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Why going off-grid as much as possible is becoming appealing

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Consumers will soon pay much more for electricity, but those who can afford it can turn to solar power for help.

Eskom is sorry for load shedding but thankful for the increase, and consumers will suffer as they shoulder the burden of the first double-digit increase in years.

The National Energy Regulator of South Africa (Nersa) announced last Thursday that, based on the analysis of Eskom's fifth multi-year price determination revenue application for the 2023-24 and 2024-25 financial years, it had approved an 18.65% increase in electricity tariffs for the next financial year.

How much more consumers will have to pay will vary slightly depending on where they get electricity, but for simplicity's sake, they can expect an increase of around 20% after April.

"People who spend R500 a month on electricity can expect that amount to increase by R100; those who spend R1 000 or R2 000 can expect an increase of R200 and R400 respectively," said Roger Hislop, energy management systems executive at CBI-electric: low voltage.

And that is just for this year. In April next year it will jump again, meaning consumers who pay R500 per month today will pay a minimum of R665 a month from next April.

However, that is not all. Municipal price increases for energy are linked to cost of supply, which is the Eskom increase, but additional charges can be tacked on, Hislop says.

Municipal increases may add on another 2-4%

"You could count on another two to four percent appearing on your bill – but it is likely these increases will only by announced mid-year."

Liz McDaid, the Organisation Undoing Tax Abuse's parliamentary and energy advisor, said municipal tariffs usually come into effect in July.

"As far as I know we are not yet aware of what the increase will be for municipalities. For example, if the municipality adds 10%, the person paying R500 now would be paying R649."

Economic research group Oxford Economics Africa said although the increase was much less than the 32% Eskom asked for, the 2023-24 price adjustments were a big shock and exceeded most assumptions, including its own of nine percent increase, slightly higher than the Reserve Bank's expectations.

"This will have inflationary implications down the line. Our baseline forecast is for CPI [consumer price index] inflation to average six percent in 2023, compared to the 6.9% estimated for 2022, but price inflation will likely push higher than originally thought when the new electricity tariffs kick in."

The group said the cost of electricity has gone up by more than inflation in recent years and administered prices have been stuck in an upward trend, which bodes ill for consumers and the inflation outlook.

"The power utility needs every cent it can get, but nobody wins with this outcome. Non-payment of electricity is a perennial problem for municipalities, and higher electricity tariffs could accelerate theft, which, ironically, is made easier by load shedding."

Nersa is clearly out of touch with the reality of the average South African and the timing of the announcement shows that, said chief executive of Debt Rescue Neil Roets.

"This looming tariff increase will have severe socioeconomic consequences for everyone."

He said the price of electricity has risen more than 500% over the past 16 years, far exceeding inflation over that time, and expecting citizens to pay for the mistakes made by the national power producer, when the country was experiencing the most severe cost-of-living crisis in history is simply untenable.

"A system that takes care of 80-90% of your electricity needs is the best option from a financial perspective, with a connection to the grid to recharge the batteries during cloudy or rainy weather," said Teresa Kok, marketing director of One Energy.

The last 10% to get entirely off the grid can prove costly, as an entirely off-grid system would have to be sized at least three times larger than a grid-tied system which uses Eskom or council power as a backup.

While adding a generator can charge batteries, this comes at the costs of fuel, system maintenance and emissions.

This kind of hybrid solar system consists of an inverter, solar panels and battery storage, as well as a grid connection. It provides electricity cost savings and back-up during power outages.

On an electricity bill of R2 000 per month (about 670 kilowatts usage per month at R3.50 per kilowatt from 1 July) the system spec and cost would be R159 000.

This size system would generate 90% of the daily electricity needs of 20kW per day.

On an upfront purchase based on an 18.65% increase this year, 12.74% the next year and a conservative five percent a year thereafter, the break-even point would be just over six years.