

# Eskom Applications

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# Agenda

- 1 Background
- 2 Outlook
- 3 Facts
- 4 MYPD Defects
- 5 Other defects

# Background

- 1 Background
  - Eskom captured since 2001 (For PROFIT)
- 2 OUTLOOK
  - **70%** tariff hike
  - Board turnaround plan
  - Task force Business structure
  - Several Investigations/Zondo
- 3 Facts
  - Eskom de facto corrupt & inefficient & Bankrupt
- 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.

# Efficient Producer Stats

## Capex Inefficiency

- Medupi > R100bn (R170bn-R69bn)
- Kusile > R100bn (R170bn- R69bn)
- Ingula > R30bn (R40bn –R9bn)
- Optimum Coal > R2bn (Gupta deals)
- Arnot Coal > R2bn (Lack of investment)
- Eskom Treasury > R3bn (Gupta Derivatives)
- Transmission > R1bn (Fronting)
- Overvaluation of RAB > R800bn ( AFS vs MYPD)

# Efficient Producer Stats

- Labour
- World Bank Scenarios - 15 000
- Eskom - 48 000
- Ave sal - 800 000 vs 200 000
- Cost of excess heads - R31bn pa
- Cost of inflated sal - R9bn
- Happy to consult on these points

# Efficient Producer Stats

- **Capex Inefficiency**

- Mundra 6 units - R35bn total
- Eskom Medupi Unit 6 - R40bn (i.e R240bn?)
- Initial quote - R33bn for full Medupi
  
- \* JV Tata Power /Synergi - Ordered 2008/
  - Completed 2012
  - On time/Budget
  - 48c/kwh

# Efficient Producer Stats

- **Tariff Inefficiency**
- Assume 2005 Efficient
- 30/30/30 cost split Int/Operations/Labour
- - therefore ~ 60% fixed
- **Current Tariff should be** <40c/Kwh
- **BUT now will =>** >R1.43 K/wh
- **Households FLAT RATE** R50pm



# Efficient Producer Stats

- **Coal inefficiency**

- Coal Consumed pa 120mtpa
- Longterm costs at R250,00\* R30bn
- Actual Eskom coal costs R 73.3 bn
- Inefficiency ~R40bn
  
- \* market estimate

# Efficient Producer Stats

- **Staff inefficiency**

• World Bank Estimate headcount	14 000
• Eskom actual Headcount	48 000
• Excess staff	34 000
• WB salary	R220k
• Excess costs /headcount	<b>R31bn</b>
• Excess payroll costs (14k* R680k)	<b>R9.5bn</b>

# Observations

- Eskom Application defective
- **R50bn hole**
- **Revenue Assumptions invalid**
- **Inflated RAB**
- **Sensitivity Analysis ignored**
- **Doesn't balance competing needs Eskom vs People**
- **Gross inefficiencies**
- **Gross Corruption not recognized –SIU**

# 2019 OUTLOOK

Will Eskom survive?

# Recommendations

Where is the new dawn in Electricity ?

Outcome of Eskom Board turnaround strategy?

Outcome of Eskom “wise men” report?

**Surely tariff increase of 70% is  
premature**

**3 yr increase definitely unethical**

# Recommendation

Scrap these applications until we see a full

***NERSA Forensic Report***

***&***

***Fundamental Restructure***

***of Sector***

# Thank you

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