

23 November 2007

THE CHAMBER OF MINES RECOMMENDS THAT ESKOM BE ALLOWED TO
INCREASE TARIFFS FOR THE 2008/2009 FINANCIAL YEAR

The Chamber of Mines today recommended to the National Energy Regulator of South Africa (NERSA) that Eskom be allowed to increase tariffs during the 2008/2009 financial year to maintain effective operations following a steep increase in input costs of coal.

The Chamber further recommends that during that time, work should commence to formulate multi-year price determination rules for the period 2009 to 2012 to provide for the expected capital expenditure and the increased uncertainty around the cost of primary energy without sacrificing the benefit provided by multi-year price determination. The multi-year price determination is a formula used by NERSA to determine prices charged by Eskom. “The multi-year price determination, provides some measure of certainty on the future price of electricity, which is crucial for planning and investment decisions.

The Chamber realises that Eskom's current pricing structure does not provide for a situation where Eskom has been forced to acquire a larger amount of its coal supply on short-term contracts at much higher prices to cater for the recent capacity and demand challenges that have seen Eskom’s reserve margin becoming almost non-existent.

The position taken by the Chamber is informed by the potential threat of disruptions in the supply of electricity to the mines.

“Disruptions in the supply of electricity pose a very real threat to the health and safety of personnel in underground mining operations. It is critical that Eskom is able to operate effectively and expand its generating capacity to meet demand. Despite the concomitant increase in costs, the Chamber recommends that Eskom be allowed to increase prices during the 2008/2009 financial year to meet these challenges while discussions commence to formulate multi-year price determination rules for the period from 2009 to 2012 that will provide for the expected capital expenditure and the increased uncertainty around the cost of primary energy,” said Dick Kruger, Assistant Adviser: Techno-economics, Chamber of Mines of South Africa.

For enquiries please contact:

Jabu Maphalala
Deputy Communications Adviser
Chamber of Mines of South Africa
Tel No. +27 11 498 7212
Fax No. + 27 11 838 4251
Cell No. + 27 72 883 4642
Email: jmaphalala@bullion.org.za