

Eskom RCA Applications Galagher Estate

MAY 2018

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Agenda

- 1 Background – Eskom acknowledges RCA tainted
- 2 Fraud /Poor mgt - More than R66bn
- 3 Ethical position - SA cannot pay uncertain claims
- 4 Road ahead – RCA withdrawn/Declined
- 5 Mechanism - Referee - root out fraud/poor mgt

NERSA- Regulator or Observer?

In performing its mandated functions, NERSA is required to ensure that the following objects are achieved:

- (a) the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in South Africa;
- (b) **that the interests and needs of present and future electricity customers and end-users are safeguarded and met, *having regard to the governance, efficiency, effectiveness* and long-term sustainability of the electricity supply industry within the broader context of economic energy regulation in the Republic;**
- (c) that investment in the electricity supply industry is facilitated;
- (d) that universal access to electricity is facilitated;
- (e) that the use of diverse energy sources and energy efficiency is promoted;
- (f) that competitiveness and customer and end user choice are promoted; and
- (g) **that a fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public is facilitated.**

Missing Billions: Prudent?

- Medupi > R100bn
- Kusile > R100bn
- Ingula > R30bn
- Optimum Coal > R2bn
- Arnot Coal > R2bn
- Eskom Treasury > R3bn
- Transmission > R1bn
- Overvaluation of RAB > R500bn ?

Estimate of Efficient Producer

- Alternative 1- Eskom
- Assume 2005 Efficient
- + 0.3 CPI
- **Current Tariff should be** ~ <40c/Kwh
- BUT
- City Power comparison 50 - 75% cheaper

Estimate of Efficient Producer

- Alternative 2 Mundra
- Capex R35bn
- On-time – 2012
- Jv Tata Power/Synergi (SA)
- On the Grid costs (based on imported coal from SA)
- 48 cents/Kwh

2018 OUTLOOK

- Latest Reports - Eskom still captured
- Latest Reports - Eskom still leaking cash massively
- Latest Reports - Expect massive Maintenance costs
- Latest Reports - Availability down- back to OCGT
- Latest Reports - Next RCA 2017/18 RCA > 15%
- Latest Estimate - MYPD 4- 30-50% pa
- Latest Estimate > More than 500 000 jobs lost:2007-
- Efficient Eskom should at this tariff be spitting out close to R100bn pa to pay down excess debt

2018 OUTLOOK

Eskom Deviant claim > R100bn

Yet

Profits ~ R5bn pa

Recomendation

Scrap these RCA applications until we see a full

Forensic Report

&

Fundamental

Restructure of Sector

Thank you

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