

LG KRITZINGER

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INTRODUCTION

- Centlec is municipal entity of Mangaung Metropolitan Municipality
- Centlec has Service Delivery Agreements with Kopanong, Mohokare and Mantsopa municipalities
- It was noted with concern the tone of the RCA application – it creates the impression that it is a contest between Eskom and NERSA – it should not be the case – it is a case of compliance to NERSA and not to maximize recovery from the public

BASIS OF SUBMISSION

The following documents were utilized amongst others for the compilation of this submission:

- Eskom RCA Application dated August 2019
- Eskom Integrated Report Dates 31 March 2019
- Eskom Annual Financial Statements dated 31 March 2019
- The submission addresses the items listed in Table 1 of the Eskom submission on page 8 of the document

THE ROLE OF THE PAST

- We need to learn lessons from the past to do things differently in the future
- Unless this RCA process is used for that purpose, the pricing situation would not change in the future

REVENUE VARIANCE

- Paragraph 2.4 pg 10) – Eskom admits in the application that “the consumer is impacted for the variable cost elements”.
- Does this implies that customers must pay when the sales volumes are not achieved due to customer migration, unreliable power supply and high prices from Eskom?
- If so the principle would negate any responsible action from Eskom since there isn't any mitigation with regards to this matter.

PRODUCTION PLAN

- It is a concern that it is stated in the application that “Eskom also assumed an average 79% (EAF) in its production plan.” (paragraph 2.5 pg 10 and the Integrated report pg. 110)
- When the numbers from the Integrated Report is used as a reference, the plant availability was 71,32%.
- Therefore sufficient capacity to schedule and execute maintenance on the plant. The system demand also lowered during 2019 which allowed even more space to execute maintenance on the plant.

PRODUCTION PLAN (2)

- It becomes unbearable to blame load-shedding on the lack of maintenance on the plant although , money was available on the budget and the money was spent annually - RCA table 45 pg.117 and Table 61 pg 132 refers.
- In the media the age of the plant is blamed (35 years) – needs to be recalculated based on information in the Integrated report pg. 177 – average age just exceeds 28 years
- In Britian steam locomotives operated till 83 years old

PRIMARY ENERGY VARIANCES

- The coal cost cannot be 27.37% higher (RCA table 1: summary of 2019 RCA application) .
- In previous submissions Tegeta contracts were blamed.
Contracts are the domain of Eskom and not the public at large.
Eskom therefore needs to take responsibility and accountability for these operational function and execute them diligently in the best interest of the ordinary citizen.

PRIMARY ENERGY VARIANCES (2)

- Why was less energy procured from IPP's?
- Minister signing 27 projects on 4th April 2018 with 2300MW capacity and the ability to generate 5037 GWh more to the system (almost 50% more compared to 2016/17).
- The numbers stated in the Integrated Report of Eskom pg. 168 states that more energy was secured in 2018/19 compared to 2017/18. However, the quantity is lower than 2016/17.

PRIMARY ENERGY VARIANCES (3)

- When the numbers from the Integrated Report is used as a basis, the OGCT was utilized for 495 hours compared to 49 hours in the previous year – ten times more based on the RCA paragraph 16 pg 89 to pg 98
- Although additional capacity was added to the system, the coal fired power stations produced less energy than 2016/17.

INTERNATIONAL PURCHASES

- The International purchases are again included in the RCA submission RCA Table 12 pg 47.
- The general public has no influence over these sales and losses
- Does Eskom really expect the poorest of the poor to pay for shortfalls?

OTHER ASPECTS

- An amount of R902 million with interest was recovered from Mc Kinsey and Company but it is not mentioned in this submission under Revenue.
- The same applies to the court case where Trillian Management was ordered to repay R600 million with interest. RCA pg 142 and Integrated report pg 5

IPP Case Study

- The lower IPP numbers reported did not make sense
- Investigation revealed a number of startling facts:
 - The Eskom connection charge amounted to R1m for 800kW
 - The DUOS tariff is killing IPP's – they make a loss – 29c due to network capacity charges
 - IPP's are subjected to load-shedding while they should contribute to the network system capacity
 - Power restoration to IPP's is not treated as priority – takes 2 days to restore
 - DUOS tariff requires IPP to pay network capacity charges – they are creating more capacity

CRITICAL QUESTIONS

- How does the current business model differ from the previous one to avoid death spiral?
- What has Eskom done to secure IPP connectivity or are they placing stumbling blocks in the way with high connection cost and charges to IPP's?
- IPP connectivity should be added as a performance measure to Eskom – retaining existing as well as adding new one's
- Which tariffs are Eskom applying in their Cost of Supply on their own generators?

IMPACT OF WINTER TARIFF

- Accounts for June, July and August double compared to summer months.
- June account needs to be paid before similar payments are received from customers (6 weeks delay) which has a cash-flow impact
- Eskom load profile is not double in winter – why do we have summer and winter tariffs at all?

Week-on-Week Dispatchable Generation Peak Demand



Week 1 : Dispatchable Generation Peak Demand Statistics

Peak Demand	24,814	MW
Week-on-Week Growth	-3.13	%
Year-on-Year Growth (Year-to-Date) Annual	-3.13	%

Note:

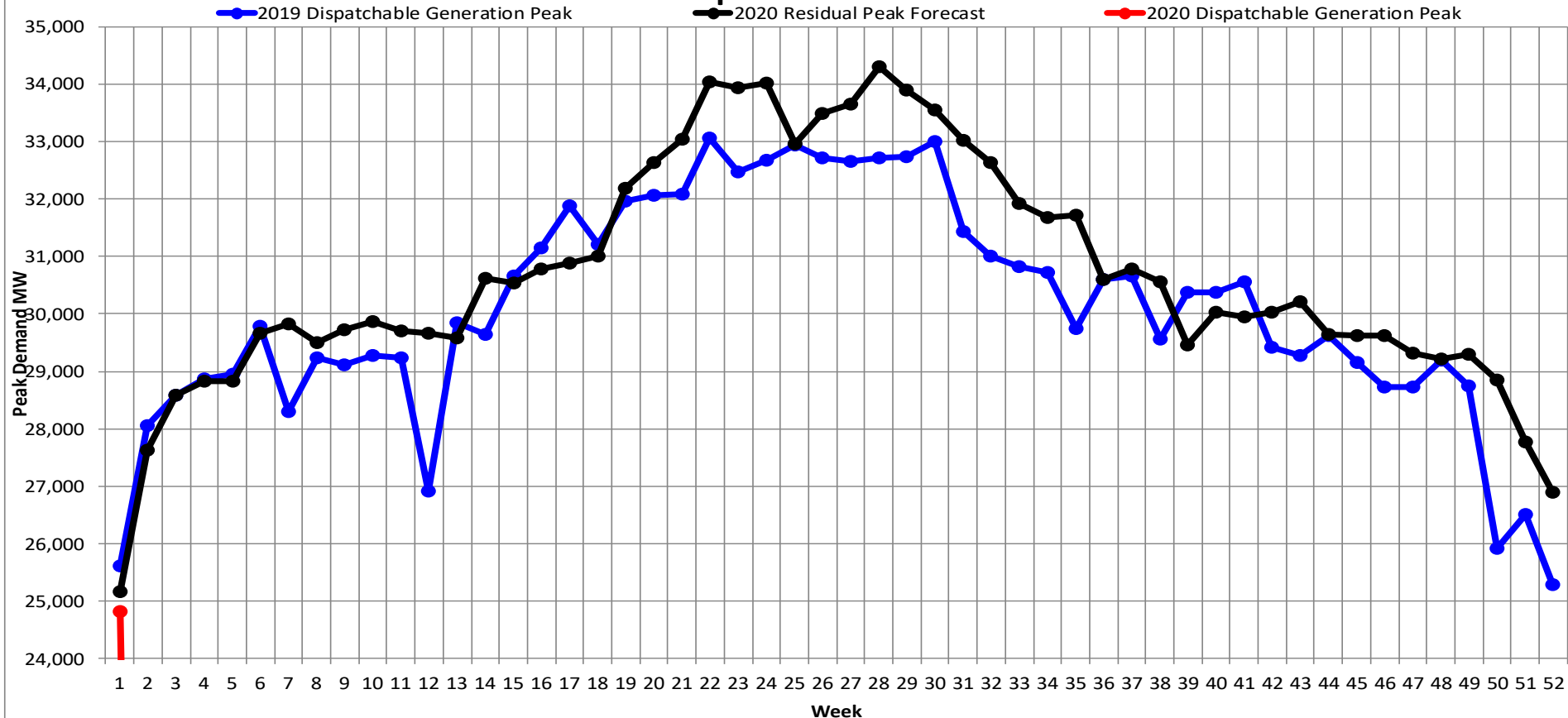
2020 Weeks are compared to similar weeks in 2019.
(2020 week 1 ~ 2019 week 1)

Annual Dispatchable Generation Peak Demand Statistics

Year	Peak Date	Annual Peak	Unit
2015	Tue 28-Jul-2015	33,343	MW
2016	Thu 04-Aug-2016	34,181	MW
2017	Tue 30-May-2017	35,457	MW
2018	Mon 16-Jul-2018	34,256	MW
2019	Thu 30-May-2019	33,066	MW
2020 (YTD)	Sat 00-Jan-1900	24,814	MW

Week-on-Week (2019 vs 2020): Dispatchable Generation Peak Demand.

2020 Weeks are compared to similar weeks in 2019.



CONCLUSION

- Service tariffs needs to published
- Agreement on equipment required for IPP connections needed.
- When decisions are taken it needs to be in the interest of the country – which resources are used – IPP versus OCGT
- Poorest of the poor cannot pay for management failures – tariff increases affect the whole country
- Reconsider the application of seasonal tariffs

THANK YOU