



SALGA

South African Local Government Association



2009 NATIONAL MEMBERS ASSEMBLY

**RESOLUTIONS ON EDIR
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- The nature of the relationship between the REDs and municipalities
- Local government participation in the discussions regarding the Draft 17th Constitution Amendment Bill
- Structuring of the negotiations process
- The nature of the transaction
- The concept of a “Consolidator” and the role of EDI in the negotiations process
- The municipal preparatory processes towards the establishment of the REDs



- Reaffirms the commitment of local government to the electricity industry restructuring leading to the establishment of 6 Regional Electricity Distributors (REDs)
- Resolve that:
 - Local government through SALGA should participate in the discussions regarding the content of the 17th Constitutional Amendment Bill.
 - A constitutional amendment should not be used as an alternative to negotiating key policy issues inherent to the restructuring process or to force municipalities to participate in the processes without such inherent policy issues being resolved.



- SALGA as per its normal mandating process, consults through its structures in order to develop a fully mandated position regarding the content of the proposed constitutional amendment
- The legislation dealing with the restructuring of the electricity distribution industry must be processed through Parliament together with the draft constitutional amendment bill so that Parliament can deal with a complete package.



- The conceptual relationship between the REDs and municipalities should be characterized by the following key features be supported:
 - The shareholding to the REDs is to be split between Eskom, National and Local Government with Eskom shareholding phasing out over time and local government being a majority economic benefit shareholder;
 - REDs will be public entities (its decision-making / voting powers)
 - Municipalities will remain service authorities (albeit with some possible limitations e.g. tariff setting and infrastructure ownership) and the REDs will be service providers;



- Municipalities will continue to derive income from electricity sales within their areas of jurisdiction. The method through which municipalities will receive a continued revenue stream from electricity sales would be through:
 - A surcharge to customers on electricity sales; surcharges collected by the RED will be paid over to the relevant municipality on a basis agreed to between the relevant municipality and the RED
 - Dividends from the relevant RED, subject to financial performance and within the approved policy of the relevant RED



- The relationship between REDs and municipalities will be governed through Service Delivery Agreements as contemplated in Section 81 of the MSA;
- There be better regulation with role clarity between service authorities, service providers and the National Energy Regulator of South Africa
- *EDI Holdings must in consultation with key stakeholders, develop a strategy to manage the negotiations process which will among others clearly identify the roles of various role-players in the negotiations process*



- A strategy to manage the negotiations process must include supporting local government for LG to establish a local government negotiating team through SALGA which should:
 - have access to specialist advisors.
 - be a national team with consultative mechanisms established in terms of the REDs areas.
 - have efficient and effective measures of accountability to the principals.



- The role of the **EDIR political oversight committee must bolstered** and it should include a member of the NEC of SALGA and one of the responsibilities of the committee should be to approve recommendations/ submissions made to the Cabinet on EDIR
- The process should be understood and accepted as a transaction between National Government and municipalities towards the establishment of new electricity distribution entities that will be majority owned by National Government in terms of decision making with municipalities as minority decision making shareholders but majority economic benefit shareholders.



- The preferred option with regards to the process of establishing the REDs should be that of establishing them directly rather than via a Consolidator route
- Municipalities that do not already have separate energy entities should not go as far as creating them as part of the ring-fencing process. However EDIH should support municipalities to establish and maintain systems for separately accounting for the EDI business until it is transferred to the REDs.
- SALGA should ensure regular strategic discussions and ongoing communication on EDIR with all municipalities to ensure that capacity to engage with this matter is built and maintained.



- SALGA is counting on you to provide technical insights as we navigate the EDIR negotiations process towards the Deal. We call upon AMEU to take its rightful place as a specialist technical sector representative arm of organized local government and forge an even closer working relationship with the governance structures of SALGA so that its voice can be enhanced while the contribution of SALGA in the electricity sector becomes sharper.
- SALGA wishes you a successful convention. Once again, we look forward to expert opinions and advice as to how to improve the management of our electricity resources.



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THANK YOU