

How to bolster your small business against the impact of energy price hikes

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The recent decision by the National Energy Regulator of South Africa (NERSA) to authorise an almost 19% price hike on electricity has been met with fierce criticism from several fronts, including the small- to medium-sized enterprise (SME) sector.



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Economic analysts have highlighted the imminent cost-of-living crisis that will impact South Africans on the ground, as well as small businesses, whose struggle to contend with the energy price hike is being compounded by factors such as high inflation, the rising cost of fuel and the far-reaching effects of stage 6 loadshedding.

An industry snapshot

A recent study conducted by South Africa's Small Enterprise Finance Agency (SEFA) found that the majority of local businesses are heavily reliant on electricity to conduct their operations and have therefore been negatively impacted by ongoing loadshedding, which recently hit over 100 consecutive days, the worst the country has ever seen.

Now, with the 18.65% energy tariff increase primed to take effect from 1 April 2023, unless the deferral requested by President Cyril Ramaphosa is confirmed, the state of the SME sector hangs in the balance. The dramatic rise in the cost of energy will set off a domino effect that will impact small businesses on a number of levels, including rising operational costs, decreased profitability, job insecurity and supply chain disruptions.

Fortunately, it would appear that help is on its way. In the Budget Speech, Minister Godongwana announced that a series of government interventions would be implemented to help small businesses mitigate the impact of the forthcoming price increase. Such measures include helping small businesses to install solar power and energy-saving devices. In tandem, the Small Enterprise Development Agency (Seda) has also announced plans to roll out an energy relief package. While we wait for these developments to unfold, these are three practical steps small business owners can take to alleviate some of the

financial pressure:

1. Adjust your operating times

Many consumers are not aware that Eskom charges higher rates during peak times of the day. The rate at which your business is charged for electricity will vary accordingly and will reflect as “time of use” tariffs on your electricity bill. Taking both low and high demand seasons into account, the hours between 6am and 10am and the two-hour period between 6pm and 8pm are regarded as peak times for energy usage.

Depending on the size of your small business, you could be charged up to double the rate during peak hours than you are charged during off-peak hours. You could therefore benefit from minimising activity during peak times, where feasible. A change in schedule or working hours could add up to some savings on energy costs in the long run.

2. Invest in a load control unit

Geysers are arguably the most energy-intensive appliances that any home or office can install. If having a supply of hot water is vital to your operations, consider installing a load control unit or Relay Timer, which is a cost-effective way of regulating the amount of energy your geyser uses. The device will analyse usage data over time and then programme the geyser to turn off and on according to changes in demand throughout the day. Doing this could reduce your geyser’s energy consumption by approximately 60% and save you up to 25% on your electricity bill. Load controllers can also be installed on other appliances and equipment such as air-conditioners and light fixtures.

3. Watch your spend on prepaid

If your small business operates according to a prepaid or smart meter system, as a rule of thumb you should never purchase units of electricity in bulk. Buying more than you need will activate a higher tariff. If your business is based in a suburban area, you will be charged a higher rate for usage after the first 600kWh per month, which will add up in the long term. Furthermore, energy expert Ted Blom advises business owners to purchase electricity on the first day of every month, when rates are at their lowest, as per Eskom’s Incline Block Tariff system.

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