

Eskom Applications

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Agenda

- 1 Background
 - Eskom captured since 2001
- 2 OUTLOOK
 - **70%** tariff hike
 - Board turnaround plan
 - Task force Business structure
 - Several Investigations
 - Zondo
- 3 Facts
 - **Eskom License structure**
 - **Eskom line charges**
- 4 Full MYPD
 - **90%** entitlement?

NERSA- Regulator or Observer?

The Energy Regulator *may initiate its own investigation into the governance failures in Eskom and may effect adjustments to Eskom's revenue based on the relevant outcome of its investigation* and/or those undertaken by bodies or entities, including, but not limited to, Eskom, National Treasury, Special Investigating Unit, South African Directorate for Priority Crime Investigation (Hawks), the Parliament of the Republic of South Africa or any Commission of Enquiry as and when they are concluded and the costs associated therewith have been quantified.

Eskom Incorrect Billing

- FACTS
- Eskom has been milking customers via extra charges
- Customers pay exorbitant line charges, despite financing lines
- Line charges appear to be based on MAX Demand (MND)
- MND only utilized 1 periodically
- Overhead charges exceed consumption charges more than 10 mths pa
- Most rural lines NEVER maintained
- Farmers charged some of the highest tariffs
- Market Gorging/Anti competitive behavior by Eskom

Eskom Ethics

- FACTS
- Eskom has not admitted extent of Fraud & Corruption
- None of the Eskom presenters have apologized for the rampant fraud & Corruption during their watch
- The F&C must have occurred somewhere
- All the Eskom presenters will claim to be highly skilled to justify their exorbitant salaries
- Yet Eskom is in the worst financial situation ever
- Request all future Eskom presenters address their role in F&C or if no role, why they missed it?
- The CEO listed Ethics & Culture as his tools – how are we going to cull the current unethical Eskom behavior?

Modification of MYPD4/RCA

- FACTS
- Eskom has been milking customers via claims for revenue not sold
- Nersa instructed Eskom to review sales budget in line with actuals
- Eskom has IGNORED Nersa
- Eskom has ignored market signals
- Eskom has ignored impact of IPPS – have not been removed from sales budget

Inefficient Producer Stats

- Labour - 75%` (Xtra Cost R31bn/pa)
 - Capex - 90% (Xtra costs ROA >R50bn/pa)
 - OPS EAF - <70% (Xtra costs >R30bn/pa)
 - Tariff - >70% (>R100bn/pa)
 - Coal - >50% (R40bn/pa) = ~R1600/ton_
 - Salaries - 75% (Xtra cost R9.1bn/pa) = R600k pp/pa
 - RAB - R1.4trn?
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- Happy to consult on these points

Observations

- Eskom ave costs on grid coal < 40cents
Renewables > R4.40

Rules of dispatch illegally modified

Extra Costs = R34bn/pa ?

Is Nersa ethically watching out for the consumer ?

2019 OUTLOOK

Will Eskom survive?

“Eskom too big to fail” ~ WB

BUT

SA cannot afford Eskom

FACTS

Mabuza= “Eskom is at least 10 000 overstaffed”?

Gordhan = “Eskom is unsustainable”?

Ramaphosa= We will fix Eskom”

WB-Eskom = Inefficient

ACTUAL Assets < Debt = INSOLVENT

MYPD4= R50bn shortfall?

Mabuza=Eskom no longer able to pay debt

= “Act of Insolvency”

Therefore = “Eskom no longer a going concern”

ISSUES

Where is the new dawn in Electricity ?
Outcome of Eskom Board turnaround strategy?
Outcome of Eskom “wise men” report?

Recommendations

Surely tariff increase of 70%
is premature

3 yr increase definitely
unethical in light of downward
trends

Recommendation

Scrap these applications until we see a
full

***NERSA Forensic Report
&
Fundamental Restructure
of Sector***

Question?

Full Forensic Report

Or will you

as NERSA

“Look the other way?”

Thank you

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