



# THE BROKEN PROMISE OF AFFORDABLE ENERGY FOR ALL

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People who get enough electricity to meet their daily needs, at a price that they can afford to pay, have many benefits:

- They have more money to spend on other essential items, like food and transport, instead of expensive electricity, paraffin or coal.
- Electricity is a much safer form of energy than candles or paraffin, which greatly increase the risk of house fires.
- Electricity is a much cleaner (less polluting) source of energy than burning coal and wood inside a house. Each year, many hundreds of children die because of high levels of indoor air pollution caused by indoor coal and wood fires.
- Affordable electricity supports job opportunities, small businesses and small farmers.

For all these reasons, when the South African government wrote the White Paper on Energy in 1998, the number one objective was the following:

***Government will promote access to affordable energy services for disadvantaged households, small businesses, small farms and community services. The achievement of this objective is fundamental to government's reconstruction and development programme, and to the future socio-economic development of our country.***

The White Paper was meant to be a blueprint for all energy policy. But more than 20 years later this promise of affordable energy for everyone has not been delivered. Instead, we have a situation where:

- Poor households are forced to spend a much higher percentage of their income on energy than wealthy households: in South Africa, poor households spend up to 17 per cent of their income on energy. This is much higher than what wealthier households spend, and it means that there is less money available for other necessities, like food;
- Many households face the threat of disconnection because they cannot afford to pay their electricity account;
- Many households are forced to use dangerous energy sources like paraffin and polluting (dirty) energy sources like coal because they cannot afford electricity; and
- Many small businesses and small farmers struggle to pay their electricity accounts, which threatens the survival of these businesses.

## WHAT HAS GONE WRONG?

Why has the promise of affordable, safe and clean energy for all South Africans not been delivered?

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There are a number of reasons for the current situation:

### **Firstly, Government has never set a standard for what “affordable energy” means.**

There is no clear definition that says “affordable energy means that a household must not pay more than this amount every month for electricity”. As a result, there is no policy that sets a limit to the increase in electricity prices to make sure that everyone can actually afford to pay for what they need. This means that the number one objective of the White Paper has been ignored.

This is an issue that must be addressed by the Department of Mineral Resources and Energy (which is the department that is responsible for implementing the White Paper on Energy.) We need a clear standard for affordable services; a standard that sets limits to what people have to pay, according to what they can actually afford.

## **Secondly, the Free Basic Electricity (FBE) policy that was put in place in 2003 has not been implemented as intended.**

The FBE policy was meant to reduce the amount of money that poor households spend on electricity by providing them with 50 kWh of free electricity every month. Although this amount is less than what a household actually needs every month, it is still an important support. The current value of the free electricity is just under R100 per month.

But there have been serious problems with the implementation of the FBE Policy. Our research shows that there are millions of households that should be getting the free electricity every month, but are not. This means that they have to pay for that electricity out of their own pockets, leaving them less money to pay for other necessities, like food.

### **Why are millions of poor households still not receiving their Free Basic Electricity?**

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You can only get the FBE every month if you are registered as an indigent household with your municipality, and if you have a formal electricity connection. The municipality is responsible for identifying poor households, registering them and then providing a package of free basic services (electricity, water and sanitation) every month. All municipalities have different rules for what is an indigent household (you can get the rules from your municipal office), but it should include all poor households.

If you have a prepaid meter or an electricity account directly with Eskom, then the municipality is supposed to tell Eskom if you are a registered indigent household. Eskom will then provide you with the free electricity, and get the money for that from the municipality.



IN 2019

## 5.4 MILLION HOUSEHOLDS

**were not getting their monthly free electricity, even though it was provided for in the national budget.**

**Where does the money for the free electricity (and all the other free services) come from?**

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Each year in the national budget National Treasury estimates how many indigent households there are in each municipality. Then they calculate the cost of providing each of the free services. The total cost of all the free services is multiplied by the number of estimated indigent households in each municipality, and that money is paid to the municipality. This means that each municipality gets the money to pay for the free basic services directly from the national budget every year.

The intention is that the municipality should provide free services to the same number of households that it gets money for. This means that if a municipality gets money to provide free services to 5,000 households then it should provide free services to 5,000 households. If it only provides services to 3,000 households, then it is supposed to say why it has done that, and it is also supposed to consult with the community before taking that decision.

If a municipality gets funding from the national budget to provide free basic services to 5,000 households, but only provides services to 3,000 households – what happens to the extra money (the money that should have been spent on the free basic services for the extra 2,000 houses)? The municipality is allowed to spend that money on whatever it wants.

At the moment, no one checks how much of the money that municipalities get to pay for free basic services actually benefits poor households. Our research investigated how many households were actually getting the free electricity from their municipality, compared to how many were paid for in the national budget.

We compared the number of funded households in the national budget with the information that municipalities submit each year about how many households they provide free basic electricity to. In 2019 (the most recent year for accurate information from municipalities) the national budget provided funding for a total of 9.8 million households to get the free basic services, including the 50kWh of electricity. But only 2 million households were actually getting the free basic electricity from their municipality.

### **Why are so many poor households missing out?**

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There are about 2.5 million households that are not connected to the electricity grid, and so they cannot get the free basic allowance. But even if we take account of this, it still means that there are 5.4 million poor households in South Africa that should be getting free electricity, but are not.

The amount of money that should have gone to benefit these households was R6 billion, just for 2019. This is the total value of the free electricity that people did not receive, and what they had to go and spend out of their own pockets to buy that electricity.



## Why are municipalities not giving more households the free electricity allowance?

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### **They are getting the money for it from the national budget, so why are they not passing the full benefit on to poor households?**

It is not easy to answer this question, and each municipality will have its own point of view, but it seems that municipalities are making it very difficult for people to register as an indigent household, even if they are poor. If you cannot register as indigent, you cannot get the free electricity. This is wrong: the municipality is supposed to make sure that all poor households are registered and get the benefit.

Sometimes a household is registered as indigent, and gets other free services like water, but does not get the free electricity, even if they have a formal electricity connection. Often people do not know that if they are registered as indigent they are supposed to receive all the free services.

It is important that all of us make sure that our municipalities allocate free basic electricity and all free basic services. We should ask our municipalities how many households they get money for in the national budget, and how many households actually get the free services. If there is a big difference, they must explain why. We must insist that our municipalities consult with us before they decide how many households will get the free services, and how many will not.

**This Community Brief is drawn from PARI's Energy and Society Working Paper #2. The full paper can be accessed [here](#).**