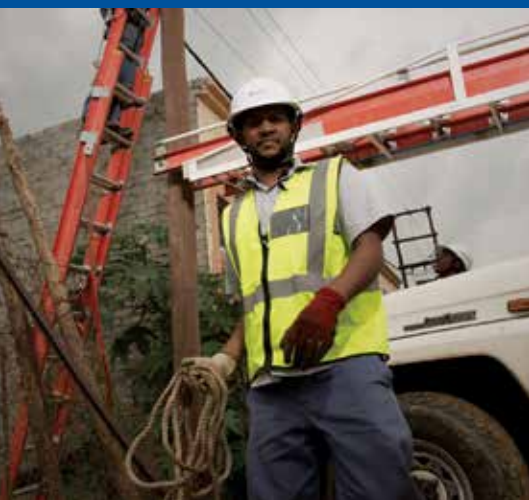




# Active Partnering with municipalities-

to improve performance and operations



## Introduction

Throughout the world, efforts to strengthen government institutions and partnerships among them are being rewarded in the form of social stability and economic well-being. Strong partnerships among institutions provide access to information, knowledge and sharing of experience to address potential imbalances and changing demands.

43% of Eskom sales and revenue is derived from Municipal redistributors. For Eskom Distribution to be financially viable, the sustainability of this market segment remains a top priority. The Eskom Active Partnering programme creates an enabling, non-threatening, mechanism to work with municipalities to address business and operational challenges. The programme focusses on a holistic approach, which enables the municipalities to recover and fulfil their constitutional mandate of delivering more reliable electricity to their customers. The resultant benefits to the municipalities are securing their revenue stream and then being in a position to pay their bulk electricity purchases from Eskom.



## National partnerships

The Active Partnering programme strategy includes alignment with the national municipal recovery programmes driven by Cooperative Governance and Traditional Affairs (CoGTA), National Treasury and the South African Local Government Association (SALGA). However, the bulk of the Active Partnering support is operational of nature. These are municipal-specific plans relating directly to their current challenges of non-payment, revenue streams, energy losses and maintenance and operations.



## Funding approach

The Active Partnering mechanism is based on a commercial agreement between the provider (Eskom) and the receiver (the municipality). The service is provided on a cost recovery basis only and is not profit driven. Alternative funding sources are being explored to fund the industry investments backlog such as infrastructure and technology upgrades, while the operational Active Partnering support should be paid for from the municipal operational budget or revenues collected.

## What does the programme entail?

Eskom's role is to aid municipal partners with a tailored proposal to address their own unique challenges. The partnerships are aimed at working together to improve reliability and security of electricity supply to customers, ensure that the correct rates are charged and to implement stronger control measures to enable business recovery and sustainable growth.

The suite of services is detailed below



### 4.1 Business management

The business management section describes the key functions of business management as the tools and resources for municipal managers to help their organisations drive business results and thrive. Here the partnership focuses on working smarter to increase profitability by improving reliability and security of supply.

The partnering services included are:

#### Maintenance and operations

- Meter management: installations, audits and replacements.
- Provide services to safely operate both low-voltage (LV) and medium-voltage (MV) networks

#### Technical skills development

- Accreditation and authorization of network operators
- Upgrading of infrastructure
- This entails building a skills base with technical expertise
- Network data assessment
- Systems to effectively manage energy sales, billing and revenue management

Together we can make a difference

### Project management

- Develop new concepts and product package designs for municipal projects
- Execute projects on time; within budget, and finalize close-out reporting
- Access to experienced and accredited skills

### Quality assurance

- Offer quality assurance service for municipal projects
- Access to experienced and accredited skills

### Demand Side Management

- Implementation of customized energy efficient products and service offerings

## 4.2 Supply chain services

In broad terms supply chain management is the handling of the flow of the product and services from generation (raw materials) through to the consumption by the consumer. The focus here is on the supply and the distribution process, which requires the municipality to have a network of suppliers. The goal is to deliver against the consumer demands while reducing the overhead costs and charging effective rates.

The partnering services included are:

### Asset management

- Holding strategic spares Long lead time (LLT). Spares that are not available off the shelf and need to be ordered in advance such as transformers.
- Providing life cycle management of municipal electrical infrastructure
- Ensuring continuity of supply

### Procurement services

- Provide procurement management services
- Skills development for procurement management
- Transparent, efficient and cost-effective procurement services

### Access to suppliers

- Share a list of suppliers
- Subcontract to provide a service
- Access to accredited suppliers
- Shared economies of scale

### Contract management

- Provide a contract management service
- Skills development on contract management
- Efficient and cost-effective contract management services



## 4.3 Network services

Perhaps the best way to describe network services is the “behind the scenes” part of the municipal projects. The operations managers must have good strategic planning skills because they direct business processes and supervise the people involved in the projects to ensure that complex work is done on time and within budget. The aim is to increase efficiency with reduced operational and capital expenditure.

The partnering services included are:

### Investment, network and master planning

- Spatial diagrams and network planning support

### GIS capabilities

- Providing GIS capability
- Efficient and safe operating and maintenance of the network
- Dynamic view of the infrastructure

### Energy losses management

- Removal / regularisation of illegal connections
- Investment in shielded networks less susceptible to tampering
- Disconnections, tamper fines, revenue recovery, payment arrangements
- Power Factor Correction and Reactive Power Compensation

### Public lighting

- Public lighting assets and condition assessment

### Smart metering

- Investing in a smart grid platform for more efficient, flexible and intelligent networks.





- Regular identification of overdue accounts and collection reminder interventions
- Explicit overdue debt principles and pay arrangement conditions

#### Vendor management

- Providing online vendor services for prepaid customers
- Accurate view of prepaid revenue
- Revenue directly from customers

The detailed service descriptions provided in the four sections above give a comprehensive overview of the service portfolio. The Active Partnerships are normally tailored to one of two services offerings within a specific service category and not all service offerings, depending on the municipality's needs.

## Contractual agreement

The Eskom Partnership programme is set up as a short-term contractual agreement where Eskom will assist the specific municipality based on an agreed scope of work. Every partnership is unique, to ensure mutual success, and both parties should be communicative, accessible, and flexible, and there should be measurable results. These qualities are crucial in optimizing the partnership agreements.



### 4.4 Financial services

The financial services are the economic services provided by the financial departments, which encompasses a broad range of business aspects starting with a pricing and tariff structure, billing systems, metering, revenue collection and vendor management. Stronger financial control measures are critical to ensure business growth.

The partnering services included are:

#### Pricing and tariff structure

- Respond to and revise pricing signals to reflect current situation (cost reflective)
- Rationalise and simplify municipal tariffs
- Modernisation of tariff structures – evolving customers and technologies

#### Billing

- Regular readings taken and timeously uploaded to ensure accuracy (at least quarterly)
- Timeous billing done to reflect actual / realistic consumption
- Timeous payment allocations and distribution
- Access to billing systems

#### Meter audits

- Wall-to-wall audits of all customer meters to assess the integrity of the assets
- Stop identified losses

#### Revenue management and collection

- Data accuracy: Person, account, service point and security details.
- Clear collection / disconnection policy

## Contact Us

If you would like to find out more about the Active Partnership programme, please reach out to the PMO by e-mailing Nonhlanhla Gcabashe [GcabasNo@eskom.co.za](mailto:GcabasNo@eskom.co.za).

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