

Eskom: Some dinosaurs need to become extinct

Energy is the engine that drives economic growth, attracting job and creating foreign and local investment. South Africa's energy industry is in dire need of radical economic transformation to get rid of the apartheid dinosaur, Eskom.



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Created in the 1930s, this massively inefficient and sprawling monolith continues to dominate and control the energy market despite its lack of profitability, questionable business practices and its continued drain on the fiscus.

1998 White Paper and the ERA

A radical policy would be to discard the recipe followed by the apartheid government and immediately remove or drastically lessen the role of government in energy. The radically transformative 1998 White Paper proposed introducing competition among suppliers and giving South Africans the right to choose their electricity supplier. It was never implemented.

To start, radically overhaul the Electricity Regulation Act (ERA) that actively discourages radical economic transformation because it protects Eskom from competition and secures its monopoly, damaging consumers and the economy. "Far from keeping the lights on in the face of rising demand from a growing economy, Eskom's solution to the energy crisis is to encourage users to use less. It is like PicknPay telling its customers to buy fewer groceries as a means of maintaining full shelves," Free Market Foundation (FMF) executive director and active campaigner for real radicalism, Leon Louw said.

The ERA prevents competition at any level. For example, unlike in other developed countries, no small electricity producer in South Africa, generating a surplus of power, is allowed to sell electricity to a neighbour. No one can buy electricity other than from Eskom or municipalities supplied by Eskom and at Eskom inefficient prices.

Sell off the grid

Another radical idea proposed by the FMF and supported by many experts is to sell the electricity transmission grid in whole or in parts to private providers. This would supply much-needed capital to finance the building of new power stations or to pay off debt and reduce the burden on the fiscus.

The key to real radical transformation is to open markets, including energy, that will free citizens from intrusive financial and consumer regulation, free business from red tape, repeal repressive labour laws, encourage competition, reduce government interference and provide the environment for entrepreneurs to flourish. Now that would indeed be radical.

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