



FREE MARKET FOUNDATION

Johannesburg

PO Box 4056 | Cramerview 2060

Tel 011 884 0270 | Fax 011 884 5672

Email fmf@mweb.co.za

Cape Town

PO Box 805 | Cape Town 8000

Tel 021 422 4982 | Fax 021 422 4983

Email fmf.ct@mweb.co.za

Durban

PO Box 17156 | Congella 4013

Tel 031 206 1416 | Fax 088 031 206 1416

Email urbach@telkomsa.net

National Development Plan Chapter 4 – ECONOMIC INFRASTRUCTURE (ELECTRICITY)

- South Africa faces an electricity crisis which if left unresolved will cost the economy further unrecoverable billions.
- Proposed energy-related legislation is more restrictive than existing legislation.
- The new power stations, Medupi and Kusile, will not be completed on schedule or within budget.
- Already mines, manufacturers and other businesses, shopping malls, property developers and others have to rein in potential expansion.
- It is essential that government change the energy environment immediately to forestall stagnation of the economy and further job losses.
- The world’s experience shows that private investment and management of electricity generation, transmission and distribution are essential because of the critical role played by competition in ensuring the lowest prices, timely investment, availability of capital, and continuity of supply.
- A well-functioning electricity supply system has certain essential features:
 - **Independently owned and operated transmission grid:** The grid need not have one owner and parts of it can be independently operated. Independent supervision of the grid and its operation, and objective rules, are essential to protect the grid’s integrity. Generators of electricity who abide by the rules should not be prevented from utilising the grid to sell electricity to customers. Similarly, purchasers of electricity who follow the rules should not be prevented from drawing electricity off the grid.
 - There is a strong case for Eskom to divest itself of ownership and control of the transmission grid.
 - Sale of the grid to private purchasers would supply much-needed capital to finance the building of new power stations or to pay off debt and reduce the burden on the government, taxpayers, and electricity customers.
 - **Independent Power Producers:** Entry of power producers should be entirely dependent on their meeting objective standards and not on a licensing process based on the subjective judgements of officials. No restriction would be necessary in an effort to prevent “excessive” investment in generation capacity. If there is inadequate business to sustain additional entrants, the cost will be borne by such entrants and not by taxpayers.

- **Distribution of electricity:** The market for distribution of electricity to end users should be opened up in the same way as the opening of the transmission grid, except that consumers should have access to a choice of competitive suppliers as they do in other countries.
- **Trading in electricity:** With an independent grid or grids, competing power producers, and competing distributors, trading in electricity will become commonplace. A market for electricity will help to smooth supply and demand and reduce peaks and troughs in demand as price adjustments change the behaviour of users and consumers.

Please see the attached FMF article and comments in support of the above.

Article: What is the electricity transmission grid and why is it important to you?

FMF Comment on the Independent System and Market Operator Draft Bill

FMF Comment on the National Energy Regulator Amendment Bill

FMF Comment on the Electricity Legislation Second Amendment Bill

Eustace Davie

Director

Free Market Foundation