

Eskom's problems can't be solved by increasing prices

By [Janine Myburgh](#)

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The Eskom disaster has reached a stage where its problems can no longer be solved by price increases and drastic action is now required.



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In fact price increases will make things worse and reduce Eskom's chances of recovery. One of the problems is that Eskom's request for three 15% increases for the next three years did not tell the full story. The National Energy Regulator of South Africa (Nersa) has already granted an increase of 4.41% and when we add this to 15% we are already looking at an increase of nearly 20% in year one. The next 15% increase will be applied to a tariff that has already been increased and the third 15% increase will apply to a tariff that has already been increased twice so the total increase over three years will be nearly 59% and not the 45% that has been reported.

The second problem is that demand for electricity was falling and would continue to fall as people turned to alternatives like gas, more efficient electric appliances and LED lighting.

The only solution is to reduce costs. We know from independent studies that Eskom is overstaffed by about 60% and that salaries are much higher than similar utility companies in other countries. Eskom has made a start with drastic cuts to its executive and management staff but it needs to do this at all levels of the organisation and do it quickly.

Thirdly, a 59% tariff increase over three years would make many companies and households decide to install solar panels. PV solar panels already make economic sense and with a 59% tariff increase in the pipeline, going solar is now a no-brainer for many.

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