



**Select Committee
on
Economic Development**

INEP and SWH

14 June 2011

Historical performance of the programme

Year	Connections Target	Connections completed to date	% Completed
2006/7	76,305	74,253	97%
2007/8	66,875	66,131	99%
2008/9	48,447	46,381	96%
2009/10	76,263	67,002	88%
2010/11	84,235	28,976	34%
Total	352,125	282,743	80%

Always behind schedule and catching up in the following years

2011/12 performance of the programme

Province	No. planned	Project complete with energy supply	> 50% progress	< 50% progress	Construction not started
Eastern Cape	80	35%	28%	11%	26%
Free State	16	50%	25%	6%	19%
Gauteng	14	71%	21%	7%	0%
KwaZulu Natal	79	9%	0%	53%	38%
Limpopo	85	60%	6%	8%	26%
Mpumalanga	26	35%	15%	4%	46%
North West	6	83%	17%	0%	0%
Northern Cape	23	39%	13%	22%	26%
Western Cape	34	56%	6%	15%	24%
Total	363	40%	12%	20%	28%

Some issues for consideration



- Discussed in terms of
 1. Rural
 2. Urban
 3. Informal Settlements



Current situation

- 75 % of backlogs
- Largely areas in which Eskom is a licensed distributor
- Municipalities (non-licensed and licensed) access money from DoE, Provincial Governments to implement projects in these Eskom areas of supply
- Hand over infrastructure to Eskom on completion for O&M



Some concerns

- Non- distributing municipalities do not have electricity departments – completely rely on consultants
- Also many distributing municipalities have vacancy levels of skilled resources exceeding 50% of established posts (ref: EDI Holdings ring-fencing study) – but still stretch themselves to Eskom areas
- Apparently consultants approach municipalities to be appointed for designing and managing implementation of projects
- The design cost is purported to be at risk and the payment is recovered once the project submitted by the municipality is approved; no real risk
 - Desperate MMs take the first available “support” they can get
 - No capacity to review the appropriateness of proposed projects and quality of work
 - INEP offices have no capacity either to support municipalities in this regard



Current situation

- A fraction of the 25% of backlog
- Largely areas in which 177 municipalities are licensed distributors
- DoE does not allow upgrade of existing infrastructure required for electrification projects
- Infill connections
 - DoE reluctant to fund infill connections – demand for these connections in existing developments is increasing as more houses are built; contrary to the objective of densification of spatial development patterns to improve urban efficiency.
 - Requirement for 80% occupancy of housing developments has also been a delaying factor; also leading to public protests about incomplete houses



Current situation

- A significant component of the remaining 25% backlog
- Numbers of informal settlements are increasing with a consequent requirement from political leaders and communities for 'regularisation' (including electrification) of these areas
- Should be a key focus area in the context of the Informal Settlements Upgrading programme
- National target to upgrade informal settlements and provide proper services and land tenure to 400 000 households by 2014.
- DoE currently providing for the electrification of informal settlements.
- Apart from providing the required electrical reticulation, each informal dwelling is also provided with a Pre-paid meter connection and basic connections for electrical fittings.



Current situation

- Need for the planning alignment of the Informal Settlement Upgrading Programme with the electrical reticulation programme of the Department of Energy to ensure that electrical grid is available when settlement upgrading projects commence.
- Will require that provincial governments to make their approved Multi Year Housing Development Plans and priority development objectives available to the DoE enable the latter to align its electrification programme accordingly.



Current situation

- Agreement required on the removal and recovery of the installed Pre-paid Meters from informal dwellings and the re-installation thereof in the new dwelling units, constructed through the National Housing Programme.
- This initiative will require that the National Housing Programme to be adjusted to include funding for the removal of the existing meters and the re-installation thereof in the new dwellings.



Some concerns

- Inequitable funding from DoE
 - DoE policy to partially fund electrification connections by municipalities (urban and rural subsidies) but provide the full cost of connections provided by Eskom
 - Municipalities are thus required to `top-up' funding of electrification projects which impacts the overall municipal budget
 - The costs have become higher for the remaining difficult areas
 - Some municipalities have severe cash shortage problems
- Funding application process
 - Not aligned with the municipal budgeting process
 - Lack of certainty of three-year DoRA allocations
 - National Treasury will only release funding to municipalities wef 1 July of each year



Some concerns

- Bulk infrastructure
 - Some projects may not proceed without the availability of bulk infrastructure
 - Frequent cause of delay in electrification projects
 - Misalignment between Eskom infrastructure and municipal dev. Plans
- MFMA procurement process
 - Many municipalities point to the drawn out procurement process to appoint consultants and purchase the necessary equipment and materials as reasons for the delay in completing electrification projects; balance between ensuring accountability and functionality



- Need some shared capacity to provide technical support to under-capacitated municipalities; capacitate INEP regional offices to play this role
- INEP offices be the points of coordination/ planning alignment between various electrification projects funding agencies
- Provincial Housing Departments must make their approved Multi Year Housing Development Plans and priority development objectives available to the DoE enable the latter to align its electrification programme accordingly
- DoE to allow upgrade of existing infrastructure required for electrification projects
- DoE to fund infill connections
- Requirement for 80% occupancy of housing developments be done away with



- Adjustment of the National Housing Programme to include funding for the removal of the existing meters and the re-installation thereof in the new dwellings
- DoE policy should provide the full cost of connections in areas provided by both Eskom and municipalities
- Eskom to enter into SDAs with municipalities where Eskom is a distributor so as to ensure alignment of expectations



- Target of 1 million SWH by 2014 through
 - Government Departments
 - Municipalities
 - Individual and business initiatives incentivized by rebate systems through Eskom
- Delivered over 115 000 systems under the fiscal and rebate funding schemes since 2009
- Need significant improvement in funding and institutional arrangements to achieve the target of 1 million SWH by 2014



Municipality	Target			Actual	Delivery mechanism
	2010/11	2011/12	Total	To date	
Mussina		6,000	6,000		Schedule 7 through Eskom
Sol Plaatje	7,837		7,837	2,920	Schedule 7 through Eskom
Emfuleni		6,000	6,000		Schedule 7 through Eskom
Naledi	7,837		7,837	1,137	Schedule 7 through Eskom
Umsobomvu		6,000	6,000		Schedule 6 direct transfer
Tshwane	15,000		15,000	14,064	Schedule 7 through Eskom
Total	30,674	18,000	48,674	18,121	

- Almost insignificant in scale
- Essentially a welfare intervention aimed at improving the quality of life of poor households, not about reducing **existing** demand from the grid;



- Appears that this has delivered 96,879 of the estimated 115 000 systems under the fiscal and rebate funding schemes since 2009
- This appears a lost opportunity to reduce **existing** demand from the grid at a time of tight supply conditions
- Delegating this project to one institution, Eskom, and Eskom's implementation mechanism that does not take advantage of the potential contribution that can be made by municipalities may have been part of the problem.
- Insurance companies still do not replace burst geysers with solar water geysers
- Geyser Heat Pumps not as vigorously pursued/ promoted as much as they should be in cases of relatively new existing geysers



- DoE should devise an implementation strategy that takes advantage of the benefit of numbers and ability to access communities that may be leveraged by working with municipalities; for both the fiscal and the rebate schemes
- DoE discuss with insurance companies possible use of the rebate as a top-up to the insured value of a new geyser to cover price difference between a normal geyser and a solar water geyser.
- More vigorous effort to improve uptake of geyser heat pumps



- SALGA will be seeking to persuade government, on the above recommendations, through the National Electrification Advisory Committee (NEAC)
- The NEAC is non-statutory advisory body, comprising representatives of major stakeholders, as a consultative forum to advise the Minister and the Director General on aspects of the INEP and to assist in guiding the programme.



SALGA

South African Local Government Association



Thank You