ESKOM'S APPLICATIONS FOR MYPD4 AND MYPD3 RCA 2017/18

NERSA – 25 January 2019
Mmobela

Middelburg Chamber of Commerce & Industry

200 SQUARE KM'S

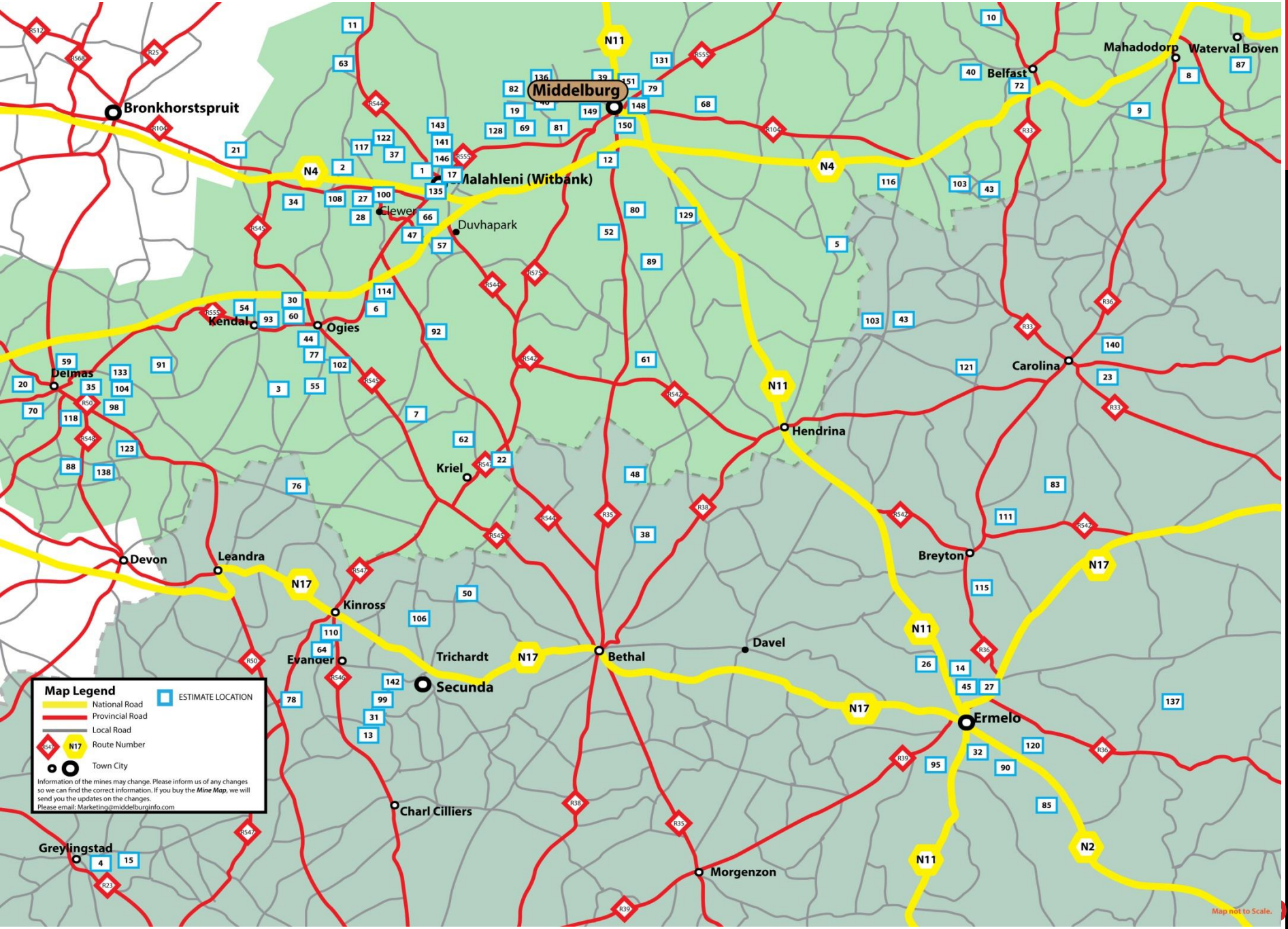
Eskom Power Stations

Middelburg Area	Nearest
Hendrina	Kendal
Komatie	Ogies
Arnot	Duvah
	Kusile

Number of mines:

170 Mines in a 200km radius

Manufacturers


Middelburg
Bronkhorstspruit
Malahleni (Witbank)
Clewer
Duvhapark
Kendal
Ogies
Delmas
Kriel
Devon
Leandra
Kinross
Evander
Trichardt
Secunda
Bethal
Davel
Hendrina
Carolina
Belfast
Mahadodorp
Waterval Boven
Breyton
Ermelo
Morgenzon
Charl Cilliers
Greylingstad
N4
N11
N17
N2
Map Legend
National Road
Provincial Road
Local Road
Route Number
Town City
ESTIMATE LOCATION
Information of the mines may change. Please inform us of any changes so we can find the correct information. If you buy the Mine Map, we will send you the updates on the changes.
Please email: Marketing@middelburginfo.com
Map not to Scale.

ESKOM'S FINANCIAL SITUATION

KEY MANAGEMENT TOOLS

INCREASE PRICES
IMPROVE SALES
REDUCE COST

SOME ESKOM FINANCIAL NUMBERS

- Loss of R15bn expected for 2018/2019 financial year
- Effective cash shortfall R36bn
- EBITDA margin down
- Gross debt/EBITDA ratio up
- Debt/equity ratio down
- Gearing % up
- Free funds for operations down

PROCUREMENT QUESTIONS?

Coal purchases:

Supplier research and planning:

- What is the status with the coal supply contracts of Optimum Mine (next to Hendrina PS).
  - Why did Eskom delay the Business Rescue Plan, at the creditor's meeting as they were the largest creditor?
- Exxarro Mine at Arnot (next to Arnot PS)?

Value analysis:

- Does the coal purchased have the specified calorific value as per the identified Power Station's requirements?
- What is the percentage ash content of the coal?
  - Is the percentage ash present excessive compared to historical purchases?
  - Does the ash content of coal have a direct impact on the efficiency of the Power Station?

PROCUREMENT QUESTIONS?

Price negotiation

Original Equipment Manufacturers (Older Power Stations)

- What is the turn around time between order placed for a replacement part and delivery (maintenance)?

Supply contract administration

Is the single supplier procedure working optimally or is it too onerous and adds to Eskom's operating cost?

Is Eskom's procurement turn-around time and cost curtailment better since National Treasury became involved?

ESKOM'S TECHNICAL SITUATION

SOME ESKOM TECHNICAL NUMBERS

- Electricity Availability Factor (EAF%) has fallen to 63.8% (Medium Term System Adequacy Outlook states 75% to meet demand)
- Unplanned maintenance at 20.5% and planned maintenance at 14.2% (as opposed to Eskom's 80-10-10 principle)
- Partial losses over 4,000 MW and increasing at an alarming rate
- Age of power plants increasing and Eskom has brought forward decommissioning dates from dates assumed in IRP

THE SOCIO-ECONOMIC PERSPECTIVE OF ESKOM

SOCIO-ECONOMIC PERSPECTIVE

- NERSA has listened to 26 presentations between Cape Town, Durban and Port Elizabeth
- Of the 26 presentations, 7 were for the proposed increase, and 19 were against it
- The 7 presentations in favour of the increase all came from Eskom
- Not a single person or entity told a good Eskom story

ESKOM'S CONFLICTING ARGUMENTS

THE APPLICATIONS

- In its RCA application, Eskom has indicated lower sales as the culprit for lower revenue
- Eskom specifically asked customers to use less electricity and in the RCA is asking for a claw-back because their customers listened to them

THE APPLICATIONS

- With a low EAF and resultant load shedding, Eskom is again asking customers to use less electricity – when we comply there will be yet another RCA indicating factors “out of Eskom’s control.”
- In its MYPD4 application, Eskom on no less than 14 occasions mentioned its “significant sacrifice” yet does not mention the sacrifices the consumer has had to make once

THE GAME HAS CHANGED

THE GAME HAS CHANGED

- Numerous organisations have called for a change in the way Eskom does business
- Eskom is busy finalising its future strategic business model
- By its own admission, this increase is “no silver bullet” and will not fix the utility on its own
- A Presidential Task Team has been appointed to analyse Eskom and advise the President on the way forward

THE GAME HAS CHANGED

- It is therefore clear that nobody is under the illusion that this is a business-as-usual application
- NERSA therefore cannot adjudicate this application on a business-as-usual basis

THE GAME HAS CHANGED

There are two simple facts before NERSA:

- Should NERSA allow a revenue increase, it would not guarantee the survival of Eskom's current business model

- South Africa's businesses and the country as a collective cannot afford the proposed increases

THE GAME HAS CHANGED

- In the end, it is NERSA's mandate to regulate the Electricity Supply Industry

- By merely following the rules NERSA might delay Eskom's demise for a year or two, but in doing so, it might ultimately fail the Electricity Supply Industry

OUR RECOMMENDATIONS

Eskom stated that they cannot solve their problems by themselves. We agree.

Therefore, NERSA should give Eskom CPI increases and allow the current and proposed processes to unfold – besides, it is now out of Eskom's *hands*

“There lies before the Electricity Supply Commission a great task and a great opportunity. It will be our endeavour to play our part not as those who follow where others lead, but as pioneers; to foresee the needs of a country fast developing, and by wise anticipation be ever ready to provide power without profit, wherever it may be required.” (Dr van der Bijl)


INSIGHT
August 2 2014
SATURDAY STAR
DARK DAYS FOR ESKOM

Going to make SA less competitive and precipitate investment flood in particular in the energy-intensive industries. As a result of the 2008 electricity crisis and subsequent pricing, the intensive energy industries have radically changed with investment smelting south African ore taking place outside said. In the case of ferrochrome, sa has lost a significant capacity of production where the ore is still mined in sa but the ferrochrome now produced in smelters overseas in the chase ferro manganese.

SA was the producer of ferrochrome in the ratio of mining, sa industry dominant producerrs , today only 40 percent is now produced in SA. This is significantly less prior to the crisis. In the case of ferromanganese, dispite the dominant position of global resourses very litte ferro manganese is now produced in sa.

To such an extent that a significant sa mining group has invested in smelters in indonesia where the sa ore is now produced into ferro manganese in that country. These examples are of investemnt flood out of SA.

Massive decrease in SA business and the increase in export no significant reinvest, no returns to the artifically high electricity