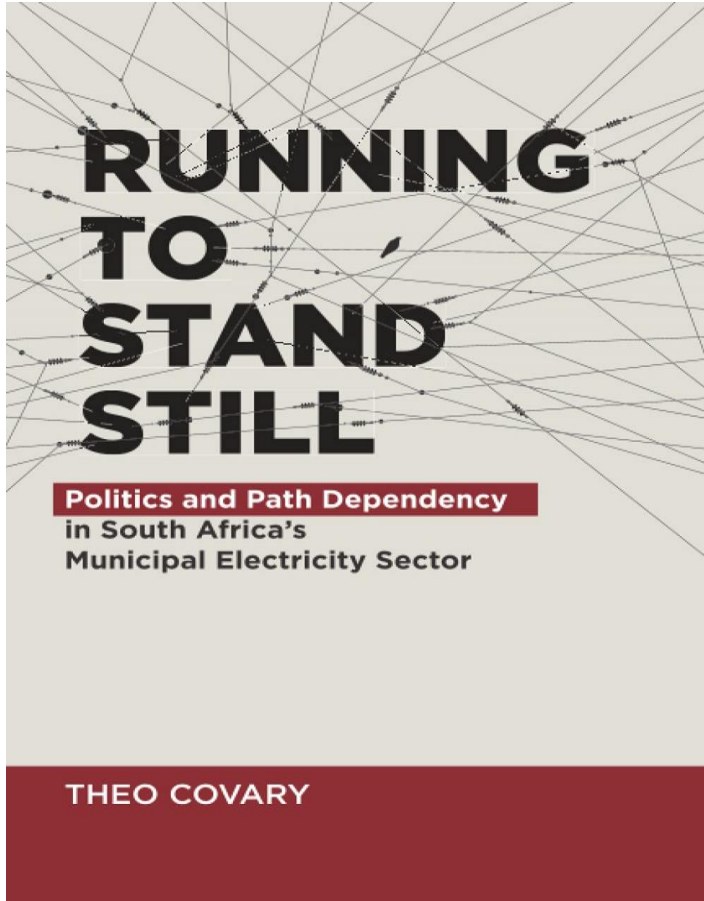


# *Running to Stand Still.*

## Politics and Path Dependency in South Africa's Municipal Electricity Sector



Presentation to the AMEU

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12 August 2021

# Research Objective

Municipalities have no incentive to support energy efficiency as they rely heavily on electricity surpluses to cross-subsidise municipal functions

1. Is this model still relevant?
2. Why was it selected?
3. When and how did it come about?

**Today's discussion will look at the policy of relief of rates and what events resulted in municipalities losing their right to own and operate their own electricity generation plants. This covers the period 1900 to 1970**

# Methodological Approach

New Institutionalism combines the interests of traditional scholars studying formal institutional rules and structures WITH behavioural scholars, who are concerned with the actions of individual political actors.

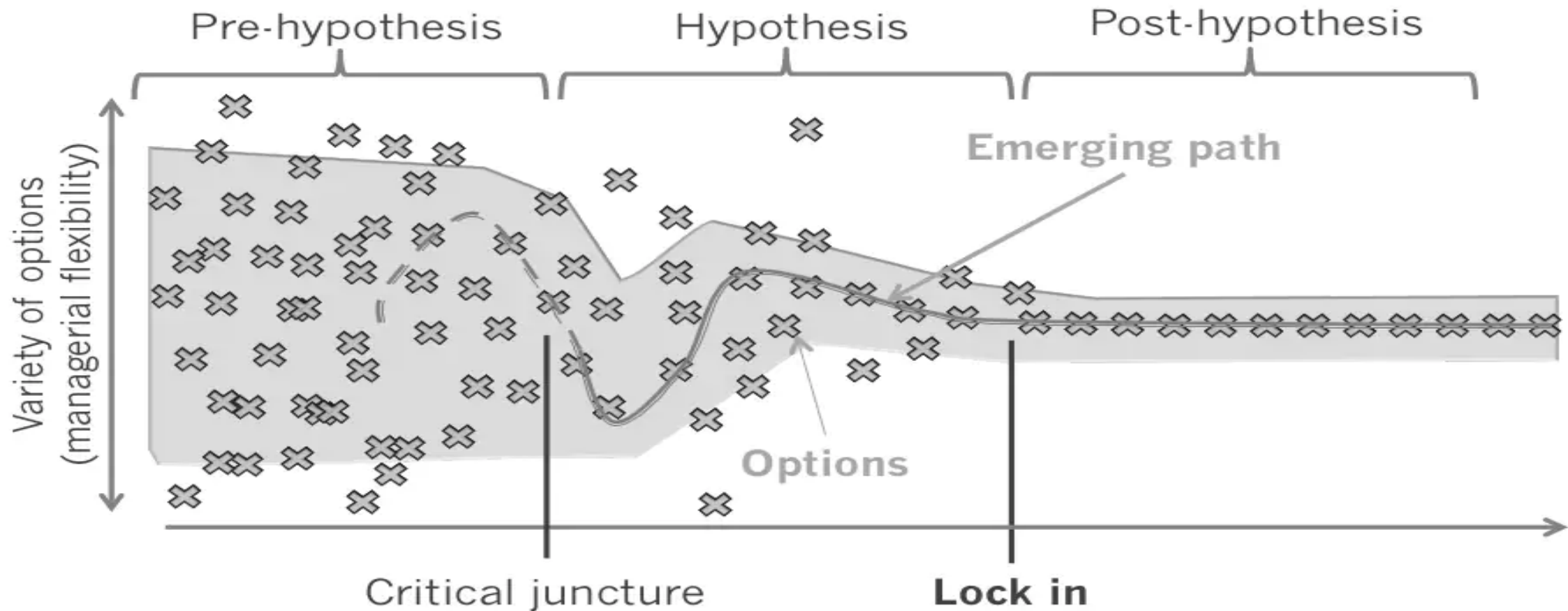
Three strands:

1. Rational choice (self-interest of actors - calculus)
2. Sociological (behaviour “the way we do things” culture)
3. **Historical (Path dependence: decisions presented to people are dependent on previous decisions i.e not based on current conditions)**

# Path dependence

*The set of decisions one faces for any given circumstance is limited by the decisions one has made in the past, even though past circumstances may no longer be relevant.*

Definition from Praeger, Dave. Our Love Of  
Sewers: A Lesson in Path Dependence



# Research Sources

- Interviews
- Primary Documents
  - **AMEU Committee Meeting Minutes (1950 - 2017)**
  - **AMEU Proceedings Journals (1915 – 2017)**
  - **City of Johannesburg Annual Report of the General Manager Electricity**
  - **City of Johannesburg Annual Report and Financial Statements (1971 – 1995)**
  - **City Power Financial Statements (2002 – 2017)**
  - **Merz McLellan Internal Library**
  - Other (NT, White Papers, Annual Reports etc)
- Secondary academic research

**TUESDAY, 6th December, 1938.**

The Convention resumed at 9.30 a.m. in the Ball Room, Arthur's Seat Hotel, Sea Point, with the President in the chair.

**DATE OF NEXT CONVENTION.**

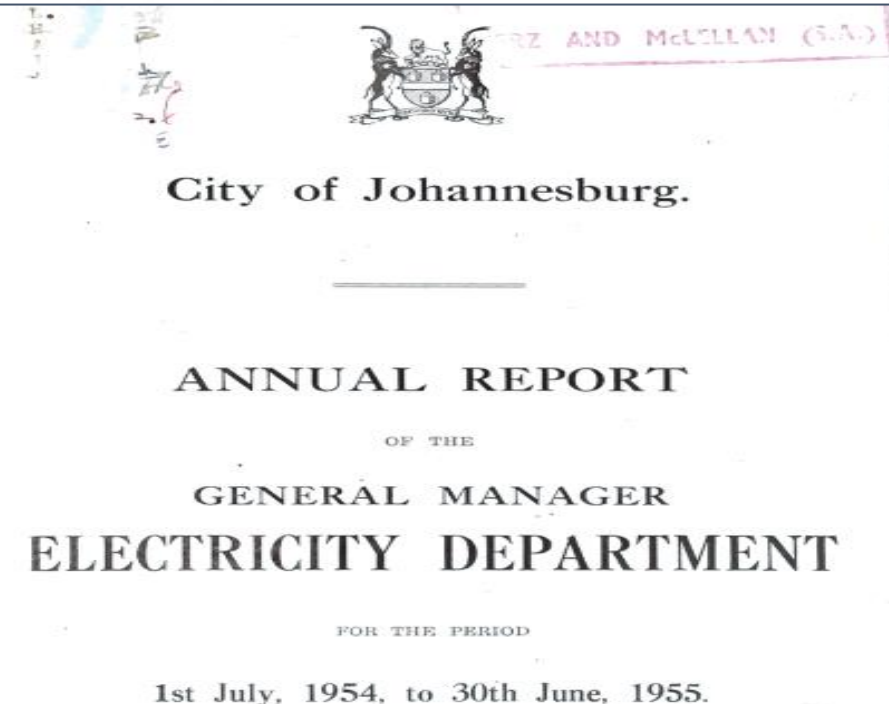
**The President:** This morning at a meeting of the Council of the Association, it was suggested that the next annual Convention shall be held at Umtata from the 17th to the 20th October, 1939.

After discussion it was, however, decided to refer the matter back to the Council for further consideration.

**RELIEF OF RATES.**

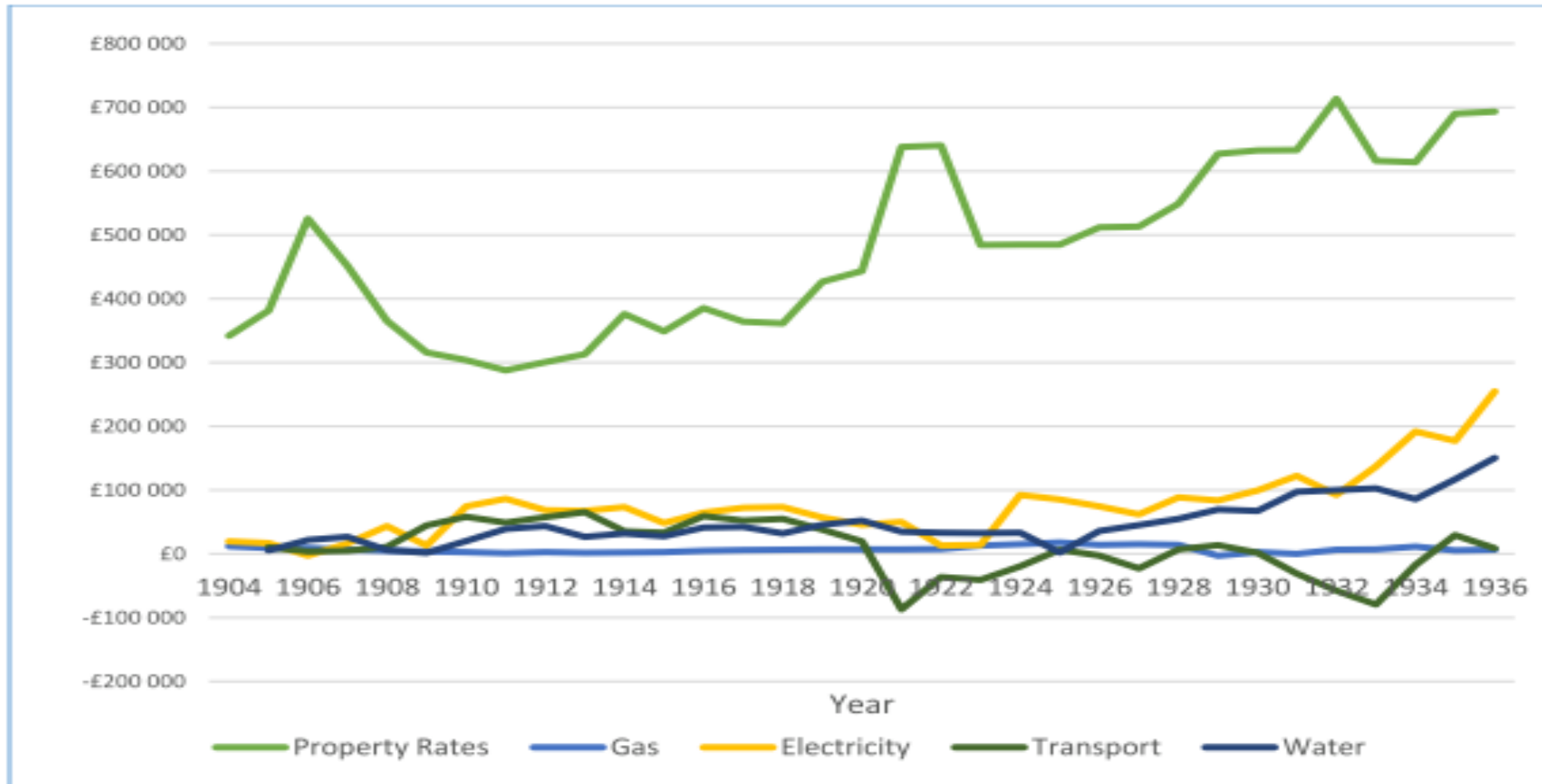
You will remember that a sub-committee was appointed at the last Convention to discuss the question of the Relief of Rates, and as one of the members of that Committee is not here (Councillor Coetzee, of Springs) the Council suggests that Councillor Parry, of Springs, should be appointed in his place, and that the name of Councillor Spilkin be added to the Committee. Your Council recommend that that be done, and I put it forward for your confirmation.

Agreed.



# Genesis

- 1907 Relief of rates commenced – concerns raised immediately
- 1909 Power Commission & 1910 Power Act (muni's generate & distribute within jurisdiction + power undertakings board i.e Escom)
- Municipal elections



Source: (Maud 1938) Randall (1938)

# Relief of Rates (1937 AMEU Conference)

- Electricity tariffs are not cost reflective. Additional charges must be reflected as a tax
- High tariffs ignore the needs of poor and large households (regressive tax)
- Inflated tariffs raise the likelihood of reduced sales and fuel switching
- The practise compromises prudent accounting practises (depreciation, redemption) – leading to deterioration of systems, as surpluses are prioritised for relief of rates
- Electricity provision must be efficient to stimulate the economy
- Surpluses vary. Overreliance leads to funding gaps if sales decrease

**RELIEF OF RATES DISCUSSION ABANDONED IN 1948**



# Escom

- 1945 Escom buys VFTPC for £14.5 million
- Continuous build mindset is born - targeting a national grid
- Post WWII boom, discovery of FS gold fields and cheap international debt

The cheque issued for £14 500 000 to purchase the VFP in 1948, represented the biggest single transaction in the history of South Africa at that time





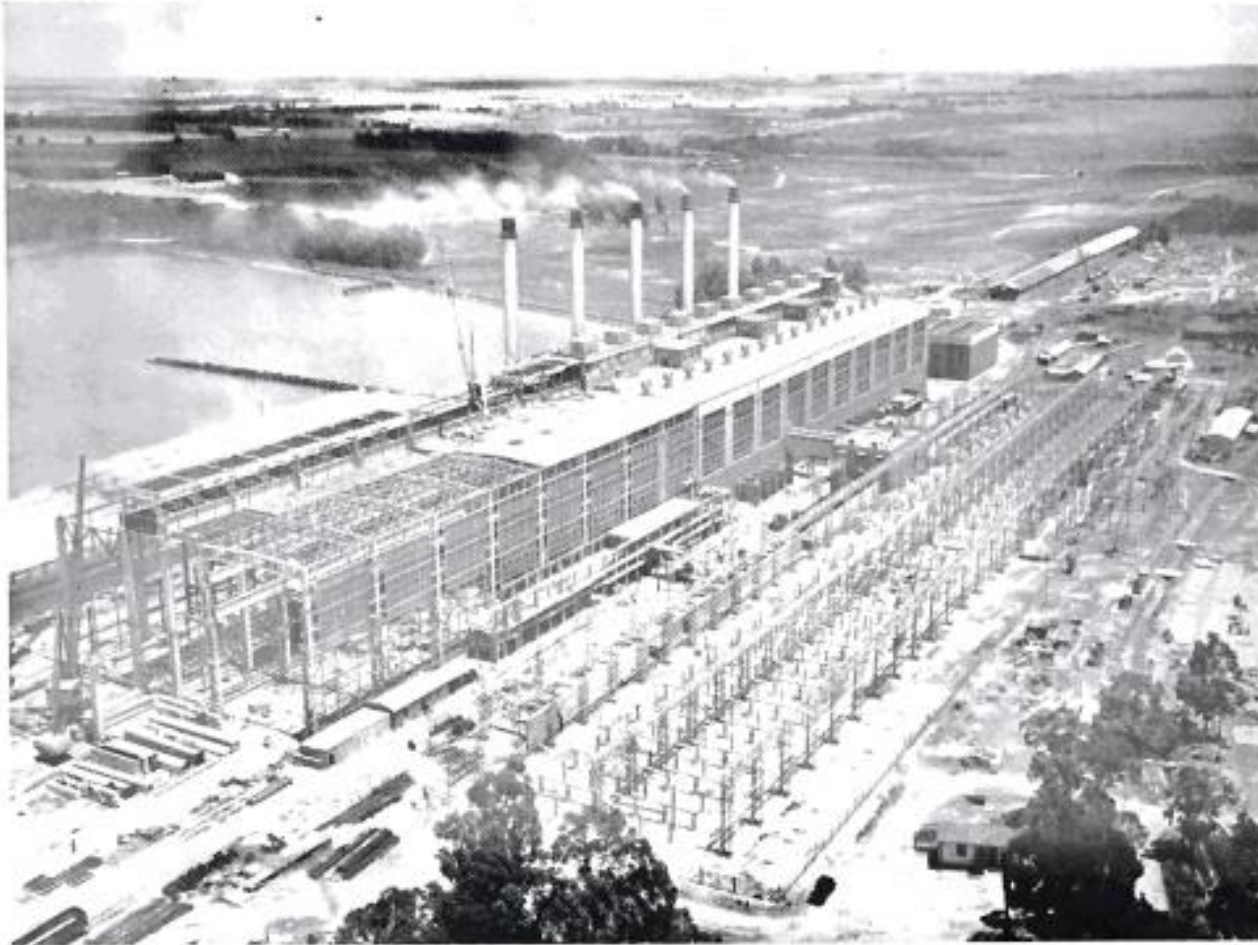
# Escom and Municipalities

*“The relationship between municipalities and Escom had been a love-hate one. Escom loved to have the municipalities’ extra capacity on hand in times of crisis, but loathed the way the big municipalities were seen to be taking advantage of the situation. The municipalities could not help but be suspicious of the motives of “Big Brother”, which was rapidly looking to gain and then maintain its monopoly over the South Africa electricity industry.”*

Conradie & Messerschmidt (2000, p.138)

# Johannesburg Electricity Undertaking (JEU)

- By 1959 570 MW of generating capacity. Escom biggest single customer



EXTENSIONS TO ORLANDO POWER STATION, AS VIEWED FROM TOP OF COOLING TOWER.

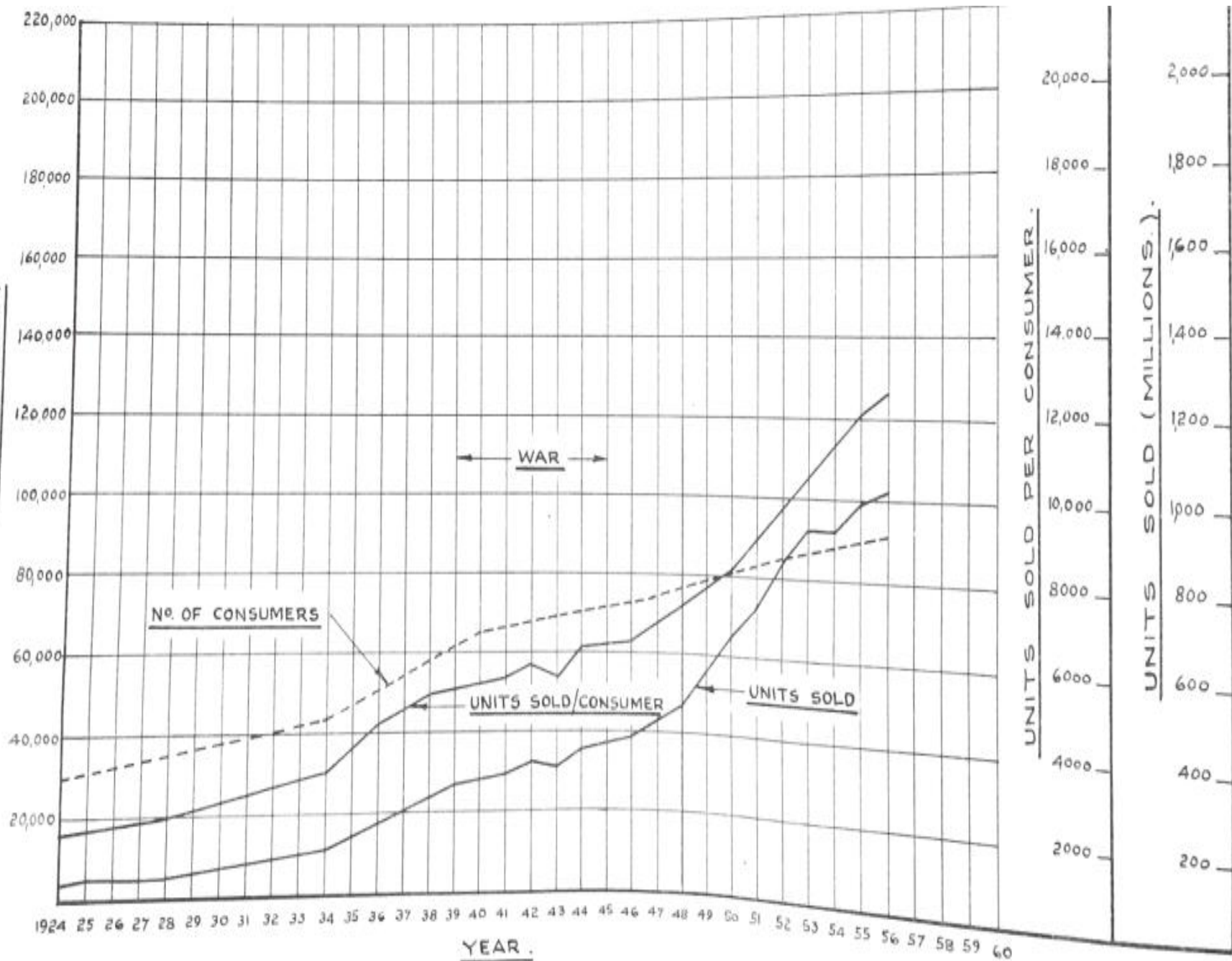


THE SITE OF THE NEW KELVIN POWER STATION. LOCALITY PLAN BELOW.



THE HON. MINISTER OF TRANSPORT (MR. P. O. SAUER), THE DEPUTY MAYOR (COUNCILLOR C. BECKETT) AND THE GENERAL MANAGER, ELECTRICITY DEPARTMENT, AT THE OPENING OF KELVIN POWER STATION AND ITS RAILWAY SIDING ON 15th JANUARY, 1954.





City of Johannesburg

## ANNUAL REPORT

OF THE

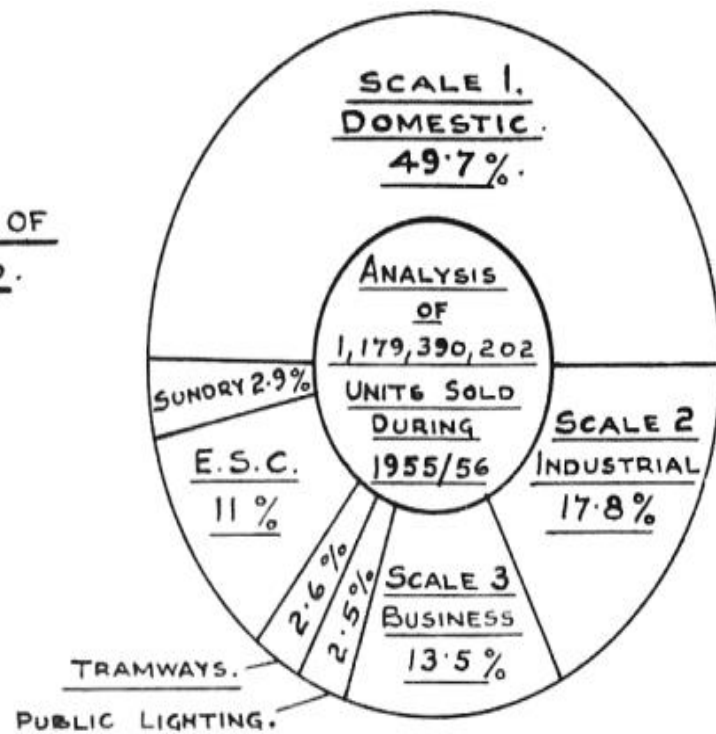
GENERAL MANAGER

## ELECTRICITY DEPARTMENT

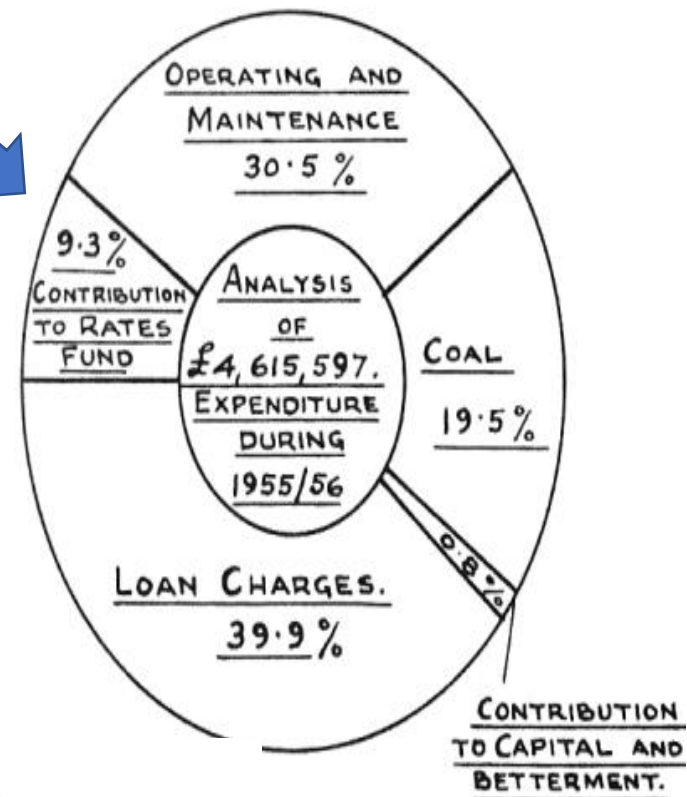
FOR THE PERIOD

1st July, 1955, to 30th June, 1956

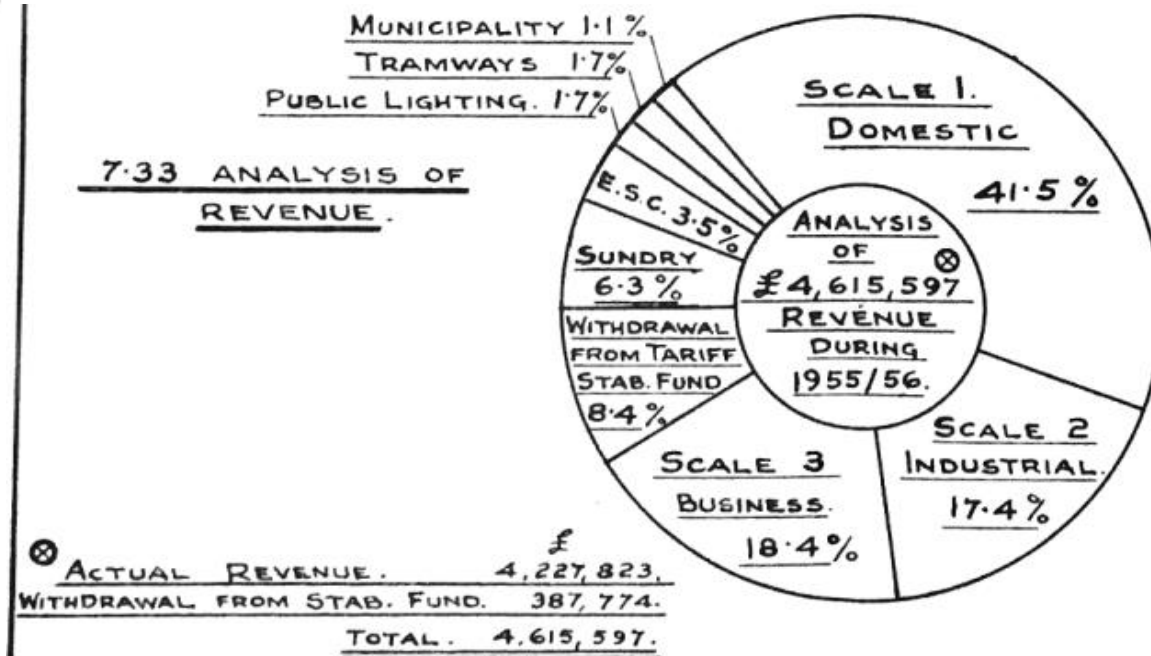
7.31 ANALYSIS OF  
UNITS SOLD.



7.32 ANALYSIS OF  
EXPENDITURE.



7.33 ANALYSIS OF  
REVENUE.



⊗ ACTUAL REVENUE.	£
WITHDRAWAL FROM STAB. FUND.	4,227,823.
	387,774.
TOTAL.	4,615,597.

Early to mid-1960's plans to build Liefde-en-Vrede 1GW plant. 80% of water requirements from sewerage

Escom intervened and Provincial Administrator would not authorise project as gen tariff > Escom - (not < than Escom, but < than Escom rate to JEU). The administrator rejected this argument because the city was using large profits from electricity sales to keep the property tax rates down

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### ALSO

KELBURN, ESSEX, SURREY  
AND

CARLISLE HOUSE, NEWCASTLE UPON TYNE

CARRIER HOUSE,  
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WESTMINSTER,  
LONDON, S.W. 1

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TELEPHONE: VICTORIA 3344  
TELEX: 86669

YOUR REFERENCE \_\_\_\_\_  
OUR REFERENCE AWP

January, 1966

The General Manager,  
Electricity Department,  
City of Johannesburg,  
P.O. Box 699,  
JOHANNESBURG.

Dear Sir,

### REPORT ON PROPOSED NEW POWER STATION

We have pleasure in submitting herewith Part 2 of our Report on Post-1964 Generation Requirements. It deals with proposals for a new power station to follow Kelvin B, the completion of which was the subject of the Part 1 Report dated January, 1965.

The principal findings in the attached Report are as follows :-

1. The new station should be capable of development to about 1000 MW.
2. The choice of site is between Kelvin and Liefde en Vrede. Present indications are that there would be an overall capital saving in favour of Liefde en Vrede and this might amount to approximately R3½ million.
3. The turbo-generator set size should be 125 MW and the steam conditions at the turbine stop valve should be 1200 lb/in<sup>2</sup> and 950°F.

- By late 1969 a national grid was close to completion
- AMEU Margate conference (1969) it was agreed with Escom that municipalities would give up their right to build new generation plants. In return, Escom would not challenge their exclusive rights to distribute electricity within their area of jurisdiction
- Mr Leishman from the JEU who fought for over a decade retired shortly thereafter – and the rest is history.