

Business Partners Ltd and The Small Business Institute (SBI)

The Eskom Vision - Energy Outlook In South Africa

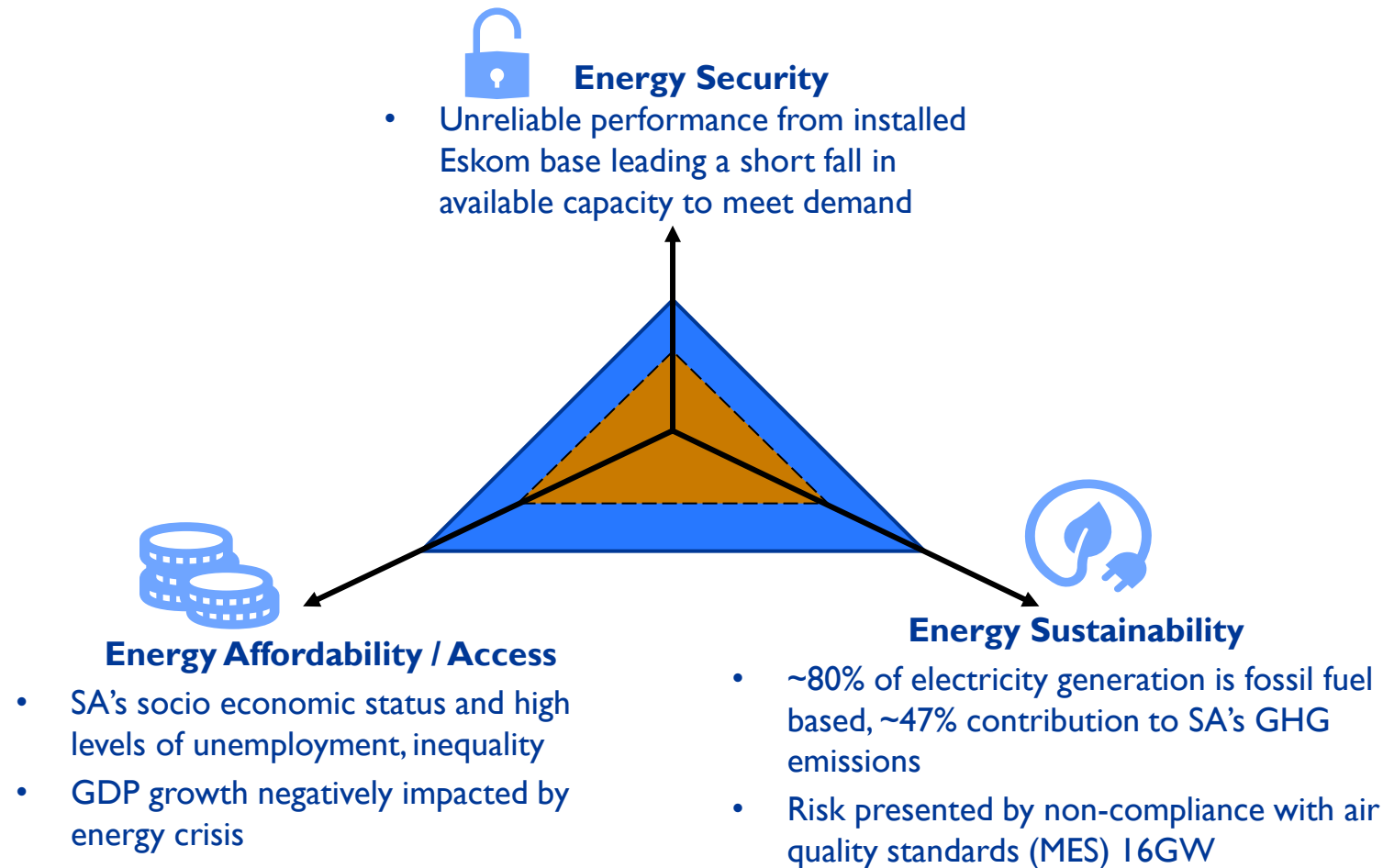
Bheki Nxumalo

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South Africa like many countries around the world is grappling with the energy trilemma

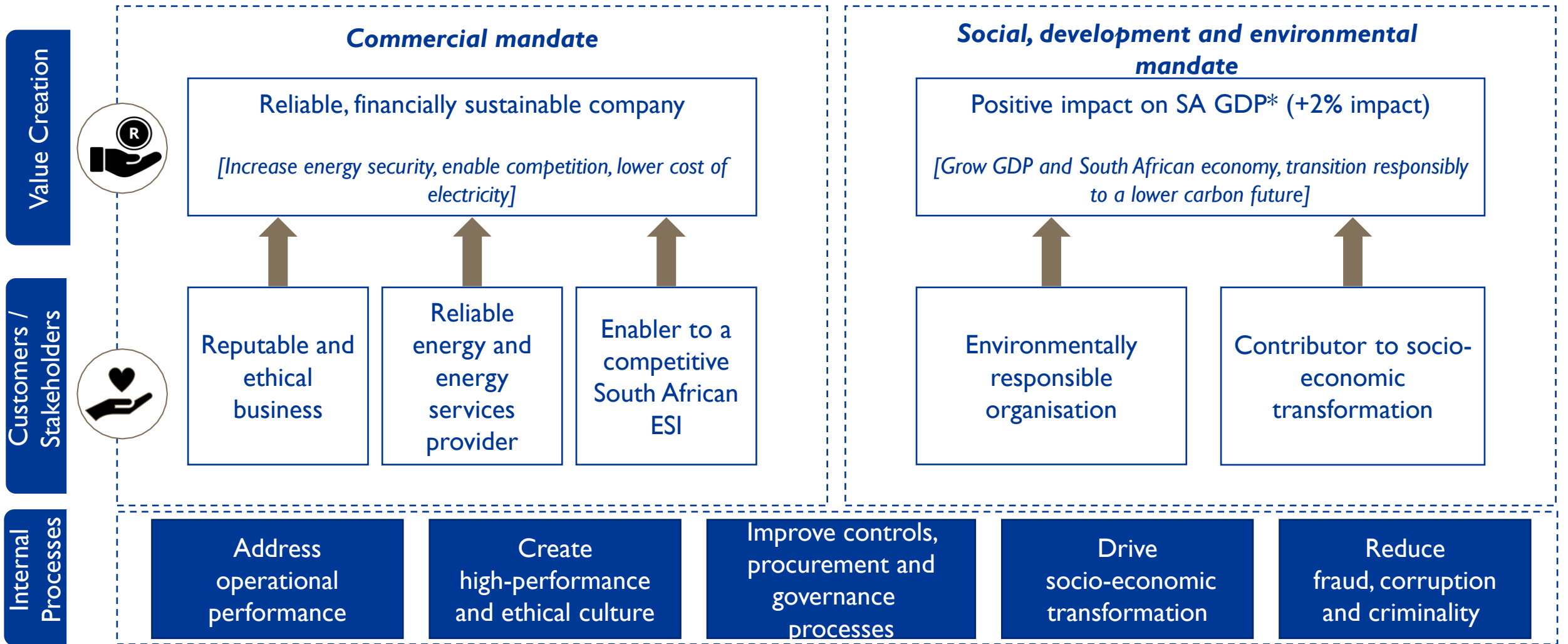
Energy trilemma in the South African context



Impact of loadshedding on the economy and small business

- Consistent electricity supply is critical to ensure South Africa economic growth
- According to PwC estimates, power shortages cost the South African economy about five percentage points in lost GDP in 2022
- Over 60% of township small businesses stop operations during load-shedding with the majority indicating having to shed jobs because of load-shedding
- Challenges more pronounced for small businesses due to lack of alternative energy solutions, and affordability constraints
- Once energy security is addressed, making sure energy is affordable will be a critical considerations to ensure a growing economy into the future

As Eskom, we appreciate the role we ought to play in the country and the requirement to deliver value for our customers



*Business Day - Bank of America says GDP to grow 2% if Eskom maintains momentum

Footnote: GDP – Gross Domestic Product; ESI – Electricity Supply Industry

Our strategy is geared towards a competitive, sustainable Eskom by focusing on four key areas



Pursue financial and operational sustainability (Fix the current business)

Recover EAF to **70% by March 2025**

Reduce **municipal arrear debt; rebase costs**

Improve controls to address **fraud, corruption and criminality**

Leadership stability, skills development & entrench an **ethical high-performance culture**



Facilitate a competitive future energy industry (Prepare for competition)

NTCSA commenced trading on 01 July 2024

Fine-tune **Gx and Dx business models**

Corporatisation of Dx by April 2026; Gx by FY26

Obtain **unbundled tariffs approval** (Decision taken by **NERSA**)



Modernize our power system (Leverage technology)

Accelerate TDP execution incl. alternative funding models

Distribution network development incl. **smart meters and microgrids**

Use data analytics to create value and enhance decision making

Increase **flexibility of power system infrastructure**



Strive for net zero emissions by 2050 (Transition responsibly)

Accelerate Komati, Grootvlei, Hendrina, Camden **repowering & repurposing** initiatives

Collaborate with government on **optimised MES compliance**

Accelerate clean energy project development, renewables, gas, nuclear and hydro

Several challenges contributed to the decline in our financial and operational performance over the years

Examples of poor supplier practices

Description

Price variance

- Suppliers selling the same products at different (higher prices) to Eskom sites

Quality of products / services

- Substandard quality of products, refurbished products presented as new

Non-value adding suppliers i.e. middlemen

- Suppliers that simply add a markup to products and service procured from third party or subcontract entire purchase order

Theft and resale of Eskom spares

- Spares not delivered to Eskom but invoices, in some cases spares taken from Eskom to be delivered to another Eskom site

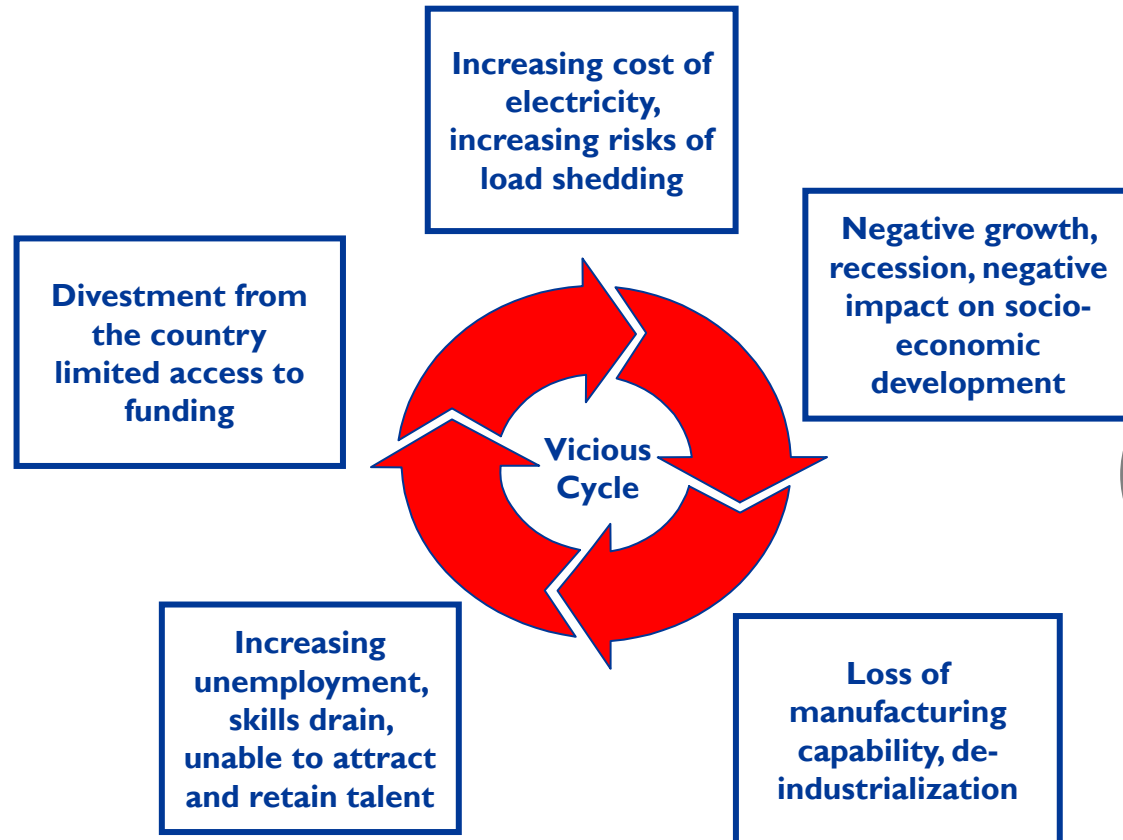
Implications:

All these issues means that **Eskom pays more than required** for a service or product, **takes longer to repair plant** and is **unable to deliver** on its mandate. Ultimately it is the South African citizens that are negatively impacts by increasing cost of electricity and intensity of loadshedding

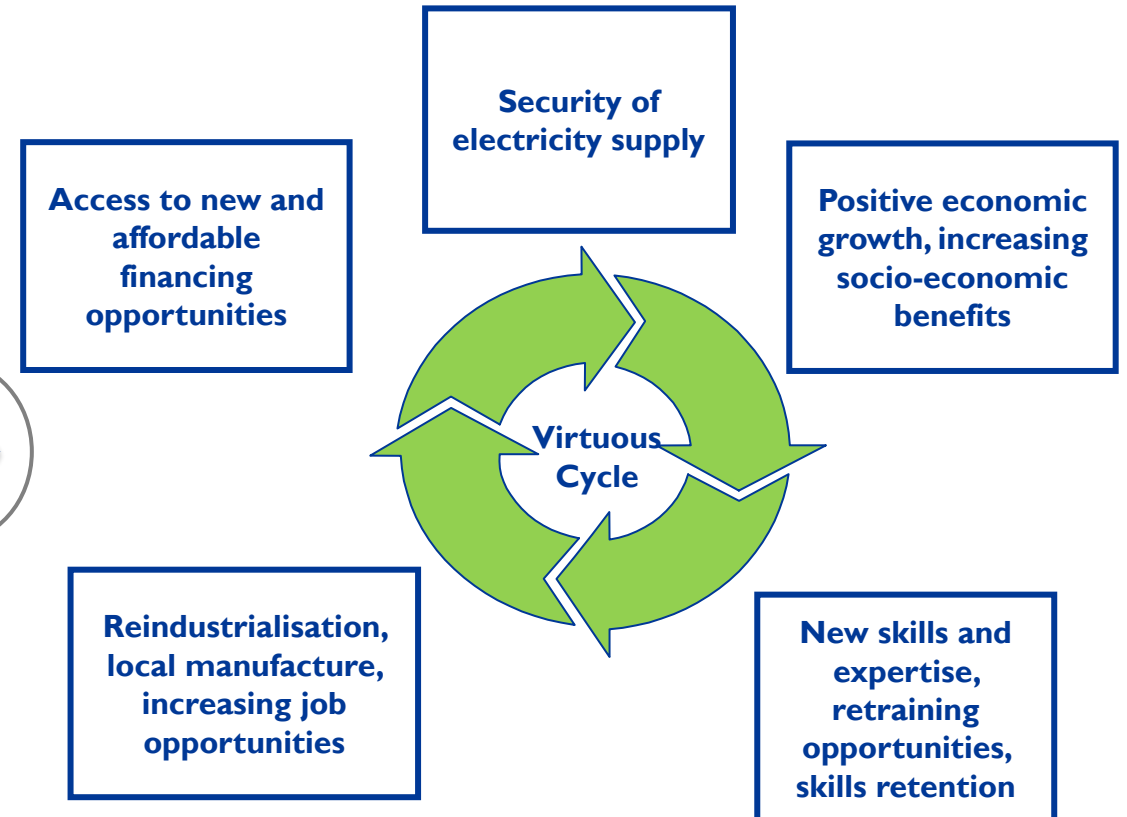
These challenges not only undermine Eskom's efforts to deliver on its mandate but also undermine the objective of socio-economic transformation

Resolving Eskom challenges can move us from a vicious cycle into a virtuous cycle to ensure a sustainable electricity supply industry

Continued electricity crisis



Sustainable electricity industry



Through a structured systematic approach, the industry needs to transition in line with the global development

PREFERENTIAL PROCUREMENT OVER PAST 5 YEARS (APRIL 2019 TO MARCH 2024)



Eskom Total Measurable Spend over the past 5 years (April 2019 to March 2024)

R1 trillion



Black-owned businesses

R 349 billion



Black women-owned companies

R 78 billion



Black youth-owned suppliers

R 34 billion



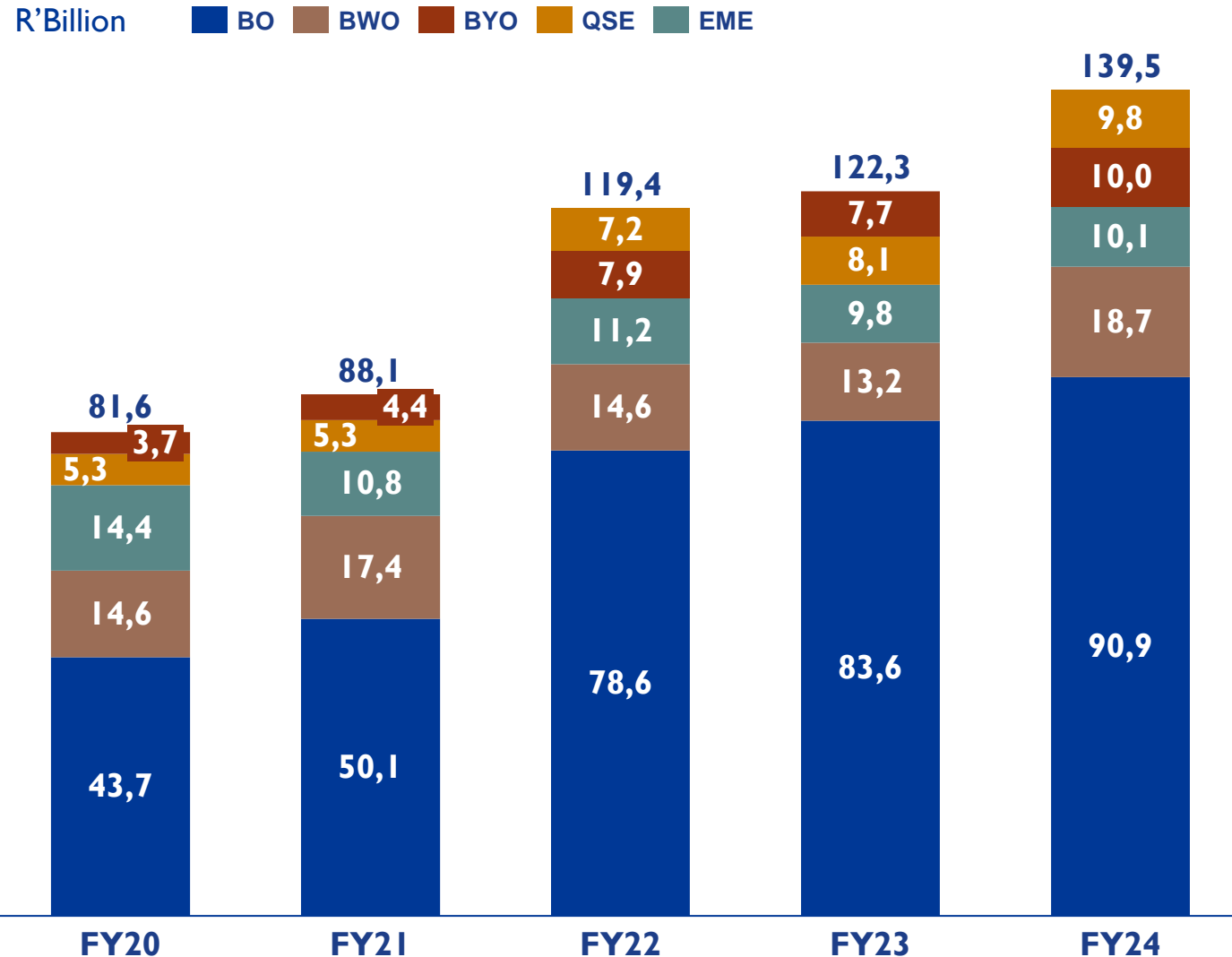
Small & Medium Enterprises (QSEs & EMEs)

R92 billion

Eskom Procurement Spend per B-BBEE category has generally increased over the past 5 years, however there is still room for improvement



Eskom Procurement Spend per B-BBEE category in the past 5 years



Insights

- Eskom's overall total measurable procurement spend that is B-BBEE compliance has increased from 62% in FY20 to 76% in FY24.
- The spend on black owned (BO) business has on average increased by 21% annually from R44bn in FY20 to R90bn in FY24 and peaked at 40%, in FY22
- While Black Women Owned (BWO) spend saw a reduction over FY22 and FY23, it started to show a recovery in FY24.
- Greater effort is required to improve spend across QSEs & EMEs. Eskom intends to work on improvement efforts across all categories to achieve
 - 80% in B-BBEE
 - 40% in BO
 - 12 % in BWO
 - 2% in BYO
 - 15% in both QSEs and EMEs

A number of areas that require improvement have been identified that will enable us to improve our impact



Challenges Eskom is working of addressing

- **Balancing Public procurement policy** which requires open competitive processes, versus ability to set aside contracts for designated groups
- **Geographic spread of small suppliers** versus where opportunities exist
- Planning for the **Public Procurement Bill** enactment
- Having **compliant suppliers** who remain compliant
- **Funding** of **ESD** initiatives
- **Resources** to monitor implementation of **SDL&I** contractual **obligations**

Initiatives to improve expenditure with SMEs

- **Preferential Procurement Policy**, driving set aside to EME/QSE's particularly levels 1-2s
- Ensuring improved compliance to **15-day payment term** for **Small and Medium Enterprises**
- **Ring-fencing of procurement** opportunities for **SMEs**
- Use of **online platforms** to provide **access to training** on wider basis
- **Collaboration** with **Community Forums** to **create employment and sub-contracting opportunities** but not limited to CSI initiatives
- **Collaboration with incubators for SME**, that are funded by Eskom Foundation
- **Capacitating and upskilling entrepreneurs** via supplier workshops on Eskom Tender requirements across all division by rolling out workshops
- **Open supplier days at Power Station** exposing our small businesses to our procurement process, some of the opportunities available, Eskom requirements (e.g. SHEQ)
- **Business Connect** for activation for networking for **local large business and SMEs**