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## **Comment on the Independent System and Market Operator Bill**

### **ISMO BILL**

#### **1. The Free Market Foundation**

The Free Market Foundation (FMF) is an independent non-profit public benefit organisation founded in 1975 to promote and foster an open society, the rule of law, personal liberty, and economic and press freedom as fundamental components of its advocacy of human rights and democracy based on classical liberal principles. It is financed by membership subscriptions, donations and sponsorships

This comment is submitted as a contribution to government's attempt to find a solution to the precarious position in which the country finds itself as a result of an inadequate supply of electricity to meet the needs of the nation.

#### **2. Introduction**

Comment on legislation and regulations relating to the supply of energy in South Africa must necessarily be made against the background of the environment that currently exists. However, to be useful, the comment must also encompass the potential for government to create an alternative environment which will eliminate the ever present threats of disruption that hang over the country's energy consumers.

Comment on the Independent System and Market Operator Bill will therefore focus on the potential for the Bill to improve conditions for the supply of electricity in the country; not merely to improve conditions marginally but to bring about an optimal improvement in the supply of electricity in the shortest possible time.

The name "Independent System and Market Operator Bill" does not correctly describe the content of the proposed legislation. Or does it? The Bill does not create either a truly independent system or a market operator if ownership and control of the transmission grid is not transferred to ISMO. If the transmission grid is transferred to a truly independent system or a market operator, it will.

### 3. Independence of the System Operator

#### 3.1 Ownership/control of the transmission system

The reason why there is a shortage of electricity generation capacity in South Africa today is that independent power producers (IPPs) have been denied access to the high voltage electricity transmission grid.

Eskom is a vertically integrated monopoly that owns a large number of generation plants, the high voltage transmission lines that carry electricity across the country, and the distribution systems that deliver lower voltage electricity directly to customers. Local authorities also distribute electricity by purchasing high voltage electricity from Eskom, transforming it to lower voltage, and then selling it to customers.

Several years ago, IPPs were lining up to build generation plants and supply the additional electricity that South Africa obviously needed. They were told that they would have to sell any electricity they produced to Eskom. They would not have access to the grid and thus not able to sell directly to large potential customers. Customers who were unable to secure supply contracts with Eskom because of Eskom's shortage of generating capacity. The IPPs could also not secure purchase agreements with Eskom for the electricity they produced to be purchased at a price that would justify their investments.

Eskom should not be blamed for this situation; it was acting as any firm would do that owns a government-granted monopoly, which is to attempt to keep out competitors. The blame for the resultant blackouts, continuing electricity deficit, and lost investment falls squarely on the shoulders of government and Parliament for allowing this harmful situation to continue.

The country's citizens have already suffered considerable inconvenience when their power has been switched off, production has been damaged, and investments have been lost, all because the laws have not been changed in order to facilitate the entry of private investment in the generation of the required quantity of electricity to make the economy function efficiently.

Does the ISMO Bill hold out hope of a swift solution to the problem? It is impossible to tell from reading the Bill.

According to Section 40(1)(a) Eskom Holdings must, on the effective date and within the time period determined by the minister by notice in the *Gazette* –

- (i) Compile a list of all the fixed property and other real rights in fixed property, movable assets, intellectual property and all liabilities, rights and obligations, including the values applicable to each asset, right liability and obligation, arising from or relating to or attributable to the functions performed by Eskom immediately prior to the commencement of this Act, which can be legally transferred to ISMO in order that it can perform its functions as set out terms of this Act; and
- (ii) Submit such list to the Board for its consideration.

The meaning of the words, “*which can be legally transferred to ISMO in order that it can perform its functions as set out terms of this Act*” is critical to an understanding of what the ISMO Bill is attempting to accomplish. It is impossible for the reader to know what assets and liabilities are to be transferred.

Clause 2.3 of the Memorandum on the objects of the ISMO Bill does say “for an efficient electricity sector, it is imperative to have an independent entity to deal with both system operation and market operation.” The questions are, “How independent is the entity to be and is a real market in electricity envisaged?”

There is no mention of the transmission grid in section 40(1)(a)(i). Is this, or is it not an asset that can be legally transferred to ISMO “in order that it can perform its functions”? If the grid is not to be taken over by ISMO, how is the working relationship with Eskom intended to function? Does Eskom remain responsible for the maintenance of the grid, and crucially, its expansion? If ISMO intends to allow wheeling across the grid from an independent power producer (IPP) to a large electricity customer, or to purchase electricity from an IPP to meet demand, will Eskom be compelled to facilitate the process and make the necessary connections, and if so, will the process be fully described in the contract with Eskom as contemplated in section 41(2) of the Bill? Will Eskom charge ISMO separately for electricity supplied by Eskom’s generating plants and for the transmission of electricity over Eskom’s electricity transmission system? Can ISMO be independent while utilising assets belonging to another state-owned enterprise under the control of a different government department?

If ownership of the transmission grid is to be transferred to ISMO, the difficulties mentioned in the previous paragraph will be resolved. ISMO will be in control of all the activities on the transmission system and will have the incentive to not only maintain the grid but to expand it and increase its capacity. This will be of particular importance if it is to encourage the building of generating plants by IPPs to meet its obligations under the Act.

### **3.2 Will ISMO be able to comply with its objects?**

Some of the objects for which the ISMO is to be established as described in section 2 of the Bill are that ISMO:

- (d) is responsible for the establishment, practice and maintenance of up-to-date contingency plans that will ensure continuity of control over, and integrity of, the integrated power system at all times;
- (e) is empowered to order the interruption of supply to preserve system integrity in times of power shortages;
- (f) is responsible for the maintenance and coordination of outage schedules in line with international best practice and the Grid Code to ensure the safety, security and integrity of the integrated power system.

Section 4 of the Bill describes the functions of ISMO in great detail. Section 4(3) sets out the duties of ISMO as a market operator, and among these duties are to:

- (g) procure sufficient energy and capacity to be able to meet the projected load on the transmission power system and to serve its contractual commitments in accordance with the Electricity Regulation Act;
- (h) procure sufficient flexible resources to support ISMO’s real time function of balancing load to generation, including sufficient ramping capability (MW range and ramp rate) and automatic generation control capability (AGC) to meet the projected hour to hour and minute to minute system balancing requirements;
- (i) maintain sufficient black start capability (number of units, and location on the transmission power system) under contract in order to restart the system after a partial or total blackout, and ensure that this capability is functional through periodic performance testing.

In order to function as required by its objects and functions as set out in the Bill (examples of which are shown above), ISMO will be totally dependent on an adequate supply of electricity from generation plants. ISMO will have control of electricity emanating from generating plants that are already connected to the grid at the time it takes over. What remains in question, if the transmission grid is to remain totally under Eskom’s control, is how these two entities are going to work together to achieve a better outcome than has been achieved while the whole process of generation and transmission has been under the control

of Eskom. Will ISMO have a contract with Eskom that will ensure the smooth functioning of the process for which ISMO is being made responsible, including the timely connection to the transmission grid of new suppliers of electricity with which ISMO has concluded contracts and the swift resolution of any transmission problems that occur on the grid?

Eskom has shown a disinclination to purchase electricity from alternative electricity suppliers. These include IPPs that have been prepared to erect new power plants, potential suppliers such as the sugar industry that already generate electricity for their own processing plants and could increase their capacity to sell to customers, if provided with access to the transmission grid at a reasonable price, or so-called co-generation in which companies with generation plants sell electricity that is surplus to their own requirements to a single purchaser (such as Eskom now or ISMO later) or sell it to different customers at different times. Many of these arrangements become feasible when there is an active market for electricity and unconflicted access to the transmission grid for suppliers that meet all the requirements that are necessary to ensure that the integrity of the grid is not jeopardised.

Real trading in electricity can considerably improve the efficiency of an entire inter-connected electricity system if prices are allowed to dictate the supply and demand for electricity at different times of the day or night. Some electricity users are able to shift their utilisation times so that they draw electricity off the grid in off-peak times, which they will do if a lower price makes it profitable to do so. However, they do not necessarily want to be locked into a long term contract and may prefer to carry out scheduling of their activities as and when low-cost future electricity becomes available on the electricity market. Once having purchased future electricity they may wish to sell it again if their production plans change. A market in electricity increases efficiency considerably. Most importantly, it assists in reducing peak demand levels and increasing demand in off-peak times, reducing the level of spare capacity that has to be maintained.

If the ISMO is not to be the owner and maintainer of the transmission grid, this should be clearly stated. If shifting the operation of the grid to ISMO without the transfer of ownership and control is intended to resolve the 'conflicted grid problem' as it is described in the trade, it will be much more difficult to achieve. In attempts to find ways to eliminate the electricity shortage, the main obstacle has been that independent private electricity producers have not been able to gain access to the grid.

### **3.3 A sound plan that was shelved and potential alternatives**

In 1998/9 Eskom was preparing for the institution of a trading system in order to accommodate IPPs on the grid, including power stations sold by government to international power producers, which would have gone a long way towards resolving the inadequate power supply problem in the country. The necessary system was developed at the National Control Centre at Simmerpan and the pricing process tested through simulations carried out at the Eskom College.

For some inexplicable reason this excellent solution to South Africa's power supply problems was shelved and the country went on to experience load shedding (blackouts), industry power cuts, no sales of power stations to international power companies, and no access to the grid for IPPs. An appalling economic loss has consequently been suffered by the country.

What this experience has clearly demonstrated is that the grid must be 'unconflicted', which means that the grid must be neutrally managed in a way that does not impede the access or operations of power producers and purchasers.

IPPs seek 'bankable' power purchase agreements which they can use to persuade bankers to lend them the money they need to build power stations. If the grid is merely operated and not owned by the ISMO, a

power purchase agreement (PPA) between the operator with no assets and the IPP will not be 'bankable'. A government guarantee of the PPA would be required to support the agreement and make it bankable.

Various options are available for the solution to the problem of bankable purchase agreements:

1. Ownership of the grid could be transferred to the ISMO, which would mean the transfer of assets from one state-owned enterprise to another, a change that would not impair the assets of the state but would significantly reduce the assets of Eskom.
2. An interest in the grid could be sold to private shareholders (say 40%), the proceeds of which could go towards funding Eskom's Medupi and Kusile power stations and other projects, and the balance of the interest transferred to ISMO.
3. The entire grid could be sold to private owners, a single company in the same way as the National Grid Company owns the England and Wales electricity grids and operates other grids across Great Britain and the north eastern United States, or a company specially created to own the SA grid.

The problem of a single monopoly grid owner is generally resolved by strict regulation that prevents the grid owner from denying power producers and purchasers access to the grid for any reason other than the integrity of the grid, and ensuring that charges for access to the grid are equitable and uniformly applied. NERSA has published a consultation paper with the title 'Regulatory rules on network charges for third-party transportation of energy', which addresses the issue of access to the grid.

### **3.4 Benefits of selling the electricity transmission grid**

Option 3 (above), the outright sale of the grid to an experienced grid operating company, has certain attractive aspects that deserve closer scrutiny. In the thrust to resolve the problem of the current dangerous power deficiencies as rapidly as possible, the necessity of having an independent and unconflicted grid is a feature that stands out as being widely recognised and accepted, including by government. What has not received attention is the potential advantages of selling the grid to a grid owner and operator. The immediate advantages are:

- Clean separation of the grid from generation and distribution.
- A dedicated grid operator with the sole responsibility of efficiently operating the grid, subject to strict regulatory requirements.
- A cash injection into the coffers of Eskom to help pay for its new generation capacity (while the carrying value of the grid in the financial statements of Eskom is R12.8bn it is probable that the selling price could be substantially greater).
- Immediate access for any power generating company that meets the technical and other requirements for connection to the grid.

There is a view that ideology could influence decision-makers against adopting this course but this view cannot summarily be assumed to be correct. Ideology must eventually make way for tried and tested policies that have proved to be successful wherever they have been properly applied.

### **3.5 Access to the grid**

From world experience, it has become abundantly clear that the ownership and control of electricity generation plants must be completely separated from the ownership and control of the electricity transmission grid to allow for a range of solutions to be found to the current supply problems, including the absence of barriers to entry (other than uniform technical standards) for new suppliers and purchasers of electricity.

The Department of Energy (DOE) currently considers the prices that IPPs will need to charge to be profitable or break even as a major stumbling block for granting access to the grid. The reason for this

concern is the view that the single buyer of electricity will not be prepared to pay a price that will be acceptable to an IPP. This assumption might be correct so far as electricity purchased by ISMO for resale to its customers is concerned. The assumption is not correct in respect of wheeling across the grid from IPPs to power purchasers in the carrying out of bilateral agreements.

DOE is further concerned about who will supply the additional capacity required for balancing the grid if an IPP should 'go down' and what contribution IPPs will make towards the safety margin between maximum potential supply and demand for electricity. None of these considerations provide reasons for denying IPPs access to the grid:

### **3.5.1 Pricing of access to the grid (wheeling charges)**

There is no need to delay access to the grid to IPPs over assumed limits as to what they can charge their customers for electricity. While it is true that the current cost of electricity to Eskom, based on the historical cost of its plant, might be lower than the cost that will face new IPP plants, there is no way of knowing what electricity costs or charges are likely to be in a fully competitive market for electricity. Government need only concentrate its attention on the wheeling charges, except when ISMO is to be the purchaser of electricity.

When an IPP wishes to obtain access to the grid from ISMO for purposes of supplying electricity across the grid to a power purchaser in terms of a bilateral contract, the appropriate arm of government (probably NERSA) needs to act as referee to ensure that access to the grid is not unreasonably denied and that the wheeling charge is not unreasonably high, for instance, if IPPs were to supply the 10 per cent of electricity by which large users have been asked to reduce their off-take. Another example would be cases where IPPs are able to supply electricity to those property developers that have been denied the right to proceed with developments because of Eskom's inability to do so.

Such potential electricity customers, at the top end of the market-demand for electricity, are likely to be prepared to pay premium rates to ensure supply. ISMO might object to such contracts on the grounds that as the supplier of first instance any such higher price paid should be paid to them, that the supply by an IPP of all or part of the requirements of its own existing best customers amounts to cherry-picking. Such an argument is unfounded. If ISMO has the electricity to supply such customers, they should do so, if not they should step aside gracefully and facilitate the wheeling of the electricity that is in such high demand from IPPs to the short-supplied or power-starved customers. The health of the economy and availability of jobs is at stake.

### **3.5.2 Balancing the grid and providing reserve capacity**

IPPs will be subject to the same disciplines as Eskom regarding the balancing of the grid. A group of IPPs could be formed to ensure that in the event of a problem with one of them, the others will have sufficient reserve capacity to fill the void. Another solution would be to have an agreement with their customers to immediately stop drawing power off the grid in the event that the IPP has a supply failure. Also, the IPP could have an agreement with ISMO that in the event of a power failure, the major supplier would cover the shortfall at a punitive rate, if not, the customer would be compelled to cease drawing power.

All these arrangements could be dealt with using smart technology. Both the balancing and the making up of shortfalls could be dealt with in co-operation with ISMO or other transmission system operator but on a self-correcting basis that is, first and foremost, designed to avoid disrupting the operation of the grid.

### 3.5.3 ISMO as System Operator

ISMO will be able to function if it has watertight agreements, which it is able to enforce, with Eskom as grid owner, but it will be in an invidious position given that Eskom is also the generator of almost all the electricity. If ISMO is not the owner and maintainer of the grid, ISMO can be truly independent only if the grid ownership and maintenance is in the hands of an organisation or body that is itself independent of electricity generation companies.

Carrying out the December 1998 objectives as outlined in government's White Paper would resolve the issue of independence. The White paper provided that:

To ensure non-discriminatory and open access to transmission lines, and taking into consideration the financial stability of Eskom, government, in the medium term, is to establish a separate state-owned transmission company.

## 4. Board of Directors

The Board of Directors must be independent and seen to be independent of political interference, as far as possible, to ensure that the system operations are carried out strictly in accordance with prudent business principles. The fact that the ISMO Bill requires nominees to the Board to have technical skills that 'would add value to ISMO in performing its functions' will assist in ensuring the efficient functioning of the Board and the ISMO.

## 5. Comment on specific problematic sections of the Bill

**Section 4 – Functions of ISMO** – setting out the functions that ISMO is required to perform in great detail as in 4.2 appears to be unwise. Would this not require new legislation to rectify the description of the functions every time circumstances or the requirements change? A general description of the functions and the expected outcomes would appear to be preferable, especially as the company incorporation documents will spell out the purpose for which the company is to be formed.

**Section 4(3)(e)(ii)** – requires ISMO to “conclude electricity export agreements, **having regard to the interests of the Republic over the long term.**” The bold section of the quote from the Bill appears to indicate that the ISMO will be expected to perform some form of political role, which should not be its function. ISMO should function as a business and should not be treated as an arm of government. If there is to be a government-to-government agreement regarding electricity, it should be entered into by the appropriate government department, with a back-to-back agreement between the department and ISMO, even to the extent of the department purchasing the electricity from ISMO and selling it with the other government.

**Section 27 –Personnel of ISMO and not treating ISMO as a branch of the public service** – Section 27 provides that the Energy Minister and the Minister of Finance play a decisive role in ensuring the success of the ISMO. The second confirms the impression that the ISMO is to be treated as an arm of the public service. If these impressions are correct it would be most disappointing. It is essential that ISMO must function as a business with the directors taking ultimate responsibility for its proper functioning. An enterprise of this nature cannot be run from the office of the Minister. Constant political interference will destroy it. People who know what they are doing must be employed to run the ISMO and the Minister, acting as the representative of the shareholder, should only become involved in the manner that shareholders would get involved in the affairs of a public company.

**Section 35 – Powers of entry and inspection** – It is not clear why ISMO should have powers of entry and inspection, except if ownership and control of the transmission grid is to be transferred to it. The section intends to provide ISMO with draconian powers similar to those that Eskom inherited from the apartheid government that was not restrained by the rule of law as the central guiding principle of the constitution we have now. If the transmission grid is not to be owned or maintained by ISMO, this section should be deleted. If ISMO is to own or maintain the transmission, the provisions in the section need to be toned down. Right of access to check and maintain existing plant can be understood but to summarily cut off the electricity supply to someone who might have a legitimate reason for denying access to property, especially in the face of South Africa’s high crime rate is intolerable.

What is even more intolerable is to treat customers in the manner contemplated in the Bill. If you are a customer, whether or not you have promptly paid your electricity bill for many years, you have your electricity cut off until you allow access. (Subsection 35 (3)(a) If you are not a customer, ISMO is required to apply to the High Court for an order authorising entry to the premises. No private owner of transmission or distribution lines would dream of acting in such a fashion.

**Section 38 – Offences and penalties** – This section provides for even more appalling treatment of customers and citizens of the country. Subsection (1)(f) provides that anyone who “refuses to grant ISMO access to land or property for electric-related inspection; or (1)(g) “impedes, interferes with or attempts to frustrate ISMO in its attempts to gain access to land or property” is “guilty of an offence and liable on conviction of a fine or to imprisonment for a period not exceeding five years or to both such fine and such imprisonment. (Subsection (2) If the person has previously been convicted of chasing away ISMO staff members, the imprisonment is doubled to ten years. (Subsection 3) The records are likely to show that criminals who have committed heinous crimes receive sentences such as those described in this Bill. It would be informative to discover what level of criminality in the form of theft, burglary, assault and murder routinely receives penalties of such proportions. These Subsections should be removed.

## **6. Governments and delivery of electricity and other services**

### **6.1 Projects that are too big for governments to handle**

In the mid-20<sup>th</sup> Century there was a widespread belief that some projects and industries were the ‘natural preserve’ of government because they were ‘too big’ for the private sector to handle. This belief has been proved by experience in many countries to be not only wrong in principle but that government attempts to finance and manage very large projects are strategically imprudent. Now, in the most economically free countries, and in the less free countries with astute governments, the largest projects are privately financed, owned and managed, because they are either too large for governments to handle or governments correctly consider the field of competitive enterprise, profit and loss, to be an area of activity best left to private enterprise.

### **6.2 Government monopolies**

Also in the middle of the last century, the notion of natural government monopolies was widely accepted. Governments decided to embark on projects that were considered to be in the public interest but which the private sector ‘was incapable of doing or was not prepared to do’. As events have unfolded since then, resources in private hands internationally have increased considerably, and it has become clear that:

#### ***No project is too big for the private sector***

There are no projects that can be carried out by government that are beyond the capability of the private sector. The ‘private sector’ encompasses all private firms worldwide.

***Governments should generally not do what the private sector considers to be economically unjustifiable***

If the private sector is not prepared to carry out a project it is probable that it is not economically viable.

***The National Party government adopted 'siege economy' and collectivist/socialist policies***

The 'commanding heights' of the economy (including electricity production and distribution) in South Africa, were monopolised by the National Party government not only as part of its 'siege economy' attempts to become independent from the rest of the world but also as a result of its collectivist/socialist philosophy.

***Significant government economic errors are imposed on private taxpayers***

Governments tend at times to make more serious and larger errors than private sector decision-makers on matters relating to enterprise management because politics unfortunately often takes precedence over economics in their decision-making processes. Another typical phenomenon is that political decision-makers are seldom held personally responsible for seriously negative financial and economic errors. One of the reasons for large errors is that politicians invariably do not have the information required to make crucial decisions relating to large enterprises. In such cases taxpayers foot the bill whereas private company shareholders pay for losses, and directors and managers lose their jobs, a recent international example being the forced resignation of BP Chief Executive Tony Howard over the major oil spill in the Gulf of Mexico.

***Political pressures cause governments to remain 'locked in' to methods of providing services that are politically problematic***

Even when services provided by public enterprises deteriorate badly, or they show large losses and it becomes patently obvious that their monopoly status is harming the economy; some governments remain 'locked in' and find it difficult or politically impossible to remedy the situation. Such governments generally face criticisms from their citizens for squandering taxpayers' money on bailouts of loss-making public enterprises, or for deteriorating service delivery. Notwithstanding such criticisms, their ability to institute reforms is typically hampered by strong ideological opposition from their political supporters to allowing the private sector to compete with, or take over, struggling public enterprises.

***Government gains from the existence of competing providers of essential services such as electricity***

Government, instead of attempting to be the generator, transmitter and distributor of electricity (vertically integrated), should pave the way for the entry of competing suppliers of every possible service involved in the process, from generation to transmission and distribution to end users of electricity.

Even while the large power stations within Eskom continue to be owned by the utility, they should, in order to increase efficiency, be operated and managed independently. All these stations, together with independent power producers should compete with each other in a trading system for the business of consumers. The trading system should be operated by ISMO, which should function on a strictly business basis in the interests of electricity consumers, which means ensuring stability of supply and competitive delivery.

The generation, transmission and distribution systems incorporated in Eskom constitute substantial state-owned assets that have been largely paid for by past taxpayers. This is also the case with all state-owned enterprises. Instead of looking to current taxpayers to pay for new plant for electricity generation, transmission and distribution, government should consider halting its investment in public enterprises and turning to competing private investors to take over the role of providing capital for expansion.

### **6.3 European experience**

The best structure is not a single government monopoly such as Eskom, with centrally controlled oversight and direction. Much better structures are those that have evolved and continue to evolve in the European Union countries, based on the UK example, and the structure that has developed in North America.

An economics or business-driven structure for the delivery of electric power consists of an electricity grid made up of inter-connected high voltage transmission lines supplied by a multiplicity of electricity generating entities that feed electricity into the grid. An even greater multiplicity of distributors purchase electricity from the generating companies or from wholesale intermediaries, draw it from the grid, transform it from high to a lower voltage, and distribute and sell it to end users. For all or most of these functions to be carried out by a single organisation such as Eskom is not a good idea, especially when that organisation's very existence depends on a legislated monopoly that prohibits competitors from entering the business of generation, transmission and supply of electricity.

There is ample evidence that SA's electricity generation and supply structure needs to change. For instance, the Ignalina Nuclear Power Plant in Lithuania observes on its website that: 'Until the late 1980s, the structure of the electric sector in most countries was based on the idea that the most efficient way to provide electricity was to have a national electricity company which was a natural monopoly and so needed to be state owned to protect consumers. However, now experience shows it is possible to divide electricity companies into those parts which are still natural monopolies (for example, high voltage and low voltage networks) and those parts where it is possible to have competition (for example, power stations) and to create a market for electricity. This experience is now being used all over the world to create cheaper electricity by means of competition among power stations and among companies that are in the business of purchasing and reselling electricity. Western Europe has shown that prices to consumers can fall by up to 20% when the market is fully operational.'

According to the website, a May 2000 European Commission report revealed marked decreases in the price of electricity from 1996 to 1999 in Finland -19.6%, Sweden - 17.6%, and Germany - 9.6%, all countries with 100% market opening. Spain - 16.2%, Portugal - 14.0% and France - 12.7% also experienced significant price reductions with a reduced level of market opening (between 30% and 45%). At the time of the report Lithuania was in the process of meeting the conditions for its 1 May 2004 entry into the EU, one of the conditions being the opening of its electricity market to alternative suppliers, a condition that applies to all EU members.

## **7. Conclusion**

Changing a large structure that has been in existence for many years is extremely difficult. It is understandable that government has approached the task with considerable trepidation and that there have been several changes of direction. However, while it is prudent to take care in making changes, a time arrives when to delay further becomes imprudent. Such a time has arrived in dealing with electricity generation, transmission and distribution. Making transmission independent and as neutral as possible has now become essential to save the South African economy from serious harm and the country's people from unnecessary deprivation. The time has come for government to take determined and fundamental action to solve the problem of electricity shortages and potential regular blackouts.

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