

Eskom-Industry Roundtable Programme

Eskom Academy of Learning, Midrand

Date: 19 April 2023



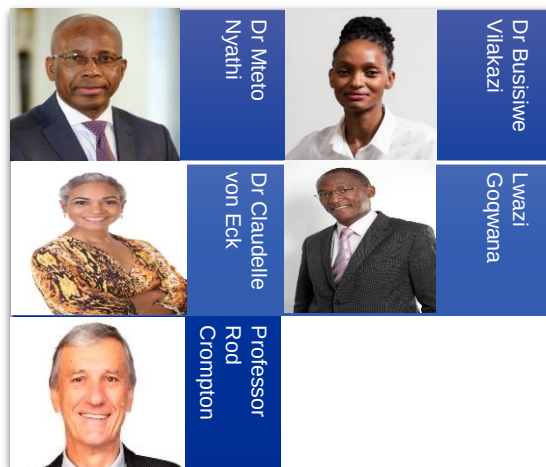


- The Eskom-Industry Roundtable aim to identify levers to immediately close the generation capacity gap and address structural constraints to a sustainable future of electricity sector
- With the need to implement loadshedding to manage the capacity shortfall and prevent system collapse, Eskom is easily singled out as the singular factor to manage the crisis.
- Too often the impact of external dependencies as well as alternative levers to close the capacity shortfall within the locus of control of other stakeholders is poorly appreciated.
- What is clear is that South Africa's capacity shortfall is not without historical context. There are multiple perspectives on the root causes and potential solutions. Eskom has developed proposals that must be enhanced by levers available across a broad range of stakeholders.
- Eskom's Board and Executive Team are engaging key stakeholders in a series of roundtables. The aim is to drive partnership on closing the immediate generation capacity gap while establishing South Africa's long-term security of supply.
- The Roundtable will be moderated by a thought leader to ensure that the necessary tensions arising within the debates translate into constructive areas for collaboration.

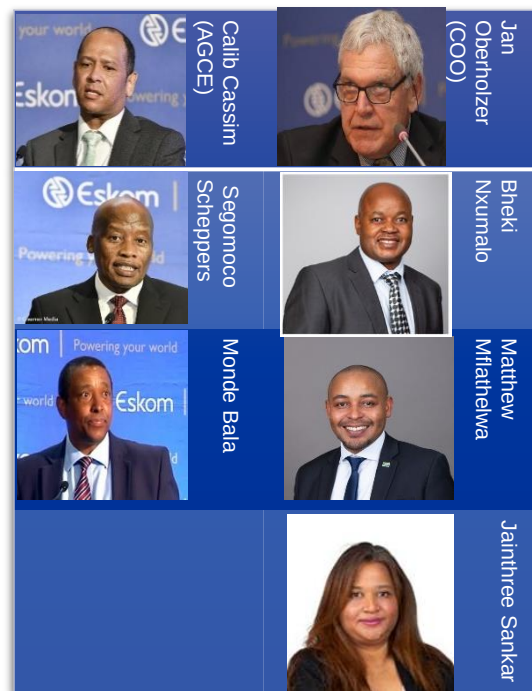
Roundtable Participants



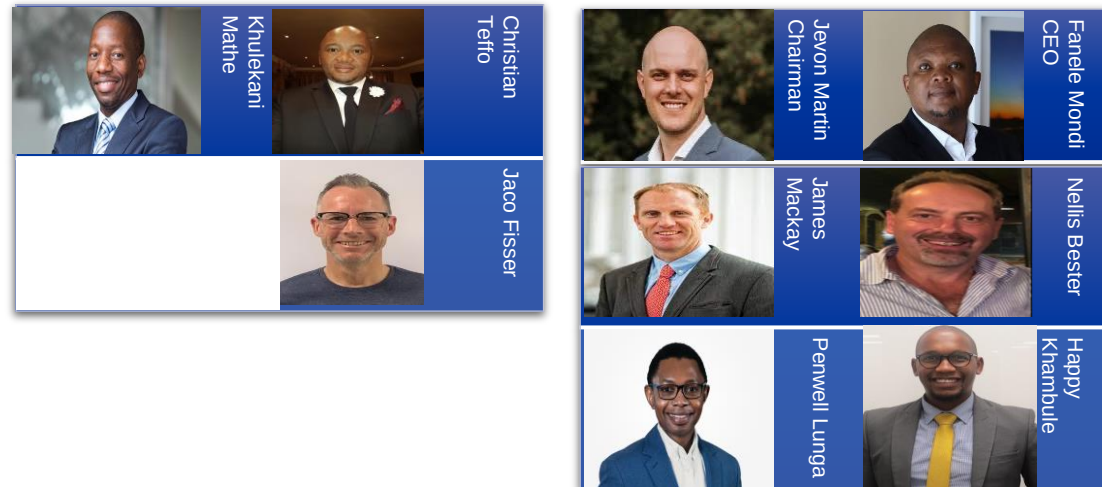
ESKOM BOARD



ESKOM LEADERSHIP



BUSA EXPERTS



MODERATOR – Mxolisi Mgojo

Roundtable Programme



SESSION 1

1	Arrival, Registration & Refreshment	All	08:00 – 08:30 (30 min)
2	Welcome, Session Framing & Contextualisation	Mxolisi Mgojo (Moderator)	08:30 – 08:45 (15 min)
3	Attendance and Apologies	Moderator	08:45 – 08:50 (5 min)
4	Declaration of Interest and Competition Note	Moderator	08:50 – 09:00 (10 min)
5	Adoption of Agenda	Moderator	09:00 – 09:10 (10 min)
6	Introductory Remarks and setting the scene	Mteto Nyati (BOPC Chair)	09:10 – 09:25 (15 min)
7	Eskom Turn-Around Strategy	Calib Cassim (Eskom Acting Group Chief Executive)	09:25 – 09:55 (30 min)
8	Eskom Tariff Increase	Monde Bala (Group Executive: Distribution)	09:55 – 10:25 (30 min)
9	Tea / Coffee Break	All	10:25 – 10:40 (15 min)

SESSION 2	10	Demand Side Management Options & Proposals	(BUSA/EIUG/AgBiz/MC)	10:40 – 11:10 (30 min)
	11	Broad Priorities Identified	(BUSA/B4SA/EC/AgBiz)	11:10 – 11:40 (30 min)
	12	Supply Side Options & Proposals	(BUSA/Mincosa/EIUG/EC/MC)	11:40 – 12:10 (30 min)
	13	Facilitated Discussion	Mxolisi Mgojo (Moderator)	12:10 – 13:00 (50 min)
	14	Lunch Break	All	13:00 – 13:45 (45 min)
SESSION 3	15	Facilitated Discussion	Mxolisi Mgojo (Moderator)	13:45 – 14:30 (45 min)
	16	Key Observations	Facilitator	14:30 – 14:40 (10 min)
	17	Closing Remarks	Khulekani Mathe (BUSA Deputy CEO)	14:40 – 14:50 (10 min)
	18	Way Forward	Mteto Nyati (BOPC Chair)	14:50 – 15:00 (10 min)
	19	Refreshments and Departure	All	15:00 – 15:30 (30 min)

- ❑ The Eskom Roundtable is a multi-stakeholder and multi-disciplinary problem-solving platform – all views are valid and welcome.
- ❑ All speakers will be required to agree to the following statement of consent to maintain Roundtable confidentiality:
- ❑ *“I confirm being aware that Eskom intends using the information and documentation arising from these sessions in determining potential solutions to closing the generation capacity shortfall. By providing a presentation and participating in the discussions I agree that neither I, nor any of my successors in title will have any rights to any solution prompted by the discussion or in the presentations.”*
- ❑ Tabled proposals must be feasible and must identify areas for partnership in closing the generation capacity gap
- ❑ All speakers are required to prepare a presentation for their session according to the topic and allocated timeframe
- ❑ Participating organisations will be requested to assist refine the consolidated set of proposals within a week of the Roundtable

Eskom Turnaround Strategy



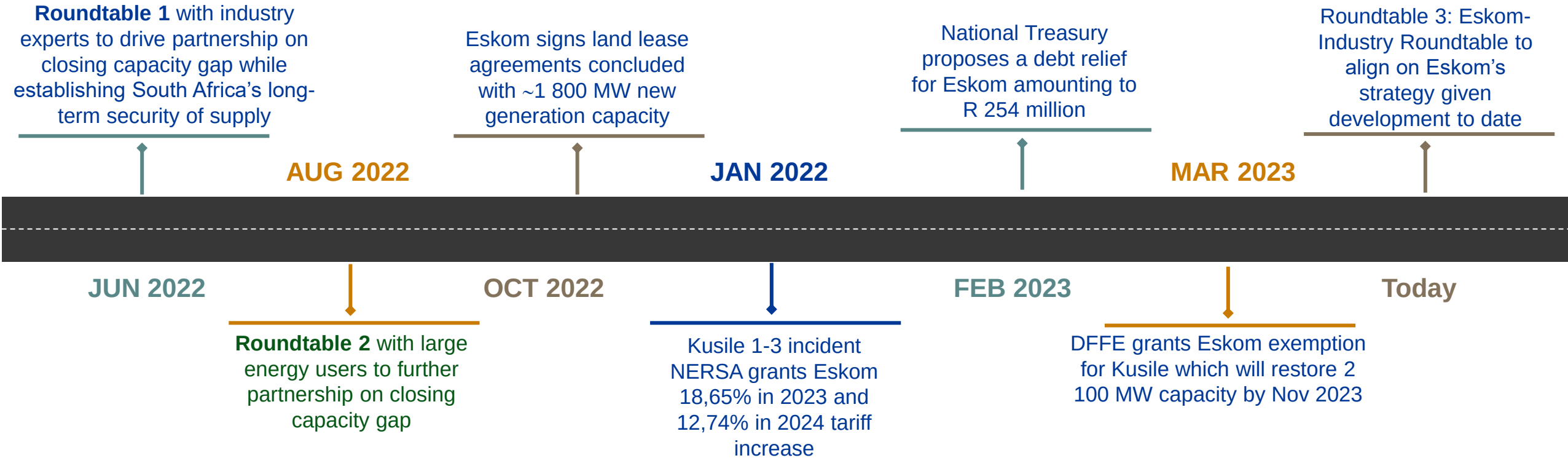
Eskom roundtable with BUSA, EIUG, SA Energy Council, Mineral Council & FAPA

Eskom AGCE: Calib Cassim

April 2023



Two roundtables have been conducted to identify levers to end loadshedding and address structural constraints in the ESI



Insights and recommendations from previous round tables

- The 3rd round table meant to provide comparative country experience was cancelled due to unforeseen circumstances
- Improving Eskom operations was agreed to be fundamental to ending load shedding, while an additional potential (18GW) capacity was identified as to be added to the grid by 2030
- Other enablers identified include:
 - scaling up IPP office, strengthening Operation Vulindlela to unlock project constraints; updating the IRP and expediting establishment of ITSMO
 - Expansion of the scope on lease of Eskom land programme and acceleration of additional capacity procurement
 - Establishment of an intergovernmental committee under the presidency to fast track least cost solutions and improve alignment in policy

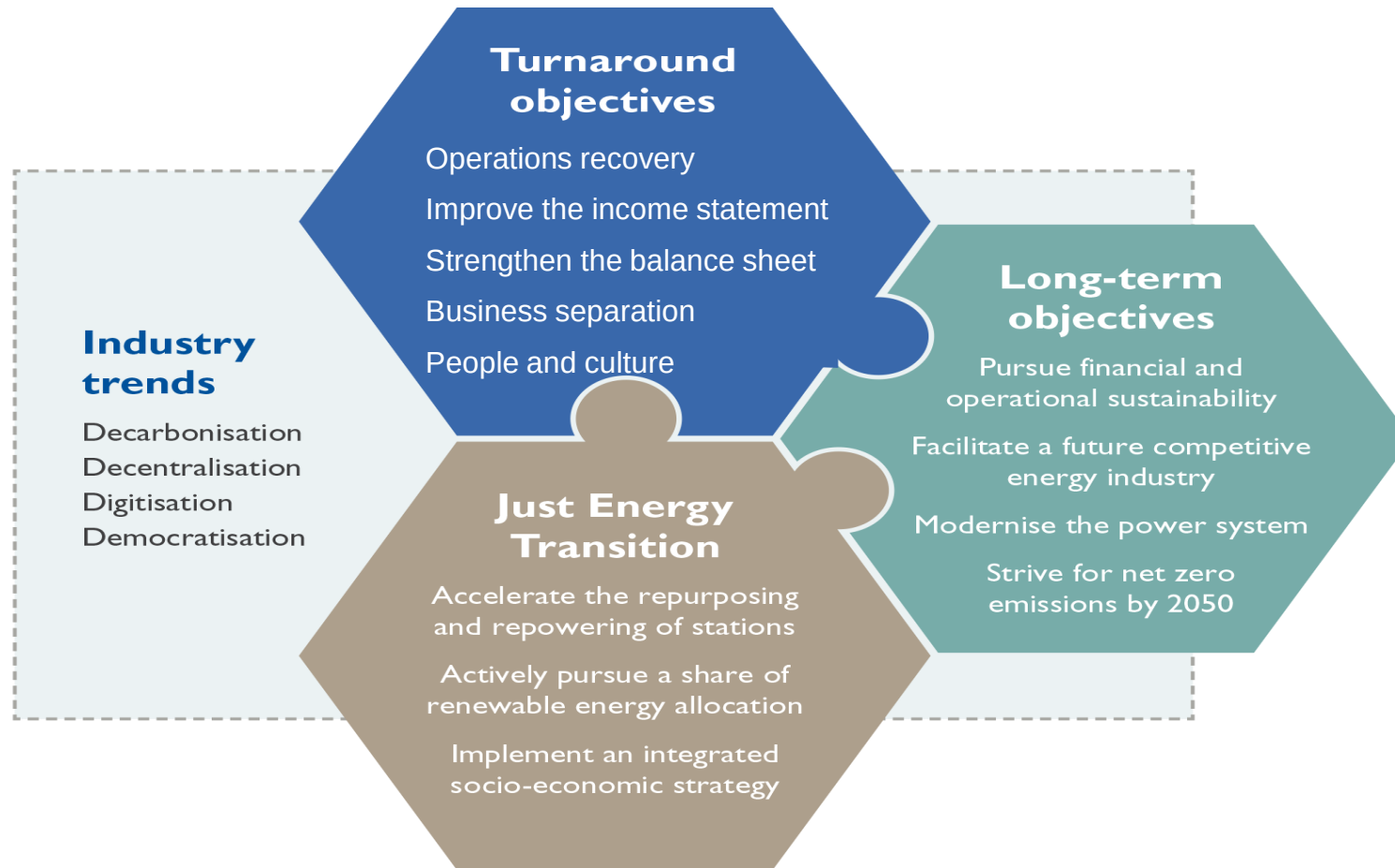
Despite several positive developments to address the issues, loadshedding has intensified and has an impact on the current outlook



	Developments	Impact	
Establishment of NECOM, EAP and appointment of electricity Minister	Intergovernmental structure established, followed by the President's Energy Action Plan overseen by the Electricity Minister	✓	Increased intensity and frequency of loadshedding 2022 experienced the highest levels of loadshedding with an estimated impact of 1,3% decline in GDP in quarter 3 2022, stifling economic growth
MES / air quality consultation panel	Independent advisory panel to assess impact of MES / air quality challenges and consider mitigations to security of supply	✓	
Positive developments in Eskom's financial challenges	NERSA determination with NT debt relief solution is a positive development towards a sustainable ESI	✓	
EAF deterioration	- EAF has deteriorated from target of 60% at the time and currently 56% - Load losses associated with Flue gas duct incident at Kusile and delays to Koeberg resulting in loss of ~ 3080 MW generation capacity	!	
Limited impact from sec 34 determination REIPP BW5&6, RMIPPP, etc.	- Developers experienced delays in reaching commercial close (global economic challenges) - 279.2 MW added since April 2022, BW 5 and 6 anticipated to come online 2024 and 2025 respectively - Release of RFP for BW7 & Gas Programme highly dependent on available grid capacity	!	

Eskom's direction trajectory ensures focus on the short term while laying the foundation for the inevitable Just Energy Transition

Eskom's strategic trajectory



Guiding principle

Delivering on the turnaround programme to **address immediate operational and financial challenges** to put the company on a sustainable path, with a focus on aligning our decisions with the **evolution of the industry and the Just Energy Transition** as the key guiding principles

Eskom's will continue to direct efforts to both improving current operations and transforming the industry



Addressing energy crisis

Pursue financial and operational sustainability (Fix the current business)



- Recover operational performance – EAF of 70% by FY25
- Address munic debt while migrating to cost reflective tariff
- Procure additional capacity, up to 8000 MW by 2026
- Improve leadership quality and stability
- Entrench an ethical, high-performance culture towards a values driven organisation

Transforming Eskom and industry

Facilitate a competitive future energy industry (Prepare for competition)



- Operationalise the Independent Transmission System and Market Operator-trading by Q3 FY24
- Revise business models for Gx and Dx
- Develop and offer ancillary services to the market and increase non-regulated revenue streams
- Pursue enabling policy and regulatory frameworks

Modernise our power system (Leverage technology)



- Expand and strengthen transmission and distribution network ~ 14000KM and 8000KM respectively
- Explore innovative ways to accelerate construction from 300 km/annum to 1500km/annum
- Allocated R72bn on Transmission and R 32bn Distribution networks over the next 5 years

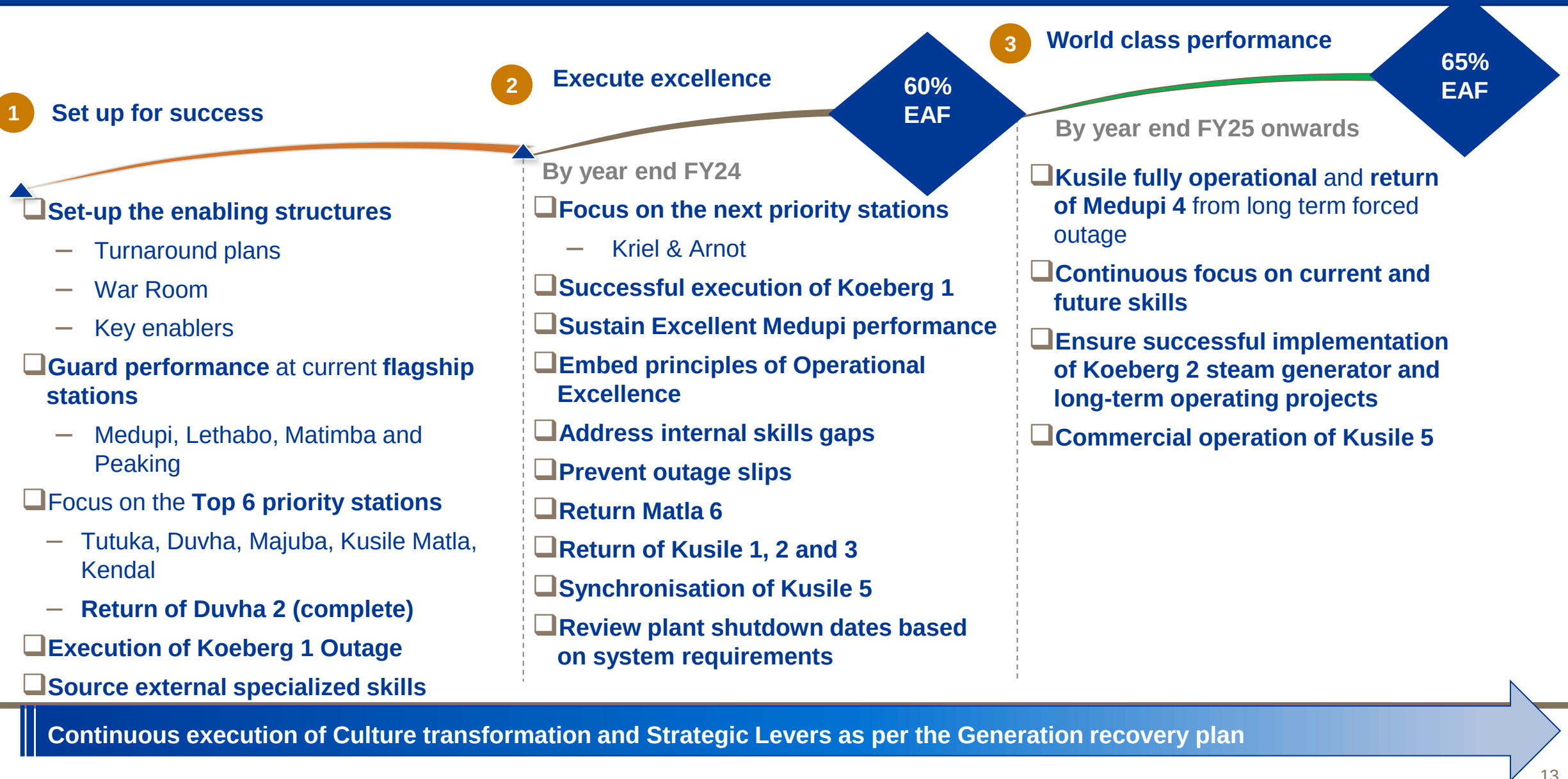
Strive for net zero emissions by 2050 with an increase in sustainable jobs (Transition responsibly)



- Reduce environmental and socio-economic impact through an optimised shutdown plan and deployment of renewable technologies
- Complete Komati repowering and repurposing and BESS projects
- Explore partnership opportunities to invest in gas and pumped hydro schemes¹
- Repurpose and repower coal power stations

1. Tubatse: a 1500MW Hydro Pump Storage scheme in the Steelpoort Valley in the Limpopo Province and Richard Bay Gas: Development of a 3000MW Combined Cycle Power Plant near the port of Richards Bay

Generation's Operational Recovery Plan is Geared towards Improving EAF from 56% to at least 65% from year end FY25 onwards



Efforts are underway to reduce the intensity of loadshedding in the immediate term

Lever	Description	Potential impact	Comments
1 EAF recovery	- Returning units from outages Medupi 6, Lethabo 4 and Tutuka U2&3 - Maintaining PCLF between 1 300 MW & 3000 MW over winter focus on statutory maintenance	~6000 MW	~6 000MW over next 24 months 60% YE EAF FY2024 - Internal enablers required to ensure sustained recovery
2 Reducing UCLF	- Ensure UCLF reduces and is managed below 15000MW by June 2023 - Expediting return of units on load and address outage slips - Addressing load losses	~1000 MW	Continue to reduce UCLF to 12 000 MW by March 2024
3 DSM	- Fast-track the COUNTRY initiatives to encourage the management of consumption and demand initiatives to incentivize customers to add to the existing base of Demand Management Programs of 4.9GW. - Demand Response of through the recently launched Distribution Demand Management Programme (DDMP) by Eskom in partnership with municipalities - Accelerated limited roll-out of Smart Meters for load management interventions	~740 MW	296MW achieved (2022-23) - Aggressive Media Campaign "Use What you need" - Energy losses radio campaign currently flighted on National and Regional stations

Fixing plant and demand side management initiatives are not sufficient for the long term - a significant amount of investment is required to ensure sustainability

	Project types	Estimated cost ¹ (by '35)
 Generation	Investments in >8GW firm capacity, >48GW variable capacity, and >8GW storage capacity	~R990bn
 Transmission	Expansion and strengthening of the network with >14 000 km of lines and >170 transformers	~R219bn*
 Distribution	Strengthening of the distribution network with ~8 000 km of line and ~1 000 substations , nationally, with comparable expansions by municipalities and other distributors	~R67bn
Total		~R1 276bn

Considering the debt relief conditions and quantum of investment, Eskom's balance sheet will not be able to accommodate these levels of investment, private investment must be leveraged

Notes: 1. Estimated quantities and costs based on 2021 figures – updates to be made as part of the planning cycle
*Excludes additional grid stability requirements, these costs are currently being quantified and will be added to capital requirements

The combination debt relief and Nersa tariff decision will allow Eskom flexibility to fund Capex over next 5 years



1 Advances over the next 3 years

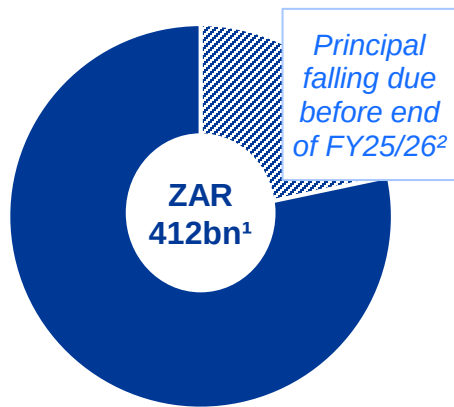
NT will provide Eskom with the following advances **to deal with its's debt service obligations** (interest and principal):

R78 billion FY23/24
R66 billion FY24/25
R40 billion FY25/26

Funds will be advanced when Eskom's debt settlements fall due, in the form of **an interest-free subordinated loan, to be settled in Eskom shares rather than cash**

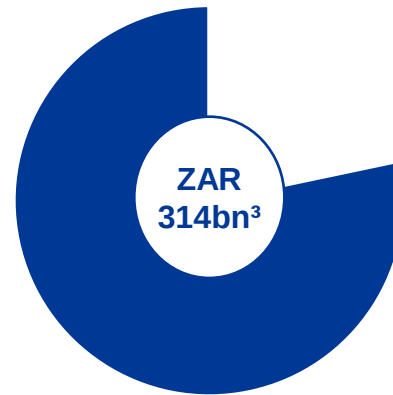
2 Direct take over of ZAR 70bn of Eskom in FY25/26

In FY25/26, the Government will **take over up to R70 billion of Eskom's debt**, through an arrangement as determined by Cabinet members responsible for finance

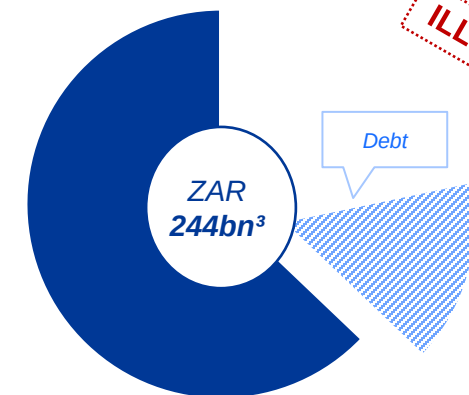


Eskom's debt stock¹ at end Mar. 2023

R98bn of principal repayments² and R86bn of interest



Eskom's debt stock³ at end FY25/26 – *before the take-over*



Eskom's debt stock³ at end FY25/26 – *after the take-over*

We believe business can greatly support efforts to mitigate impact of the energy crisis and support the transition



Enhancing demand side management

- Use energy sparingly to safeguard the national grid
- Drive in-house energy saving campaigns
- Limit electricity use during peak periods



Assisting with security and of infrastructure

- ❑ Security of infrastructure e.g. pylons vandalised in Pretoria, although this is not Eskom, it has an impact on the grid
- ❑ Report theft and illegal connections



Invest in own generation capacity with storage

- ❑ Accelerating new generation capacity in locations with existing grid capacity
- ❑ Corporate and residential investment in embedded generation i.e. solar PV, containerised microgrids



Partnering opportunities

- ❑ Eskom has a number of shovel ready, with EIAs, and DMRE Generation capacity projects without utilising Eskom's balance sheet
- ❑ Providing capacity to assist with the roll out of the Tx infrastructure

1. Despite many interventions and efforts from Eskom, the **electricity system remains extremely tight** – we need **support of all stakeholders to minimise impact on the economy**
2. Eskom's strategic direction ensures focus on the short term while laying the foundation for the inevitable Just Energy Transition
3. Eskom's will continue to direct efforts to both improving current operations and transforming the industry. Our focus is to **recover EAF, operationalise NTCSA (Q3 of FY24) and prepare for the transition (JET)**, however pace of roll out must be balanced with loadshedding challenges
4. **Generation's Operational Recovery Plan** is Geared towards Improving EAF from 56% to at least 65% from year end FY25 onwards
5. Efforts are underway to **reduce the intensity of loadshedding** in the immediate term
6. Fixing plant and demand side management initiatives are not sufficient for the long term - **a significant amount of investment is required to ensure sustainability**
7. The combination of NT debt relief and Nersa tariff decision will allow Eskom **flexibility to fund Capex over next 5 years**
8. We believe **business can greatly support efforts to mitigate impact of the energy crisis** and support the transition



Back up

Eskom Tariff Increase



FY2024 Tariff increase



1

Introduction

2

Tariff increase process

3

FY2024 Tariff increase calculation

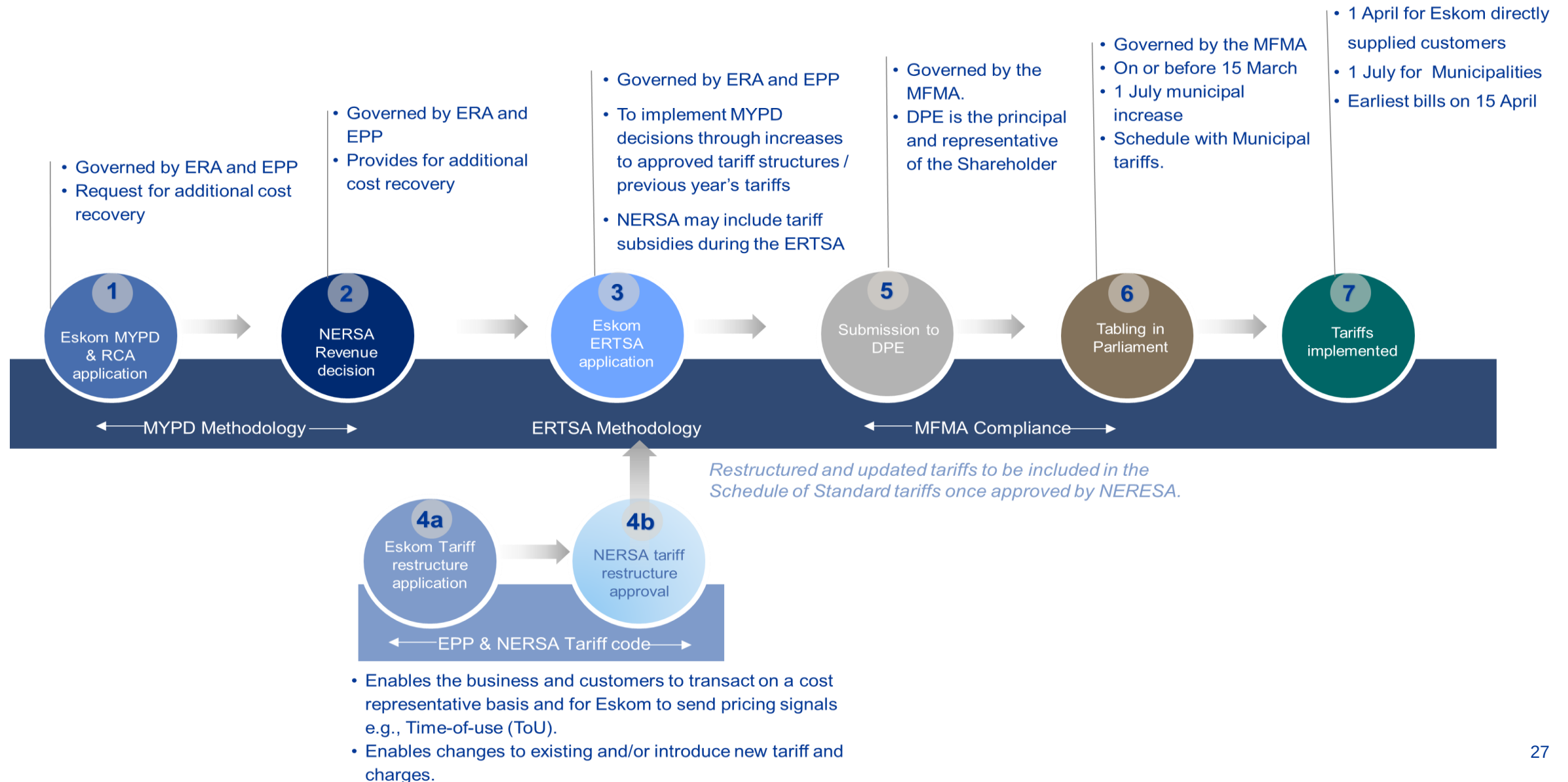
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Discussions

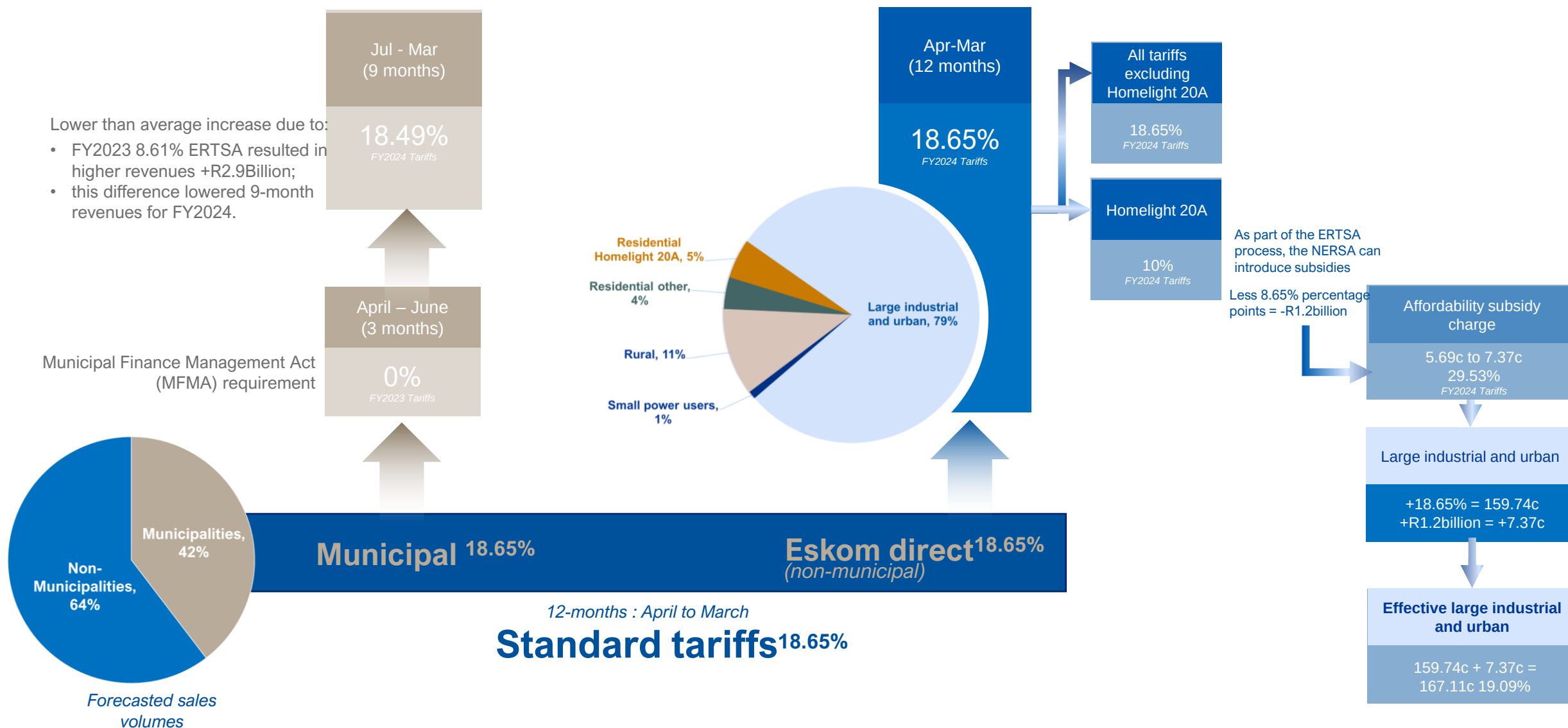
Introduction

			FY 2023/24 Application			FY 2024/25 Application		
MYPD 5	Formula	FY2022/23 NERSA Decision	Eskom Application	NERSA Adjustment	NERSA Decision	Eskom Application	NERSA Adjustment	NERSA Decision
Regulated Asset Base (RAB)	X	550 509	1 241 499	(227 502)	1 027 134	1 227 311	(296 597)	949 554
Average Regulatory Asset Base			896 004	(467 606)	788 821	1 234 405	(262 049)	988 344
WACC		1.08%	1.70%		1.70%	1.58%		1.58%
Return		7 557	15 277	(1 867)	13 410	19 516	(3 900)	15 616
Operating costs	+	62 513	63 115	(5 757)	57 358	65 852	(4 884)	60 969
Primary energy	+	80 495	101 943	(14 819)	89 317	104 159	(10 835)	92 816
IPPs	+	43 131	67 521	(10 234)	57 288	85 618	(8 649)	76 970
International purchases	+	4 589	8 925	0	8 925	9 334	0	9 334
Depreciation	+	42 321	71 001	(726)	70 275	74 214	(838)	73 376
IDM	+			(37)	453		(35)	473
Levies and taxes	+	7 133	6 895	1	6 896	6 500	3	6 503
Allowable revenue from all customers before RCAs		250 452	334 676	(33 438)	303 922	365 195	(29 135)	336 057
Add: Approved RCAs for liquidation	RCA	13 926	1 700	(1 700)	0	1 700	(591)	1 109
Government injection as per court order	Liquidation	-	15 000	0	15 000	15 000	0	15 000
MYPD5 Allowable revenue including RCAs		264 378	351 376	(35 138)	318 922	381 895	(29 726)	352 166

Tariff increase process



FY2024 Tariff increase calculation



FY2024 Tariff increase calculation detail

Effective Large industrial and urban



	Large urban excluding affordability	Affordability	Large urban excluding affordability
Before increase	134.62c	5.69c	140.31c
After increase	159.74c	7.37c	167.11c
% increase	18.65%	29.53%	19.09%

2023/24 forecasted sales at 2022/23 Standard tariffs	2023/24 forecasted sales at 2023/24 Standard tariffs				
	Average price (c/kWh)	Forecasted sales (GWh)	Revenues (R'm)	Average price (c/kWh)	Effective increase (%)
Large industrial and urban (Incl. Affordability charge)	140.31c	71 974	120 272	167.11c	19.09%
Apr-Jun	144.58c	17 999	30 989	172.17c	19.08%
Jul-Mar	138.89c	53 975	89 283	165.42c	19.10%
Affordability charge	5.69c	71 974	5 304	7.37c	29.53%
Apr-Jun	5.69c	17 999	1 327	7.37c	29.53%
Jul-Mar	5.69c	53 975	3 978	7.37c	29.53%
<i>Large urban tariffs excld affordability</i>					
Large industrial and urban	134.62c	71 974	114 967	159.74c	18.65%
Apr-Jun	138.89c	17 999	29 662	164.80c	18.65%
Jul-Mar	133.20c	53 975	85 305	158.05c	18.65%

Why does Eskom have to implement only the NERSA decision...



Tariff decision only determined by NERSA

- Eskom is bound by the decision of NERSA when implementing a tariff decision
- Eskom does not determine its own tariff. The Electricity Regulation Act (ERA)
- Section 15(2)
 - “A licensee may not charge a customer any other tariff and make use of provisions in agreements other than that determined or approved by the Regulator as part of its licensing conditions”
- Only NERSA has the legally mandate in terms of law to make the tariff decision. No other authority can do so.
- Thus, Eskom is obliged to implement the decision of NERSA . Eskom does not have an option to implement any other tariff than what is determined by NERSA. This will be legally impossible.
- Does not seem to be clearly understood that no authority (even Government) can over-ride the NERSA decision – The President in his note on 30 January confirmed that the NERSA decision is respected

Review of NERSA decision - Promotion of administrative Justice Act (PAJA)

- NERSA decision it is an administrative action. If anyone is aggrieved by the decision, then PAJA review process has to be applied. NERSA decision cannot be unilaterally changed by govt.
- Any review of a NERSA decision will need to be based on law. Need to demonstrate that NERSA did not correctly apply the law
- Any legal review is likely to take longer than the implementation of the decision. This was the case when Eskom reviewed the FY 2019 revenue decision
- Took a few years before the correction could be implemented

Why does Eskom have to implement only the NERSA decision...



Separation of powers

- Constitutionally accepted that one arm of government cannot step into another function and erode or unilaterally change the decision.

Independence of the Regulator

- The NERSA is required to act independently – taking into consideration requirements of mainly ERA when making electricity related decisions

NERSA cannot change its own decision

- The NERSA decision is functus officio – the decision of NERSA cannot be changed – unless reviewed in a Court of law
- Once a decision has been made, the authority lacks any power to re-examine its decision. NERSA cannot revisit or change its decision.
- The only way decision can be changed – is if it is reviewed in terms of the National Energy Regulator Act (NERA) NERA provides the mechanism for legally challenging a NERSA decision. It must be taken on review.

Implementation of a court orders

- The RAB, return on assets and depreciation have been corrected in the FY 24 and FY 25 decisions as a result of a court order
- The revenue decision for FY 24 and 25 required NERSA to make the revenue it was supposed to have made determination in accordance with a High Court order by 24 December 2022. NERSA was granted a court order to make the decision by 12 January 2023. This decision was made at the exact time that the extension was granted.

Affordability subsidy charge explanation



Background on the Affordability subsidy calculation

- The Affordability subsidy charge exists to cater for electricity price affordability towards Homelight 20A customers.
- At its introduction, as per the 28 February 2013 MYPD3 NERSA decision, the Affordability subsidy charge was made only applicable (payable) by Eskom directly supplied non-municipal key industrial and urban customers.
- The Affordability subsidy charge recovers the difference between Homelight 20A total costs and the Homelight 20A tariff excluding network subsidies; the network subsidies are catered for in the ERS subsidy charge. The basis of the Homelight 20A costs are as per the NERSA approved 2013/14 Standard tariff restructure.
- The Homelight 20A tariff affordability subsidy receipt is therefore embedded in the 2022/23 Homelight 20A tariff rates due to the lower price levels implemented since 2013/14.
- The growth in the value of Homelight 20A subsidy recovered through the affordability subsidy charge is identified as the revenue difference between the Homelight 20A tariff at the non-municipal tariff increase over the period 2013/14 to 2022/23 and the approved Homelight 20A tariff for the same period (at lower price increases).

Detail of affordability subsidy calculation - 1

Standard Tariffs Non-municipal Affordability subsidy charge calculation

	2022/23	2023/24
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The increase to the Affordability subsidy charge was calculated as follows and is outlined below:

- The Homelight 20A Block 1 (>0-350kWh) and Block 2 (>350kWh) were each increased by the respective non-municipal average increases since 2013/14 to arrive at the 2023/24 Homelight 20A revenues without the affordability subsidy receipt.
- The 2023/24 Homelight 20A rates without the affordability subsidy receipt were then applied to the respective 2023/24 Block 1 and Block 2 Homelight 20A forecasted sales volumes (4 689GWh) resulting in R9 149million of revenues, that is an average 195.11c/kWh; see Table 7 (a), 2023/24.
- The 2022/23 Homelight 20A Block 1 (>0-350kWh) and Block 2 (>350kWh) rates that have the embedded affordability subsidy receipt (due to historically lower increases) were each increased by 10%.
- The increased rates were then applied to the respective 2023/24 Block 1 and Block 2 Homelight 20A forecasted sales volumes (4 689GWh) resulting in R7 973million of revenue, see Table 7 (b), 2023/24.
- The incremental affordability subsidy was determined as the difference between the Homelight 20A revenues in Table 7 (b) and Table 7 (a), that is, R9 149million (without subsidy) minus R7 973million (with subsidy). The difference was R1 176million; see Table 8(c) the incremental affordability subsidy to be recovered in 2023/24.

			2022/23	2023/24
	Homelight 20A forecasted consumption	(GWh)	4 833	4 689
(a)	Homelight 20A at non-municipal average increases	R'm	7 951	9 149
	<i>Average price</i>	<i>c/kWh</i>	<i>164.51c</i>	<i>195.11c</i>
(b)	Homelight 20A tariff revenues at historically lower increases	R'm	7 476	7 973
	<i>Average price</i>	<i>c/kWh</i>	<i>154.69c</i>	<i>170.03c</i>
(c) = (a) - (b)	Incremental affordability subsidy receipt	R'm	493	1 176
(d)	Large industrial and urban sales	(GWh)	66 687	70 165
	<i>Growth in large industrial and urban sales</i>	(GWh)	<i>-8 688</i>	<i>3 478</i>
(e)	Affordability charge at previous years rands	(c/kWh)	4.98c	5.69c
(f) = ((e) x (d) / 100	Affordability charge at previous years rands	(R'm)	3 320	3 992
(g) = (f) + (c)	Total affordability for the year	(R'm)	3 795	5 168
(h) = (g) / (d) x 100	Affordability subsidy charge rate	(c/kWh)	5.69c	7.37c
(i) $\frac{2023/24}{2022/23} = \left[\frac{(h_{2023/24}) - (h_{2022/23})}{(h_{2022/23})} \right] \times 100$	Affordability subsidy charge increase	(%)	14.26%	29.53%

Detail of affordability subsidy calculation – 2

			Standard Tariffs Non-municipal Affordability subsidy charge calculation	
			2022/23	2023/24
	Homelight 20A forecasted consumption	(GWh)	4 833	4 689
(a)	Homelight 20A at non-municipal average increases	R'm	7 951	9 149
	<i>Average price</i>	<i>c/kWh</i>	<i>164.51c</i>	<i>195.11c</i>
(b)	Homelight 20A tariff revenues at historically lower increases	R'm	7 476	7 973
	<i>Average price</i>	<i>c/kWh</i>	<i>154.69c</i>	<i>170.03c</i>
(c) = (a) - (b)	Incremental affordability subsidy receipt	R'm	493	1 176
(d)	Large industrial and urban sales	(GWh)	66 687	70 165
	<i>Growth in large industrial and urban sales</i>	(GWh)	<i>-8 688</i>	<i>3 478</i>
(e)	Affordability charge at previous years rands	(c/kWh)	4.98c	5.69c
(f) = ((e) x (d) / 100	Affordability charge at previous years rands	(R'm)	3 320	3 992
(g) = (f) + (c)	Total affordability for the year	(R'm)	3 795	5 168
(h) = (g) / (d) x 100	Affordability subsidy charge rate	(c/kWh)	5.69c	7.37c
(i) $2023/24 = [(h_{2023/24}) - (h_{2022/23})] /$	Affordability subsidy charge increase	(%)	14.26%	29.53%

The increase to the Affordability subsidy charge was calculated as follows and is outlined below..... *(continued)*:

- To determine the affordability subsidy at the base year rates, excluding the incremental subsidy, the 2022/23 5.69/kWh (h) affordability charge was applied to the 2023/24 Homelight 20A forecasted 4 689GWh sales volumes; this provides R3 992million; see Table 7 (f).
- The R1 176million incremental affordability subsidy was then added to the R3 992million to arrive at the 2023/24 total R5 168million affordability charge subsidy revenues, see Table 7 (g).
- The R5 168million was divided by the 2023/24 large industrial and urban non-municipal tariffs 70 165GWh (d) forecasted sales volumes resulting in average 7.37c/kWh, see Table 7 (h).
- The increase to the affordability subsidy charge in 2023/24 is therefore from 5.69c/kWh to 7.37c/kWh that is a 29.53% increase; see Table 7 (i).
- The 29.53% is to enable the recovery of R1 176million in incremental affordability subsidies from 70 165GWh of forecasted large industrial and urban customers' sales.

BUSA PRESENTATION



Eskom – Business Roundtable

Business presentation for discussion purposes

19 April 2023

NATIONAL OFFICE

61 Katherine Street,
Sandton, 2196
P.O. Box 652807, Benmore, 2010

PARLIAMENTARY OFFICE

9 Church Square, 1st Floor Graaffs Trust Building
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Business representation

Business is committed to contributing to the resolution of the electricity crisis. We are committed to the decarbonisation of our energy sector, while ensuring energy security and an optimal and just transition pathway for our economy and society.

Business supports the Presidential Energy Action Plan as well as the Necom workstream objectives

Business organisations present at the Eskom-business Roundtable:

- BUSA
- Energy Council
- Manufacturing Council
- Minerals Council
- SIEFSA
- EUIG
- FAPA
- BLSA

There are also a number of corporates supporting the Roundtable discussions.

Business Priorities

Business seeks to collaborate with, and support Eskom in addressing the following objectives

There is both significant risk and opportunity in the energy transition. We believe a transformed and sustainable, yet capable and financially strong Eskom is critical to a successful energy transition.

Key business imperatives

1. **Load-Shedding** is an immediate crisis that is causing significant damage to our economy and society, and must be resolved with urgency
2. In keeping with the recent meeting between the President (including key ministers) and Business, the recognition is clear that **decisive action** is required and all parties need to **act in unison** and in partnership.
3. Over and above addressing load shedding, the energy transition will require a **significant national effort**.

In addition to sector reform and **critical enablers** such as Grid expansion and Market establishment, supply **ambitions by 2030** include:

- a) 56,000MW of Wind and Solar
- b) 8,000MW of storage
- c) 5,000MW of Gas-to-Power and
- d) Decommission 12,000MW of coal

The Energy Council has been adopted as the business vehicle to enable unity in efforts towards an optimal Energy Transition for South Africa

- Business collaboration has progressed by Energy Council becoming a member of BUSA and collaborating on consolidating and aligning efforts (including B4SA)
- This approach is being expanded to include collaboration with all sector stakeholders

Addressing the Energy Trilemma

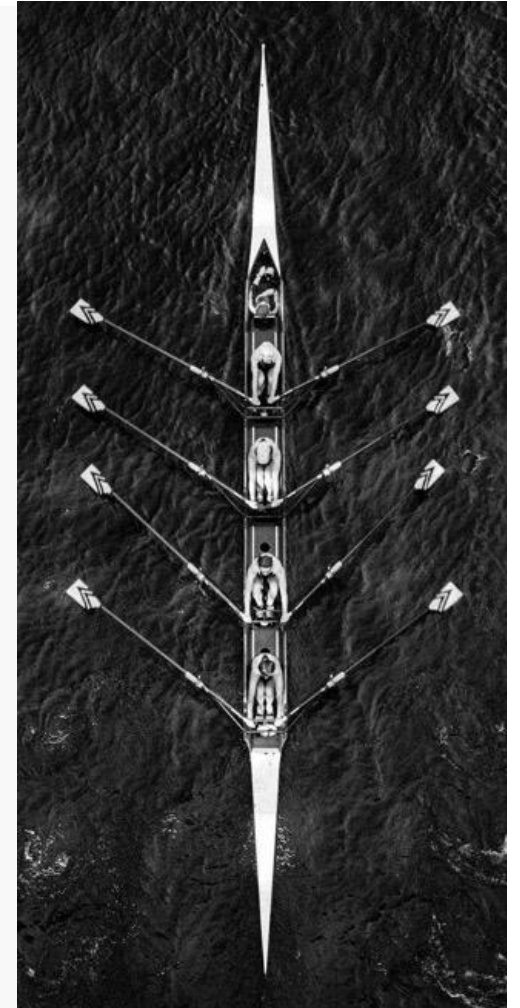


Ensure a **unified voice of business**, that meaningfully contributes to a national energy vision and pathway to Net-Zero

Play a leading role in a stakeholder-aligned national **Energy Transition strategy** and implementation pathways

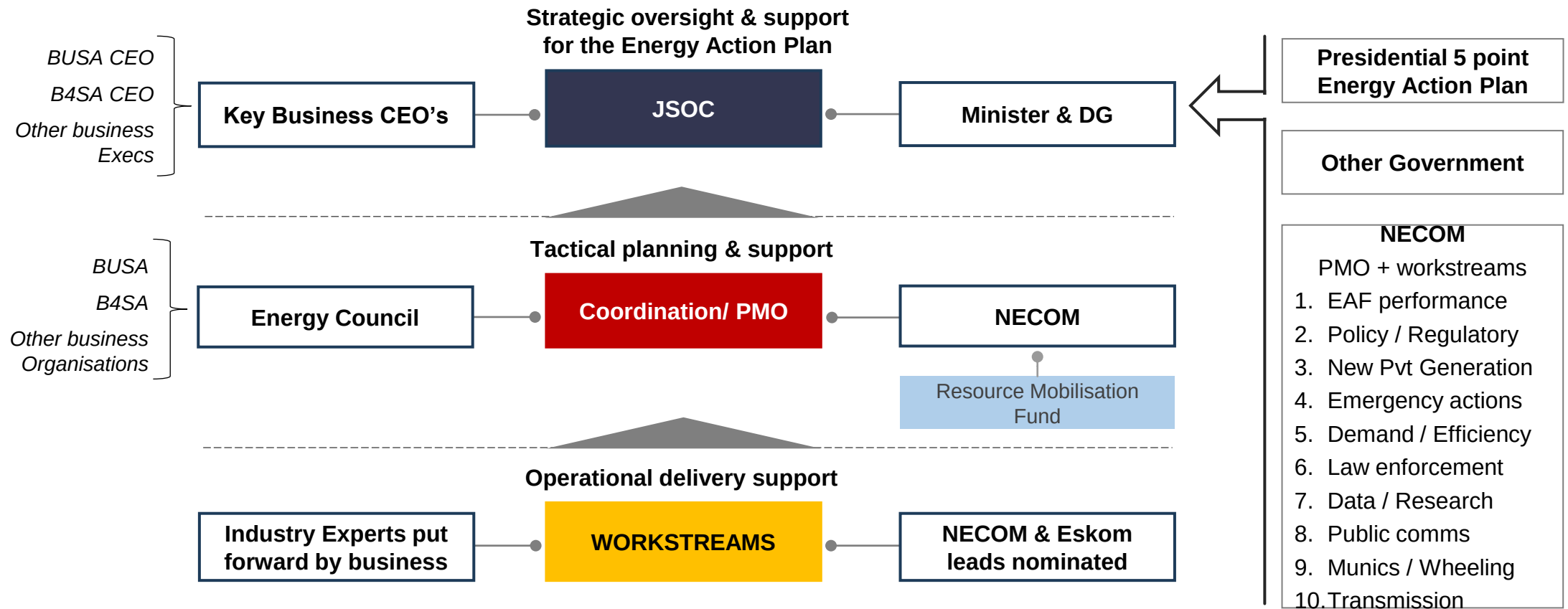
Enabling investment across the energy sector with visibly increased localisation, industrialisation, & job creation

Collaborate with stakeholders to advance **energy policy and regulatory certainty** as well as **business confidence**



Government's energy delivery structure is supported by business

How can we improve the interface and engagement with Eskom



Leveraging the NECOM engagement process

What is the optimal platform and approach for business to engage with Eskom

Business has committed to partner with government to support focused delivery in the following areas

- | | |
|------------------------|--------|
| 1. EAF performance | Wks 1 |
| 2. Policy planning | Wks 2 |
| 3. New Generation | Wks 3 |
| 4. Demand & Efficiency | Wks 5 |
| 5. Market & Wheeling | Wks 9 |
| 6. One-stop-shop | Wks 9 |
| 7. Grid enablement | Wks 10 |

NECOM

PMO + workstreams

1. EAF performance
2. Policy / Regulatory
3. New Pvt Generation
4. Emergency actions
5. Demand / Efficiency
6. Law enforcement
7. Data / Research
8. Public comms
9. Munics / Wheeling
10. Transmission

Efforts in Energy are being duplicated across Logistics as well as Crime & Corruption

Eskom



Understanding the Eskom engagement process

1. EAF performance	Wks 1	Work with Eskom and NECOM to provide practical experience and support at the Power Station level
2. Policy planning	Wks 2	Energy Transition Policy scenario planning, jointly between government, business and civil society. Supported by the World Energy Council
3. New Generation	Wks 3	Gas to Power; Private sector Gx support; FiT and Std offer;
4. Demand & Efficiency	Wks 5	DSR should include integrated planning with users to; develop options; optimise scheme rates; curtailment and load reduction planning and data; digital solutions; coordinated campaigns; efficiency and data analysis
5. Market & Wheeling	Wks 9	Integrated Wheeling project to include: Seamless wheeling (VWM); Municipal wheeling and security deposits; trading and seamless wholesale market; enabling green tariff (RECs); Ancillary services market/ tariff.
6. One-stop-shop	Wks 9	Support and expediting establishment
7. Grid enablement	Wks 10	Integrated Grid project to include: Queuing and allocation; permitting (CEL & BQ); TDP execution model; Institutional reform and independent Grid Co

Other Eskom related issues to be considered

Communication

Need for transparent, accurate and quick communication on system constraints or risks. Enables planning and can potentially increase demand reduction during high-risk periods.

Finalise NRS 048-9 revision



Reasonable notice for high stages of load curtailment. Mining may need more than 2 hours to safely taper down to essential loads
Incentives to unlock and encourage investments that reduce pressure on the grid e.g. exemptions for generation in load curtailment.



Conclusions

Significant progress is being made in building collaborative models to deliver the energy transition

Proposal to agree and partner on key interventions and priorities :

- Business can add value (resources and expertise) to help planning and implementation
- It can be done in a short-space of time
- The impact is significant

This will allow for

- Better communication channels for collaboration and partnership building
- Enhancement of early warning signals is important in promoting responsiveness and risk mitigation
- Continued platform building and discussion to enable trust and confidence

THANK YOU

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Specific and additional considerations:

- Supply-side options
- Demand Side Management



Supply side



Industry Electricity Self Generation Plant

- The DMRE published the amended Schedule 2 of the Electricity Regulation Act which removed the licensing requirement for generation projects of any size, these projects will only be required to register with NERSA
- The removal of the licensing threshold has unlocked massive investment by the private sector. More than 100 projects amounting to over R150 billion, representing about 9 300 MW of new generation capacity, are now at various stages of development. Of these projects 7 500MW will be built by the mining industry.
- Goldfields commissioned their 50 MW solar PV plant in 2022 and,
- Pan African Resources also commissioned their 10 MW solar in 2022.
- Information collected by the Presidency shows that in 2023 about 1 300 MW of industry projects will come online, in 2024 and 2025 the projects being commissioned will reach 2 000 MW.
- NERSA Registration is taking a minimum of 19 days as red tape has been removed to allow an efficient system. By mid 2022 NERSA had approved Projects amounting to 575MW (315MW mining).

Opportunities

- Reduction of the Eskom CEL(90 Days) an BQ(120 days) Process.
- Ensuring Adequate Staffing at Distribution to deal with the increased number of applications
- Finalisation of Queueing Rules and Implementation of a Transparent and Fair System for Grid Allocation
- TDP Implementation: Geographic limitations and project sterilisation due to Transmission Network Capacity constraints, prioritise critical corridors (EC/NC/WC). Concern from members in the NC over the high cost for the augmentation of the NC Transmission Corridor(Hydra/Kronos 400kV line,180km@R3.5bn, 1500MW).
- The transmission execution plan needs to be finalised as a matter of urgency and made public.
- Equally important is the contracting method that Eskom will follow in the development of the grid to enable supply side contractors and manufacturers to plan accordingly for the anticipated demand. Local industry should also be afforded the opportunity to make inputs into design and specification of products used in the development of the tx system.
- The requirement for municipality to pay Eskom Security Guarantee for the area of supply when the ESA is reopened during wheeling discussions is a challenge for the IPPs. Investigate a way of only reopening for the project instead of the whole ESA.
- The identification of Renewable Energy Development Zones should continue to enable the development of large-scale wind and solar facilities(e.g., in MP Eskom land to be used by IPPs).
- Security of Equipment and Infrastructure
- The creation of the One-Stop-Shop will assist in streamlining generation authorisations and in the meantime continuation of the OV Electricity Task Team.

Demand Side Management

LPU Demand Side Management Focus

DSM for Large Power Users

- Improve the incentive rates of Energy Efficiency rebates such as Section 12L.
- Improve and expand Demand Response options – DR is cheaper than diesel and the cost of unserved energy. Consider increasing incentives for Demand Response to increase participation subject to system needs.
 - Closing the gap between the electricity tariff and scheme rates.
 - Increasing exemptions to higher stages of load curtailment.
- Voluntary electricity demand reduction scheme – voluntary reduction of NMD for specified periods with incentives. This could include options to trade capacity among customers to encourage productivity.
- Establish a load-curtailment coordination framework with market opportunities for trading among participants. This can allow participating to avoid interruptions for longer periods.
- Identify, develop technology focusing on mature smart/digital solutions. Design incentives to enable adoption.
- Encourage the development of micro-grids where suitable (e.g. remote sites, pumping)
- Expand the focus of Energy efficiency in building beyond the Eskom and government buildings in NECOM WS 5
- Residential and Commercial sector load profiles drive the peak demand. Reducing the peaks is a significant opportunity.

Resources and Skills

- Rebuild an Integrated DSM program with centralised support structures and a knowledge sharing platform.
- Identify, develop and package common industry DSM focus areas (e.g. Peak Shifting, HVAC) and build execution models for rapid adoption.
- Investment in energy management technical skills development (Eskom, ESCOs, Industry) to match expected increase in skills demand.
- Invest in research and development to speed up energy efficient technology development and adoption.
- Consolidate and align different government agencies' programmes for maximum impact.
- Collaborate/ partner with business. Large companies can potentially play a role in amplifying the reach of DSM campaigns and the roll out of technology to employees

Alignment and Communication

Policy Alignment

- Need to drive national ESI and EDI vision and long-term strategic plans in collaboration with industry & other stakeholders
- Develop a list of enablers and requirements from the banking sector, government (Treasury), private sector and Eskom to accelerate Commercial & Residential PV installation.
- Re-design 'green tariff' to include carbon credits/renewable energy certificates(RECs). The RECs from the Commercial & Residential PV installations can be a valuable commodity for companies that require them to offset carbon emissions.
- Introduce feed-in tariffs to private generators in metros/municipalities.
- Enable market for electricity trading to reduce single-offtake PPA risk and financing costs.
- Encourage private sector energy storage systems (ESS) by developing ESS regulations and ancillary services product/tariff.
- Expedite the development of standardised, simple and cost-reflective wheeling framework

Communication And Expediting revision of NRS 048-9

- **Improved Communication**
 - Need for transparent, accurate and quick communication on system constraints or risks.
 - Enables planning and can potentially increase demand reduction during high-risk periods.
- **Finalise NRS 048-9 revision**
 - Reasonable notice for high stages of load curtailment– deep level mining may need far more than 2 hours to taper down to essential loads and evacuate workers in a safe and orderly manner.
 - Build in incentives to unlock and encourage investments that reduce pressure on the grid e.g. exemptions for private power generation in load curtailment.

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Thank you