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Address
Dr Jabu Mabuza, Eskom Interim Executive Chairman and Acting Group Chief
Executive
State of the System Update
4 September 2019

Eskom executives and staff

Members of the media

Ladies and gentlemen

Good morning

Over the past week, we hosted the Standing Committee on Public Accounts (SCOPA) and the Public Enterprises Portfolio Committee at our sites, outlining our business operations and challenges.

Being top of parliament's agenda is encouraging in understanding the importance of Eskom's strategic contribution to the economy of South Africa.

The status of the system briefing gives us yet another opportunity to be transparent about Eskom's operations and to keep South Africans and all stakeholders informed. The principles of openness and transparency are critical and underpin our business operations as a state-owned enterprise.

In this regard, we continue to share and gain insight into Eskom's turnaround plan; and we have met with labour, senior managers and some of our key stakeholders as we co-create an Eskom of the future.

In these engagements we have sought to articulate the problem statement and be sure that we are aligned on how we see our problems. Ladies and gentlemen, we see our problems in three buckets – structural, financial and operational.

Our financial problems have been the subject of a number of analyses and debates. We are all aware that the Minister of Finance has passed the appropriation bill that deals with financial support to Eskom in the short- to medium-term. We are also all aware that the Chief Restructuring Officer's (CRO) office has been set up to work with government in getting to a sustainable solution to our debt problems. In this regard, we await the work of the CRO office to be completed and give further details on the plans to best deal with Eskom's capital structure.

We on the other hand continue to drive our cost curtailment plans to create a lean organisation.

On the structural side, the President did pronounce on the need to split Eskom into three separate entities, partly to drive efficiencies and set us up to effectively participate in a reformed future energy sector.

In this regard, you would have heard the Minister of Public Enterprises talk about the plans for government to produce a special paper in the next few weeks that will set the tone for the future energy market structure and Eskom's role.

So, today we are here to talk about the state of our operations and plans for the summer period. Ladies and gentlemen, our briefing comes against the backdrop of commendable performance during the past winter, and we are grateful for the support received from the Minister of Public Enterprises and the Ministerial Task Team whose report provided valuable input into our Generation recovery plan.

Importantly, we are grateful and commend the Eskom Guardians who have worked tirelessly to ensure security of supply during the winter months.

We have managed to go through the winter season without loadshedding as a result of our employees' disciplined implementation of our Winter Plan and wider Generation Recovery Programme (or the 9-Point Plan).

I, for one, am proud that we have not loadshed since the last time we addressed South Africans on the state of system in March 2019. We have also seen steady improvement in generation performance since the beginning of the current financial year, with an average energy availability factor (EAF) of 70,4% as at the end of August 2019. While this achievement is pleasing, more still needs to be done, as we aim to achieve 80% plant availability.

We have made notable strides in addressing coal stock challenges. As you will recall, ten of 15 coal-fired power stations were below the prescribed 20 coal stock days as per the Grid Code requirement.

Today, I am pleased to indicate that, as of 2 September, the coal stock level has been at 50.0 days, excluding Medupi and Kusile. Only one power station remains below the Grid Code requirement, and I have been assured that, based on the new contracts, all stations will be within acceptable levels by the end of the financial year.

It is also worth mentioning that our Transmission and Distribution Divisions, alongside Koeberg Power Station, have been operating efficiently. In addition, there is good progress at Medupi and Kusile.

There has been a significant contribution from both commercial and non-commercial units among the power stations, with the non-commercial units delivering over 1 000MW in the last six months, with Kusile Unit 3 synchronised to the national grid on 14 April 2019 and Medupi Unit 3 achieving commercial operation on 5 July 2019. Last week, the last of the six Medupi Power Station units, Unit 1, was successfully synchronised to the national grid.

While winter showed positive results, our focus has now shifted to effectively dealing with the summer period.

Our Chief Operating Officer, Jan Oberholzer, will in a moment present the details of the Summer Plan.

It is important to note that summer generally comes with its own challenges. For example, high temperatures have a negative impact on some of our plants. The change in customer electricity consumption in summer means a high demand, all day, during the day, and not just over the evening peak from 5 pm to 9 pm. Eskom also prioritises maintenance of critical plant components over this period.

This season, that is, over the next seven months we will perform an average of 5 500MW of plant maintenance.

Most of our power stations are in need of maintenance to improve reliability, and while we do our best to strike the right balance between plant maintenance and keeping the lights on, we appeal to communities to stop illegal connections, meter tampering, electricity theft, and the vandalising of electricity infrastructure.

These increase network overload and equipment failure, causing the system to trip and resulting in localised power outages in the distribution network.

Ladies and gentlemen, our objective over summer is to avoid loadshedding, to sustain our plant performance and to continue to maintain our plant in order to avoid unplanned breakdowns.

While the risk of loadshedding always exists, we remain confident that we are on a direct course to keeping the lights on for South Africa this summer.

As I conclude, I would like to assure our stakeholders that Eskom remains committed to stabilising our business and to moving towards a sustainable future. I also want to take this opportunity to thank our customers for their partnership as we navigate our operational issues.

The support and commitment to working with us towards sustainable solutions does not go unnoticed.

Lastly, I want to personally thank our Guardians for their efforts and commitment to seeing our operational recovery plan through and keeping the lights on.

This can never be taken lightly given the importance of energy in stimulating economic activity.

On this note, I will ask Jan to come and share details on the state of our system and the Summer Plan.

I thank you.