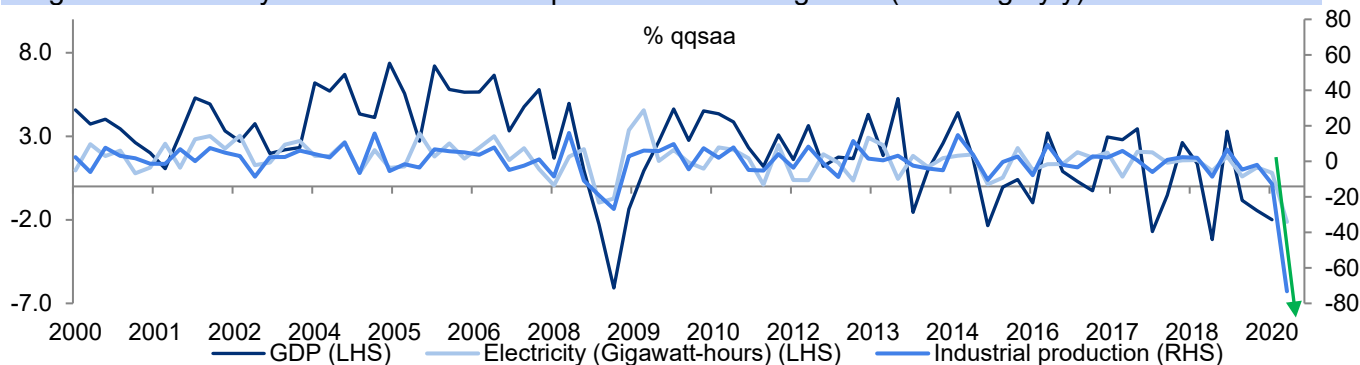




Figure 1: Electricity available for consumption vs economic growth (% change y/y)



Source: Stats SA

- July's electricity production contracted by -4.5% y/y for the month. In July Eskom's Energy Availability Factor (EAF) was only about 69.3% of total energy generation capacity was available, which is higher than the year to date EAF of 66.2% so far by the end of August, but was still insufficient to meet demand, resulting in load shedding.
- The EAF has declined from 72.3% of capacity available in June, to 69.3% in July and 66.3% in August. Unplanned outages have been a key factor in declining EAF. This worsening of availability of electricity is holding back the economy's attempts at recovery from the severe Covid-19 lockdown restrictions.
- Eskom cautions "that due to the ... unreliability and unpredictability of the system, the risk for load shedding remains ... until ... reliability maintenance" is complete, which could take around 2 years.
- The unplanned outages over July and August occurred on stations tripping, failures to come online on time, a unit at Koeberg experiencing an outage, ash constraints for Camden Dam weakening hydroelectric production and ongoing issues at Medupi and Kusile.
- Eskom cautions that "load shedding is an essential, last resort, lever to protect the system. Until the defects at Medupi and Kusile have been addressed and until most of the reliability maintenance on the fleet has been executed, the Generation fleet remains unreliable and unpredictable with the risk of load shedding." In turn this will have a negative impact on the recovery of the economy in H2.20, which we continue to expect will be very weak, contributing to the -10.1% y/y drop in GDP for 2020.
- Eskom also said yesterday it is attempting to recover money lost due to corruption totaling just under R10bn, with a small fraction already recovered, while all contracts are being reviewed by the severely financially constrained SOE, which had a total of R488bn in gross debt by March 2020.
- Eskom also has R95bn in interest and recapitalisation payments due this 2020/21 financial year, but only R56bn in recapitalisation from government to assist in these payments. Last year Eskom generated operating cash flow of R36.2bn, but this year it will have been impacted by lockdown. The Utility risks a gap in making interest and recapitalisation payments and further application to government.

Figure 2: Electricity production and consumption (%)

	Jun		Jul	
	y/y	m/m*	y/y	m/m*
Production	-5.8	7.9	-4.5	1.3
Consumption	-4.9	8.3	-3.5	2.0

*seasonally adjusted. Source: Stats SA

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Electricity update: falling availability of electricity weakens the economy's recovery from lockdown, with GDP likely contracting by -10.1% y/y this year

Thursday 3 September 2020



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