



# ANC Whip

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## Load shedding is an appropriate intervention

by Fatima Chohan

The load shedding we have all experienced over the last few weeks, are at the very least irritating, aggravating and frustrating. But to some, particularly those who are shift workers and those who own small businesses the outages mean the loss of essential income required to make ends meet. These are the people – and I am sure I can speak for all of us as public representatives that we are most concerned for them during this time. It is when we remember these people that traffic jams caused by the power outages seem easier to bear and cold unappetising suppers easier to swallow.

I would like to share with Honourable Members a conversation I had yesterday with the chairman of the Public Utility Commission in the state of Pennsylvania, Mr. Wendell F. Holland, who is currently visiting South Africa and who is a former judge, and recipient of inter-alia the Spirit of Rev Martin Luther King's Legacy Award in Public Service. He said two things that I want to share with Members today. The first thing he said is "what your country is experiencing is not blackouts of the nature of a systems failure. You are experiencing load shedding – which is an engineering solution to an engineering problem." He said "these are no way near the blackouts experienced in some major cities globally. He reminded

The National Assembly and the National Council of Provinces this week debated the current electricity challenges facing South Africa during the Joint Sitting of Parliament. We publish some of the speeches by ANC Members of Parliament...

me of the fact that some major cities were without any power at all for two weeks. He said if you think people are angry in this country imagine the rage when the national power grid collapses and people in a major city in America have no power for two weeks without respite. Load shedding prevents the collapse of the national power grid – it is a preventative intervention, it is," he repeated "an engineering solution to an engineering problem."

If we recall the so called Northeast Blackout of 2003, that occurred in parts of North-eastern and Midwestern United States and Ontario Canada on Thursday the 14 August 2003, it affected one third of the population of Canada and 40 million people in eight US states. The cause of the blackout was the shutting down of 265 power plants 22 of which were nuclear stations. The incident was referred to as "Power meltdown 2003." Although more people were affected by blackouts in Italy six weeks later, I use this example to highlight that the power suppliers in the US are in fact private players. This idea being mooted by the DA that Eskom should be privatised immediately and that will bring an end to our

woes, is a deeply flawed argument. The US/Canada Task force report found that the cause of "power meltdown 2003" was found to be the First Energy Corporation's failure to trim overgrown trees that had come into contact with the high voltage transmission lines, as well as a malfunction in the early warning system. Generally then the problem was a lack of maintenance. The fall out was huge transportation failures; communicate failures, sewerage flowed into rivers, Manhattan including Wall Street and the United Nations was completely shut down. 600 subway and railcars were trapped between stations, and in Ottawa water pumps stopped working. Emergency services responded to 80 000 calls for help and 3000 fires caused mainly because of candle use. "Load shedding is an engineering solution to an engineering problem" so says Mr. Wendell F. Holland former Judge and Chair of the Public Utility Commission of the State of Pennsylvania. The second thing he said was this. "South Africans must come to the realization that if Eskom cannot raise loans at reasonable rates, this is not good for any of you."

Capital Markets are the lifeline of utilities like Eskom. These markets are highly attuned to perception and speculation. We must be alive to the perceptions we create when we make reckless statements. Reckless and hysterical comment does harm to investors confidence and the pliancy of capital markets. It is up to us – all of us as policymakers to inspire this confidence while not being complacent about any challenge faced by the utility. And there is much to be confident about. Eskom is one of the top 10 utilities in the world by generation capacity and among the top 11 by sales. There have been insinuations and distortions in the media about neighbouring countries. Eskom generates approximately 95% of electricity used in South Africa and approximately 45% of electricity used in Africa. We were assured in the portfolio committee hearings that customer states are treated like all customers. Some contractual agreements allow Eskom to cease supply during critical periods while other more firm obligations visit the same conditions on customer state as would be experienced by any South African consumer so if there is load shedding in Cape Town, there will be load shedding in the customer state. Zimbabwe is indeed a customer, but it is not reneging on its

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contractual obligations, as some in this House seem to suggest. This morning I again confirmed with the Chief Executive Officer of Eskom that in fact and to its credit Zimbabwe pre-pays for any electricity from Eskom. Insinuations that Zimbabwe - for some reason is being preferred or not paying for electricity we supply to it are mischievous and aimed and creating a misapprehension amongst a certain calibre of voter who still is driven by the firm belief in the “swartgevaar.” As far as supplying energy to the neighbouring countries is concerned this amounts to approximately 4% of the energy generated and most of this relates to “unfirm contractual” obligations, which means essentially that when the country experiences a shortage we very quickly stop electricity supplies to our neighbours. This no doubt results in hardships in those states and we are fortunate to through sound management of our bilateral relations still continue to enjoy good neighbourly relationships and we do have to thank those countries for their

understanding and their sharing of the burden with us. The issue of skill shortages at Eskom has also been raised. No doubt that while skill shortages are generally experienced, Eskom will not be immune to these challenges. The current load exercise is hardly due to a lack of skill staff though. It is important Speaker that this Parliament extend its gratitude to those people who operate power stations and the national grid and to ensure that during this time of high volume maintenance and high operating demands that they diligently do their jobs. Finally in the time I have, electrical power can't be stored over extended periods of time. Electricity is generally consumed less than a second after being produced. The demand load on any power grid must be matched by the supply to it. Any under or overload to a generator can cause costly damages and hard to repair damage so the power grid is disconnected if a serious imbalance occurs. To revive the system can take up to six weeks. The prospect is one that we should do well to consider in our usage of this commodity over the next few weeks. We need to succeed in this national effort-other countries have done it before – Brazil did it in the 1980's and so can we.

■ **Fatima Chohan is Chairperson of the Portfolio Committee on Public Enterprises**



## We will emerge out of this a winning nation

by Ngcaba Ngcobo

Energy is crucial to the economic progress and social development of nations. The development of new technologies and emergence of new production processes during the 19th and 20th centuries enabled an increase in productivity through the

substitution of mechanical power for human and animal power. This in turn led to unprecedented economic growth and improved living standards as well as of course, large increases in energy consumption. In addition, electrification has played a pivotal

role in social development and welfare by making possible greater access to information via radio and television, providing a cleaner, more efficient means of storing and preparing food, and controlling enclosed environments to provide warmth and cooling.

In the industrialized society of the 21st century, energy is necessary in order that modern economic activity would not cease and modern standards of living would not diminish.

Due to the importance of energy to economic and social progress, it is difficult to separate an input on energy demand from energy policy.

In fact a reoccurring theme in energy economies in general has been that of energy security.

According to Bohi, Toman and Walls, "energy security refers to loss of economic welfare that may occur as a result of a change in the price of availability

of energy" and this suggests a close link between energy and economy. Thus projections of energy demand are necessary to develop national energy policies aimed at minimizing exposure to international price fluctuations and maximizing energy availability.

On a less global scale, projections of energy demand are also important to the development of corporate business plans and the establishment of operational parameters for public utilities such as the Eskoms of our country that must develop strategies to fulfill public service obligations. Thus the modeling and projection of energy demand is very important in the formation of policy in general at both national and local levels as well as in the private sector. Sound energy policy must be predetermined by an adequate understanding of the economies of energy. The projections of energy are generally concerned with the manner in which both non-renewable and renewable energy resources are allocated over time

and across space. A resource is considered non-renewable when the sum over time of the services it provides are finite, or at least not replaceable in a reasonable time frame. Energy economists have been largely concerned hitherto with the allocation of non-

renewable resources simply because global energy consumption has consisted largely of the consumption of fossil fuels.

There have been numerous classic papers as well as theoretical studies of optimal depletion rates associated with pricing rules given different sets of assumptions as well as empirical studies designed to test such theories.

In all these

assumptions and

theories there has been an apparent disregard for the impact of still under-appreciated factors such as technological change in the extractive industry, development of lower cost alternatives, an expansion of the resource base through exploration activities, influenced predictions by many scholars and industry analysts in the last 1970s and early eighties that oil prices would top \$100 per barrel by 2000. In a nutshell, if these above-mentioned observations and international experiences can be taken on board by our public utilities in collaboration with the Department of Minerals and Energy, as well as Parliament, over and above what our ANC-led Cabinet has recommended to our society as a 10pt plan to save energy, we will again emerge as a winning nation ready to host the 2010 World Cup with expected success.

■ **Ngcaba Ngcobo is Chairperson of the Portfolio Committee on Minerals & Energy**

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