



**Proposed opening address
Dr Jabu Mabuza, Eskom Board Chairman
Standing Committee on Public Accounts
16 May 2018**

Chairperson of SCOPA, Mr Themba Godi

Members of SCOPA

Eskom Interim Group Chief Executive, Mr Phakamani Hadebe

Eskom Board Member, Ms Sindi Mabaso-Koyana

Eskom Executives

Ladies and gentlemen

Good morning

On behalf of the Eskom Board, I would like to express our sincere appreciation for being granted an opportunity to appear yet again before Scopa, this time around strictly focusing on the issue of municipal debt, as per the undertaking during our previous engagement. Being top of Scopa's agenda is encouraging given Eskom's strategic contribution to the economy of South Africa.

I would like to take this opportunity and highlight that we are grappling with challenges pertaining to coal stock levels at six of our power stations. We have, however, put a recovery plan in place to manage the situation. It includes securing additional coal supplies for the affected stations and a further redirection of coal stock. Generating capacity from independent power producers and open-cycle gas turbines remains available and will be utilised to meet peak demand if necessary. It is also important to note that, at this stage, the level of coal stock days at more than half of the 15 coal-fired power stations is maintained above the Grid Code target of 20 days. And as indicated during our state of the system briefing earlier this month, I



echo Phakamani' statement that while we can never promise that there will be no load shedding, as the risk always exists, it is unlikely to happen during winter.

Honourable members, when the Honourable President, Mr Cyril Ramaphosa, appointed me and my fellow Board members to steer this proudly South African company earlier this year, it was no longer dismissible that the organisation was in a dire situation. Turning the tide of this 95-year-old icon required quick and decisive action. It is encouraging to note that we have now transcended this worrisome situation about three months into the journey of the organisation's renewal. Along this journey, we have seen a number of executives and staff implicated in various forms of wrongdoing fall by the wayside – creating a favourable working environment for Phakamani and his team to focus on Eskom's primary mandate – electricity generation.

On this note, notable strides have been made in turning the organisation around. However, the issue of outstanding municipal debt remains one of the pressing challenges for Eskom, more so as the organisation faces financial challenges.

The amount owed by the municipalities continues to grow, with a notable increase from R9.5 billion to R13.5 billion – a 42% escalation – between 2017 and 2018. This is of serious concern as it challenges the sustainability of Eskom. Investors are concerned that the increasing municipal bad debt will make it difficult for Eskom to service its debt. They raise questions such as: "If Eskom cannot collect its debt, how is it going to pay us back?". This then reduces the appetite for Eskom's bonds. And following our meeting on 6 March 2018, the situation has not improved, as our main presentation today will show. As at the end of April 2018, overdue debt sits at over R13.8 billion, including interest. Collection of municipal debt requires an urgent shift in approach. As per legal and business obligations, Eskom continues to impose penalties on non-paying customers. We recently imposed stricter penalties by increasing the duration of power interruptions from four and a half hours to six and half hours each day. 14 hours interruptions are already approved for non-responsive



customers. However, our efforts in collecting this debt through supply interruptions are interrupted by individuals within State Organs in many cases.

While it remains urgent and necessary to recover the money owed by municipalities, Eskom strives to implement the recovery measures within the ambit of the law and endeavours to demonstrate good corporate citizenship. Eskom welcomes any opportunity by Government and all stakeholders to address this challenge and avert the impact of electricity disconnections.

Honourable members, we need to face the harsh reality: financial sustainability for Eskom will remain difficult for as long as we are unable to secure our debt. We have compromised our credit strategy thus far, and continuing to do so will have serious consequences.

We need bold decisions and an understanding that all stakeholders are required to do the right thing. We ask our debtors to fulfill their obligations to enable us as Eskom to fulfil ours.

We look forward to engaging with you this morning with the intent of exploring sustainable solutions for the industry and the nation.

At this point, allow me to introduce the Eskom team present who will provide further information. The Interim Group Chief Executive, Mr Phakamani Hadebe, Ms Sindi Mabaso-Koyana, Board Audit & Risk Committee Chairperson, Ms Ayanda Noah, the Group Executive for Customer Services, and Mr Will Majola, Acting Group Executive for Transmission.

I thank you.