

Critical Electricity Sector Decisions

Presentation to BUSA Economic Sub-Committee

Comments by Dave Long – SAIPPA Secretary General

I was invited to attend the BUSA Economic Sub-Committee meeting yesterday, where Prof Anton Eberhard gave a presentation entitled "Critical Electricity Sector Decisions" - attached.

My takeaways from this session are:

- * Appointment of CEO - one candidate of the 3 shortlisted has the professionalism, skills and experience to tackle the Herculean tasks ahead. May not suit the political masters though.
- * Eskom's financial position continues to worsen; this despite the focus from the new Minister of DPE and government pronouncements. GWh sales are down and despite the tariff increase, revenues are only marginally up. Coal costs are 17% up Y/Y and employee costs 13% up despite a 4% reduction in headcount.
- * Pre-tax losses of R29bn for FY19 are the biggest ever for a SOE. Cash generated is less than 50% needed to service the debt which is approaching R450bn.
- * Municipal debt to Eskom is ballooning with payment levels steadily dropping. Now on average < 80%.
- * There are a number of options for restructuring. The most attractive to the Eskom Task Team is financing from international "Green" financing to assist in closure of old coal.
- * There is a steady decline in fleet EAF and summer load shedding is a real risk. Only short term option is IPP power through RE-IPPP and SSEG.
- * See Anton's last slide for a summary of urgent message to the President. Cabinet decisions are expected in next 2 weeks.

Regards,

Dave Long

Secretary General

SAIPPA