



In July 2009 the South African media announced that Eskom Holdings signed a loan agreement of 530 million Euro, about 6.1 billion Rands, for its' capital expansion program.

Since 2007 many have said that electricity may increase in the next few years by as much as 60%. With Eskoms new loan developments it all makes sense why such assumptions could turn out to be very accurate, or even a very low estimate.

It was also mentioned that the loan is supposed to be paid back over a period of 12 years, but that said, it looks like consumers will start paying for this immediately because it appears that Eskom has hopes of finalizing an integrated funding model by the end of its current financial year and has, in the interim, requested a 34% tariff increase from the National Energy Regulator of South Africa (NERSA) for 2009/10.

In addition to this quite large step, in February it was announced that the government approved guarantees totaling R175.87-billion over five years in support of Eskom's capital expansion programme.

What does all this mean for the consumer of electricity, landlords and managing agents? In effect, it means that Eskom is seeking approval of more electricity tariff increases from the National Energy Regulator (NERSA) which in turn means everyone will pay more for electricity. This is not the first time that Eskom has asked for tariff increases and probably not the last time for the near future either.

How much will electricity cost us in the next 5 to 12 years? That is anyone's guess (most likely more than 60% of the current cost).

**Quoted from Sapa June 9th, 2009:** *"South Africans have to accept that the days of cheap electricity are over as denying Eskom higher tariffs could put the power supply to the whole nation at risk, Public Enterprises Minister Barbara Hogan told MPs on Tuesday."*

Since consumption habits are hard to change, for landlords, managing and letting agents this means that the monetary value of arrears created as a result of electricity will almost double, compared to just a few years ago. With the impact of any new increase of tariffs, soon arrears will be even higher than today ... a staggering 34% higher. This means that the cash flow in any property management company will become tighter than ever if electricity consumption costs are not covered in time to pay the municipality.

We remember the days when many residential property rentals could afford to sign lease agreements with electricity consumption all inclusive to the rent. Today, this is no longer possible because the cost of electricity in certain properties can be as high as a third of the total monthly rent, depending on the tenants' consumption.

In the past, maybe one or two months arrears would not cause such a cash flow problem for landlords. Today, one or two months arrears could cause a significant cashflow problem to landlords.

For small landlords, with several units or granny flats, this can mean over R3,000 or more of arrears. While for serious property holders, this can mean tens of thousands or hundreds of thousands of rands of arrears. Quite a problem when you take into consideration that bills to municipality have to be paid in order to avoid disconnection.

In summary, with these new developments and full knowledge that electricity price will increase further in the future and much more than we probably assume now, it is imperative that all electricity

bills are paid in time, all the time, and that all landlords and property managers reduce and eliminate risk in this concern by making sure all bills are paid without delay. This will serve both for the benefit of the landlords and managing agents as much as for tenants not having to deal with connections and reconnections which are an annoyance and also another costly excise.

Taking into consideration that a reconnection of electricity in Gauteng can cost over R600 and re-installation of a meter over R3,000 it just makes sense to install [prepaid meters](http://www.prepaidmeters.co.za/). This way everyone pays for what they use and also have the ability to curb and manage usage to budgets. In other words, in the winter those that can't afford electricity heaters due to electricity prices might consider using gas once they know how much electricity their appliances actually consume. For more information on prepaid meters and metering solutions please visit: <http://www.prepaidmeters.co.za/>