



Submission to the
**NATIONAL ENERGY
REGULATOR OF
SOUTH AFRICA
(NERSA)**

on Eskom Tariffs 2025/26



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EXECUTIVE SUMMARY

WHO WE ARE:

AgriSA is the largest representative body of commercial agriculture in South Africa, representing provincial unions, commodity organisations, and corporate members.

THE ISSUE:

While NERSA approved an average tariff increase of 12.74% for 2025/26, structural changes to Eskom's tariff framework (unbundled charges and new TOU schedules) mean farmers are facing effective increases of up to 30%.

THE IMPACT:

- **Sugarcane growers:** A 250 kVA irrigated farmer's net electricity bill increased by 32%, making electricity the second-largest cost after labour.
- **Irrigated maize farmers:** Profitability has fallen by 8–16%, with irrigation costs rising sharply and breakeven yields shifting higher. Farmers below 12 tons/ha are now operating at a loss.
- **Fruit exports:** Summer irrigation costs, combined with cold-chain storage expenses, will significantly impact South Africa's globally competitive fruit industry.

THE BROADER CONTEXT:

Field crop margins are tightening structurally, while MYPD6 points to tariff escalations of 36.15% in FY2026, 11.81% in FY2027, and 9.1% in FY2028. Electricity tariffs are already 264% higher than in 2011, rising at 9% annually – consistently outpacing commodity price growth.

GOVERNANCE AND LAW:

Eskom's inefficiencies, governance failures, and imprudent coal procurement inflate costs. Section 16 of the Electricity Regulation Act requires tariffs to reflect an efficient licensee, not an inefficient one. Passing these costs to agriculture violates this principle.

OUR REQUEST TO NERSA:

- Investigate the gap between the approved 12.74% increase and the real effective increases of 25–30%.
- Revert the TOU schedule to its previous framework: 1:8 peak-to-standard ratio, shorter evening peaks, and no Sunday standard block.
- Apply the efficient licensee principle and exclude Eskom's inefficiencies and maladministration from tariff determinations.
- Tie tariff approvals to measurable governance and efficiency reforms at Eskom.
- Expand the market inquiry into fixed and capacity charges to include agriculture as a distinct sector.

1. INTRODUCTION TO AGRISA

AgriSA is the largest federation of commercial agriculture in South Africa. Through our nine provincial affiliates, 23 commodity organisations, and corporate members, we represent a wide range of farmers across the country, from small-scale emerging farmers to large commercial producers. Agriculture is central to South Africa's economy, contributing significantly to GDP, employment, and rural development. The sector directly employs more than 950,000 people and indirectly sustains millions of livelihoods in rural areas where alternative economic opportunities are limited. Agriculture is also a vital source of foreign exchange earnings through exports of fruit, wine, sugar, and grain. Our mandate as AgriSA is to protect farmer interests, ensure the sustainability of production systems, and maintain the competitiveness of South Africa's agriculture in the global market.



2. BACKGROUND: TARIFF AND STRUCTURAL CHANGES

NERSA approved an average Eskom tariff increase of 12.74% for the 2025/26 financial year. However, the real impact on electricity bills for agricultural users is far higher due to the unbundling and reallocation of charges under the new tariff design. These structural shifts have altered not only how farmers are charged, but also when and on what basis they pay for electricity.

A comparison of the 2024 and 2025 tariffs reveals sharp distortions across multiple charge categories:

Charge Component	2024	2025	% Change	Comment / Impact on Farmers
Legacy Charge (/kWh)	0.2300	Introduced	+100%	A new charge added on every unit of electricity consumed – no offset elsewhere.
Generation Capacity (/kVA)	–	R3.34	+100%	Newly introduced fixed cost tied to installed capacity, not consumption – penalises low-utilisation users like farmers.
Network Capacity (/kVA)	R36.71	R52.14	+42.0%	Major escalation in fixed charges directly increasing base costs for irrigation farms.
Administration Charge (per POD/day)	R56.92	R12.40	-78.2%	Reduced, but insignificant relative to increases elsewhere.
Network Demand (/kWh)	R0.5209	R0.4832	-7.2%	Slight decline, but overshadowed by increases in capacity and seasonal charges.
Ancillary Services (/kWh)	R0.008	R0.0041	-49%	Minor decrease, negligible effect overall.
High Season Peak (/kWh)	R6.3998	R6.9791	+9.0%	Peak cost rises further; irrigation becomes unaffordable during afternoon and evening blocks.
High Season Standard (/kWh)	R1.9388	R1.7448	-10.0%	Small relief, but overshadowed by the 3-hour evening peak expansion.
High Season Off-Peak (/kWh)	R1.0738	R1.1631	+8.3%	The previously “safe” off-peak window is now more expensive.
Low Season Peak (/kWh)	R2.0876	R2.8964	+38.7%	The sharpest increase; winter irrigation now substantially costlier.
Low Season Standard (/kWh)	R1.4369	R1.6284	+16.8%	Increased cost across daily operations, even during non-peak hours.
Low Season Off-Peak (/kWh)	R0.9117	R1.1631	+27.6%	No longer a cost-saving window for low-demand months.
Reactive Energy (/kVAhr)	R0.1759	R0.1983	+12.7%	Increases penalty charges on power factor inefficiency, which many farms cannot control.

These changes result in a **structural cost escalation exceeding 25–30%** for most irrigation-based operations - even where consumption levels remain constant. The introduction of new **legacy** and **generation capacity charges**, combined with large increases in **network capacity costs**, directly raise farmers' fixed monthly bills regardless of usage.

For high-demand users such as irrigation farmers, these cost shifts are compounded by the redefined **Time-of-Use (TOU)** schedule:

- The **peak-to-standard ratio** has fallen from **1:8 to 1:6**, increasing relative exposure to high-tariff hours.
- The **evening peak** has been extended from two to three hours, affecting pumping schedules.
- A **new Sunday standard period** further reduces flexibility for continuous irrigation.

Collectively, these shifts eliminate the cost-saving windows that previously allowed farmers to manage energy use efficiently. In essence, **farmers are now being charged more for less flexibility.**

3. MYPD6 AND THE RISING TARIFF TRAJECTORY

Eskom's MYPD6 application seeks revenues of R446 billion, R495 billion, and R537 billion over the next three years, translating into increases of 36.15% in FY2026, 11.81% in FY2027, and 9.1% in FY2028. This trajectory is deeply concerning. Electricity tariffs are already 264% higher than in 2011, having risen at an average of 9% annually – far outpacing both consumer inflation and commodity price growth. For agriculture, which operates in competitive markets with little ability to pass costs through to buyers, these escalations are unsustainable.

Moreover, as Eskom's sales volumes continue to decline due to load shedding and customer defection to alternative energy, tariff hikes will only deepen the utility's systemic challenge on sustainability. Farmers cannot simply go off-grid or pass costs along, particularly in irrigation-intensive subsectors. Thus, agriculture becomes a shock absorber for Eskom's inefficiencies, bearing the brunt of unaffordable tariffs.

VGBE 2023 Benchmarking Study

https://www.treasury.gov.za/comm_media/press/2024/VGBE%20Eskom%20Report.pdf

4. CASE STUDIES: PROFITABILITY IMPACTS IN AGRICULTURE

The impact of these tariff changes on farming profitability is already evident. In the sugar sector, growers in Mpumalanga and Pongola, regions entirely dependent on irrigation, are facing significant increases in electricity costs. Data from SA Canegrowers shows that the net electricity bill for a 250 kVA irrigated farmer has risen from R408,000 to R539,000, an increase of 32% in a single season. Electricity has now become the second-largest input cost after labour. This is in a sector that directly supports 65,000 on-farm jobs and indirectly sustains almost one million livelihoods.

In the grain sector, Grain SA's profitability modelling for irrigation maize shows a similar pattern. At a target yield of 12 tons per hectare, irrigation costs increased from R9,087 to R10,245, which resulted in a 16% reduction in gross profitability. At 15 tons per hectare in high-yielding regions such as the Northern Cape, irrigation costs increased from R7,453 to R8,403, cutting gross profits by 8%. Across averages, gross profitability for irrigated maize has fallen by 11%, despite yields remaining stable. At current Safex prices of around R4,200 per ton, irrigated maize is loss-making at yields below 12 tons per hectare.

5. EXPORT FRUIT: IMPLICATIONS FOR SUMMER IRRIGATION

The fruit industry is also at risk as the summer irrigation season begins. It is projected that horticultural exports such as citrus, grapes, and nuts will expand by 25% by 2034 as new orchards reach maturity. This expansion is critical for South Africa's foreign exchange earnings and for job creation in rural areas. However, the competitiveness of these industries is already undermined by high costs across the value chain, poor logistics performance at ports, and international compliance costs. The new TOU schedule, combined with higher summer electricity tariffs, will further raise irrigation and cold storage costs, eroding profitability in an industry that is both capital-intensive and export-driven.

6. **BROADER CONTEXT:** **FRAGILE PROFITABILITY ACROSS AGRICULTURE**

HORTICULTURE

South Africa's horticultural sector is one of the fastest-growing and most export-oriented segments of agriculture. Fruit exports are projected to expand by 25% by 2034, but competitiveness is under pressure from compliance costs, logistics bottlenecks, and high input costs. Electricity for irrigation and cold chains is central to this competitiveness. Higher TOU tariffs will directly erode margins in this high-value industry.

AGRONOMY (FIELD CROPS)

Field crops such as maize, soybeans, and wheat are the backbone of food security. Margins are tightening structurally, with input costs rising faster than returns. Irrigation is already marginal at Safex levels, and higher tariffs will make irrigated crops unfeasible for smaller producers.

LIVESTOCK

The livestock sector accounts for nearly half of agricultural gross value. Profitability is being mediated by higher feed costs, biosecurity challenges, and compliance requirements. Electricity plays a key role in powering feed irrigation, cold storage, and housing. Rising tariffs raise both feed costs and operating costs, squeezing margins further in a sector where demand is price-sensitive and producers cannot easily pass on costs.

7. **GOVERNANCE, EFFICIENCY,** **AND THE "EFFICIENT LICENSEE" PRINCIPLE**

The VGBE 2023 Benchmarking Study commissioned by National Treasury confirmed that Eskom is inefficient compared to international utilities. Inefficiencies in coal procurement, maintenance, and workforce costs inflate tariffs without delivering improved performance. Section 16 of the Electricity Regulation Act requires that tariffs be based on the costs of an efficient licensee. Passing Eskom's inefficiencies and maladministration onto consumers violates this legal principle.

Agriculture should not bear the costs of Eskom's poor governance, corruption, and imprudent contracts. Tariff approvals must be conditional on measurable efficiency improvements at Eskom, not simply passed through to consumers.

8. AGRISA'S REQUEST TO NERSA

AgriSA respectfully requests the following:

1. That NERSA expand its market inquiry into fixed and capacity charges to specifically consider the impact on agriculture as a distinct customer segment.
2. That the TOU schedule be reverted to its previous framework (1:8 peak-to-standard ratio, shorter evening peaks, no Sunday block).
3. That tariffs be based on the efficient licensee principle, excluding Eskom's inefficiencies, maladministration, and imprudent coal contracts.
4. That tariff approvals be tied to governance and efficiency reforms at Eskom, as per the VGBE report.
5. That urgent interim relief be provided to irrigation farmers while reforms and the inquiry process are underway.



9. CONCLUSION

Electricity tariffs are no longer a simple input cost for South African farmers. Under the 2025/26 framework and MYPD6 trajectory, they have become a systemic threat to the viability of irrigation farming. The evidence from sugarcane and maize demonstrates that profitability is being eroded by double digits, even at high yields. Once the summer season begins, fruit exports will also be negatively affected.

If left unaddressed, these changes will compromise food security, rural employment, and South Africa's competitiveness in global agricultural markets. AgriSA therefore calls on NERSA to urgently act by reverting TOU scheduling, enforcing the efficient licensee principle, and have a comprehensive focus on agriculture in its market inquiry. Doing so will protect farmer profitability and safeguard the broader agricultural economy on which millions of South Africans depend.



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