

## **Open electricity market needs cautious consumers, warn energy experts**

South African customers to be exposed to buying electricity in the open market might benefit from the wider choice of suppliers and possibly better affordability.

However, a US energy transmission expert has warned that customers would have to be wary of new operators who will not have the same sentiments, ethics, and even rules under the current nascent monopoly of Eskom and municipalities.

This was said yesterday at the opening of a two-day workshop hosted by the National Energy Regulator of SA (Nersa) as it emerged that consumers in the market will have to pay tariffs that factor in transmission and other network costs that are not structured into current tariffs by Eskom and municipalities.

It follows an announcement earlier this year that electricity will now be generated and sold on the open market, with supply and demand factors determining tariffs after the overhaul of the holy grail of electricity, the Electricity Regulation Act (ERA).

Concerns have been raised about future market operators cherry-picking customers based on affordability and intensity of energy used for the bottom line.

Issues have also been raised about the government's social responsibility of providing free electricity for the indigent and the poor.

An Eskom participant pointed out that the distribution system in the country did not balance out market forces as Eskom and municipalities had to contend with supplying to the indigent and those on subsidised electricity supply.

"Nersa needs to balance the interests of the whole market. It will be easy to see the picking of customers based on their affordability. The South African system has the indigent and others who are subsidised, there has to be a balance," he said.

The discussion also included Business Unity South Africa (Busa) and the Energy Intensive Users Group of Southern Africa (EIUG), among other groups.

Director of energy studies for the Public Utility Research Centre (PURC) in the US, Ted Kury, warned that the open market required consumers to have far more responsibility of ensuring their side of the bargain and understanding that costs encompassed more than the energy supplied but generation and transmission costs as well as administrative costs.

"There certainly will be increased access to services with more participants in the market, but people are used to being supplied by one entity Eskom and the municipalities," Kury said.

"It is not like that in the open market, you are dealing with people without roots on the ground. A guy might be sitting at a computer in London or Tokyo or wherever. These folks are different, they do not have the same motivation or even the same rules. You have to understand the rules."

Sue Rohrs, who represented Busa, said the education of customers was important as the current market was the nascent interaction with only Eskom and municipalities, and only intensive users had the sophistication to contract the supply of electricity, unlike households.

“Apart from large bilateral deals by consumers who know what they are doing, there are only five suppliers apart from Eskom, and the southern African power pool is ahead of Eskom in this regard,” Rohrs said.

“There is opportunity for more choice, but customers will get this hefty add-on, this burden of higher charges that they do not see what they are paying for. It is the more experienced and intense consumers who know what they are doing.”

Herman Pretorius, representing the EIUG, said there were concerns about the capacity of the regulator to manage the open market and still be able to balance the needs of the industries.

“The intensive users are certainly interested in the affordability of the tariffs but more importantly we need to see price certainty so we are able to price in the cost of the electricity to the processes,” Pretorius said.

“Unbundling of tariffs will be prerequisite so users know what to itemise, that they still have to pay for the network and other costs on the energy traded in the market.”

Source: Banele Ginindza - <https://iolnewsletters.co.za/business-report/companies/open-electricity-market-needs-cautious-consumers-warn-energy-experts-fa706a63-ebe0-4710-bd76-ef11f072f969>

Date Published: June 11, 2024