



DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

A city of **excellence**

Public Sector Finance Seminar

Revenue protection in the wake of shrinking revenue from electricity sales due to load shedding and what municipalities need to explore internally and externally for loadshedding resilience.

Bradley Brown | 04 July 2023



Introduction

- Eskom's persistent and high-stage loadshedding has a severely negative impact on our households and businesses, as well as different sectors of the economy.
- According to an article published by Holm Energy loadshedding hours for **2022** were **11 759 GWh** while until 10 May 2023 at 6pm, South Africa had already experienced **11970 GWh** of loadshedding only five months in **2023**.
- The decline in available electricity hours will invariably negatively affect the electricity revenue of municipalities and businesses at large.



Impact of loadshedding on Retailers (Businesstech 03 July 2023)

Overall, South Africa's biggest retailers have spent over R2.4 billion on direct load-shedding-related costs.

Retailer	Load Shedding Cost
Spar	R700 million
Shoprite	R560 million
Pick n Pay	R522 million
The Foschini Group	R220 million
Mr Price	R200 million
Woolworths	R90 million
DisChem	R90 million
Food Lover's	R50 million
Total	R2 432 million



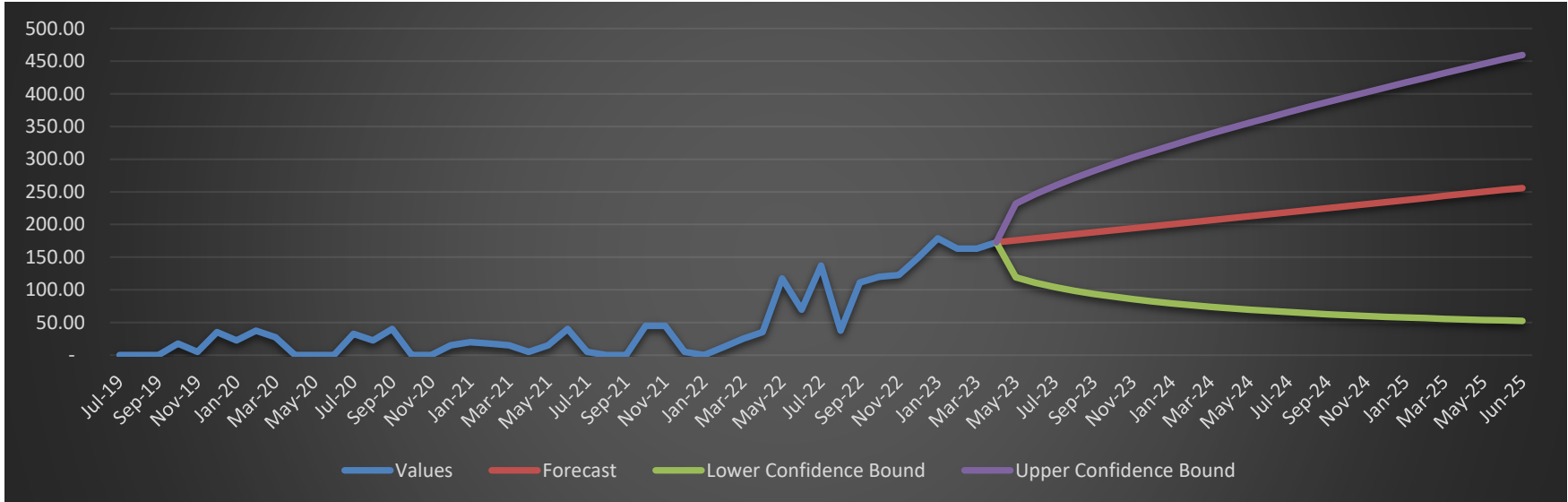
DRAKENSTEIN
MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Loadshedding Impact

Drakenstein Municipality Case Study



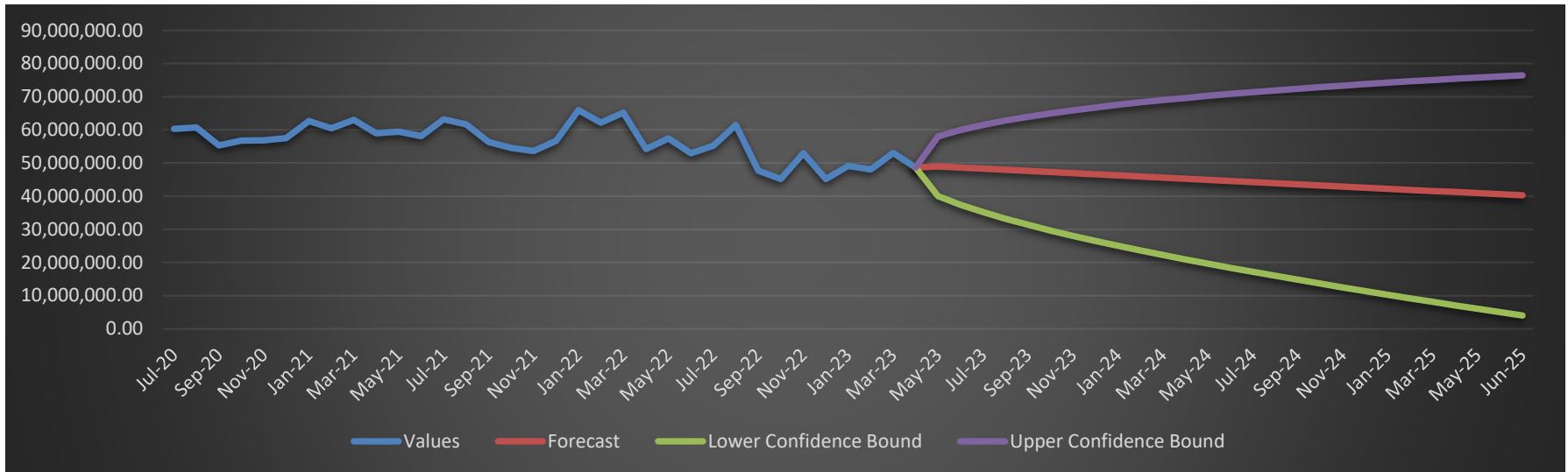
Loadshedding Projection



Financial Year	Number of Loadshedding Hours
2020/2021	222.50
2021/2022	359.50
2022/2023 (May and June Projected)	1 709.25
2023/2024 (Projected Year)	2 385.57



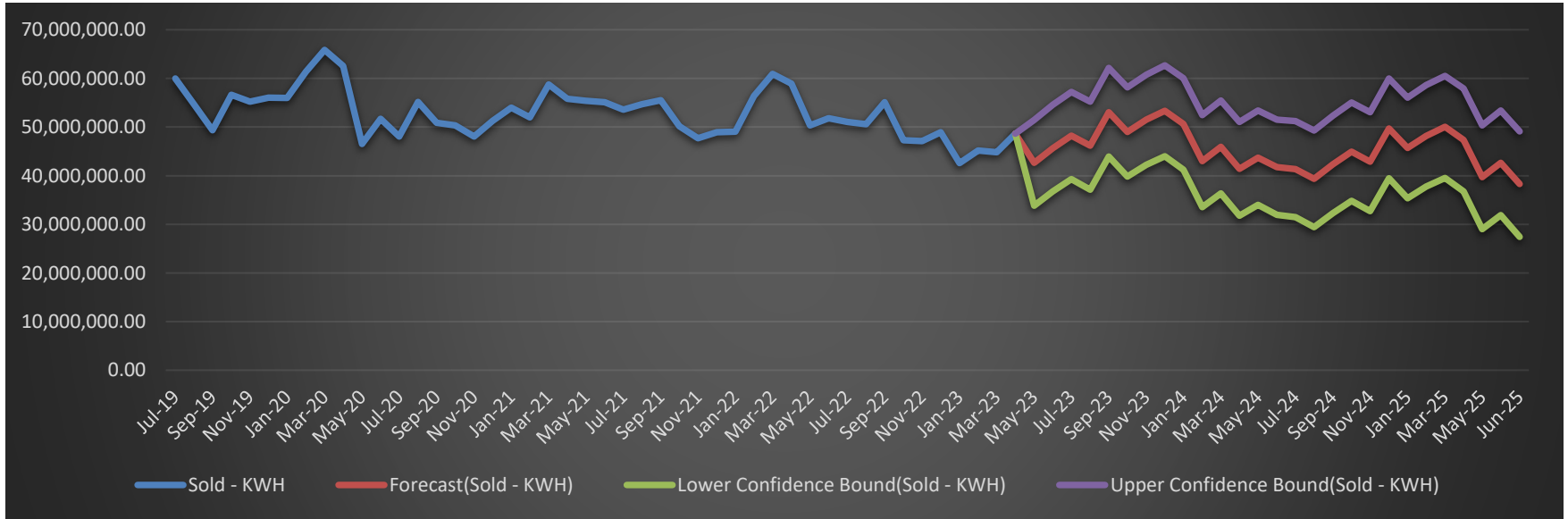
Eskom Bulk Purchases Projection



Financial Year	Bulk Units Purchased
2020/2021	710 002 179 kWh
2021/2022	704 042 625 kWh
2022/2023 (May and June Projected)	604 115 680 kWh
2023/2024 (Projected year)	557 670 787 kWh

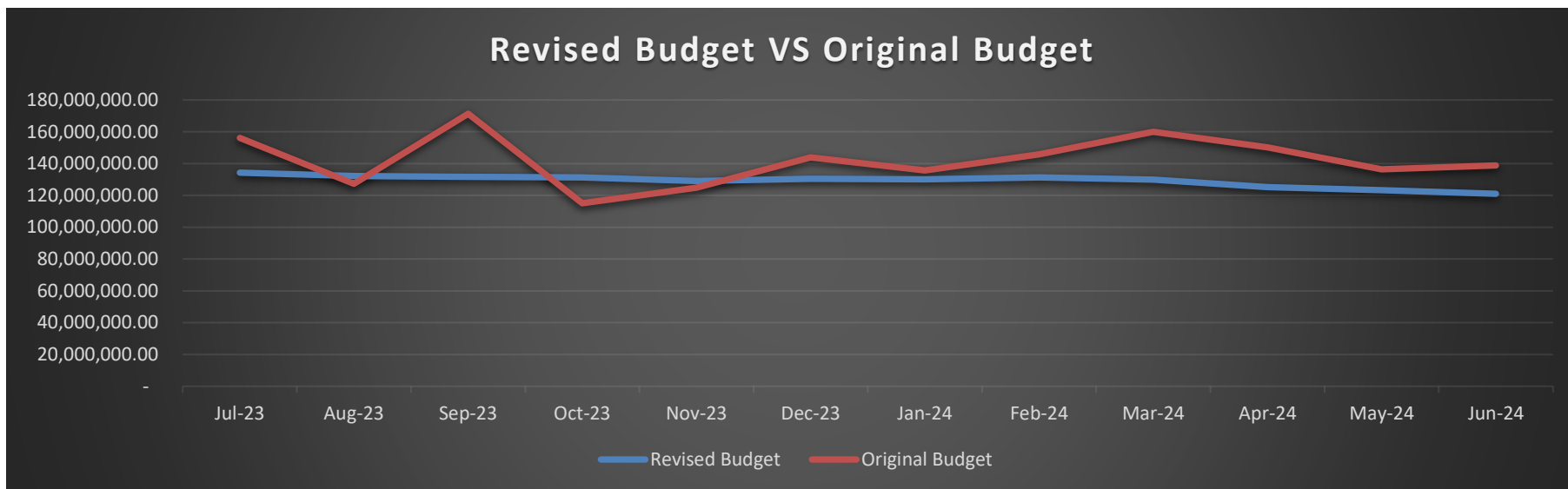


Electricity Units Sold



Financial Year	kWh Units Sold
2020/2021	634 913 069 kWh
2021/2022	638 104 422 kWh
2022/2023 (May and June Projected)	569 727 895 kWh
2023/2024 (Projected year)	511 236 893 kWh

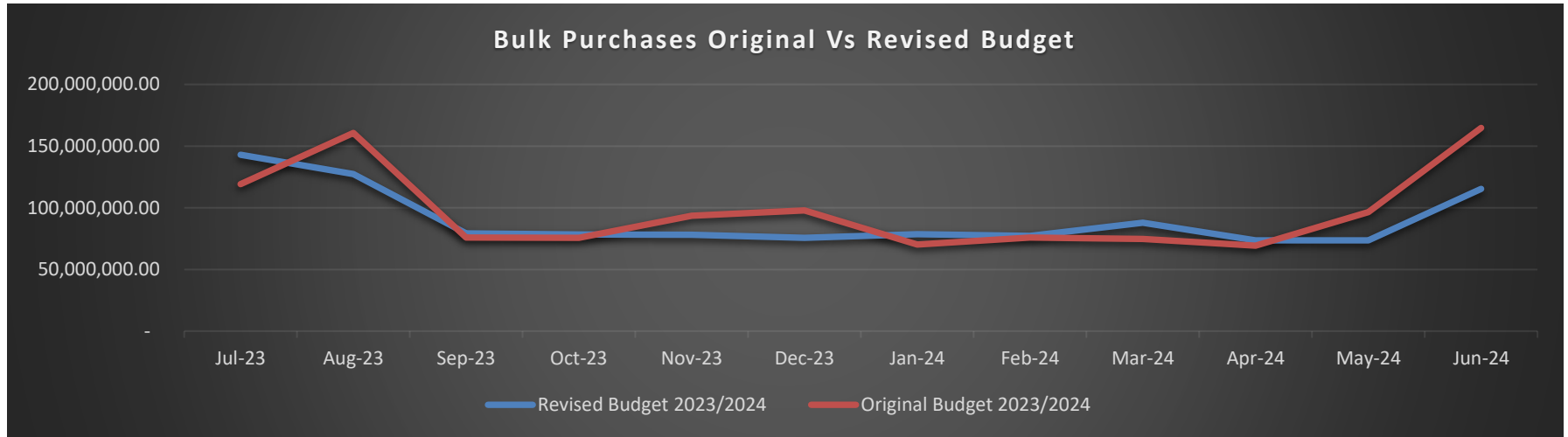
Electricity Revenue Budget for 2023/2024



Original Electricity Budget	Revised Electricity Budget	Difference
R 1 705 095 370	R 1 549 834 989	R 155 260 380



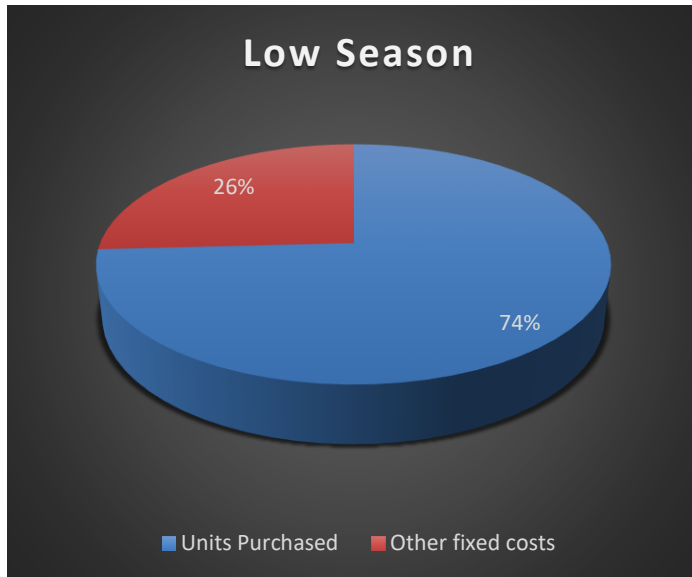
Bulk Purchases Budget for 2023/2024



Original Bulk Purchases Budget	Revised Bulk Purchases Budget	Difference
R1 174 205 341	R1 088 474 153	R 85 731 187



Obscured factors affecting bulk purchases



- The municipality is billed by Eskom on a Time of use (TOU) tariff, also season dependent.
- Household consumers are billed on a flat tariff.
- This is an especially important factor during the winter - high season months.



Summary of Loadshedding Impact

- The projections are based primarily on available data without any technical aspects included in the permutations.
- The relationship between the bulk purchases and units sold to generate revenue is a complex correlation, while positive in nature.
- The general trend *“ceteris paribus”*, depicts a systematic increase in loadshedding hours, resulting in a negative effect on the municipality.
- The decline in bulk purchases will lead to a more pronounced decline in revenue generated from units sold.
- The projected revenue based on the historic trend shows a visible decline.
- The **capricious** nature of the future necessitates a cautious approach, incorporating flexibility and adaptability, to respond effectively to the challenges posed to the municipality by these external factors.



National blackout....

Join at menti.com use code 6736 2862

Do you think we will have a complete collapse of the ESKOM Grid?





Loadshedding Resilience Plan

- Firstly, focus on sustainable service delivery. We have developed a comprehensive contingency plan to mitigate possible service delivery disruptions caused by Eskom loadshedding, as well as to safeguard municipal infrastructure. To mitigate the impact of Eskom loadshedding, we have upgraded almost all our primary signalised traffic intersections with Uninterrupted Power Supply (UPS) systems to ensure free traffic flow.
- Secondly, we are protecting our revenue. During 2022/2023 we have noticed a significant decrease in revenue generated, due to higher stages of Eskom loadshedding.
- Thirdly, we are investigating ways of generating or purchasing alternative and renewable energy - to help alleviate the sting of Eskom loadshedding.



Loadshedding Resilience Plan Continue

- It is neither that quick, nor that simple to reduce loadshedding or to replace Eskom, and renewable energy is no quick fix. In Drakenstein we have decided to follow a cautious approach when considering alternative energy options. It is important to ensure that whichever energy solution we propose is sustainable, reliable, affordable, and does not add an extra financial burden on our ratepayers. Thirdly, we are investigating ways of generating or purchasing alternative and renewable energy - to help alleviate the sting of Eskom loadshedding.



Conclusion

The escalating trend of loadshedding hours has significant implications for bulk purchases. As loadshedding hours continue to rise, it is expected that bulk purchases will decrease. Moreover, the decline in revenue generated from bulk purchases, is anticipated to be more substantial. In light of this, a conservative approach is strongly recommended for the foreseeable and unpredictable future.



Acknowledgement

1. Holm Energy, 2023. ([2023 has already had the most load-shedding in history – Here’s how Hohm Energy can help \(businessstech.co.za\)](#))
2. Fraser, Luke 2023.
(<https://broadmedia.9.evlink.net/servlet/link/17902/752653/50429177/3240523>)
3. N Keketsi (Drakenstein Municipality)
4. H Smith (Drakenstein Municipality)



DRAKENSTEIN

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

A city of **excellence**

Thank you.