

MYPD 6 Application

**NERSA Public Hearings
Closing – Nelspruit**

27 November 2024



We are making progress in stopping the leakage by addressing fraud and corruption



- Eskom has **intensified its focus on environmental, social and governance matters** to rebuild Eskom as a high-performance, ethical and values-driven organisation
- Recommendations from interventions include:
 - **Instituting criminal charges**
 - Ensuring appropriate consequence management against employees and suppliers - all implicated suppliers have been blocked provisionally
 - **Pursuing director delinquency proceedings** – all implicated directors have been removed from the employ of Eskom. Legal proceedings to follow
 - Civil recovery of financial losses suffered by Eskom
- Eskom is also **re-evaluating the effectiveness and making relevant changes to policies, processes, systems, controls and structures** where necessary
- Consequence management: establishment of an external disciplinary tribunal, to expedite disciplinary action and address the backlog of cases.

Key Initiatives



Dedicated State Capture Task Team

Recommendations include:

- Instituting criminal charges
- Consequence management against employees and suppliers
- Pursuing director delinquency proceedings
- Civil recovery of financial losses suffered by Eskom



Security Risks and Threats to Infrastructure and People

Partnership with various stakeholders to address key security risks and threats to infrastructure and people



304
arrests



17
convictions



Security Vetting Programme

The Security Vetting programme focusing on non-executives, executives and employees in critical areas is in progress, with clearance certificates issued by State Security Agency



526 of 729
in progress /
complete



Optimisation of Processes and Technology

- Re-evaluation of effectiveness and amending policies, processes, systems, controls and structures where necessary
- Eskom Security embarked on technology optimisation, security contract management and driving integrated security strategies.

Consequence Management: Supplier Review Status

- Eskom has established an interim supplier discipline process to review contracts of suppliers implicated in malfeasance while a permanent supplier disciplinary process is being developed.



145 cases
referred to the supplier
disciplinary process for
assessment and processing



41 suppliers
sanctioned with removal
from Eskom's Supplier Database
(ESD) and recommended for
referral to NT for
blacklisting



106 cases
finalised



36 suppliers
given a suspended sanction



28 suppliers
files were closed with no
further action to be taken (no
malfeasance found, or
deregistered and no longer in
existence)



2 suppliers
sanctioned with removal
from Eskom's Supplier Database
(ESD) without referral to NT



39 suppliers
cases still under review



The Government electrification programme

Facilitation of access (cost of connecting a house) to a 20A (low consumption) electricity supply.

- This complements an already subsidised tariff.



Free basic electricity (FBE)

Social grants provided directly to customers through Free Basic Electricity of 50 kWh per household per month by national government to the indigent through the Equitable Share Fund

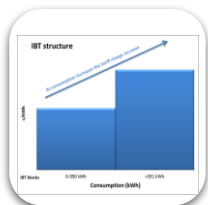
- Eskom provides FBE to customers in their area of supply as an agent for the municipalities



Subsidised Eskom tariff

For the MYPD3 period and subsequently the increase on the Homelight 20A customers (lifeline tariff) was lower than the average increase. Lower than 18% by 8% at 10%. Includes affordability subsidy (price level) and ERS subsidy (networks)

- Subsidised by direct Eskom large urban customers through the **affordability subsidy**
- The continual implementation from this lower base allows for extension of an effective subsidy
- Average Homelight 20A subsidy in FY25 was 144c/kWh of total 334c/kWh - a 43% subsidy. (Source FY2025 CTS study)



NERSA Incentive Block Rate (IBT)

The IBT was implemented by NERSA to cushion low-income households that use very little electricity.

- Eskom believes that the IBT as it is currently structured does not sufficiently target low-income households and places an unsustainable subsidy responsibility on urban customers
- IBT lowers the price and the key issue is the stepped increase above 350kWh that also makes it difficult to understand

Ensuring that Government policies are implemented

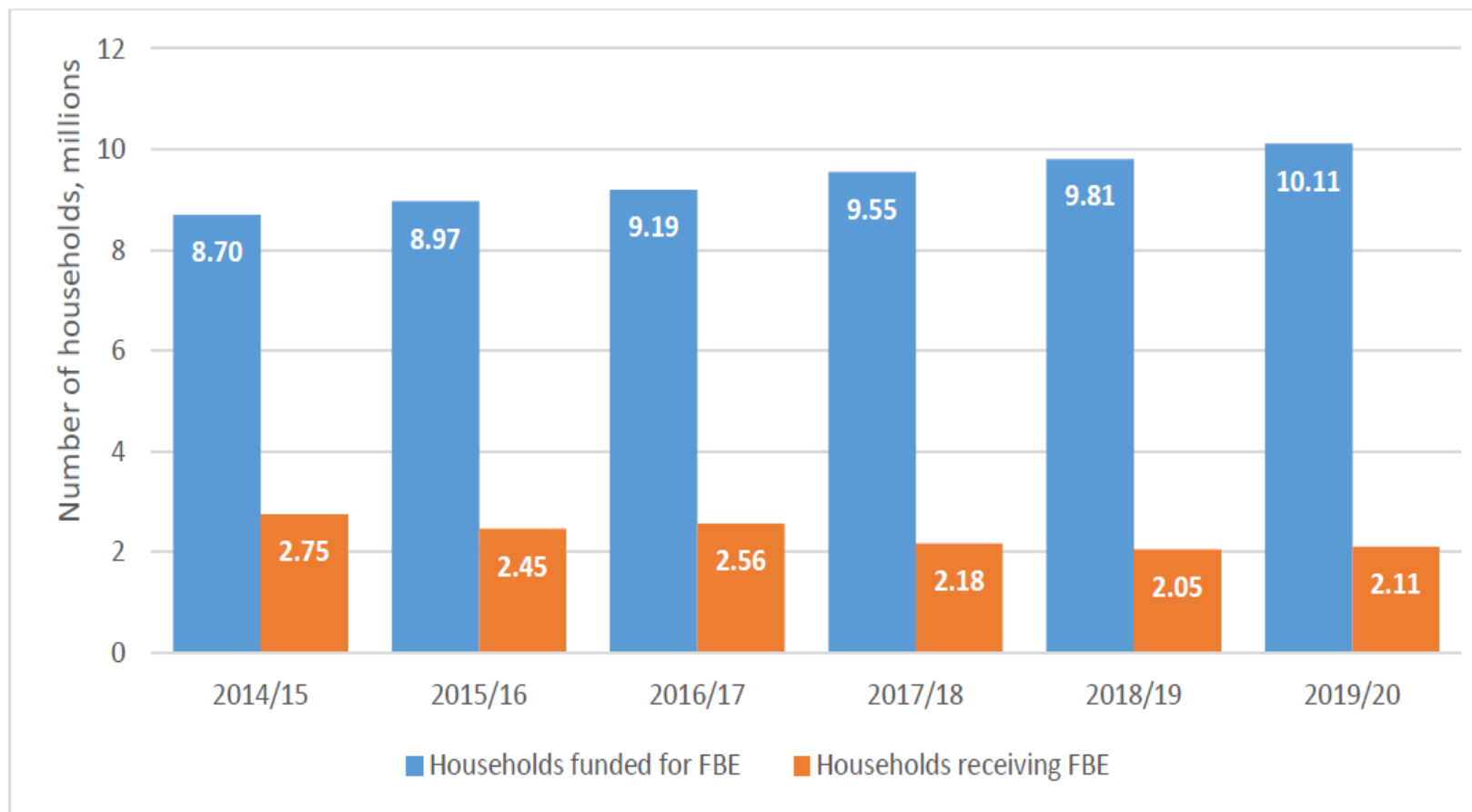
- ❑ The electrification programme is still underway
 - Government has a detailed programme in place to ensure that further areas are electrified
- ❑ It has been reported that the FBE of 50kWh is not being implemented to all relevant recipients
 - The Reserve Bank study indicates that only about 2 million recipients of a potential 10 million receive their FBE (2021)
 - Only Municipalities determine eligible recipients (indigent registers) – even if Eskom customers
 - Additional efforts are required to ensure that further recipients are identified
 - This is potentially a priority for NECOM to consider
 - The Government Departments will also have a role to play

Possible further policy changes that could be considered

- ❑ Eskom's Retail Tariff Plan (RTP) has made proposals to changes to the Inclining block tariff
 - To improve the benefit to poor residential customers, Eskom proposes **removing the IBT structure** and replacing it with a single energy rate charge for Homelight 20A customers.
 - This implies that converting the residential lifeline tariff, Homelight 20A into a single c/kWh energy rate.
 - This will protect the poor where an increased rate will not be paid by poor residential customers (for the second block)
 - This will further support poor residential customers
- ❑ The Government has indicated that protecting the poor is priority – other initiatives could be considered

Majority of FBE customers who should qualify are not being served by municipalities

Figure 15: Underspending in free basic electricity



Source: Ledger (2021).

- Municipalities are responsible for recognition & administration of customers who qualify for FBE for Municipal and Eskom customers
- Municipalities have only recognized ~20% of qualifying customers. Majority customers who should qualify are not being allocated by municipalities
- Eskom provides FBE to customers identified for FBE by Municipalities
- In subsequent years situation has worsened
 - FY 2021 – 1 654 160 households
 - FY 2022 – 1 753 091 households

(Source: Non-financial census of municipalities for year ended 30 June 22, published by Stats SA, 26 March 2024)



Thank you