



FFC Briefing to the Portfolio Committee on Energy

18 June 2013

Presentation Outline

1. Introduction
2. Access to Free Basic Electricity (FBE) and Free Basic Alternative Energy (FBAE)
3. Financing FBE and FBAE
4. Constraints to Adequate Electricity Provision
5. Other Complementary Energy Provision Initiatives
6. Implementing FBE and FBAE
7. Conclusions

INTRODUCTION

- NDP vision for 2030 entails SA energy sector that promotes:
 - Economic growth and development: through adequate investment in infrastructure
 - Social equity: through expanded access to energy services with affordable tariffs and well targeted subsidies for poor households
 - Environmental sustainability: through efforts to reduce pollution and mitigate effects of climate change
 - Less use of coal to fulfil primary energy needs and greater emphasis on gas and renewable energy resources (wind, solar and imported hydroelectricity)
- Critical to balance supply security, affordability and climate change mitigation objectives
 - Moving to a lower carbon-intensive power generation mix is more expensive versus need to maintain competitiveness of electricity prices and security of supply so as to power economic growth and development

Introduction cont'

- SA is intensifying efforts to provide poor with energy: evidence is in the electricity policies and strategies and expenditures
 - Electrifying low income areas and rural regions
 - Universal electrification as a national goal
- Policies identify FBE as fundamental in improving the livelihoods of poor.
- FBE to promote gender equity and enhance lives of women and children: *FBE frees time and resources for other services*

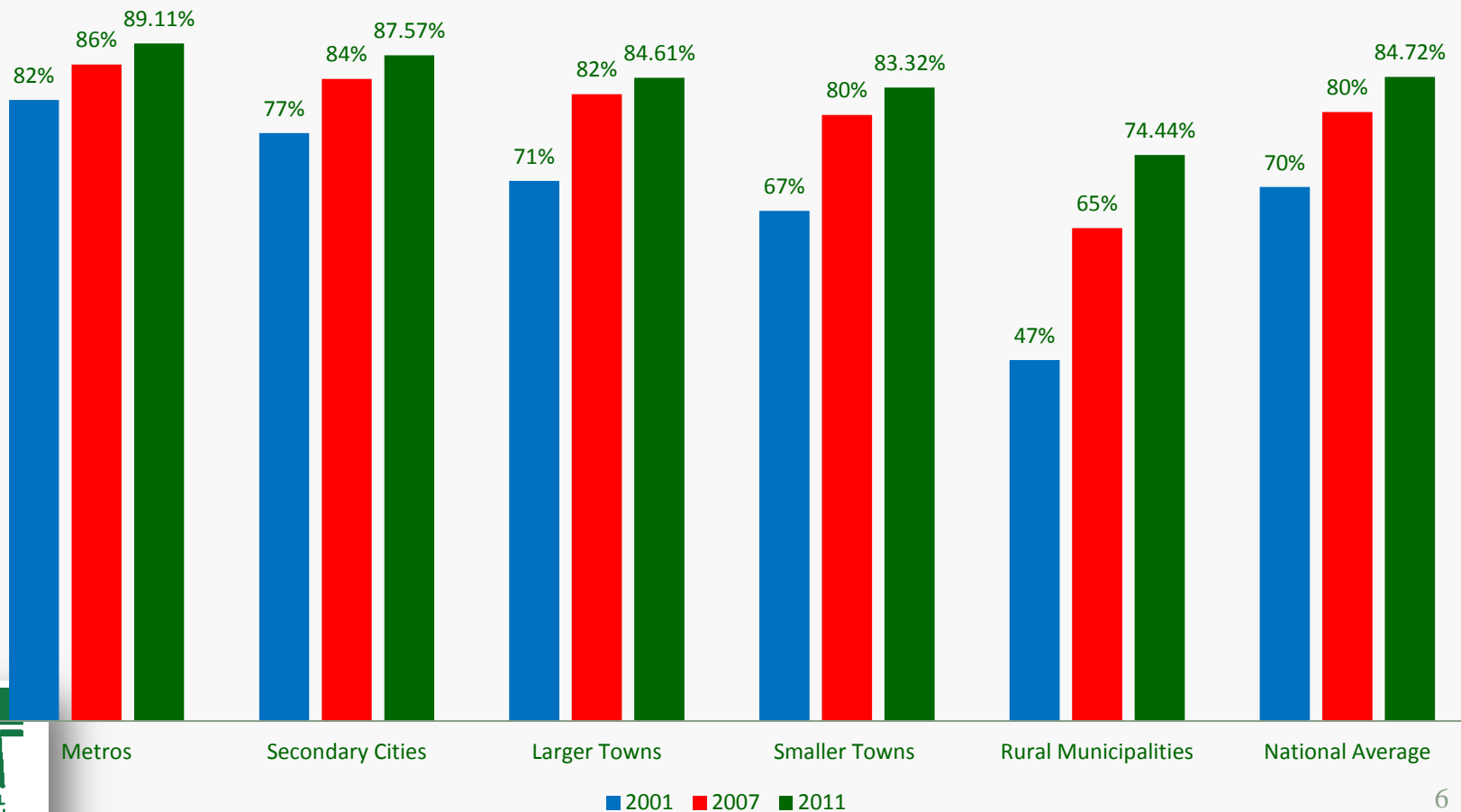


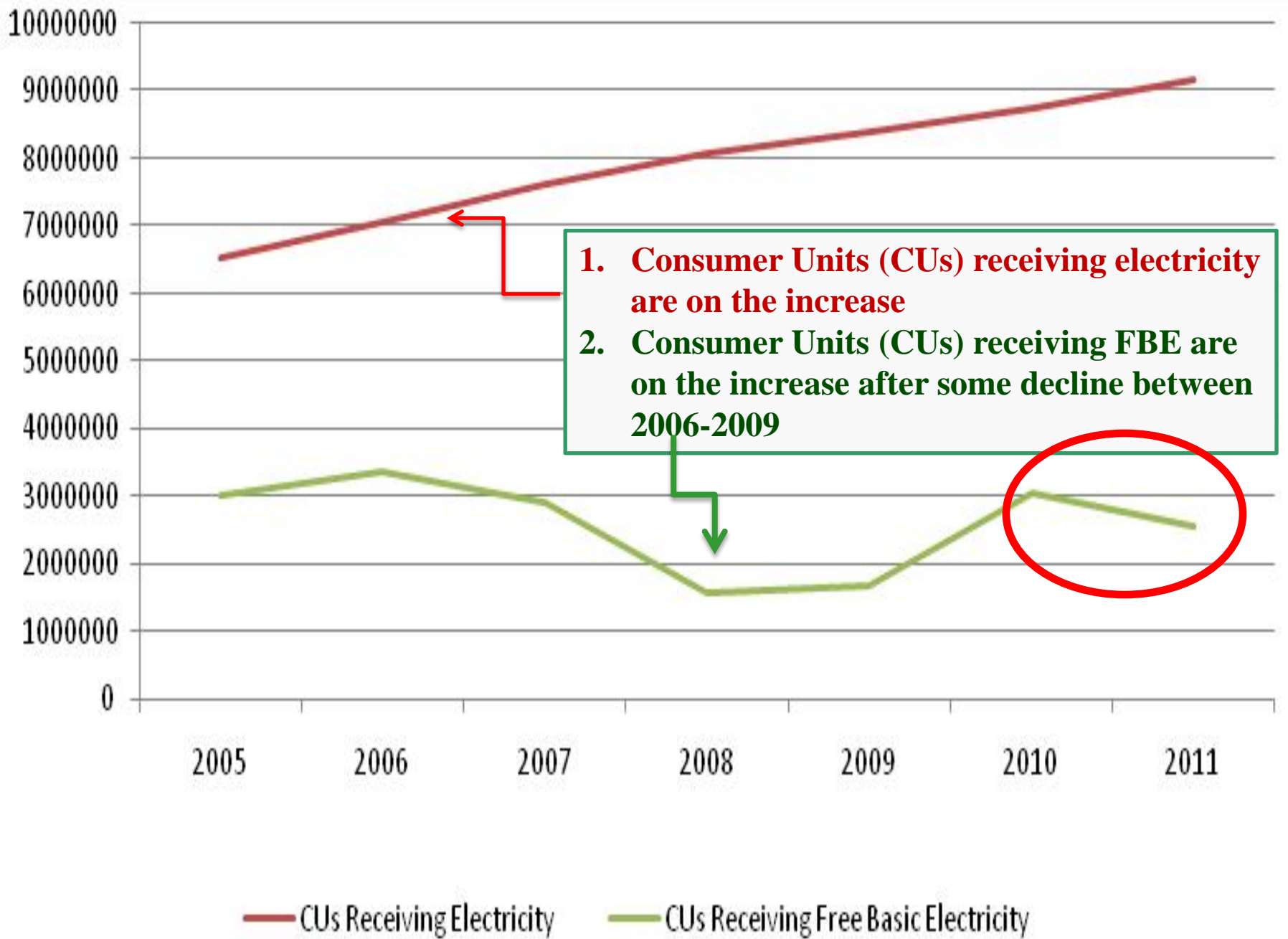
Environmentally unfriendly fuel alternatives abandoned for cleaner electricity



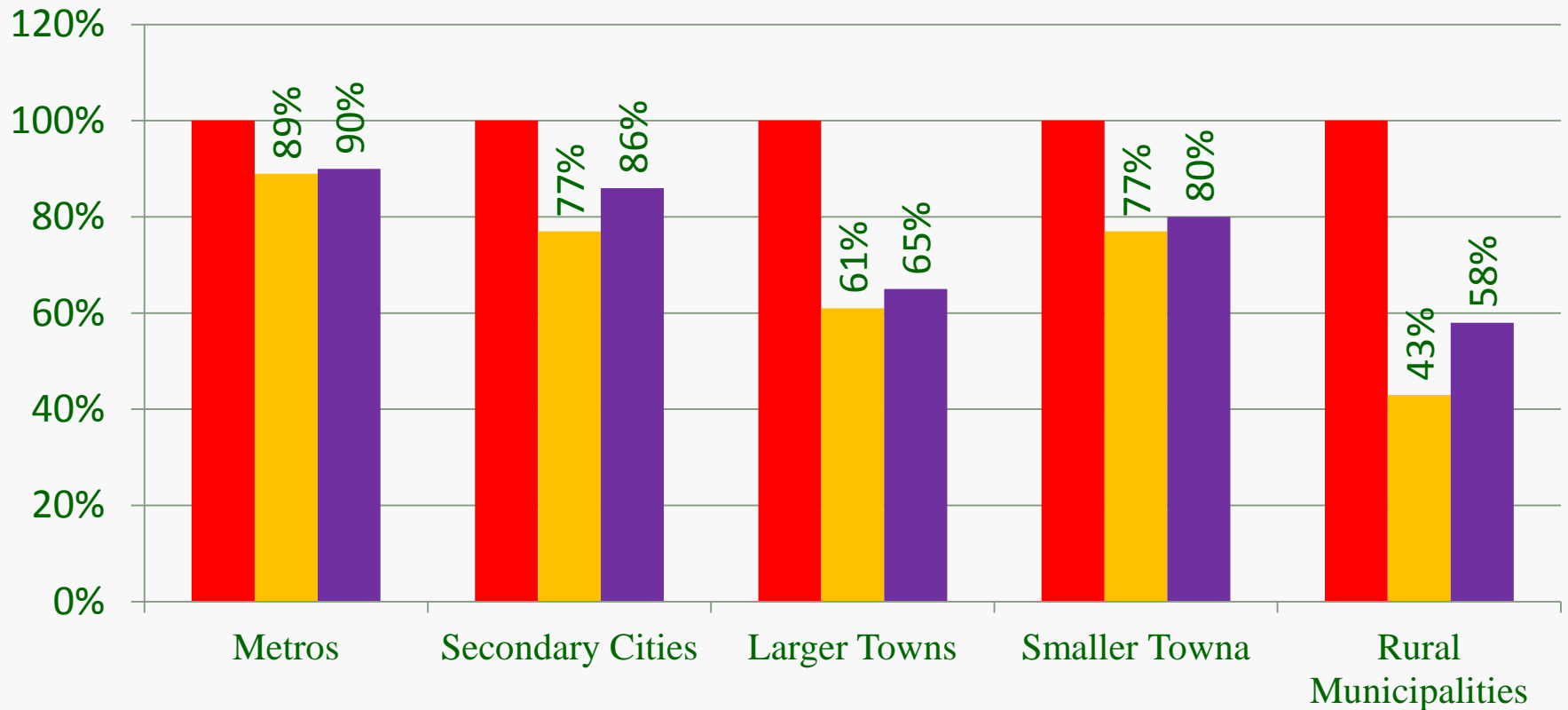
Access to Free Basic Electricity (FBE) and Free Basic Alternative Energy (FBAE)

Households with Access to Electricity 2001 - 2011





FBE Coverage Against Identified Indigents



■ Identified Indigents

■ Indigents Receiving 2010

■ Indigents Receiving 2011

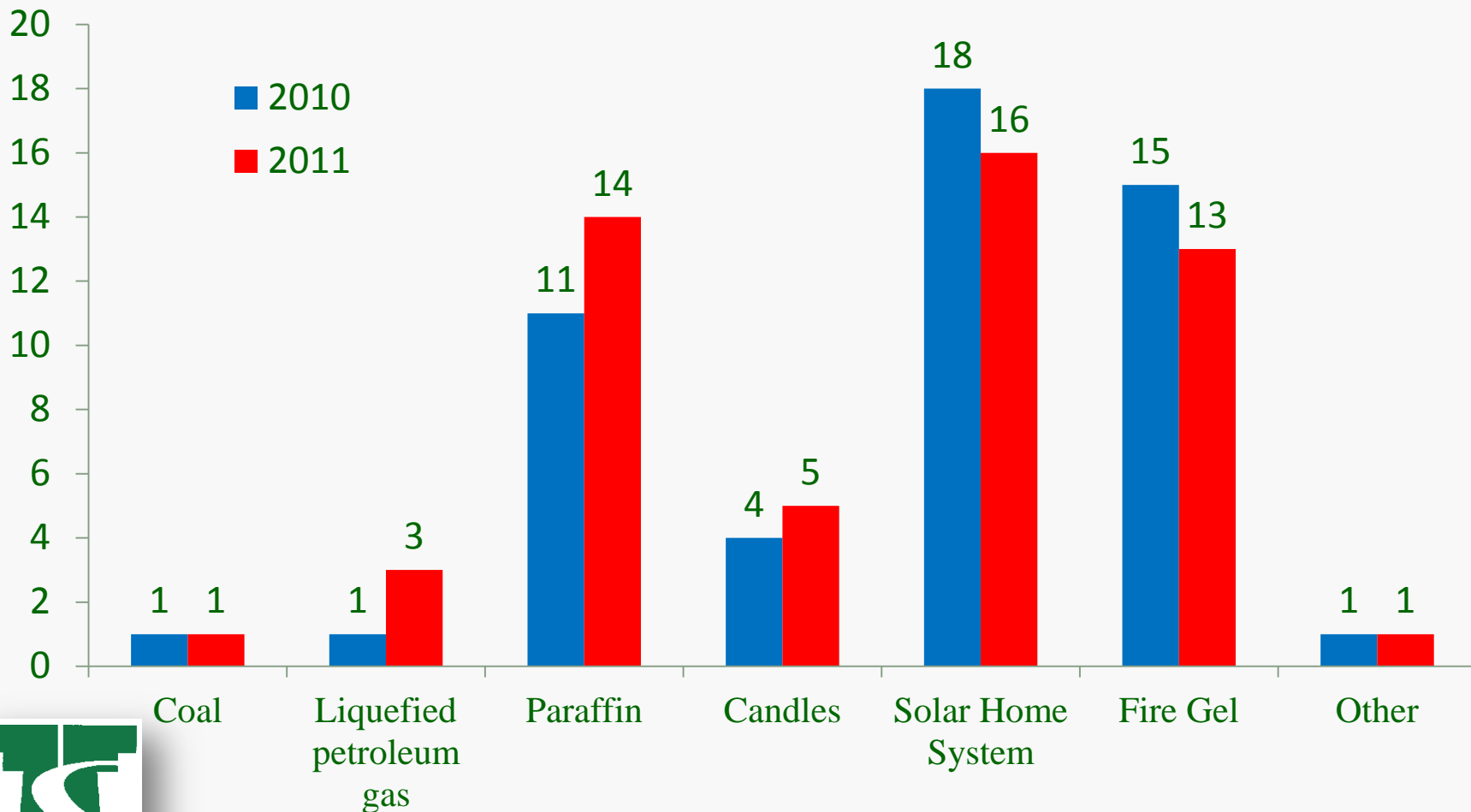
2. Implementation of FBE and FB AE 2011

Municipal FBE Authority and Providers

Type of Municipality	Number	Electricity Authority	Electricity Provider	FBE Policy	FBE Implementing
Metros	8	8	8	8	8
Secondary cities	19	19	19	14	15
Larger Towns	26	26	25	24	22
Smaller Towns	113	109	104	102	80
Rural municipalities	68	33	25	56	50
Total	234	195	181	204	175



Number of Municipalities Providing Alternative Energy 2010 and 2011





3. Funding FBE and FBAE

New LES and Funding of FBE and FBAE

- FBE and FBAE funded by LES
 - Electricity component of the BS component
- New LES formula implemented in 2013
 - Electricity component remained as part of BS
 - Improved accuracy and targeting of funding of FBE and FBAE
 - Greater support to rural municipalities to delivery FBE and FBAE

Revised Subsidy in LES Formula

- R5.7 billion of total LES for FBE and FBAE 2013/14
 - R56.29 per poor household per month
 - R50.66 for operational expenditure in FBE and FBAE delivery per poor household per month
 - R5.63 for maintenance of infrastructure
 - Calculation based on NERSA tariff guidelines
 - Second block tariff of 82c/kWh
 - 50kWh used as benchmark as per current policy standard

New LES Formula and Implications for FBE and FBAE

- Poverty threshold in LES increased from R800 to R2300
 - Households earning less than R2300 per month receive funding for FBE
 - Covers 59% of total households in SA
- Increased funding for FBAE
 - Previous formula distinguished between household connected and not connected to services resulting in funding for FBAE being lower than FBE
 - Standard subsidy for FBE and FBAE in new formula
 - Delivery of FBAE is likely to be as expensive as FBE



4. Constraints to Adequate Electricity Provision

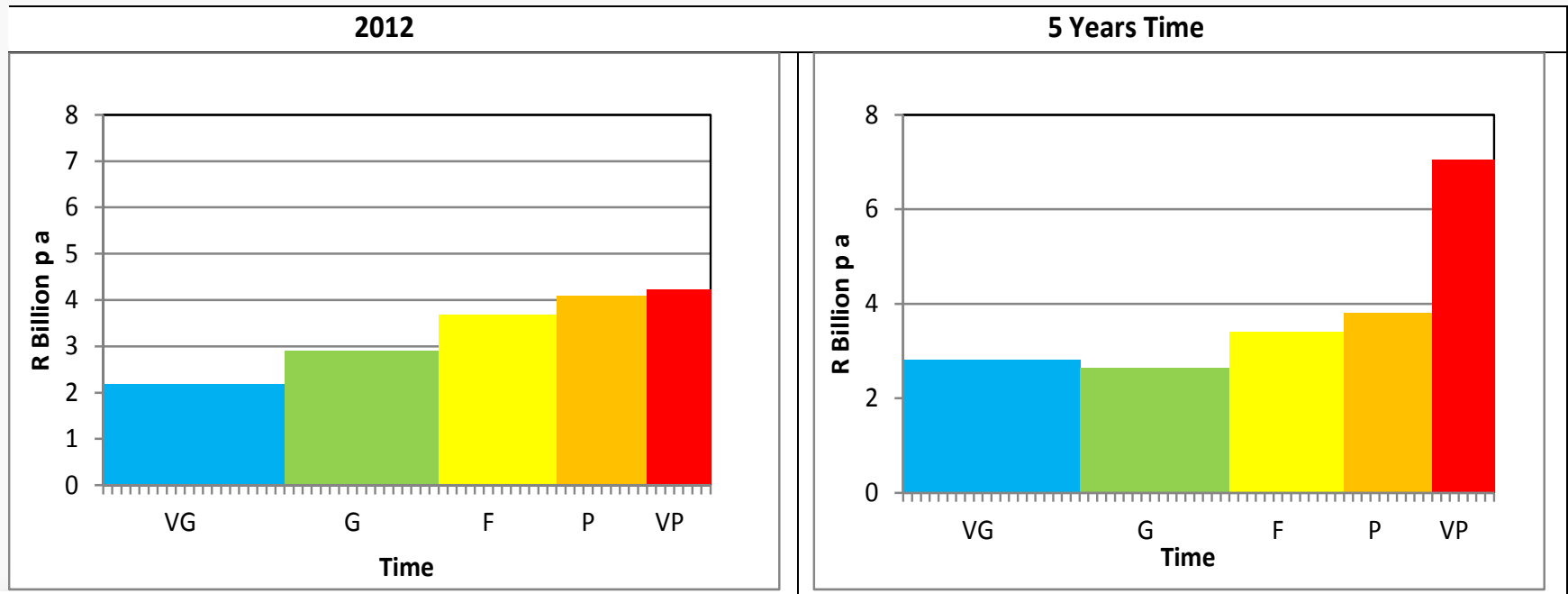
SUMMARY OF ELECTRICITY CAPITAL RENEWALS BACKLOG-FINDINGS OF FFC SUBMISSION FOR 2014 DoR

Target Condition Standard		Electricity	
		Amount	Years
1	Optimum	R 41 billion	11
2	Sub-optimal	R 25 billion	7
3	Absolute Baseline	R 8 billion	2

- Total capital investment in renewals is estimated at between R600 and R800 million per annum
- Capital renewals backlog of between R20 and R40 billion in municipal electricity sector
- To address backlog requires capital renewal programme with allocation of at least R4 billion per annum over a 10 year period (depending on target standard of infrastructure preferred)

CONDITION OF ELECTRICITY DISTRIBUTION INFRASTRUCTURE IN 2012 AND IN 5 YEARS TIME

- Should current levels of investment continue, in 5 years time SA will see a severe deterioration of its electricity distribution infrastructure

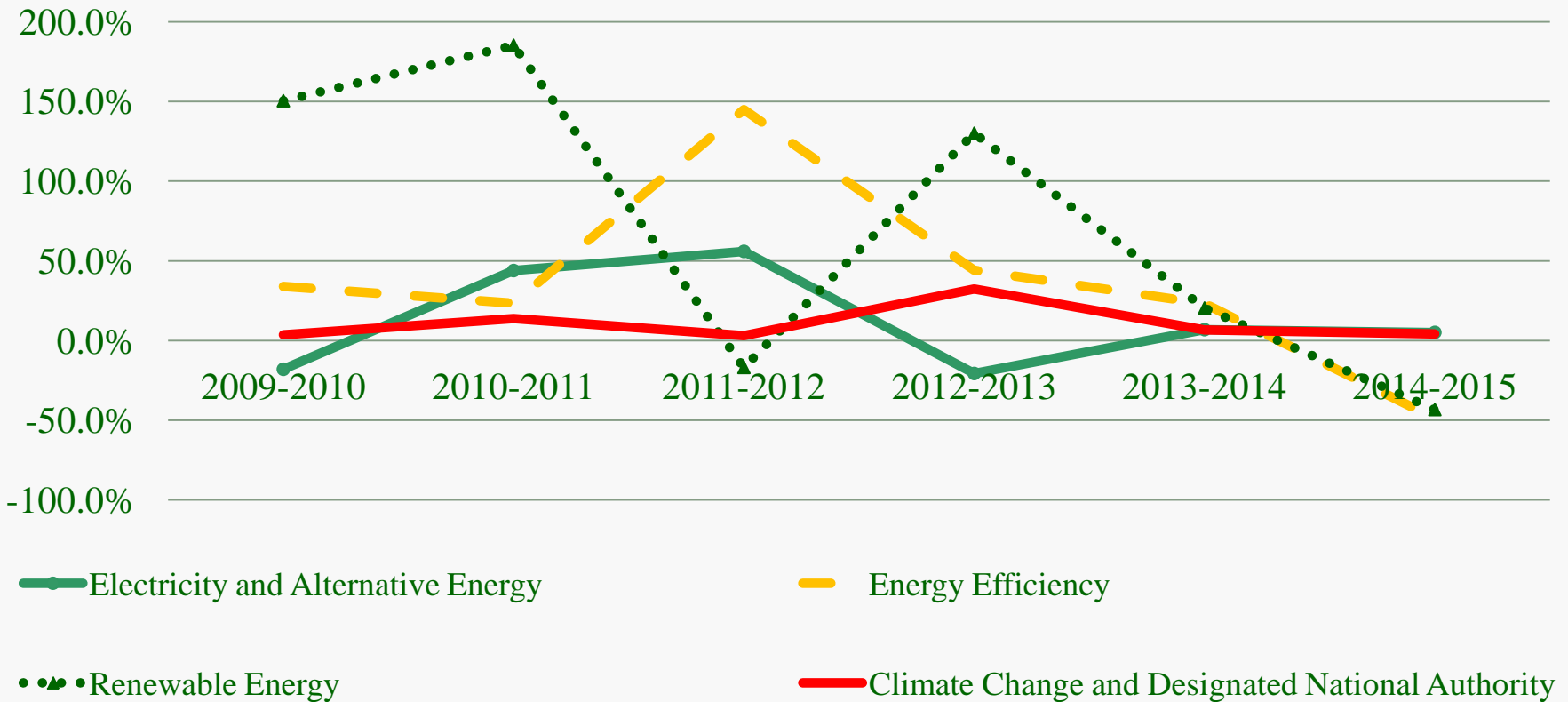




Other Complementary Energy Provision Initiatives

NATIONAL SPENDING ON PRIORITY AREAS

Growth in Alternative and Renewable Energy, Energy Efficiency and Climate Change, 2009/10 to 2015/16





8. Conclusion

Conclusion

- FBE and FBAE vital for economy and for households- escaping poverty
- LGES has made explicit provisions for repairs and maintenance and the issue is the will to use such provisions for intended purposes. Big risk is impact on the national economy if significant investment are not made. **Avoid reactive maintenance, go for preventative maintenance**
- There is need for proper targeting of FBE and correct use of indigent registers
- Efficiency in the distribution of electricity is paramount: Important to minimise electricity leakages, illegal connections and institute adequate repair and maintenance



THANK YOU.

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