

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 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.

Missing Billions

- 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
- Cost of excess - R31bn pa
- 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

Efficient Producer Stats

- **Tariff Inefficiency**
- Assume 2005 Efficient
- 30/30/30 cost split
- Int/ops/Labour- therefore ~ 60% fixed
- **Current Tariff should be** ~12c/Kwh to <40c/Kwh
- BUT now will => R1.43 K/wh

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	R31bn
• Excess payroll costs (14k* R680k)	R9.5bn

Observations

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

Rules of dispatch illegally modified

or

Did Nersa modify these without consultation?

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 RCA applications until we see a full

NERSA Forensic Report

&

Fundamental Restructure

of Sector

Thank you

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