations.

Without proper cost studies, municipalities have been allowed to charge random rates, further distorting electricity prices and contributing to the unaffordable increases we are now facing. This regulatory failure must be urgently addressed, as it adds to the inefficiencies and mismanagement at the municipal level, adding yet another layer of burden on already struggling South Africans. We must demand accountability from

both NERSA and the municipalities to ensure that the process of determining tariffs is transparent, fair, and based on actual costs.

This mismanagement must stop. We cannot continue to tolerate a situation where South Africans are forced to pay more because their local governments are failing to carry out their duties and do the work that is required of them.

This brings us to the fundamental issue, the need for a more competitive energy market. The DA has long advocated for opening up South Africa's energy sector to independent power producers (IPPs) to create competition, drive down costs, and improve service delivery. Municipalities must be encouraged and incentivised to purchase energy directly from these producers, allowing for a more diversified and resilient energy system.

The current monopoly that Eskom holds over generation and distribution is no longer tenable. A competitive market will force efficiency, create alternatives for consumers, and alleviate the burden on municipalities, which are currently locked into a system that is failing them and their residents.

Honourable Members, we cannot, in good conscience, accept Eskom's proposed 36% tariff increase. The DA stands firmly against this unjustifiable hike, and we will continue to fight it tooth and nail. DA Mayors across the country have already submitted affidavits to NERSA and we as the DA have launched a petition, as we call on all South Africans to join us in this fight. Eskom wants to hike your electricity bill by 40% in the middle of a cost-of-living crisis. We cannot allow a situation where electricity becomes a luxury that only the few can afford, while the rest of the country is plunged into darkness, both literal and figurative.

Let us focus on building efficient, accountable municipalities, reforming our energy market, and ensuring that electricity remains affordable for all South Africans.

I thank you.