

Engagement with the Portfolio Committee on Electricity and Energy (PCEE)

Dan Marokane
Group Chief Executive

4 December 2024





- **Overview and performance update**
- Financial outlook
- Legal Separation Update
- FY25 operational performance including summer outlook
- Socio-economic impact of decommissioning
- Conclusion

- Our strategy embraces the dual commercial and social mandates, with immediate focus on the turnaround whilst also attending to long-term objectives
- Financial and operational performance have improved, with **8+ months of no loadshedding, and a saving of R16.33bn in diesel cost**. Effort is still required to ensure the recovery is sustainable
 - The **SHC KPIs are projected to be mostly achieved**, with continuous improvement in our processes. Targeted interventions are being implemented to address our challenges to improve performance against the shareholder's targets
 - The **improvement in our operational performance together with our cost savings interventions** will drive an improvement in our financial year end performance
 - **Limited success with Municipal Debt interventions** is undermining the effectiveness of finance strategy. Municipal debt including metros growing by more than R10 bn/annum
 - We are making **progress in stopping the leakage by addressing fraud and corruption**, while at the same time **driving people focused interventions** to ensure the sustainability of the turnaround
- Operationally, we are **performing better than forecasted in our moderate Summer 2024/25 outlook** because of consistent decline in unplanned load losses on the back of the disciplined execution of our generation recovery plan
- The **legal separation programme remains a key priority** for Eskom with the most recent achievement of NTCSA trading since July this year. Our focus shifts towards ensuring Distribution is adequately prepared for its separation process
- Our **revised approach to the just energy transition**, together with the **clean energy pipeline** is intended to ensure **continued security of supply and mitigate the socio-economic impact** of the transition

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Dan Marokane
Group CEO



Calib Cassim
Group CFO

The Eskom Executive Committee



Dan Marokane
Group Chief Executive



Calib Cassim
Chief Financial Officer



Bheki Nxumalo
Group Executive: Generation



Monde Bala
Group Executive: Distribution
Acting Group Executive HR



Roman Crookes
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Portia Mngomezulu
Group Executive: Corporate Services



Nontokozo Hadebe
Group Executive: Strategy & Sustainability

Permanent invitees



Len de Villiers
Chief Technology & Information Officer



Alfred Seema
Group Executive: Strategic Delivery



Segomoco Scheppers
Interim CEO NTCSA



Jerome Mthembu
Head of Legal and Compliance



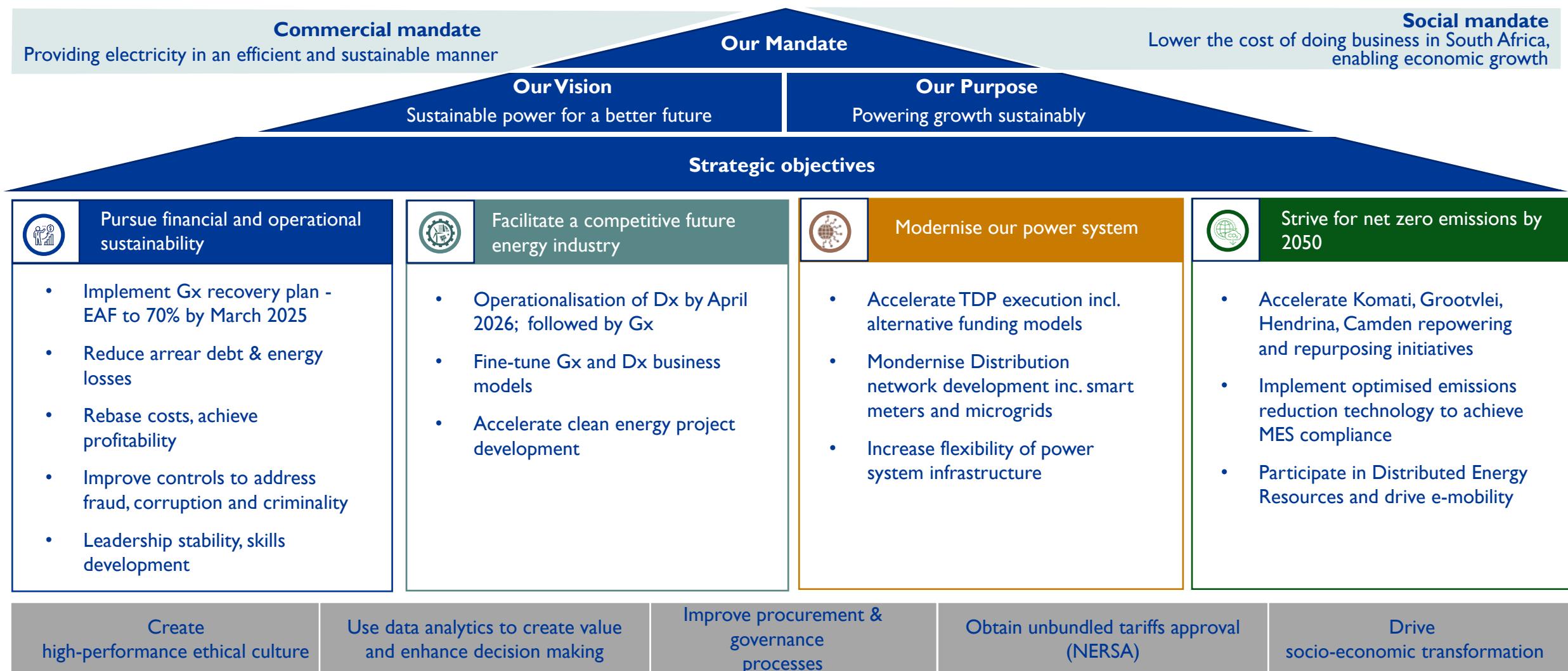
Mlawuli Manjingolo
Company Secretary



Ureka Rangasamy
Chief Audit Executive



Tembela Kulu
General Manager: Investigation & Security



Our focused efforts are yielding **encouraging results**



8 months (240+ days) of no loadshedding



~R16.33bn

Reduction in diesel spend

compared to the same period in the previous financial year



3470 MW

Grid **capacity that** can be made available implementing **curtailment** (Eastern and Western Cape)



20 MW

of **battery energy storage (BESS)** commissioned in Worcester



1 Jul 2024

National Transmission Company of South Africa **trading date**



JET¹

strategy **decoupled from shutdown plan** to balance security of supply and accelerate R&R implementation

and more will be achieved with **greater focus** on ...



~2524 MW

to be brought online by end of FY25 (return of Medupi U4 & Koeberg U2 and Kusile U6 synch)

~R250 bn

Converted to equity by fulfilling the National Treasury Debt relief to reduce **debt levels**

Munic debt

working with government to **address growing municipal debt and structural reforms**

Unbundling

NEDCSA² unbundling and NewCo³ establishment

Infrastructure

Execution of capital projects (TDP⁴ and clean energy)

Local communities

increase focus on **socio-economic initiatives in communities impacted by planned shutdown**

Stabilised leadership, increased accountability and autonomy as well as Eskom employees' commitment are the key enablers for our success

We are forecasting to achieve majority of our SHC KPIs, while we continue to enhance our processes to improve performance in areas that require further attention



Generation (9)			
	Q2 Actual	YE Proj	YE Target
EAF (%)	62.97	62.00	65
PCLF (%)	10.93	10.50	6.7
Emissions (kg/MWhSO)	0.55	0.50	0.30
Water consumption (l/kWhSO)	1.44	1.43	1.37
AEL compliance (%)	87.40	89.00	90
Coal purchases (R/ton %)	3.0	12.9	10
Generation Capacity (MW)	800	800	800
Microgrids at Komati (#)	13	30	30
Grootvlei Horticulture Facility (%)	50	100	100

Focus on Safety (1)			
	Q2 Actual	YE Proj	YE Target
Lost Time Injury Rate	0.30	0.32	0.3

Distribution (3)			
	Q2 Actual	YE Proj	YE Target
SAIDI (Hours)	34.3	36.2	38
Energy losses (%)	10.42	10.42	9.65
Payment levels (%)	94.25	93.40	94

Transmission (3)			
	Q2 Actual	YE Proj	YE Target
System minutes <1 (minutes)	2.41	4.00	3.53
Tx lines installed (km)	75.8	286	286
Transformer capacity (MVA)	200	2380	2380

Finance (4)			
	Q2 Actual	YE Proj	YE Target
EBITDA (Rmn)	TBC	TBC	67 120
Cash interest cover (ratio)	TBC	TBC	1.92
Debt service cover (ratio)	TBC	TBC	0.76
Savings from turnaround (Rbn)	TBC	TBC	5.4

Corporate (4)			
	Q2 Actual	YE Proj	YE Target
CSI spend (Rmn)	55.70	146.1	146.1
RT&D (%)	39.45	95	95
Blockchain adoption (%)	25	30	40
Dx legal separation (date)	No	Yes	30/6/24

Human Resources (2)			
	Q2 Actual	YE Proj	YE Target
KPI			
New Learner Enrolment	26	290	290
Training Exp. As % of gross employee benefit	4.26	4.30	3.75

P&SCM (6)			
	Q2 Actual	YE Proj	YE Target
KPI			
Preferential procurement (%)	107.26	80	80
Local content (%)	65.63	60	80
BBBEE score (no.)	3	3	4
Enterprise development (Rmn)	1.16	2.50	5
Supplier Development (Rbn)	0.42	3.50	6
NIPP (%)	100	100	100

Forensics (5)			
	Q2 Actual	YE Proj	YE Target
KPI			
Report assessments (%)	96	70	70
Investigation commenced (%)	4	70	70
Recommendation impl. (%)	--	40	70
Clearance Assessments (%)	70	70	70
Background Checks (%)	56	80	60

Description	Intervention
 Generation challenges <ul style="list-style-type: none"> While EAF improved 8.41 percentage points and 240 consecutive days of no loadshedding, tear end performance may be slightly below the 65% EAF target Higher than desired emissions due to performance of dust handling plants High water consumption related to lower plant efficiency and water related defects 	<ul style="list-style-type: none"> Continued focus on the generation recovery plan with focus on reliability Prioritisation on the execution of air quality projects to improve emission performance and AEL compliance Execution of the water reduction strategy during outages
 Transmission challenges <ul style="list-style-type: none"> System minutes – Driven by two major incidents (Veld Fire, Busbar faults from mist conditions) 	<ul style="list-style-type: none"> Expedited vegetation management programme to mitigate the impact of veld fires on infrastructure Plant modifications to mitigate for known and frequent weather challenges that impact plant performance
 Distribution and retail <ul style="list-style-type: none"> Non-technical losses (theft, incorrect billing, illegal connections) make up more than 70% of all energy losses recorded 	<ul style="list-style-type: none"> Rollout of smart meters and infrastructure upgrades to mitigate non-technical losses Targeted audits and fixes to address meter bypass and incorrect billing
 Social mandate <ul style="list-style-type: none"> Supplier development contribution amounted to R0.42bn mainly due to committed subcontracting Enterprise development and local content performing below expected levels 	<ul style="list-style-type: none"> Facilitate supplier training on Eskom's tender requirements SMEs in particular BwO, BYO and BO companies Various incubators approached to provide financing and support for small business development
 Other <ul style="list-style-type: none"> LTIR expected to come within tolerance level of 0.3 - motor vehicle accidents Research testing and development expenditure behind schedule, expected to recover in Q4 Blockchain relatively new intended to focus on emergent technology adoption 	<ul style="list-style-type: none"> New See Act Immediately campaign, aimed at boosting safety performance and inspiring positive behavioural change Prioritised initiatives for greater adoption



Culture, skills and capabilities

Driving high performance, ethical culture

- Leadership continuity and succession planning
- Leadership role modelling, stability, agility and discipline
- Reskilling and upskilling of workforce in line with the evolving industry



Leadership Appointments

- Filling of key executive vacancies – 6 Executive positions filled
- Redeployed power station managers according to required skills and expertise



Intensified Employee Motivation and Commitment

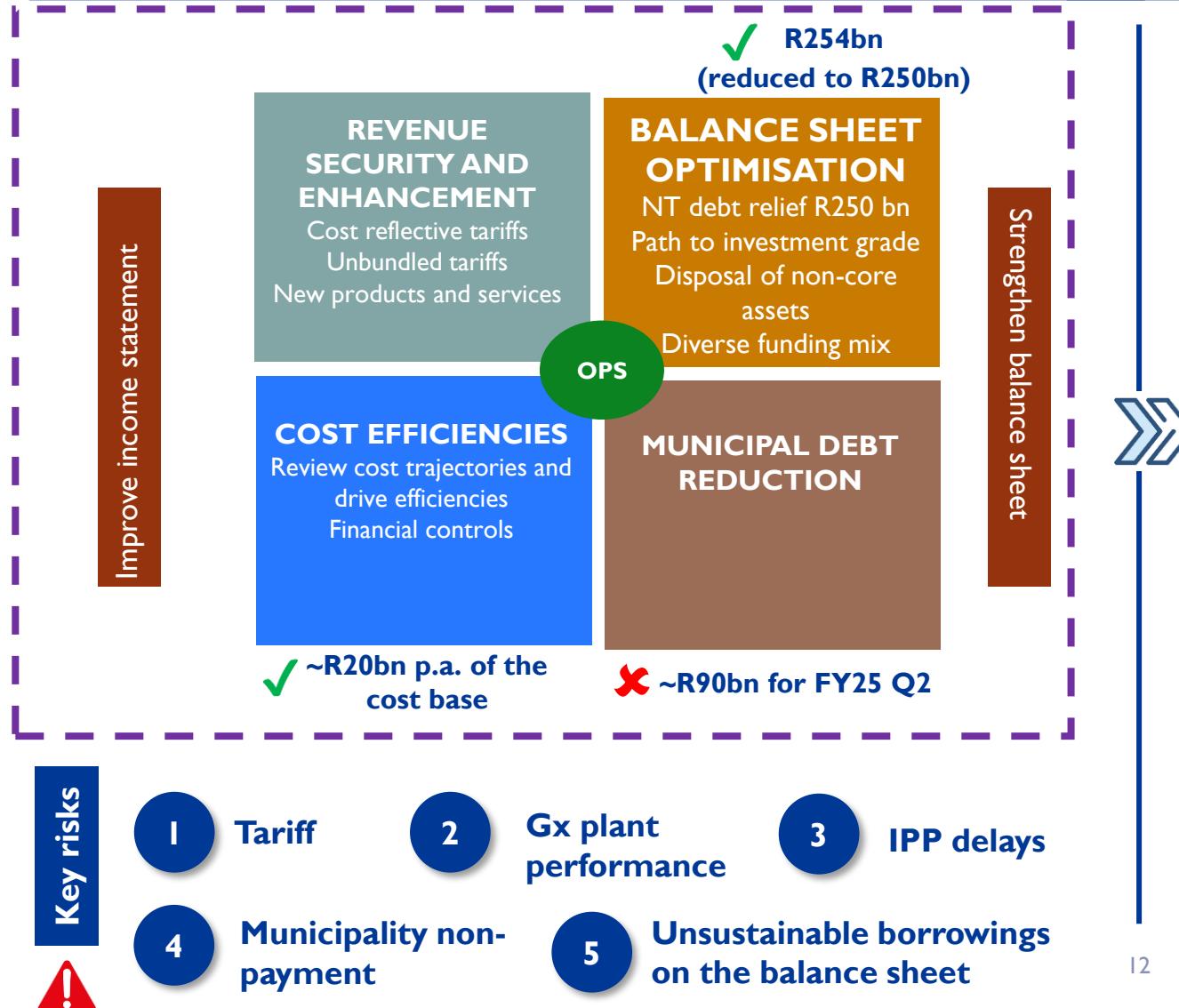
- **12 GCE staff engagements covering >15 000 employees, incl. organised labour leadership**
- Nkanyezi Employee Value Proposition Programme
- Eskom Women's Advancement Programme





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Pillars of our financial strategy



Insights

- Four pillars to financial recovery: (1) **Revenue security**, (2) **debt reduction**, (3) **cost containment** and (4) **reduction in municipal non-payment**
- We have implemented **cost efficiencies** in our cost base, achieving on average R20bn cost reduction for the last 3 financial years. To date operational performance has led to reduce diesel expenditure by R 16.33 bn
- The **debt relief** allowed the business to manage its high debt service costs and cash, to allocate the financial resources needed for Generation (to address the maintenance backlog and adequately prepare for outages). This served as the critical precursor for improved plant performance and financial recovery
- **Limited success with the Municipal Debt Relief programme** with low adherence to the debt relief conditions. Municipal debt including metros **growing by more than R10 bn/annum**
- All four pillars need to be addressed at the same time if Eskom is to become financially independent

Overall, our financial performance has improved year-on-year (YoY), with only coal costs performing worse



Revenue improved mainly due to tariff increase and slightly higher sales volumes



Improvement in debt service and cash interest cover ratios due to the impact of the National Treasury debt relief



Primary energy spend 6.8% lower YoY due to below budget spend on coal usage costs, OCGTs, IPPs and international purchases



Combined OCGT cost
Sept '24: R6.1bn Sept '23: R18bn



Coal costs
Sept '24: R49.64bn Sep '23: R45.3bn

R11.9bn reduction

R4.34bn increase

KEY:

Better YoYYTD

Worse YoYYTD



On 31 March 2023, National Treasury's Intergovernmental Relations unit issued a circular referring to the Eskom Municipal Debt Relief. Government's debt relief package for Eskom is intended to improve the utility's balance sheet and facilitates the proposal for Eskom to write off municipal debt under strict conditions and with the guidance of the National Treasury.

Outstanding Municipal Debt



Insights

- 75 out of 239 South African municipalities owes Eskom more than R100m each – total R92.82bn (R73.76bn at March 2024)
- R19.34bn YTD October growth
- Total overdue debt YTD October comprises of R14.96bn from metros as well as R78.8bn other municipalities
- 71 municipalities were approved on the Debt Relief programme, of which 11 is honouring the timely payment of current accounts

Top 10 Overdue Municipalities – incl. Metros

Municipality	Mar 2023	Mar 2024	Oct 2024
Emalahleni Local Municipality*	R 7.42bn	R 8.51bn	R 9.80bn ↑
Maluti A Phofung Local Municipality*	R 7.24bn	R 7.98bn	R 8.50bn ↑
Emfuleni Local Municipality*	R 5.91bn	R 7.06bn	R 7.98bn ↑
City of Tshwane Metro Municipality	R 1.06bn	R 3.12bn	R 6.70bn ↑
Matjhabeng Local Municipality*	R 5.25bn	R 5.76bn	R 6.19bn ↑
Govan Mbeki Local Municipality*	R 3.72bn	R 4.48bn	R 5.17bn ↑
City of Johannesburg Metro Municipality	R 0.01bn	R 1.08bn	R 4.93bn ↑
Lekwa Local Municipality*	R 1.86bn	R 2.19bn	R 2.53bn ↑
City of Ekurhuleni Metro Municipality	R 0.33bn	R 1.58bn	R 2.50bn ↑
City of Matlosana Local Municipality*	R 1.44bn	R 1.75bn	R 2.28bn ↑

* Approved on debt relief programme

Key Initiatives



Dedicated State Capture Task Team

Recommendations include:

- Instituting criminal charges
- Consequence management against employees and suppliers
- Pursuing director delinquency proceedings
- Civil recovery of financial losses suffered by Eskom



Security Risks and Threats to Infrastructure and People

Partnership with various stakeholders to address key security risks and threats to infrastructure and people



Security Vetting Programme

The Security Vetting programme focusing on non-executives, executives and employees in critical areas is in progress, with clearance certificates issued by State Security Agency



Optimisation of Processes and Technology

- Re-evaluation of effectiveness and amending policies, processes, systems, controls and structures where necessary
- Eskom Security embarked on technology optimisation, security contract management and driving integrated security strategies.



304
arrests



17
convictions



526 of 729
in progress / complete

Consequence Management: Supplier Review Status

- Eskom has established an interim supplier discipline process to review contracts of suppliers implicated in malfeasance while a permanent supplier disciplinary process is being developed.



145 cases
referred to the supplier disciplinary process for assessment and processing



41 suppliers
sanctioned with removal from Eskom's Supplier Database (ESD) and recommended for referral to NT for blacklisting



106 cases
finalised



36 suppliers
given a suspended sanction



28 suppliers
files were closed with no further action to be taken (no malfeasance found, or deregistered and no longer in existence)



2 suppliers
sanctioned with removal from Eskom's Supplier Database (ESD) without referral to NT



39 suppliers
cases still under review



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In 2019, the SA government issued a directive under the DPE¹ Roadmap, setting the direction for Eskom's unbundling

DPE Eskom unbundling directive & desired outcomes

Non-exhaustive

DPE directive

In 2019 the South African Government initiated a journey to Reform the South African Electricity Supply Industry **including a decision** through the DPE¹ to unbundle Eskom Holdings into 3 standalone Entities, as guided by the DPE¹ roadmap, to...

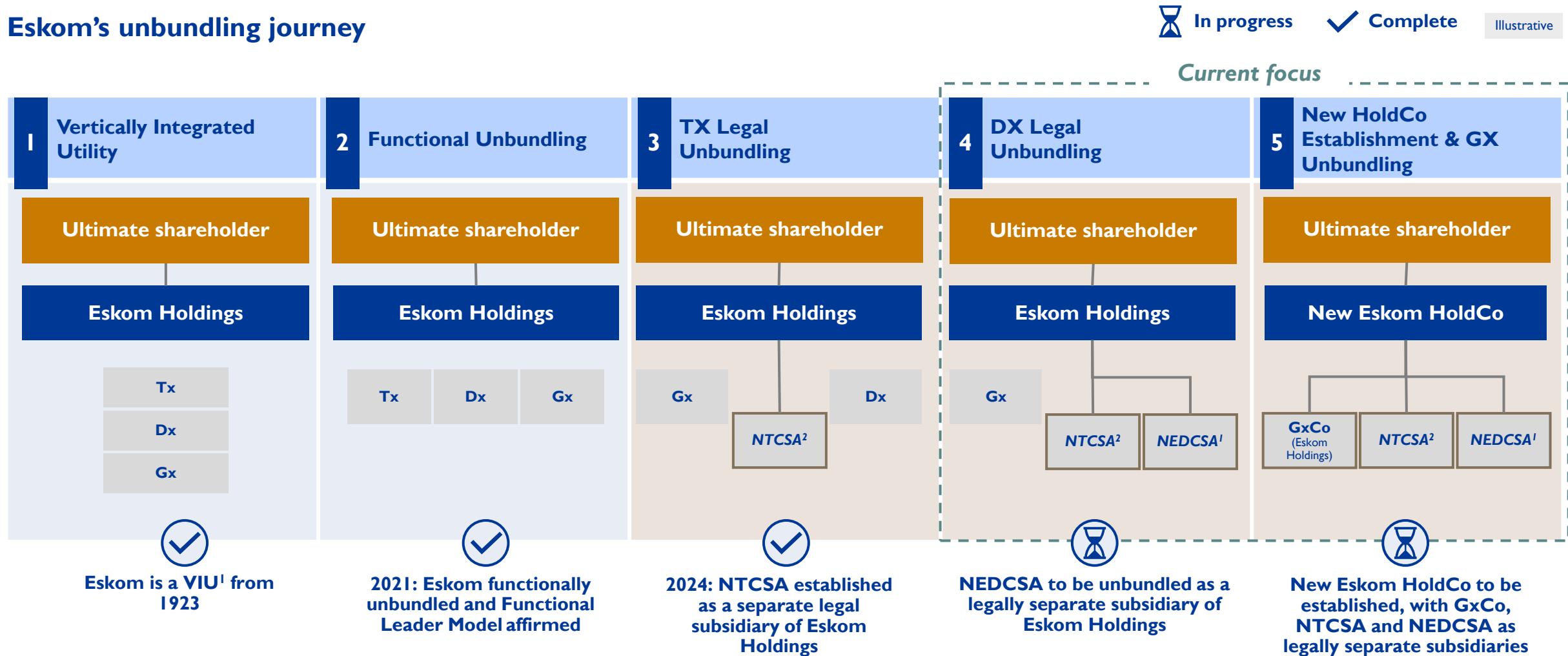
Desired unbundling outcomes

-  ...allow management focus along the value chain
-  ...improve operational & financial efficiencies
-  ...create greater performance transparency
-  ...provide protection against corruption and rent-seeking
-  ... improve investor comfort to attract funding

In keeping with the DPE roadmap's direction for Eskom, we are progressing in our unbundling journey with the focus now shifting to Dx and the new HoldCo



Eskom's unbundling journey

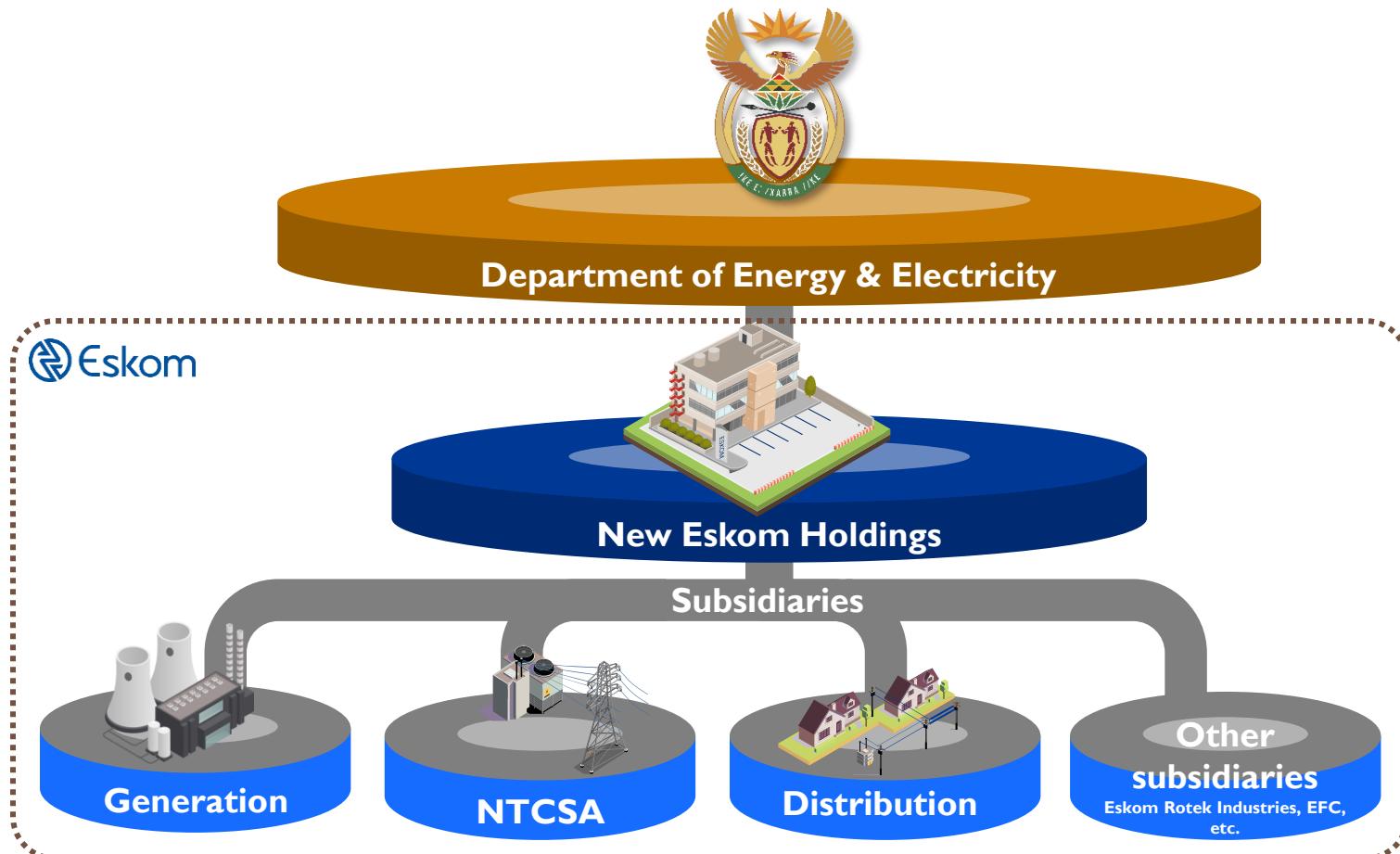


As per section 35 of the ERA Bill the NTCSA will serve as the transitional TSO SOC Limited until the TSO SOC is established in a period no longer than 5 years - whilst we continue the unbundling journey across the rest of the Eskom value chain the evolution of the NTCSA is being further unpacked

Our unbundled state will create legally separate subsidiaries providing operational independence whilst still under the Eskom Corporate structure



Eskom's unbundled transitional state



Role

- As the **Ultimate Shareholder**, the Department of Energy & Electricity is **accountable to Parliament for the Group's overall performance**
- **Approves** overall **strategic direction of the Group and its Subsidiaries** as well as any proposed changes
- New Eskom Holdings will be the new **holdings company** with various subsidiaries **accountable to the Ultimate Shareholder** for consolidated Group performance
- Sets overall **strategic direction**, incl. objectives and KPIs, and **oversees subsidiary performance**
- **Legally separate subsidiaries**, owned by and accountable to New Eskom Holdings
- Define and drive **subsidiary-specific strategy**, in keeping with group-level strategic direction
- Responsible for **day-to-day subsidiary operations**, in adherence with relevant Group policies

All subsidiaries will still fall under the Eskom umbrella, but have freedom to operate their independent businesses within the applicable regulatory and governance boundaries to achieve the DPE outcomes.

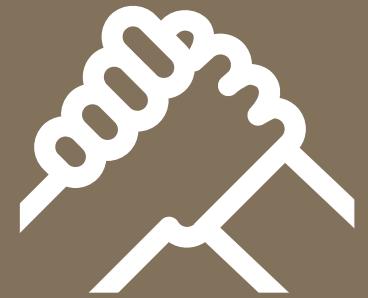
With NTCSA now trading since July this year, our focus shifts towards ensuring Distribution is adequately prepared for its separation process



Key focus areas

Non-exhaustive

Key upcoming milestones / focus areas		
NTCSA	A blue icon of a transmission tower with three horizontal lines representing power lines.	<ul style="list-style-type: none">– Refine ways of work with Eskom Holdings– Define the evolution of NTC SA
Distribution (NEDCSA)	A blue icon of a circular symbol with a vertical line through it, representing a distributor or connection point.	<ul style="list-style-type: none">– Unpack the Dx solvency risk relating to municipal debt– Commence lender engagements– Sign merger agreement– Submit license applications to NERSA
Generation	A blue icon of a factory building with a chimney and three vertical lines representing smoke or steam.	<ul style="list-style-type: none">– Finalise remaining PPAs– Refine the Gx Business & Operating model for the future Eskom
Eskom Holdings	A blue icon of three stylized buildings of varying heights with three people walking in front of them.	<ul style="list-style-type: none">– Finalise group parenting strategy and associated SGF¹ and subsidiary DoA², in keeping with statutory and transactional requirements– Review group operating model and unbundling readiness
New HoldCo	A blue icon of a building with a single vertical line representing a chimney or antenna.	<ul style="list-style-type: none">– Align with government on the preferred incorporation mechanism, based on options submitted– Define transaction mechanism and implementation plan for New HoldCo establishment



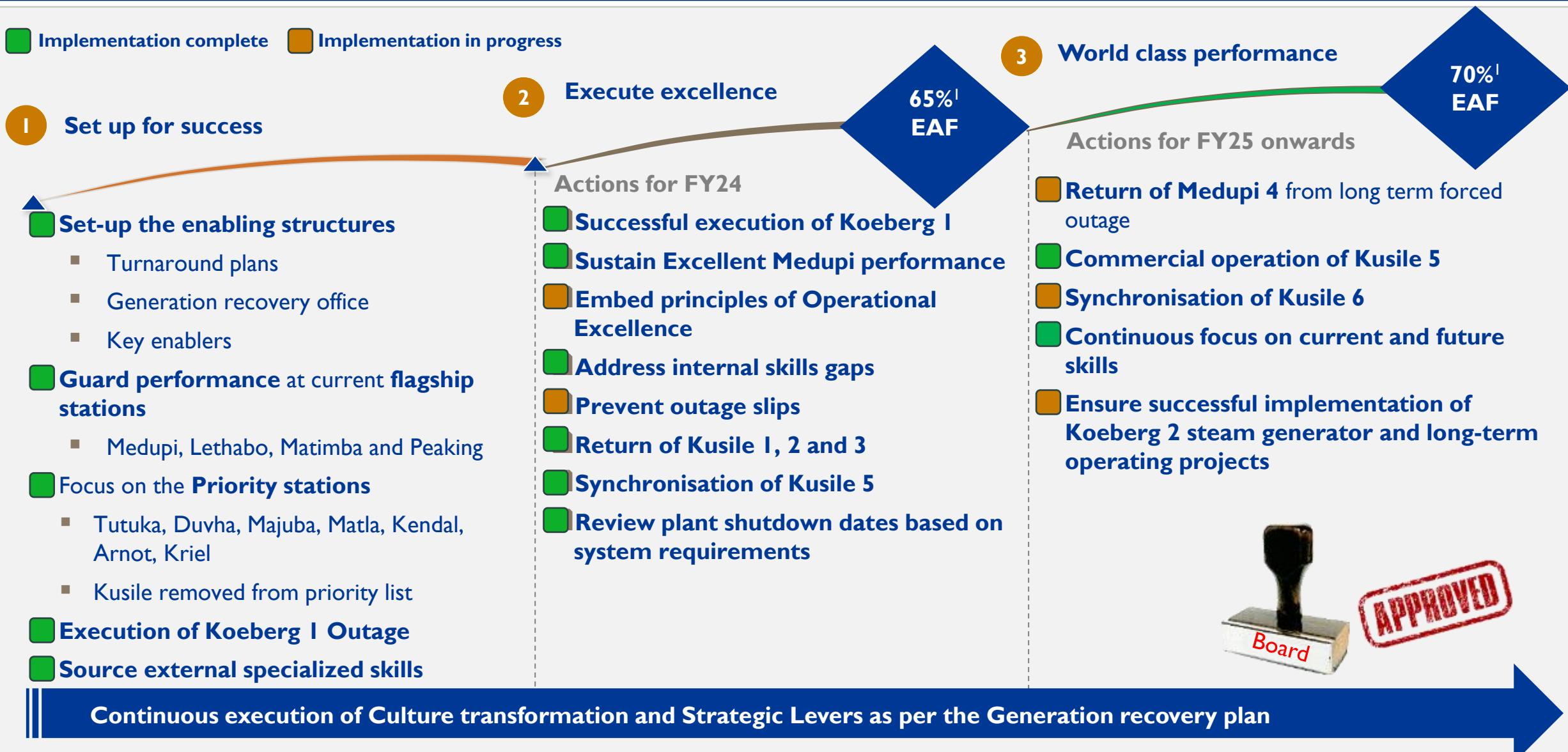
Our continued success on this journey will require strong collaboration and coordination across all stakeholders

I. Subsidiary Governance Framework; 2. Delegation of Authority

Source: Eskom Unbundling Working Team



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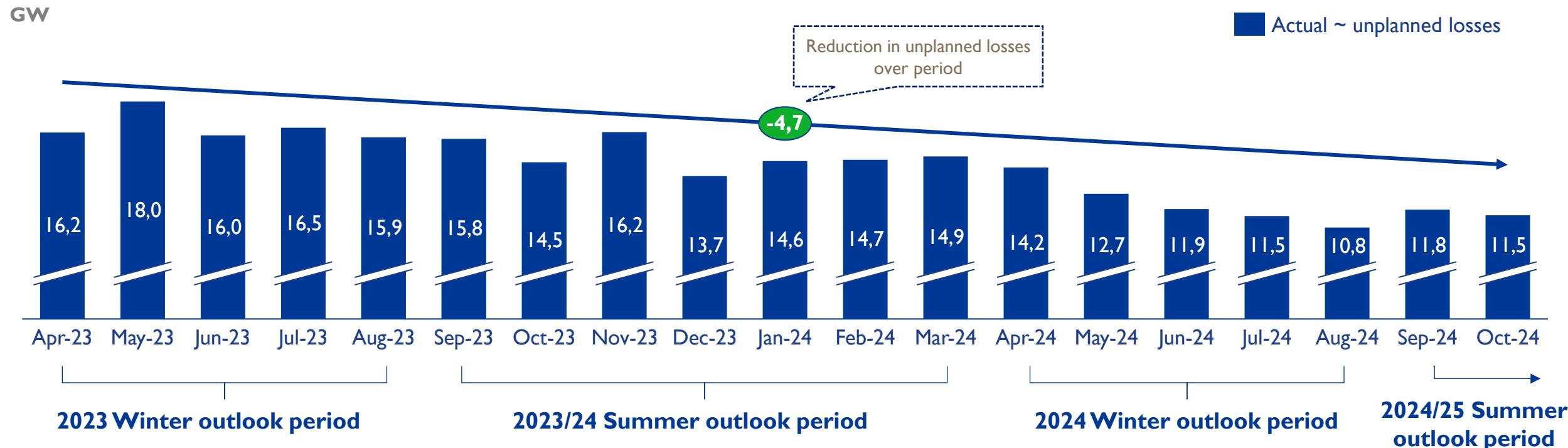
Summer 2024/25 – I September 2024 to 31 March 2025 (212 days)

Scenarios		Base Case: 13 000MW UCLF		Base Case + 1000MW: 14 000MW UCLF		Base Case + 2000MW: 15 000MW UCLF	
Number of LS days OCGT costs		0 Days R 3.5bn		21 Days R 10.3bn		115 Days R 23.0bn	
Highest stage of LS		-		Stage 1		Stage 2	
Month	Peak Residual Forecast	Load shedding days	Max Load shedding stage	Load shedding days	Max Load shedding stage	Load shedding days	Max Load shedding stage
September	29 389	0	0	1	1	16	2
October	28 928	0	0	0	0	16	1
November	28 868	0	0	1	1	13	2
December	28 398	0	0	5	1	17	2
January	28 105	0	0	3	1	16	2
February	28 486	0	0	1	1	16	2
March	28 967	0	0	10	1	21	2

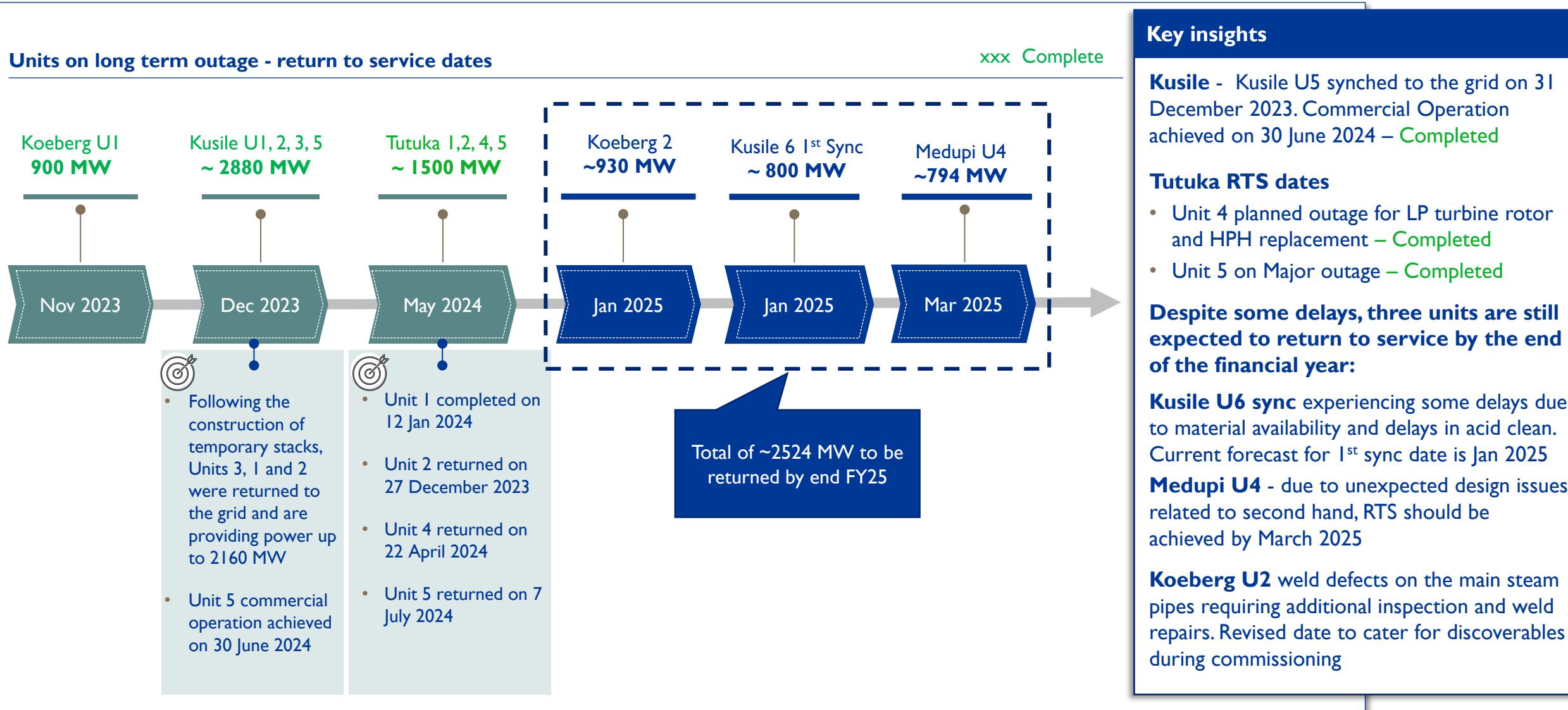
Our Summer 2024/25 base case is revised downwards by 1 500MW relative to the previous summer outlook which ranged from 14 500MW to 17 000MW with loadshedding stages 6 and 7

Summer forecast planned maintenance of ~6700MW (14%) is in line with the levels of maintenance of ~6600MW in the previous period

Eskom Gx actual performance on unplanned losses¹



- **Downward trend** observed in unplanned losses, specifically driven by **priority 8 stations** (Tutuka, Majuba, Kusile, Kendal, Matla, Duvha, Arnot and Kriel)
- **Current unplanned losses of ~11.5GW for Oct 2024** are better than anticipated in the Summer outlook, as a result, no loadshedding is required
- Increased UCLF in September and October due to challenges experienced at Medupi and Koeberg (both with spikes in their usual UCLF performance)
- Comparing the **average load losses in Sep-Oct 2023 (15.2GW) vs. same period 2024 (11.8 GW)** shows an improvement of approximately **3.4GW**, which further illustrates that the **reduction in loadshedding is a result of improved plant performance**



Despite supply exceeding demand at all times, load reduction has been necessary to protect the network and people in areas with rampant illegal connections

Load Shedding

Generation



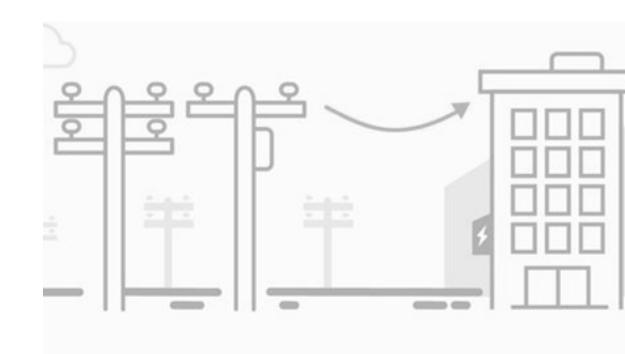
- When there is **insufficient generation capacity** to meet demand
- Loadshedding implemented to **protect the country** from a black out

Transmission



Load Reduction

Distribution



- When the **customer demand is higher than what the local equipment can withstand**
- Load reduction implemented to **protect equipment** (transformers) and **people** (explosions)

Eskom is working together with **SALGA** and the **Ministries** to resolve the structural challenges facing the distribution industry

WE NEED COMMUNITIES TO HELP US PROTECT OUR EQUIPMENT FROM CRIMINALITY



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Three key elements of Eskom's Just Energy Transition



Just: Do better for people, creating jobs, and reindustrialising



Energy: Secure sufficient clean, sustainable energy



Transition: Attract green finance, develop new partnerships

Our approach and progress:

Decoupled JET programme from station shut down – simultaneously address security of supply and Repowering & Repurposing projects

Delaying coal station shut down dates to 2030 for stations planned for closure before 2025

50 repowering and repurposing projects in the pipeline, with approximately 2172MW capacity and 1754 permanent jobs

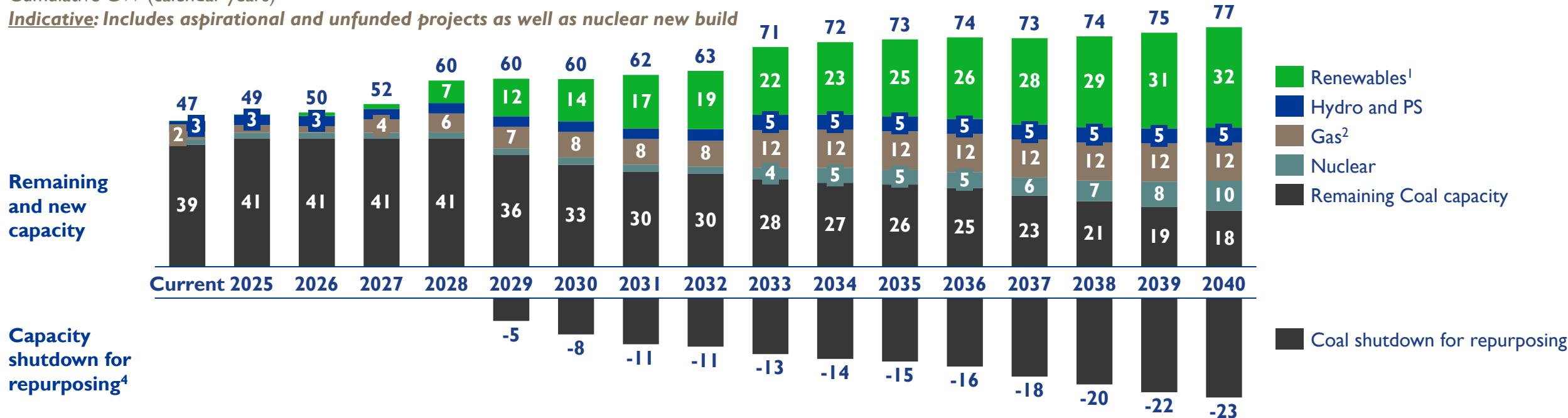
Lethabo PV (75 MW) plant issued to the market, **manufacturing 30** containerised microgrids per annum

Revised land lease programme and establishing ash beneficiation centres at the three stations
Looking into PPE manufacture, steel manufacture, copper recycling

Forecasted Generation capacity mix

Cumulative GW (calendar years)

Indicative: Includes aspirational and unfunded projects as well as nuclear new build



Insights

- Eskom's generating mix will transition from **predominantly coal currently** to a **balanced mix with primarily clean energy sources by 2040**
- These **projects will require extensive funding** and a combination of **inhouse funding and partnerships with external parties** will be pursued to enable this
- Eskom's generation mix will be continuously revised based on **changes in South Africa's electricity industry**, informed by developments in the integrated resource plan, **technological** as well as **economic considerations**

Footnote: 1. Renewables in this graph includes Wind, PV and BESS as the split between technologies is still being refined and excludes Hydro as it is illustrated separately 2. Gas includes existing liquid fuel turbines 3. Coal shutdown will be replaced by cleaner sources. BESS – Battery Energy Storage System; PV – Photo Voltaic; PS – Pumped Storage. 4. 342MW of Gas and 105MW of Wind will be decommissioned over the period (Not illustrated)

Sources: Continued Operations Study Engineering analysis as at 16-10-2023 | Capacity table 01 August 2024 | Clean Energy Project Funnel and Roadmap 27 Sept 2024

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Eskom is **turning the corner** in terms of its **operational and financial performance**, although there is still further work required to ensure sustainability of the industry

Over and above the **NT debt relief** and **efficiency measures**, Eskom is implementing **municipal debt recovery** and ensuring an **appropriate tariff**, which is **critical to financial sustainability**

The legal separation process remains a priority to **create greater performance transparency, promote efficiency and attract investment into the electricity supply industry**

Significant **investment in electricity infrastructure** will assist in **ensuring continued security of supply**. Our pipeline of **new clean energy** and revised approach to the **just energy transition** is intended to **mitigate the socio-economic impact** of the transition

Leadership stability and the **improved staff morale** has been **fundamental** to the **turnaround**