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**DISINCENTIVE.** Higher electricity prices will discourage mining of lower-grade deposits and may lead to job losses and reduction in mining's contribution to GDP. Picture: Bloomberg

# Eskom prices under focus

## BUSA: QUERIES 'OTHER' OPERATING COSTS

» **Minerals Council SA asks why staff costs increase when production declines.**

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Moneyweb

**A** member of the South African Property Owners Association (Sapoa) says if Eskom's application for a tariff increase of 36% next year succeeds, the impact on its utility cost will be R15.30 per square metre – across its property portfolio of more than 700 000m<sup>2</sup>.

Sapoa's comment forms part of a submission by Business Unity South Africa (Busa) to energy regulator Nersa, which is considering Eskom's application for tariff increases of 36.15%, 11.81% and 9.1% in the next three financial years.

Mining companies, preparing for what they consider a "worst case scenario", have budgeted for an electricity tariff increase of three times CPI (consumer price index) – with CPI at 2.8% year-on-year in October.

If Eskom's application is approved, mining electricity costs could rise by R8.8 billion to about R68.6 billion by the end of 2027, according to Minerals Council SA.

The impact is however much bigger than the immediate costs, says the council. "Higher electricity prices will discourage the mining of lower-grade deposits, which are less profitable under rising fixed costs such as ventilation, pumping and cooling for electricity-intensive operations. This would shorten the life-of-mine for many operations, as reserves deemed economically viable would shrink.

"Over time, this could lead to earlier mine closures, job losses and a reduction in the industry's contribution to the economy."

To mitigate against the rising electricity costs and ensure security of supply while moving towards decarbonisation,

mining companies are accelerating their plans for solar and wind energy as well as battery storage.

"This shift will likely further reduce Eskom's electricity sales, creating a negative feedback loop," the minerals council said.

### Scepticism and questions

Busa and its members are not convinced the huge increases Eskom wants are justified.

### Operating costs

They question the increase of almost 17% in Eskom's total operating cost (excluding amounts claimed for arrear debt) in 2025-26, driven largely by what the utility calls "other operating cost".

This category increases by almost 67% against the projection for the current financial year.

Busa asks that Nersa interrogate these costs and limit the increase to CPI.

It says Nersa should insist on transparency, accountability and fiscal discipline in Eskom's cost management.

### Employee benefit costs

These are projected to increase by 3.65%, 4.43% and 3.47% in the next three financial years.

On the face of it this may seem reasonable as it is in line with inflation, but Eskom's staff numbers have declined, as has its energy production.

The Minerals Council notes that most industries adjust their workforce costs to align with changes in production and sales and Eskom should be required to do the same.

### Arrear municipal debt

Eskom's proposal to include amounts to compensate it for arrear municipal debt should be disallowed, so that paying customers won't be held liable for the non-payment of municipal debts that Eskom has not collected due to its inefficiencies.

Nersa is expected to announce its decision on Eskom's revenue application on 20 December.