



## Address

**Mr Mpho Makwana, Eskom Board Chairperson**  
**Update on System Challenges Virtual Media Briefing**  
**22 January 2023**

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**Good morning, ladies and Gentlemen from various platforms and houses of the Media, Good Morning to the People of Our Nation, South Africa.**

The new Eskom Board has just about 110 days in office and has had to hit the ground running while simultaneously familiarizing ourselves with the engine room of the most crucial backbone of our Nation's economy, our ways of living and generating sustainable livelihoods.

As the Board assumed Office as announced by the Honourable Pravin Gorhan (MP), Minister of Public Enterprises on 31 September 2022; the Honourable President of our Nation, His Excellency President Matamela Cyril Ramaphosa had already addressed the Nation, 90 days before; on 25 July 2022.

In that 25 July 2022 address The President of Our Nation had already identified improvement in Energy Availability Factor as the most key priority among five other key priority actions would be foremost of mind under the watchful eye of the National Electricity Crisis Committee (NECOM) which he chairs and provide stewardship to personally.

In taking on the assignment, the Board placed these priorities at the centre of its Onboarding Journey.

It is in this context that I wish to at the onset, express deep gratitude to the President of Our Country, Our Minister of Public Enterprises, and Various Ministers of various State Departments that are mission critical and all key and committed participants together with all their Senior Officials that form part of the NECOM and the National Joints that is led by the Director General in the Office of the President Mme Phindi Baleni.

Eskom is a systemic State Owed Entity; every action we take has strategic economic and socio-political impacts. We are grateful that through the Leadership of the Chairperson of the NECOM we were able to navigate through robust, extensive and comprehensive consultative engagements with Leaders of various segments and formations that represents the views, fears and aspirations of the People of our Nation.

In the last 112 Days, The Eskom Board itself had a total of more than 50 meetings of the various committees of the Board. I am joined this morning by all the Chairs of these Committees; namely, Dr Claudelle von Eck Chair of the Human Capital Rewards and Remunerations Committee, Ms Fathima Gany Chair of the ARC, uBabe uBheki Ntshalintshali Chair of the ESG Committee, Mme Tryphosa Ramano Chair of the IFC and Dr Mteto Nyati Chair of the newly established committee called Board Operational Performance Committee which consists of Board members who have strong technical background and experience backed by strong commercial experience.



Through this BOPC committee which alone has met more than 20 times oversight work was conducted working closely with Generation executives and General Managers at Power Stations in deepening understanding of the generation recovery plan which the Board eventually approved on 10 December 2022. It has been stress tested and has been the subject of extensive engagement with the NECOM in collaboration with the NECOM and several stakeholders to ensure alignment and a coherent plan.

The plant performance recovery plan which is at the final stages of being approved by the shareholder will be driven vigorously and an external project management company will assist the board in stress testing and monitoring the execution of this recovery plan. However, the reality is that the recovery of Eskom coal fleet will not be achieved within a short term. It will take at least two-years to improve the Energy Availability Factor (EAF) from the current 58% to 70%. The journey of the turnaround will see a stretch target EAF being driven toward of 60% EAF by 31 March 2023, a mere 10 weeks away, then 65% EAF by 31 March 2024 and 70% by 31 March 2025.

The key levers to the success of the recovery of the Eskom fleet is the fixing of the systematic issues that are troubling the organisation such as Leadership, Organisational culture and poor internal controls required to operate an organisation. These will be embedded as part of the recovery plan.

The recovery of Generation performance will not happen within a short space of time, the execution of the recovery plan requires that power stations are given space and headroom to execute the recovery plan this requires either adding additional capacity to create space to do proper maintenance without firefighting , or create some predictability by implementing a permanent stage 2 or 3 for the next two years in order to give sufficient space for maintenance while giving the country a level of predictability or consistency to plan the livelihoods better. Shuttling from one stage to another within a short space of time is not good for the business community.

The teams at the power stations are working hard to get better reliability and availability of the units. The quick low hanging fruits are the recovery of the six stations i.e. Kendal, Matla, Majuba , Duvha , Tutuka and Kusile. These stations must be prioritized by deploying the best human resources, allocate sufficient capital and get OEM support in critical plants. The BPOC is supported by IFC in ensuring there is appropriate capital allocation. There is a consideration of Capital Fund to seaside outage planning to ensure smooth execution of managing the planned outage.

The three units recovery at Kusile equivalent to 2160 MW send out (2 stages of load shedding) must be prioritised and managed as a project which is led by an experienced senior manager who can command authority and be given all resources required to drive the restoration of these units within the shorter time frame. The current estimated return to service of is first quarter 2024. Drive the commissioning of Kusile unit 5 which will add additional 720 MW by August 2023. By getting the six-stations reliable and additional Unit at Kusile will stop load shedding within the period of 24 months. We also need to protect and guard the best performing power stations such as Matimba, Medupi, Lethabo so that they do not deteriorate. Also prioritise them in the allocation of CAPEX funds, manpower and maintenance time to ensure continued good performance.

We need to incentivise these best performing stations and people to continue with retain critical skills and sustain world class performance at those power stations. Currently there



is no incentive for good performance. This will also boost the moral and inculcate high performance culture.

Eskom is reaching its centenary on the 1<sup>st</sup> of March 2023, this is testament to the rich history and resilience this organisation has. This confirms that the capacity challenges that Eskom is dealing with are not insurmountable, we do have the ability to fix the plant reliability and availability challenges. What is most important to note is that we need close collaboration and very clear alignment between ourselves as an organisation and our stakeholders.

The support required by Eskom from all South Africans is to use electricity sparingly. Eskom Distribution Division will be intensifying their focus in Demand Side Management efforts. There are numerous interventions which are being explore such as:

- Rooftop solar roll out,
- Micro Grid Roll Out program, and
- Energy conservation programs such as energy efficiency lighting

We need support with this and many other prospects that many South Africans from all walks of life continue to share with ESKOM and Government all in a broad-based National Effort required from all communities and citizens to be part of the solution to the load shedding challenge.

## **Conclusion**

Eskom is committed to improving Eskom Performance. The Eskom Strategy includes the performance turnaround of the Generation Power Station Division. The collaboration with our critical stakeholders is key to the delivery of the Generation Performance. The journey to acquire new leadership has commenced and both the search for a New Chief Generations Officer as well as for the Group Chief Executive has commenced. Leadership is critical in dealing with this crisis and the board is driving this process as speedily as possible. I wish on behalf of the Board to thank Mr. André de Ruyter to see his remaining time in office through to the end of 31 March 2023 in spite of the ultimate sacrifice he almost had to suffer when an evil treasonous criminal laced his coffee with cyanide as already reported. The Board takes this matter extremely seriously in line with its duty as an employer. Various initiatives will be undertaken by the Board while allowing the full might of the law to take its course.

The support by ministries, NECOM and presidency and alignment as to the trajectory the Board is taking the organisation to, is very encouraging. Much more enablers from the regulatory and policy framework is required and being worked on by different ministries to enable the implementation of the Eskom Strategy. The decision by NERSA on the 18.65% tariff increase well received by Eskom and it will go a long way in solving the liquidity challenge Eskom is facing and correct the gap in cost reflective tariff structure. We are cognizant of the impact of this increase might have to our customers in terms of affordability of electricity.

The power system outlook for the next coming months is currently being looked at and will be finalized soon. Load shedding is act of last resort utilized by the System Operator to protect the power system from total blackout. Even though the country is experiencing



higher stages of load shedding, the Generation Performance Turnaround Plan is geared at reducing the stages of load shedding. Winter months are where we have the highest demand, thus increasing the probability of higher stages. Eskom will work harder to ensure that we don't get to much higher stages of load shedding.

We fully comprehend that we are on a burning platform, we fully appreciate that South African was us to work harder with greater urgency; we live alongside you with the grim socio-economic realities, we are hard at work for you our Nation South Africa!