

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 2217**

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**2217.     Mr M G P Lekota (Cope) to ask the Minister of Public Enterprises:**

1. Whether the Government had completed a detailed financial analysis to put

an estimate on the final cost of Medupi Power Station; if not, why not; if so, what are the relevant details;

1. whether the Government’s financial analysis corresponds with independent

estimates that Medupi Power Staton will have cost the Government R300 billion rand or 10 times its cost at the signing of the contract; if so, what is the Government’s own estimate of the final cost;

1. does the Government’s final cost estimate differ with the independently

estimated cost of R300 billion; if not, why not; if so, (a) by what amount below or above that mark, (b) will the Government explain what consequences will flow for all those who allowed the target to be overshot by the specified amount and (c) what measures has the Government implemented from 2009 to control the runaway costs;

1. will she make a statement on the handling and management of Medupi

Power Station from its implementation up until the latest specified date for which information is available in light of the Government’s own fiduciary responsibility for Medupi Power Station?                                NW2574E

**REPLY**

(1) Yes. The cost to completion on the Medupi Project, as with other long term projects, is reviewed on an ongoing basis. The current approved cost to completion is R105bn. The Board of Eskom has not approved any further revision to the R105bn. The most recent review of the costs is currently undergoing internal Governance scrutiny. Should an increase to the current cost of completion be required, the Board will seek the necessary Shareholder approval through the PFMA process.

(2) Eskom is not familiar with the details, assumptions or factors that have been considered in the independent estimate of R300 billion, hence Eskom is not in a position to comment on the credibility of the estimate. The current approved project cost to completion on the Medupi Project is R105 billion.

(3) Eskom’s final cost estimate differs from the quoted independent estimate.

1. Eskom’s current approved cost to completion of Medupi of R105bn is R195 billion below the above mentioned independent estimate.
2. The Government is aware that the Medupi project might have cost overruns due to the various factors and Eskom will provide the detail of cost overruns to the Department in due course when all the Government processes have been completed.
3. Eskom is consistently incorporating techniques to improve performance and manage costs. These ideas for improvement are derived from lessons learnt on other local and international projects. The following main cost control measures have been implemented:

• The introduction of additional supervisory resources to manage construction interfaces and the quality of on-site construction activities and off-site fabrication works.

• The strengthening of construction techniques within the project.

• Implementation of a robust claims management strategy.

• Improved Project oversight and streamlined decision making via the Eskom Board Build Program Review Committee and Eskom’s Executive Build Program Review Committee.

(4) The Minister will continue with the shareholder oversight pertaining to the progress of the Medupi Power Station project. The operational issues of the project are handled by the Eskom and quarterly progress is provided to the Department. The Department has undertaken a study to evaluate Eskom’s build programme and there has been lessons learned which are to be implemented to the build programme.