



Electricity update: Electricity supply constraints continue to impede optimal economic activity.

Thursday 3 February 2022

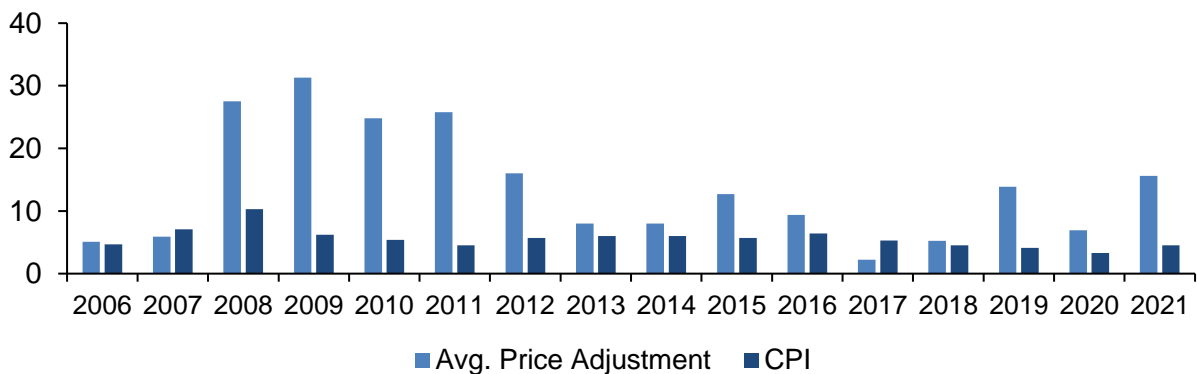
Figure 1: Electricity production and consumption (%)

% y/y	2016	2017	2018	2019	2020	2021
Production	1.0	1.0	0.3	-1.5	-5.3	2.1
Consumption	-1.0	0.5	0.9	-1.9	-5.0	2.3

Source: Investec, Stats SA

- Generation and distribution of electricity contracted by a further -3.7% y/y and -2.7% y/y respectively in December, following declines of -3.7% y/y and -2.4% y/y in November.
- Looking at a breakdown of the volume of electricity delivered per province, there was a broad-based decline, barring the North West province and Eastern Cape.
- The country's electricity supply woes continue to remain a key drag on SA's GDP potential, with Eskom's generation business plagued by aging infrastructure, vandalism and a history of poor maintenance.
- SMMEs who have been particularly hard hit by the pandemic are vulnerable to electricity supply disruptions at a time when they are trying to claw back profits lost during periods of stringent lockdowns.
- The country experienced some reprieve from loadshedding over the festive period, however Eskom recently announced the commencement of stage 2 loadshedding in order to replenish emergency reserves. Its CEO, André de Ruyter, recently highlighted "... much still needs to be done for Eskom to achieve operational sustainability and ensure energy security for South Africa". Extending the operating life of the Koeberg Nuclear Power Station remains a priority.
- The year-to-date Energy Availability Factor (EAF) of 62.9% remains well below optimal levels. Elevated levels of "planned maintenance over the summer months" was a key contributing factor.
- Going forward, the utility "will continue to rely on renewable energy sources to play a significant role to ease the pressure on the national grid" in line with international trends.
- The upcoming budget review is expected to update government's commitments to Eskom. Indeed, the cash-strapped SOE remains a major drag on the country's fiscus. The absence of cost-reflective tariffs and the unmanageable debt burden continue to weigh on the utility's profitability, which is exacerbated by significant overdue municipal debt. As at 25th January, the City of Tshwane Municipality owed Eskom R635 million.

Figure 2: Average electricity price increases vs CPI



Source: Eskom, Stats SA

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