



Retail Wheeling in South Africa

Written by David Lipschitz, 3rd November 2009

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Objectives:

- (i) A new National Grid Company which owns and operates South Africa's electricity grid infrastructure;
- (ii) Private electricity producers which directly sell electricity to private electricity consumers or use the National Grid to do this.

Retail wheeling refers to the ability of an energy consumer to select their own electricity supplier, or “wheel in” energy from one of two or more different suppliers.

At the moment, Eskom controls the national grid and is 100% owned by the South African government. Eskom supplies 95% of South African's electricity and is a monopoly. Eskom is the only organisation in South Africa that is allowed to **buy** electricity from producers other than themselves. Other producers are called Independent Power Producers (IPP's). As Eskom is a monopoly heavily invested in coal and nuclear, it seems reasonable to assume that it would always want to sell its own electricity generated in preference to electricity generated by third parties. It also seems reasonable to assume that it would always want to further its own profit making interests and not necessarily the interests of the country or the world, especially in terms of lack of promotion of efficiency, pollution control, reduction of climate emissions and wanting to stay the dirty polluting service provider it currently is. As Eskom is owned by the government, there

¹ See

http://docs.google.com/gview?a=v&q=cache:4w8CGQotrKgJ:www.parliament.gov.za/content/62132.pdf+climate+change+hearings+17+18+november+cape+town&hl=en&gl=za&sig=AFQjCNE1S_-zIAR2YInOfpSLLXvEoFZ2g

1

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is a further conflict of interest as the government has set targets in respect of reduction of GHG emissions and renewable energy generation (by 2013), however, it will be impossible to reach these targets if Eskom is the only buyer of electricity. It seems like government is trying to “have its cake and eat it too”. Eskom states it wants to become more sustainable, yet it also wants to reap profits from new-build unsustainable non-renewable energy generation plants (not having the foresight to predict that these dirty power plants will soon be nothing more than ‘black pits’ in which billions of rands will be wasted at the expense of the environment, the people of South Africa and our economy). They are prepared to increase our taxes in the form of electricity hikes by 3 times over the next three years to achieve Eskom’s goals. (45% compound increase for three years is equal to a 300% overall increase.)

It seems fair to me that if NERSA (the government appointed body whose duty it is to regulate the electricity industry) allows these massive increases by one supplier of electricity then in a democratic country, the government, elected by the people, should start the process of deregulating the industry and allowing a platform for the achievement of their 10,000 GWh of power from renewable sources by 2013. By making a National Grid Company a separate company from Eskom, the National Grid Company (NGC) can choose from whom it wishes to buy electricity and to whom it wishes to sell. [A big question that remains is who will be this NGC and how will we ensure that the NGC does not also take advantage of its position of power?] As a starting point and to prevent Eskom or any one specific IPP becoming majority shareholder in the NGC, IPPs should be excluded from having any rights of ownership in the NGC. Also, any foreign interest in the NGC should be limited.]

This would enable something called retail-wheeling to occur country wide and is something that the City of Cape Town promulgated in a By-law in 2008.

See http://www.energyvortex.com/energydictionary/retail_wheeling.html for information about Retail Wheeling.

See <http://www.capetown.gov.za/en/ElecSupplyBylaw/Documents/Elec%20Supply%20By-law%20Amendment.pdf> for the By-law.

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The NGC's mission would be to enable customers to choose from whom they wish to buy electricity and customers who are happy to buy non-renewable fossil fuelled dirty coal and nuclear power can buy from Eskom and those who wish to buy clean renewable energy can buy from the myriad other Independent Power Producers (IPP's) who would mushroom up. Initially most electricity customers would have to buy from Eskom, but having the NGC would enable a quicker shift away from this monopoly than if Eskom retain control of the National Grid.

After forming the NGC, its initial customers would be all Eskom's existing customers and its initial supplier would be Eskom and the existing IPP's. Eskom would have to transfer to the NGC its grid operating costs and its grid value. The NGC would start with a capital value equal to the value of the national grid and a charge per kwh for using the grid. Customers would then be able to choose from whom they wish to buy electricity, Eskom or IPP's. Not only this but "willing buyer-willing seller" agreements can then be set up between customers who wish to "buy green/RE" and suppliers who wish to sell green.

If a customer buys electricity from Eskom, then Eskom collects the fees and pays the NGC for using the grid. If a customer buys from an IPP, then the IPP collects the fees and pays the NGC for using the grid.

This grid would work in a similar way to the train grid in the UK where a private company such as Virgin Rail runs its own trains on the tracks and pays Network Rail (see <http://www.networkrail.co.uk/>). Also click on About Us and Our History. Other similar grids are the telephone grid where MTN, Cell C and Vodacom pay for the use of the grid and also the aircraft grids where companies like SAA and BA pay for the use of the airspace through which they travel.



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