

Eskom Presentation to the Portfolio Committee on Trade and Industry

2 November 2012



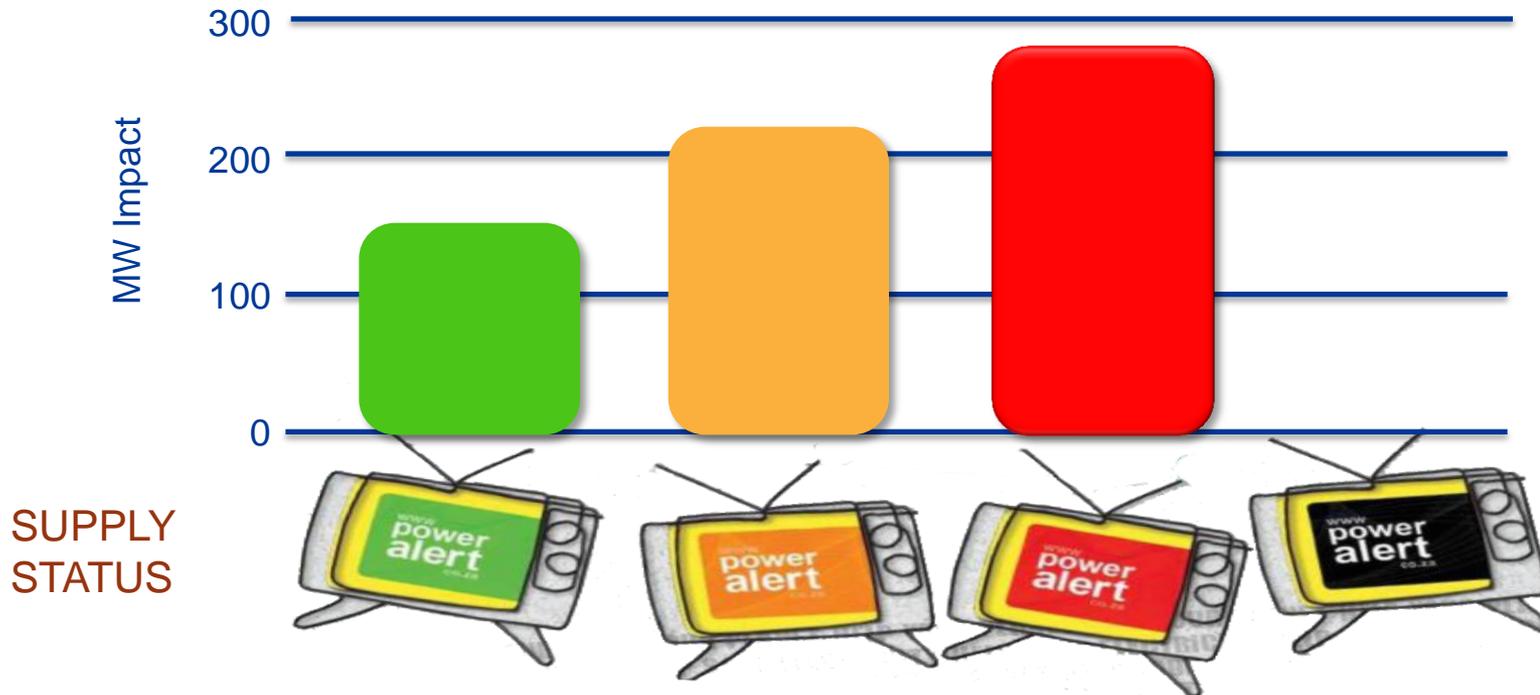
Quarterly Update State of the Power System



- We kept the lights on in winter
- Summer poses new challenges
- Our power stations are ageing. Sustained high levels of maintenance over the next three years are needed for reliable performance. Power station performance has been volatile and must be improved
- Maintenance backlog is down from 26 to 20 units at the end of September
- However, lower imports and volatile plant performance reduced the space for planned maintenance
- Severe winter weather impacted supply to customers in some provinces, but Eskom preparedness helped to mitigate risk
- Industrial unrest a concern
- New build programme is on track
- We thank customers who have partnered with us, and Government for its support and active energy efficiency campaign
- Eskom cannot do it alone. We urge South Africans to save at least 10% and switch off over peak

Consumers have responded to Power Alerts

**Average MW impact per message:
National Power Alert (April 12 - July12)**



- Households do respond to Power Alert messages on TV
- System achieved a residential evening peak demand reduction of over 420MW, during winter, on worst system constrained days (>23,4 million lights or 140 thousand geysers)

What has been done?

- ✓ Signed power purchase agreements (PPAs) with municipalities
- ✓ Secured available non-Eskom generation from customer base on a short-term basis.
- ✓ Obtained voluntary co-operation over peak periods from large customers
- ✓ Secured cross-border generation, signed PPA and currently receiving a stable supply
- ✓ A demand response suite of products with a target of 1000MW has been put together and is being presented to customers for their participation.
- ✓ Accelerating a mass rollout of technologies for residential customers to become more energy efficient.



- **Solar water heating:** since inception **285 000** solar water heating rebates processed.
- Savings achieved of 46 MW and 251 GWh
- Programme will now aggressively incentivize local content via the rebate.
- **Residential mass rollout programme**, phase 1 achieved a saving of 181 MW. Visited more than 800 000 lower to middle income households and created 227 direct and 3 018 indirect jobs. Phase 2 to target savings of 190 MW.
- **Water heating pump programme** : participation levels have increased (to date 4 970 rebates).
- **Standard Offer and Standard Product:** new suite of funding mechanisms launched to target businesses.



- South Africa's power system will be tight for the next few years: the next two years will be critical
- We have kept the lights on nationally since 2008, and did so again during winter
- But summer will be a challenge, when we have to take advantage of lower demand to do much more planned maintenance
- Maintenance backlog is being addressed, but we need sustained high levels of maintenance to improve the reliability of our ageing fleet of power stations
- We urge all South Africans to save at least 10% of their electricity usage
- Partner with us

Opportunities and Challenges on the implementation of IPAP



We have embarked on this journey in full acceptance of our role as an SoC in driving the implementation of government's socio-economic development policies

	Description	Stated priority goals	SD&L Opportunity
National Development Plan	<ul style="list-style-type: none"> A plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems. 	<ul style="list-style-type: none"> <i>Reduce the number households with a monthly income below R419 per person from 39% to 0</i> <i>Reduce inequality, as measured by the Gini coefficient, from 0.69 to 0.62</i> 	<ul style="list-style-type: none"> <i>Decreasing inequality</i>
New Growth Path	<ul style="list-style-type: none"> Developed by the Economic Development Department in 2010 to frame a new approach to unlocking economic growth; Aim is to target limited capital and capacity at activities that maximise the creation of work opportunities 	<ul style="list-style-type: none"> <i>Five million jobs by 2020 - reduce unemployment from 25% to 15%</i> 	<ul style="list-style-type: none"> <i>Economic Growth</i>
Industrial Policy Action Plan	<ul style="list-style-type: none"> Policy to implement the strategic NGP ideas with specialised action plans for the major industries that have the biggest impact with respect to the NGP goals Focuses on manufacturing and other value-added sectors 	<ul style="list-style-type: none"> <i>IPAP has a target of 129,000 jobs over the next three years</i> 	<ul style="list-style-type: none"> <i>Localisation and Industrialisation</i>
CSDP	<ul style="list-style-type: none"> Allows for investment in the supplier's own supply chain to help reduce cost and develop the supplier Supplier development plans consist of usage of specification, procurement and strategic sourcing by SOEs towards local supplier development 	<ul style="list-style-type: none"> <i>Local industry growth by increasing competitiveness and increasing local capability and capacity</i> 	<ul style="list-style-type: none"> <i>Localisation and Industrialisation</i>
B-BBEE	<ul style="list-style-type: none"> Embeds BEE in PPPFA guidelines so that public entities consider black economic empowerment within their preferential procurements 	<ul style="list-style-type: none"> <i>Facilitate broad based black economic empowerment</i> 	<ul style="list-style-type: none"> <i>Transformation</i>

Challenges experienced during the implementation of IPAP

High cost of input material

Description

- Local South African monopolies (e.g. steel, cement, certain chemicals) are expensive.
 - Strong international vendors often dictate price.
 - Adds to cost of programmes and requires strong negotiation skills and rapid conclusion.
-

Shortage of skills

- **Shortage of technical and professional skills in South Africa poses unique challenges.**
 - Adds to cost of programmes, slows the programmes down and place a reliance on international labour.
 - Example, Eskom expects to use an estimated 1,300 to 1,500 highly skilled welders until 2015 at its Medupi and Kusile construction sites, but will remain reliant on foreign welders due to the expertise required to work on exotic materials used during construction.
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Limited access to funding

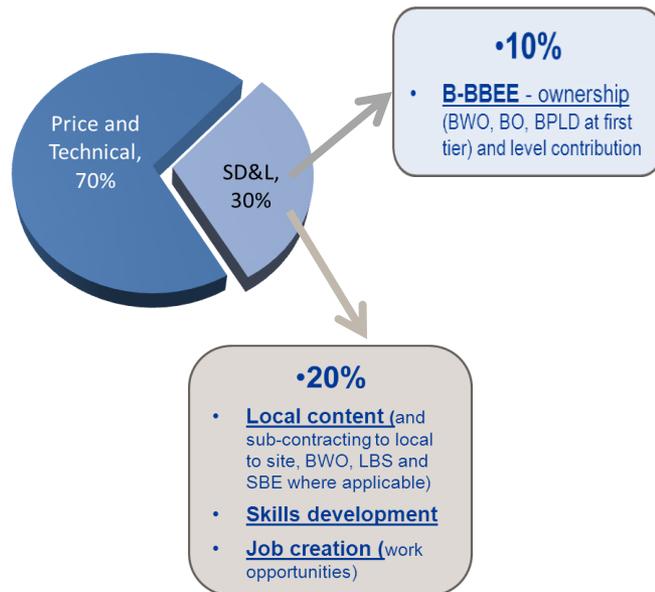
- **Global financial crisis resulted in an unfriendly debt environment.**
- Due to South Africa's multiple social priorities, Government has been unable to commit additional funding from tax revenue. **Development Finance Institutions**, such as the IDC, have been set up by government to **bridge the funding gap** for industrial ventures but their lending criteria are often akin to those of private banks

However the following opportunities have also presented themselves...



- Although Eskom does not build Power Stations everyday, however Eskom does build substations and transmission lines all over the country on a continuous basis, therefore the introduction of IPAP has expanded the localisation and industrialisation view to not only look at New Build but also the Transmission and Distribution networks.
- Additional opportunities lie within leveraging on existing synergies with other parastatals and industries who use similar commodities. These relationships could be used to industrialise certain commodities or perhaps utilise economies of scale to procure them cheaper
- UNIDO has played a vital role thus far in attempting to leveraging synergies amongst the two participating SOC's, but this could be enhanced substantially through expanding into other demand creators, i.e. other SOC's, Municipalities, mining houses, etc. Example of commodities where synergies exist are Valves, Filter Bags, Transformers and Cables

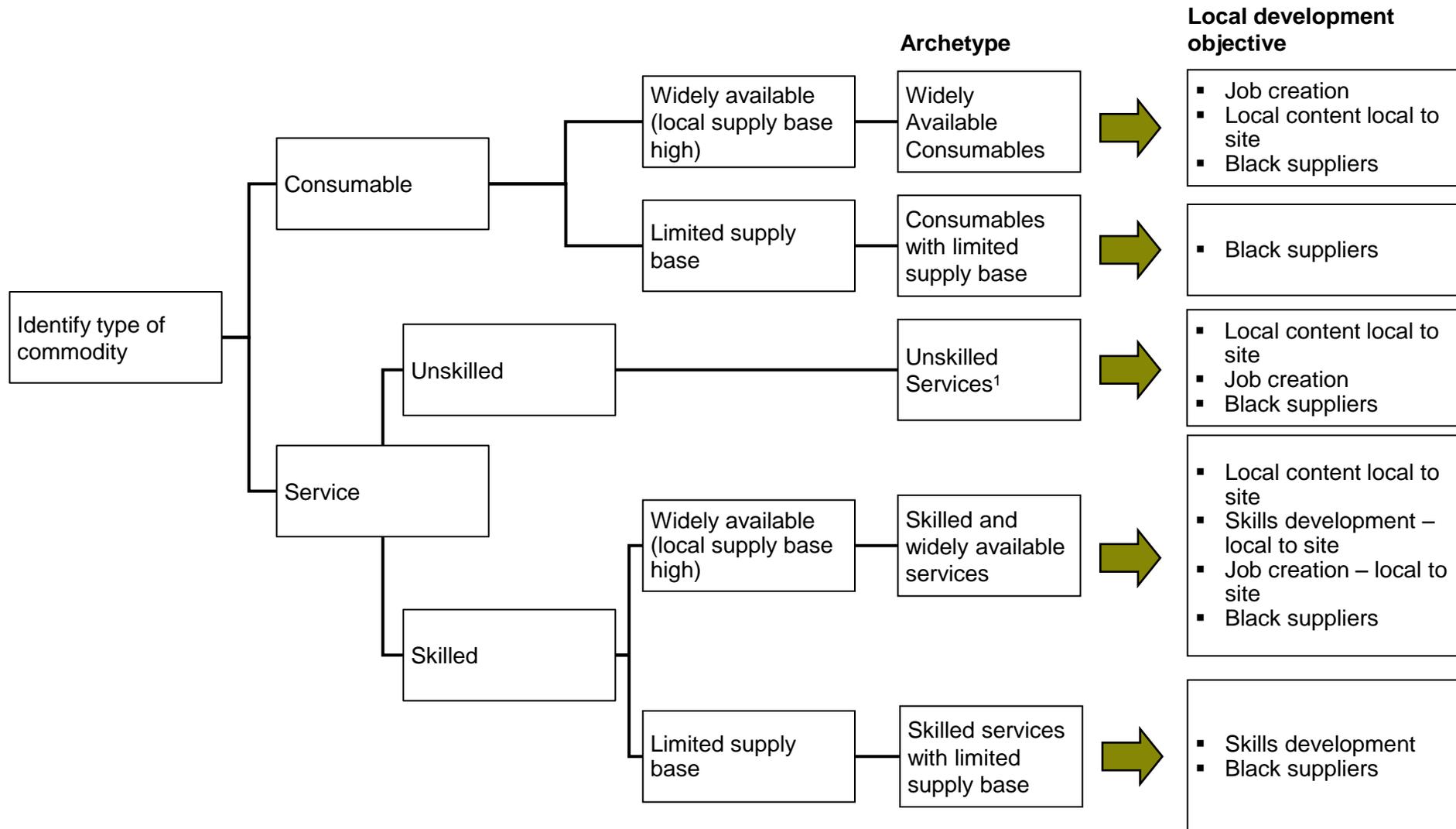
The evaluation criteria now contains an increased SD&L evaluation score allocation in the overall scoring to ensure all dimensions of local development are considered:



Enabling mechanisms for achievement of SD&L objectives:

- Hierarchy of Supplier Preference
- Mandatory inclusion of SD&L representatives in all procurement evaluation and adjudication teams, committees and demand forecasting teams
- SD&L is a mandatory component of the evaluation criteria
- Alternative mechanisms: price-matching; set-asides; awarding of additional preference points for defined categories of suppliers
- SD&L matrix is a standard tender returnable
- B-BBEE certificates

Implementation: Classification and Categorisation of Projects and Commodities linked to local development objectives



¹ Assumed to be widely available

Performance on socio-economic objectives (IPAP) from the inception (2007) of the new build programme



KPAs	KPIs	Target for FY13	End September
Localisation	% of Local content contracted in new build	52%	89%
Job Creation	Jobs or work opportunities created by suppliers*	39 020	32 478
Skills Development	Investment in skills developed by suppliers*	7 243	6 397
Industrialisation	Investment in plant by suppliers*	R1,37 bn	R722 mil

Keys



Above Target



Target achieved



Below Target



Target not met



Data not available



Thank you

MYPD3 Application 2014 - 2018



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OVERVIEW



MYPD3

The beginning of a public process

Electricity tariffs are decided and regulated by the National Energy Regulator (NERSA), an independent body.

The current three-year tariff cycle ends in March 2013.

Eskom must apply now for the new tariff cycle, to allow time for NERSA to elicit public comment and conduct public hearings – we encourage all to engage with our application.

MYPD3

Application aligns
with 2012 State of
the Nation address

*“In support of economic growth
and job creation”*

*“We need an electricity price path which
will ensure that Eskom and the industry
remain financially viable and sustainable,
but which remains affordable,
especially for the poor.”*

Our application ensures we can cover the costs of supplying the electricity needed to power South Africa and invest in the future.



WHY
the tariff increases?

Our application ensures we can cover the costs of supplying the electricity needed to power South Africa and invest in the future.



Secures the resources to run existing operations (coal, maintenance, human resources) and support the financing of new capacity, as well as to introduce independent power producers, while protecting the poor.

WHY
the tariff increases?

- A stable supply of electricity is essential to power economic growth and improve the quality of life
- Current electricity prices do not cover the full costs of supplying electricity – application continues the migration to cost-reflective tariffs
- We recognise the impact of tariff increases on the economy and households, especially small business and the poor
- Application seeks the right balance for the country
- A five year price path to smooth the impact and provide certainty
- We have looked hard at our costs for efficiency
- Coal and other operating costs have been contained in the application

- We have provided for the costs of using and replacing our assets and servicing debt raised to fund investment in new infrastructure for SA
- Application includes introduction of new independent power producers in all three phases of the Department of Energy's renewable energy programme (3725 MW) and the DoE's peaker plants (1020 MW)
- Average annual increase of 13% to meet Eskom's needs over five years, plus 3% to introduce new independent power producers – a total of 16% per annum
- We have included a long term price path to implement new capacity beyond Kusile, but this is not included in our revenue requirement for the five years

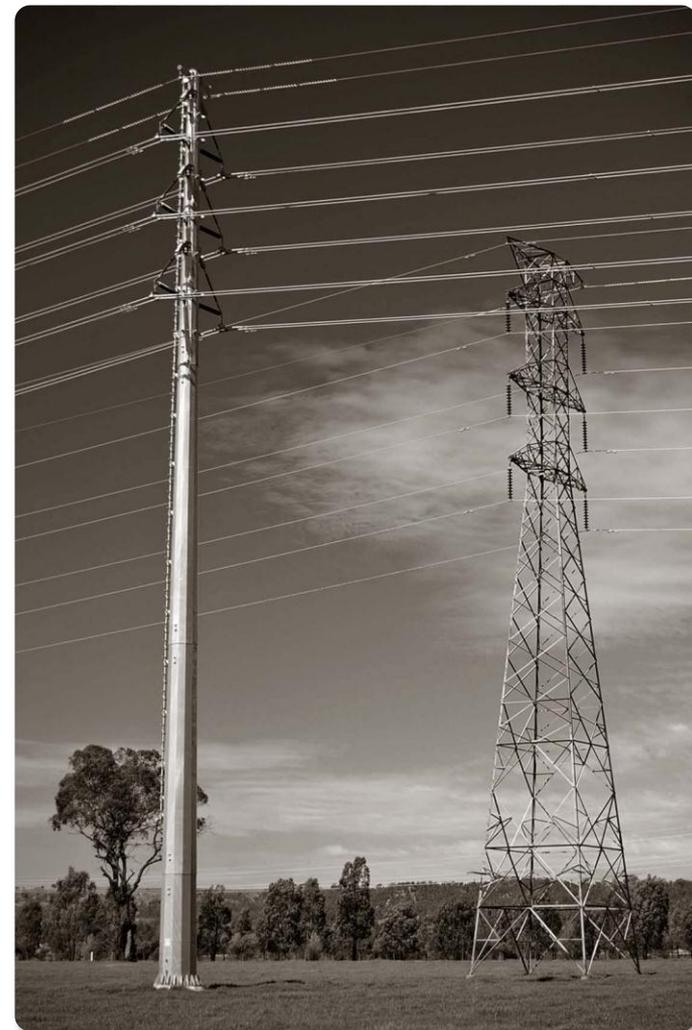
Why the tariff increases?

Eskom and the industry need to recover the cost of producing electricity, which includes operating costs (coal, maintenance, employees) as well as the costs of financing new capacity.

Cost-reflective tariffs ensure Eskom and the industry are sustainable and do not burden taxpayers or future generations.

Provides confidence for lenders and investors.

Protects the poor through targeted subsidies.



Why the tariff increases?

Economic models show it is better and fairer for tariffs, not taxes, to pay for electricity.

The 'right price' signals to use energy efficiently, so less need to invest in new generating capacity.

Supports investment by independent power producers and by Eskom.

NERSA's rules allow only **prudent and efficient costs** – so Eskom must spend South Africa's tariff money wisely.





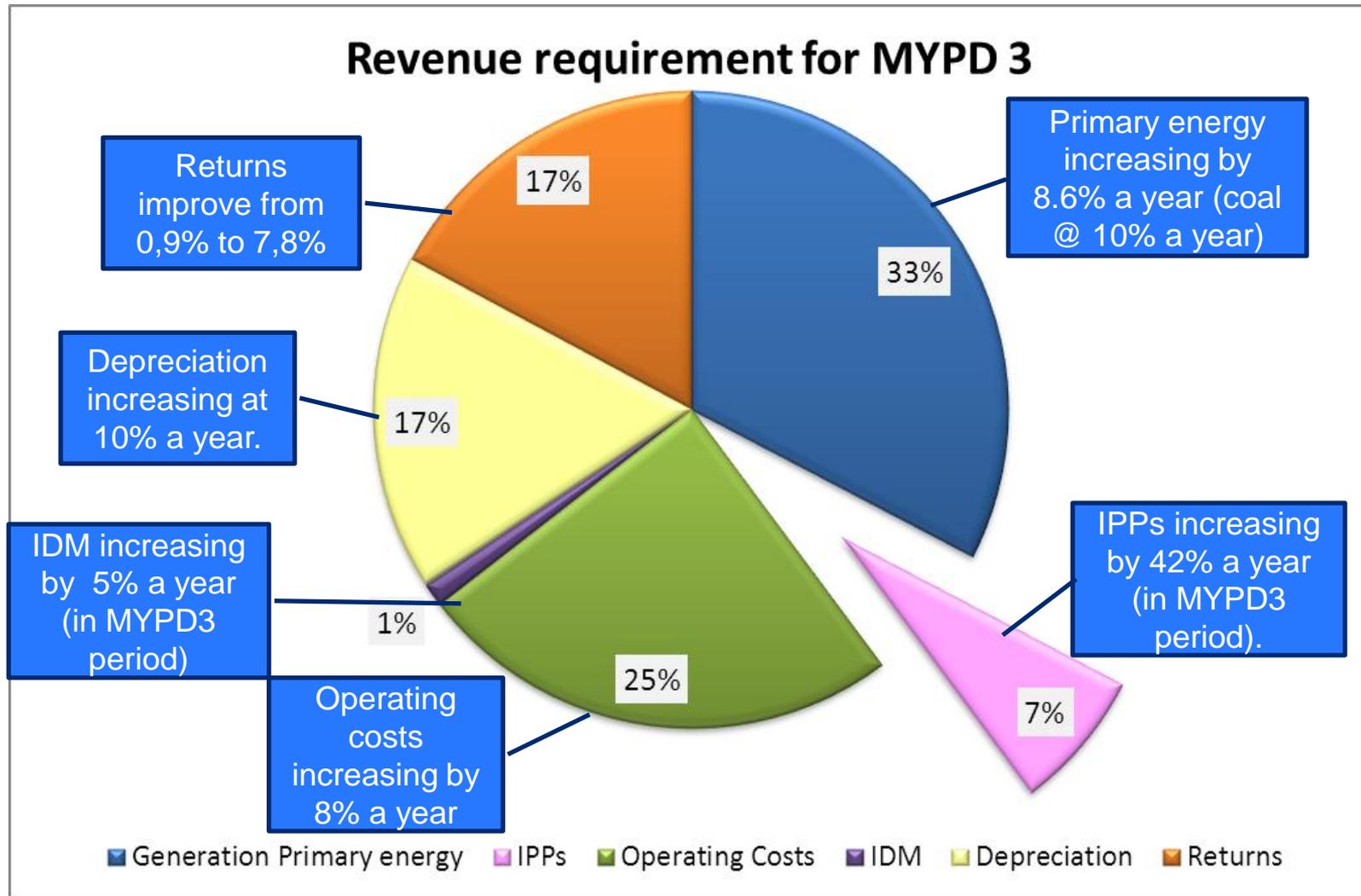
We assume sales growth of 1.9% on average.

A country pact which keeps coal cost increases to no more than 10%

An energy conservation scheme to support keeping the lights on.

A five-year price path – a gradual move to cost-reflective tariffs.

WHAT
do we need?



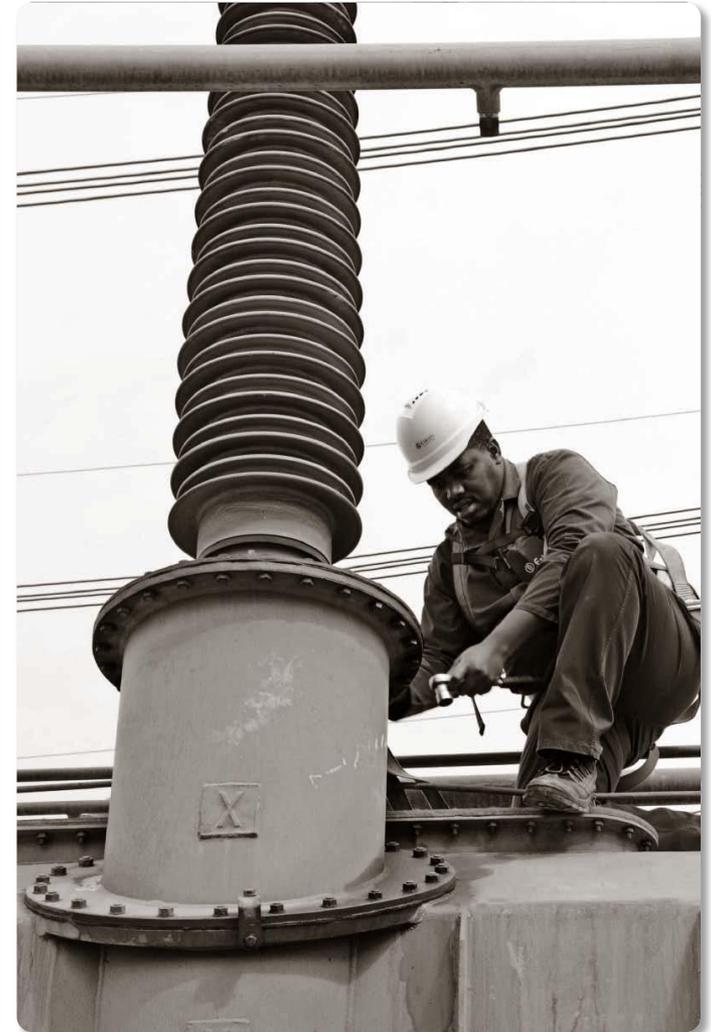
The regulator allows us to apply for revenue to cover our costs – these are the cost components which are allowed

Eskom is acutely aware of the impact of tariff increases on the economy, particularly poor households.

Need to balance objectives – secure supply of power, financially sustainable industry, economic growth and job creation.

Protection for the poor, through tariff structure with transparent cross subsidies.

Economic policy should set out protection for specific economic sectors.

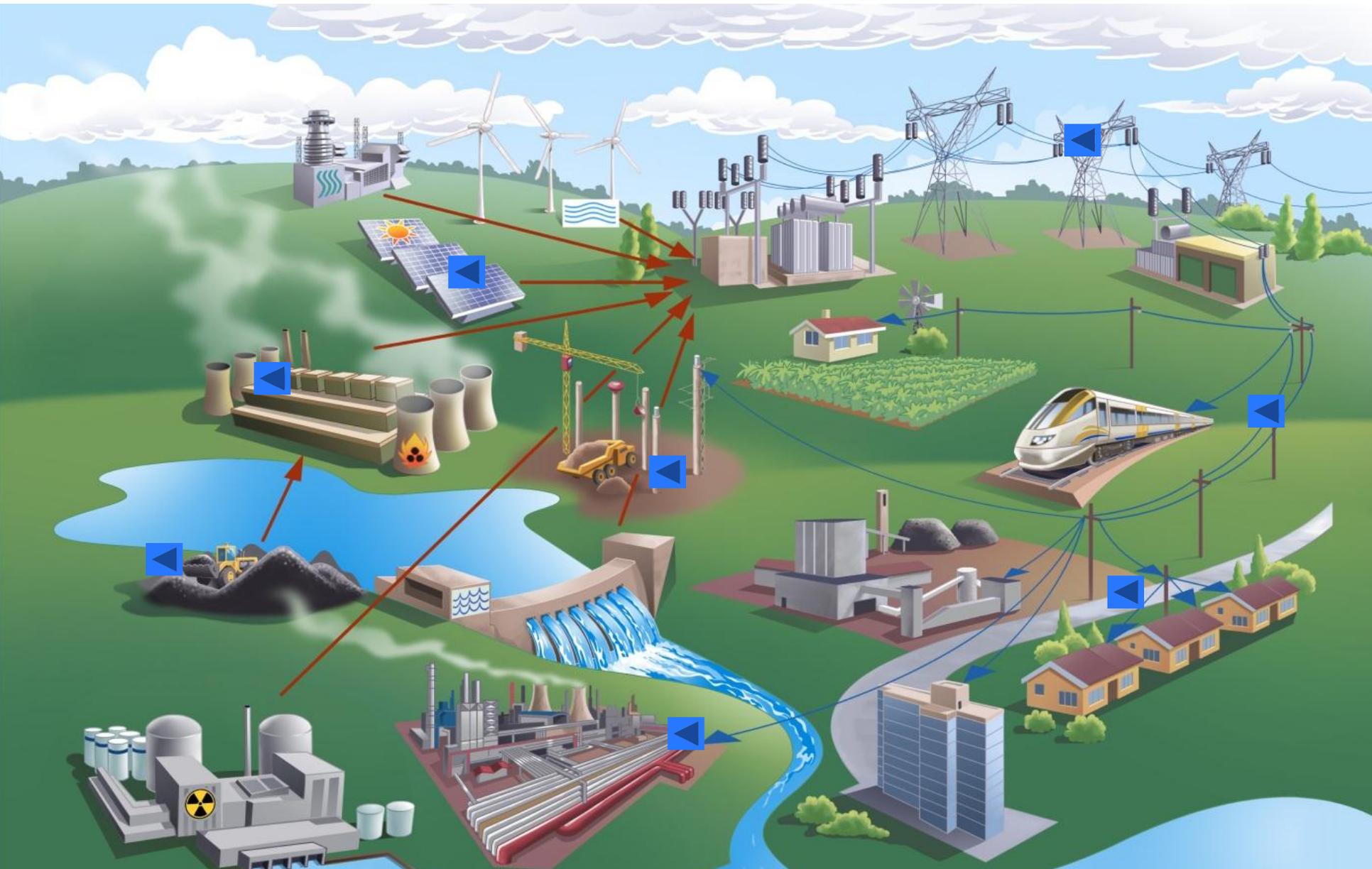


Average increases of 13% over five years for Eskom's own needs, plus 3% to support the entry of new independent power producers, giving a total of 16%

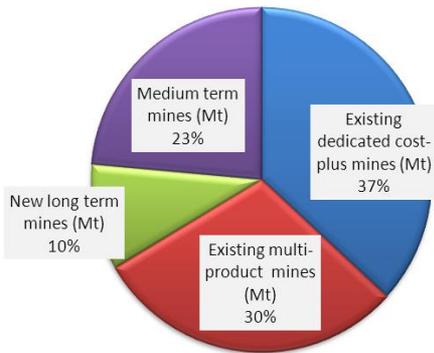


WHAT
do we need?

What you get when you flick a switch



Coal contract types

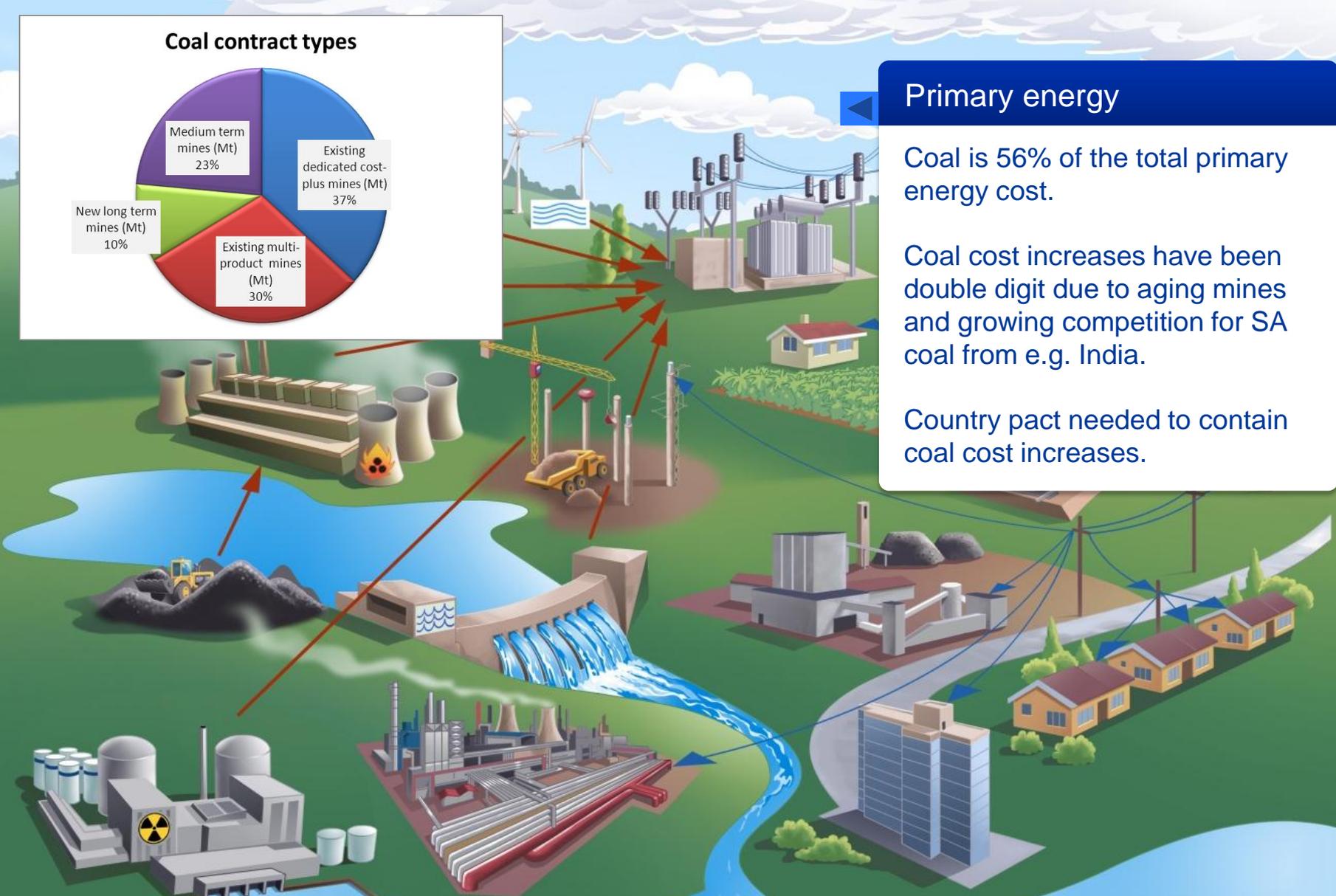


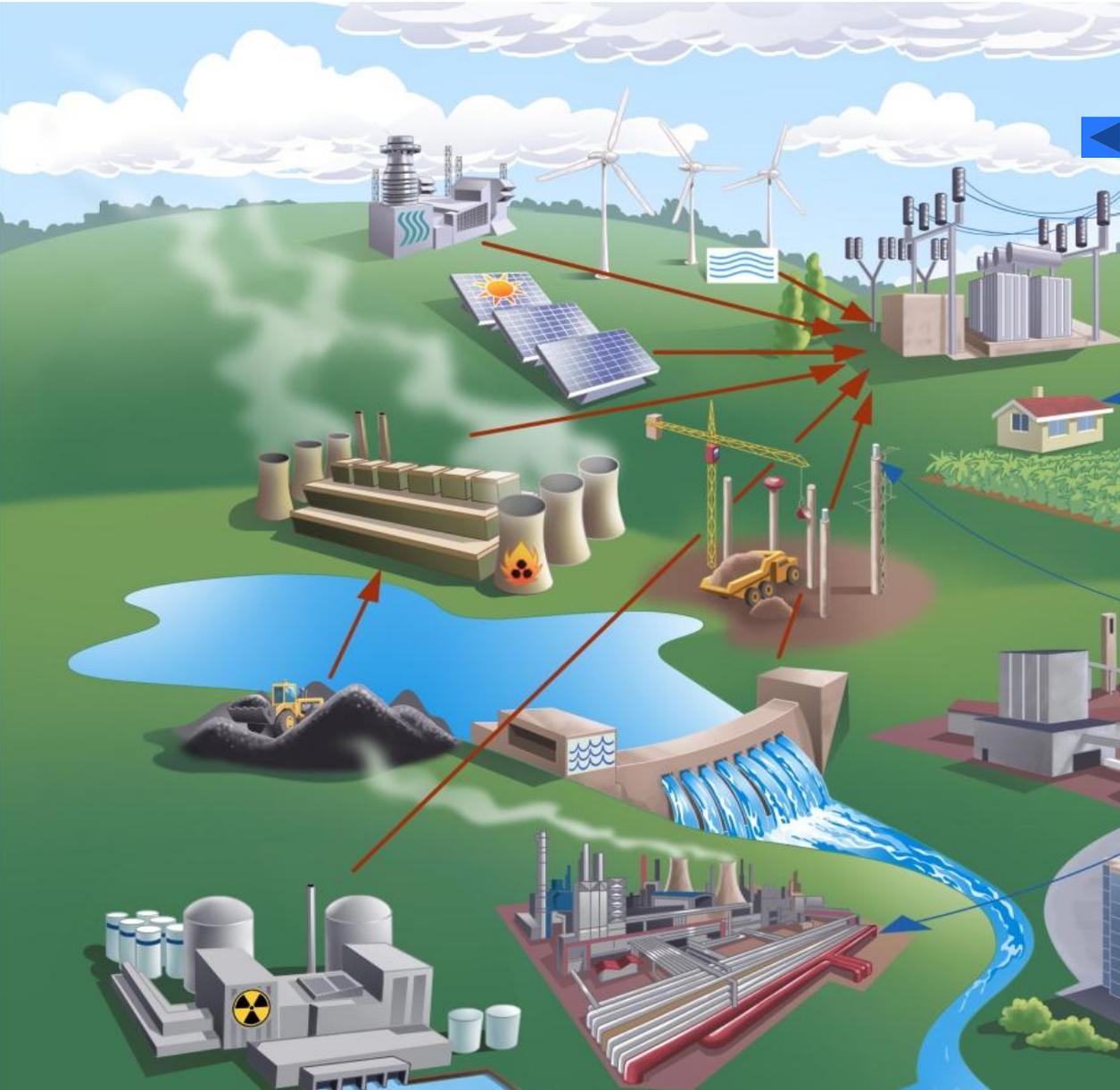
Primary energy

Coal is 56% of the total primary energy cost.

Coal cost increases have been double digit due to aging mines and growing competition for SA coal from e.g. India.

Country pact needed to contain coal cost increases.

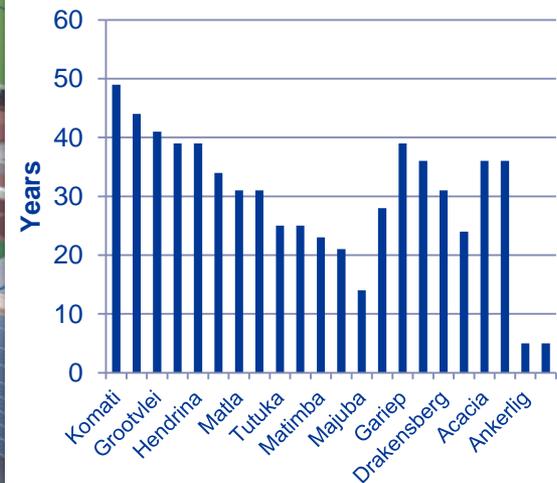


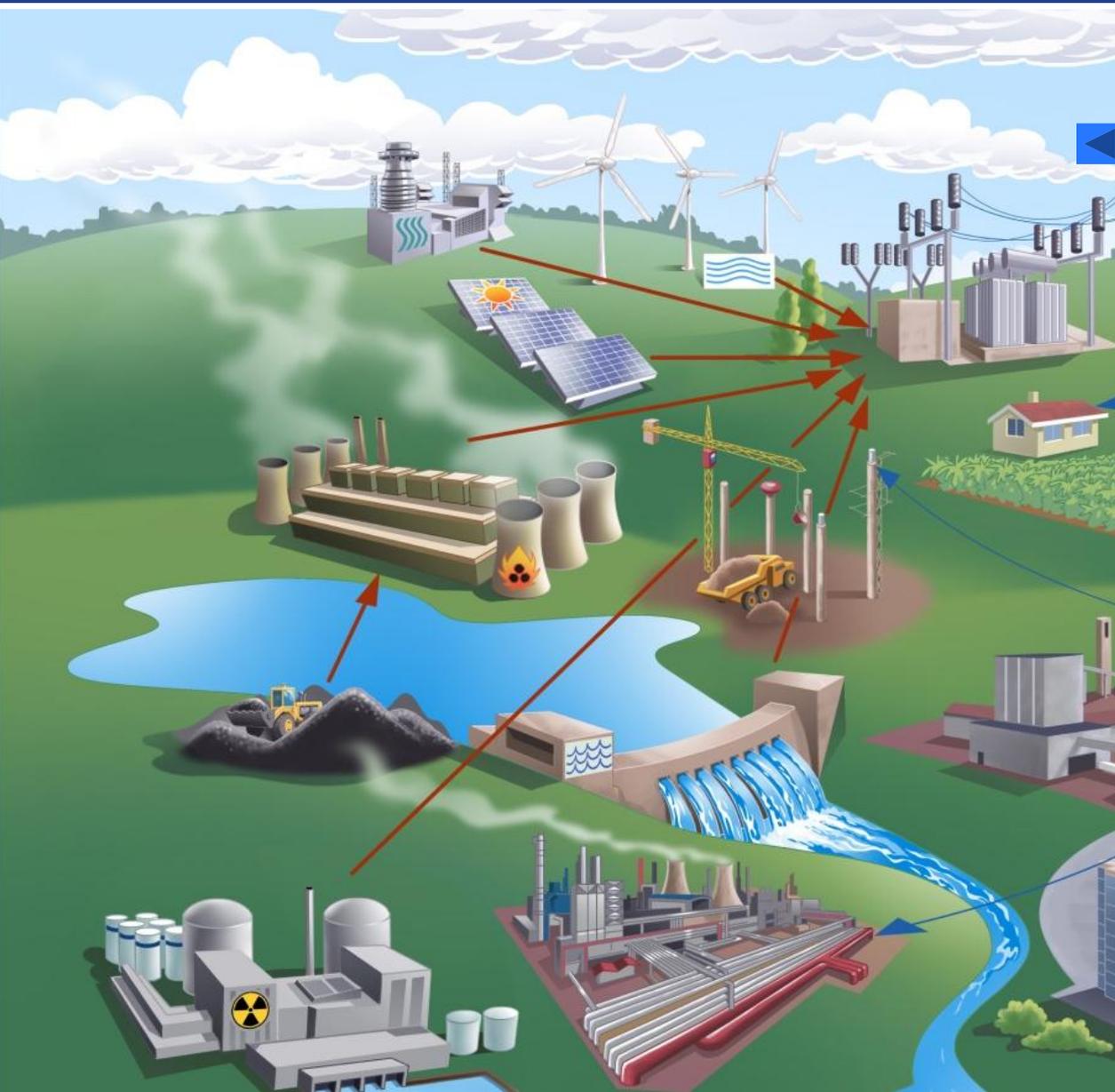


Generation

Generation revenue requirement represent about 75% of the total revenue. This includes the cost of generating power from existing assets and of managing the new assets we need.

Most of our power stations are in mid-life and increasingly costly to maintain:





IPP's

Eskom committed to connecting new private sector players to the grid.

Eskom supports commitment to reducing carbon emissions.

Will buy power from new renewable energy producers procured by DoE.

The total IPP costs increase from 125 c/kWh to 232c/kWh over the period compared to Eskom's generating cost of 23c/kWh growing to 30c/kWh. Solar PV averages 239c/kWh and wind 174c/kWh.

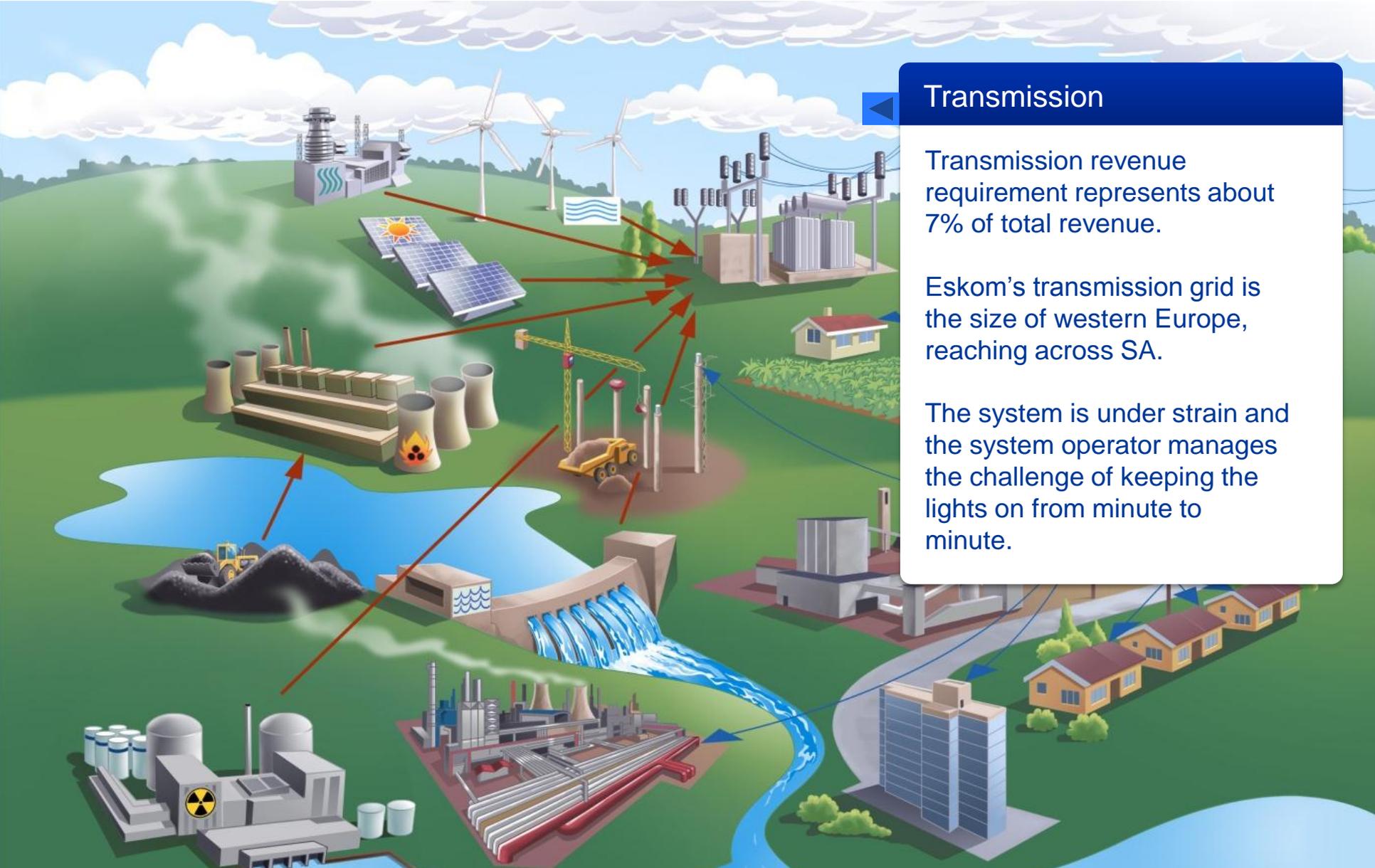
Already signed more than 1000 MW of independent power, at average 77c/kWh.

Transmission

Transmission revenue requirement represents about 7% of total revenue.

Eskom's transmission grid is the size of western Europe, reaching across SA.

The system is under strain and the system operator manages the challenge of keeping the lights on from minute to minute.

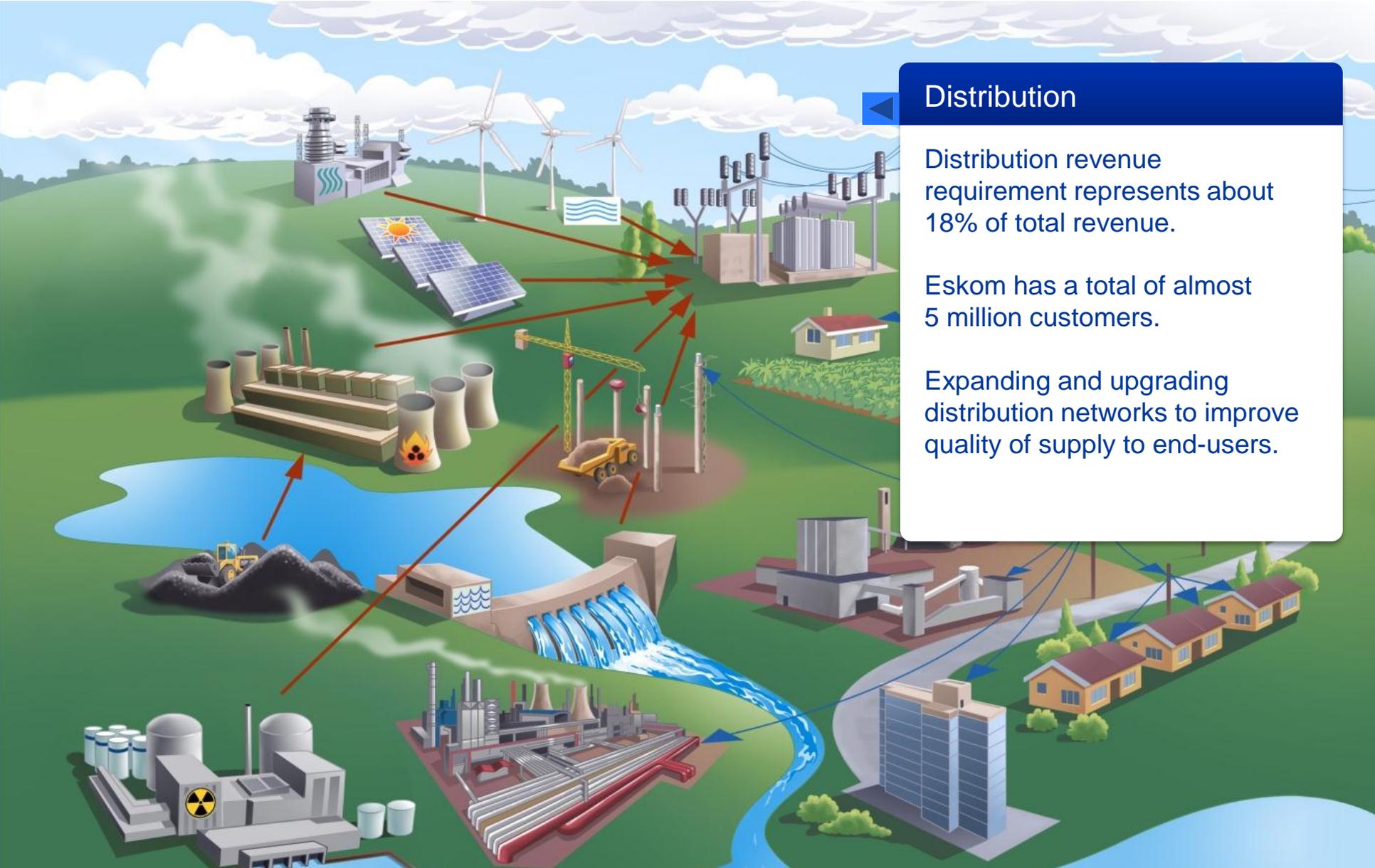


Distribution

Distribution revenue requirement represents about 18% of total revenue.

Eskom has a total of almost 5 million customers.

Expanding and upgrading distribution networks to improve quality of supply to end-users.

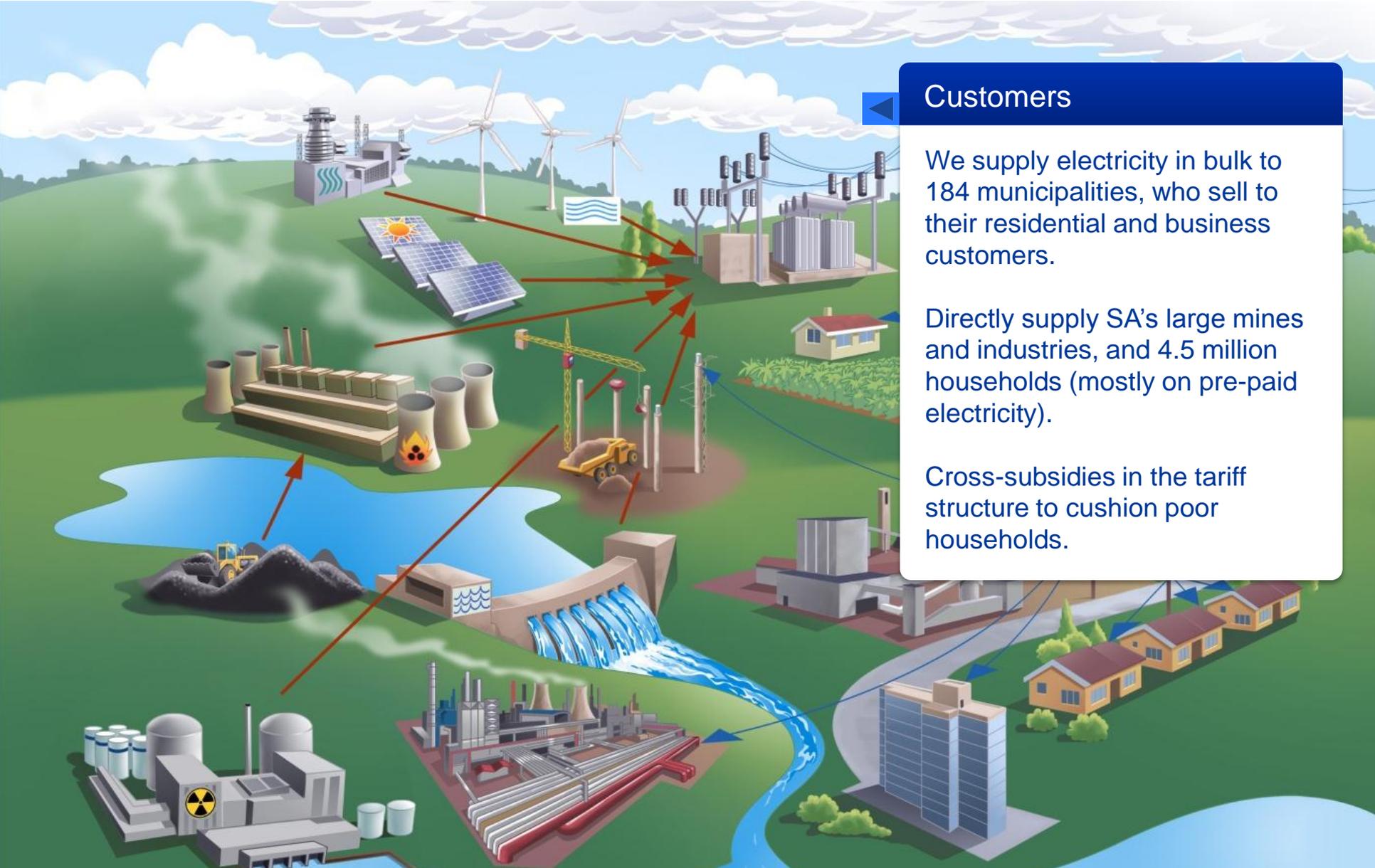


Customers

We supply electricity in bulk to 184 municipalities, who sell to their residential and business customers.

Directly supply SA's large mines and industries, and 4.5 million households (mostly on pre-paid electricity).

Cross-subsidies in the tariff structure to cushion poor households.



Construction

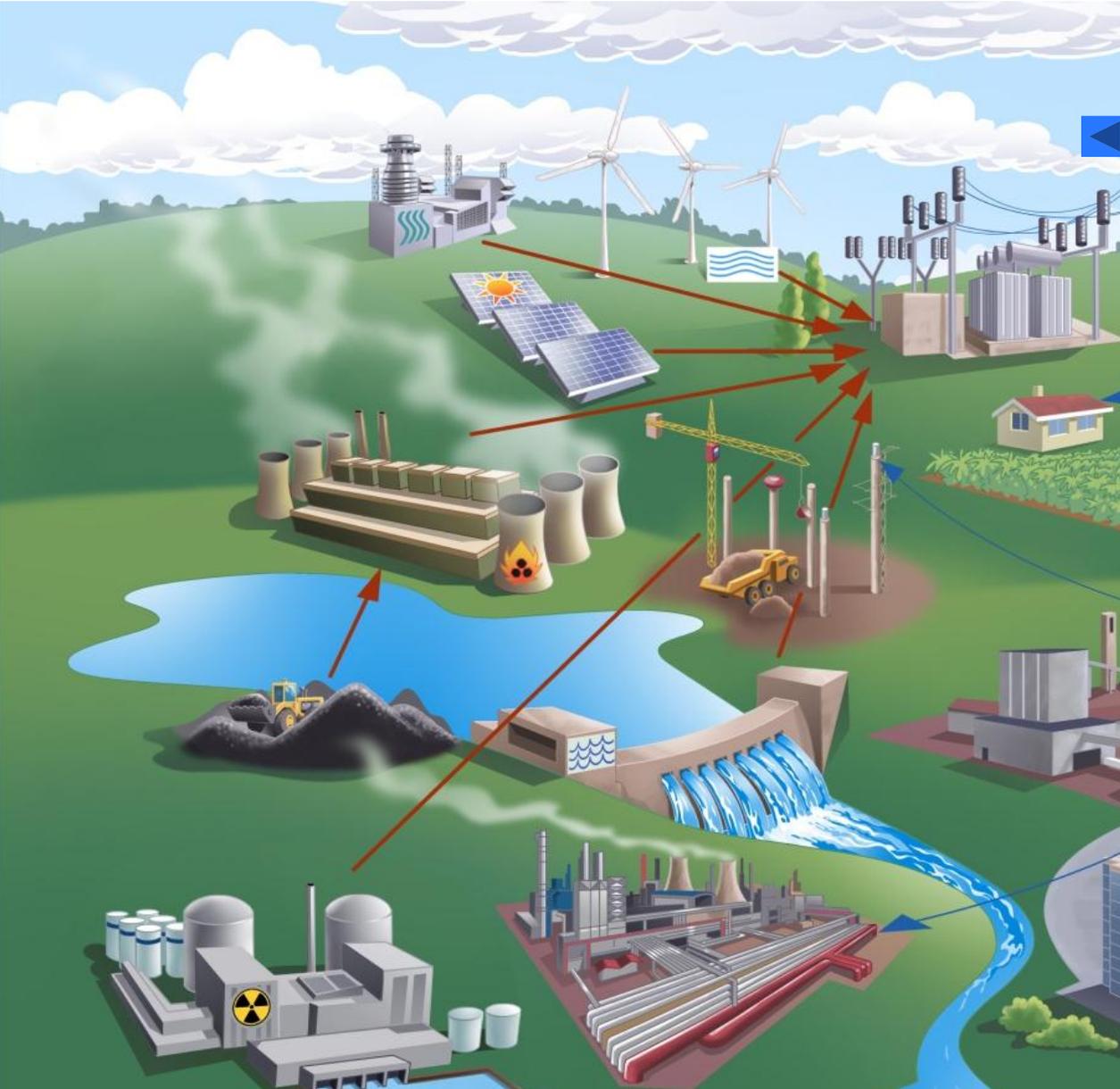
Eskom's investment in infrastructure totals R337bn over five years, including capacity expansion, upgrading and refurbishment.

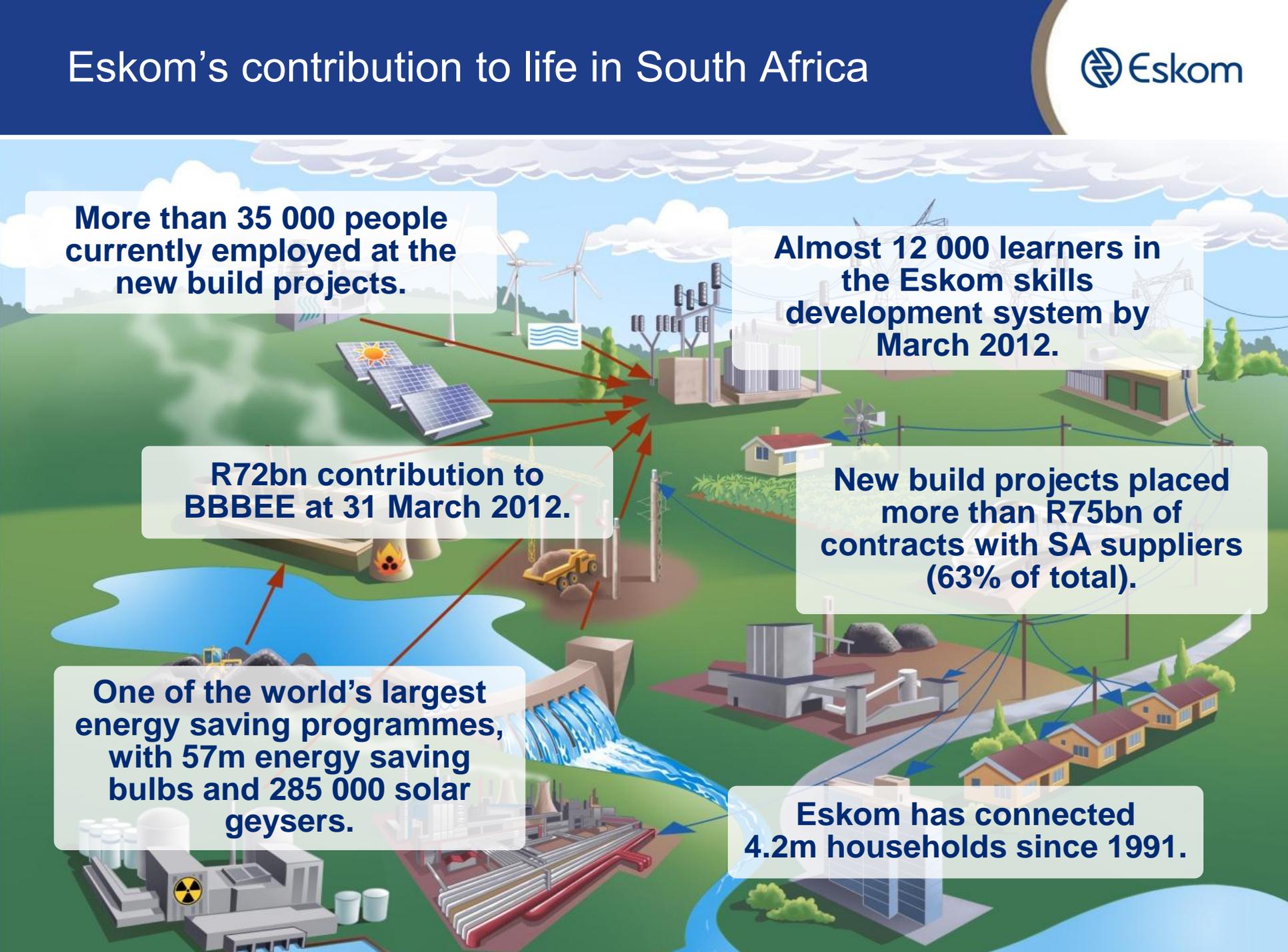
Medupi and Kusile build costs are in line with international benchmarks.

On completion, the committed build programme will add 11 356MW to Eskom's capacity.

It will add more than 9 004km of new high voltage transmission and 41 645 MVA of sub-stations.

Creates local jobs, local skills and local supplier industries.





More than 35 000 people currently employed at the new build projects.

Almost 12 000 learners in the Eskom skills development system by March 2012.

R72bn contribution to BBBEE at 31 March 2012.

New build projects placed more than R75bn of contracts with SA suppliers (63% of total).

One of the world's largest energy saving programmes, with 57m energy saving bulbs and 285 000 solar geysers.

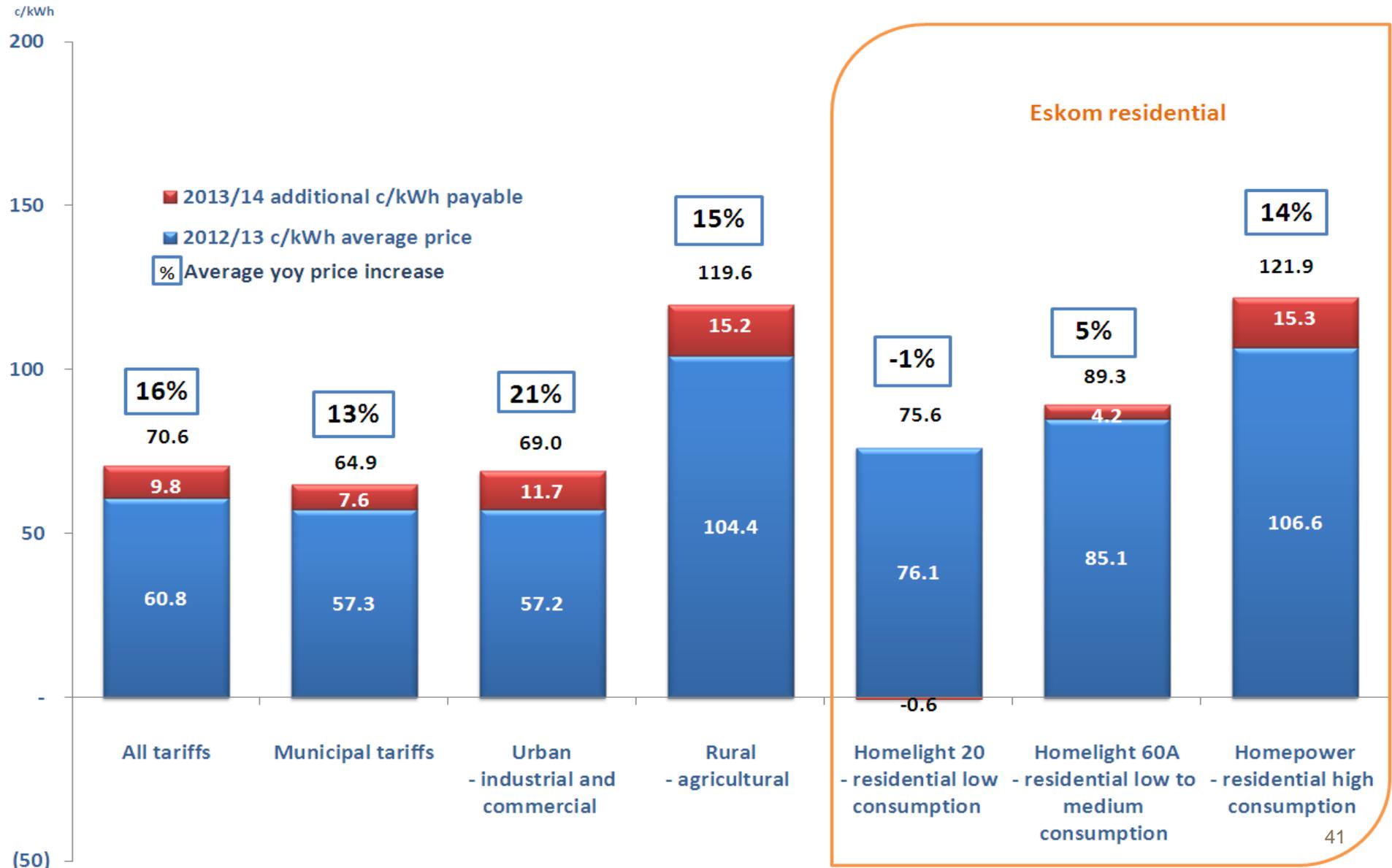
Eskom has connected 4.2m households since 1991.

WHAT are the tariffs?

Eskom applies for a revenue requirement which then must be translated into specific tariff increases for each category of customer.

Targeted protection for the poor means residential customers will face lower average increases than large industrial and mining customers.

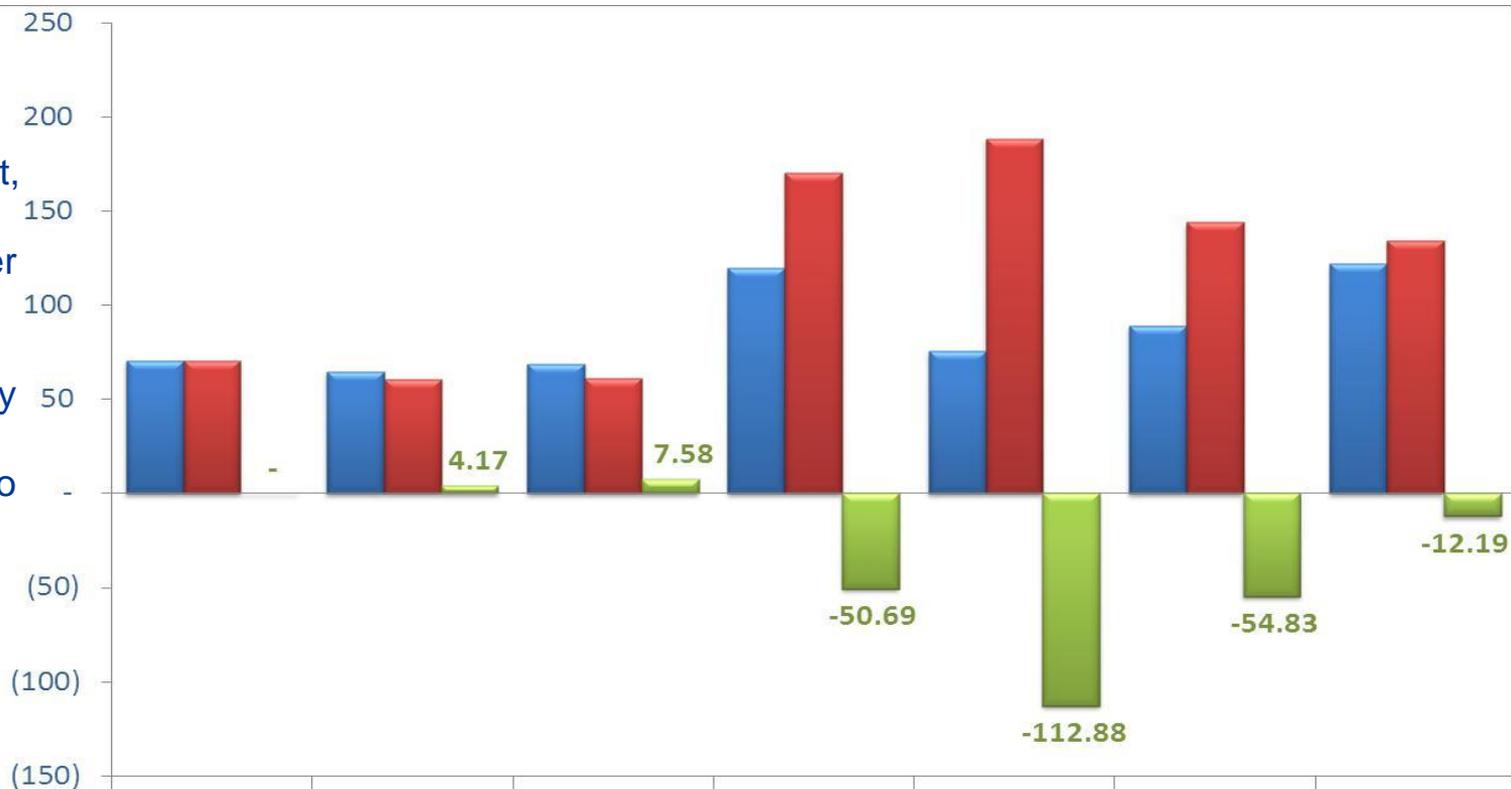
Increases per customer category



Cost of supply is higher for small customers

Though small customers pay a higher price per unit, the cost to supply them is much higher than it is for large customers. Hence large customers pay a price which is more than it costs to supply them, thereby subsidising the rest

c/kWh



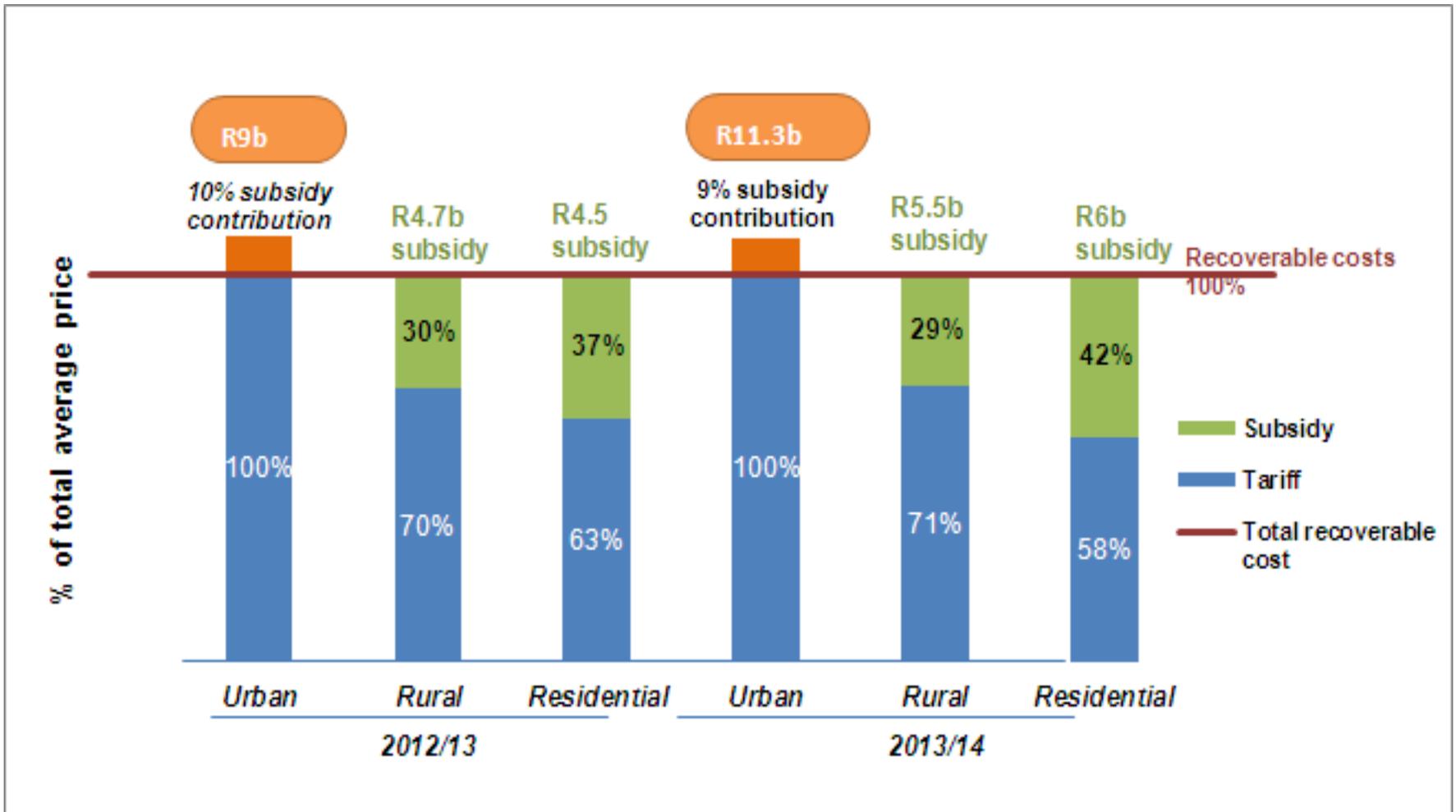
	All tariffs	Municipal tariffs	Urban - industrial and commercial	Rural - agricultural	Homelight 20 - residential low consumption	Homelight 60A - residential low to medium consumption	Homepower - residential high consumption
2013/14 average price c/kWh	70.58	64.92	68.96	119.61	75.58	89.27	121.94
2013/14 cost reflective c/kWh	70.58	60.76	61.38	170.30	188.46	144.10	134.13
c/kWh cross subsidy	-	4.17	7.58	-50.69	-112.88	-54.83	-12.19

- Existing mechanisms include
 - Inclining Block Tariff (IBT) - meant lowest block experienced below-inflation tariff increases during MYPD 2
 - Free basic electricity of 50kWh/month for indigent customers
 - Support for energy efficiency
- IBT challenges:
 - Complex to understand
 - Does not cater for multiple dwellings on one property
 - Not targeted: high consumption customers also benefit
 - Results in unsustainable increases in cross-subsidies from large Eskom users
- Eskom proposes to simplify and refine the current residential tariffs:
 - For low-consumption prepaid customers (Homelight 20A), replace the current IBT with a single lifeline tariff for the poor
 - For low to medium-consumption prepaid customers (Homelight 60A), a revised IBT with only two blocks
 - For high-consumption residential customers (Homepower suite of tariffs), re-introduce a fixed-charge tariff

Average additional monthly payment by residential customers

	Eskom residential Homelight 20A (low usage)		Eskom residential Homelight 60A (medium to high usage)	
	2012/13	2013/14	2012/13	2013/14
100kWh payment	R 68	R 68	R 68	R 68
100kWh increase	R 0	R 8	R 0	R 14
Total	R 68	R 76	R 68	R 82
400kWh payment	R 367	R 367	R 367	R 367
400kWh increase	R 0	-R 27	R 0	R 2
Total	R 367	R 340	R 367	R 369
1000kWh payment			R 1,023	R 1,023
1000kWh increase			R 0	R 167
Total			R 1,023	R 1,190
3000kWh payment			R 3,467	R 3,467
3000kWh increase			R 0	R 1,214
Total			R 3,467	R 4,681

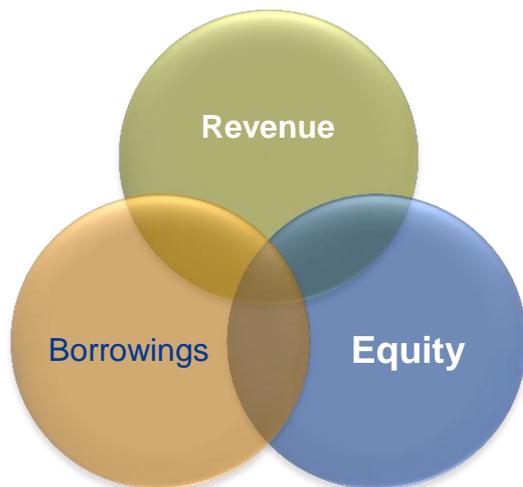
Who pays the cross-subsidies



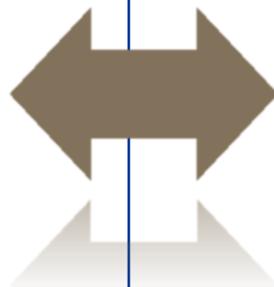
THE NUMBERS IN DETAIL



Eskom's funding model, derives from both tariffs and other funding sources



- The long term sustainability of an electricity supply industry depends on an appropriate regulatory and funding model
- This requires a holistic and integrated approach to:
 - Revenue (tariffs)
 - Borrowings
 - Equity
- ***The focus of the regulatory model is on revenue through tariffs***

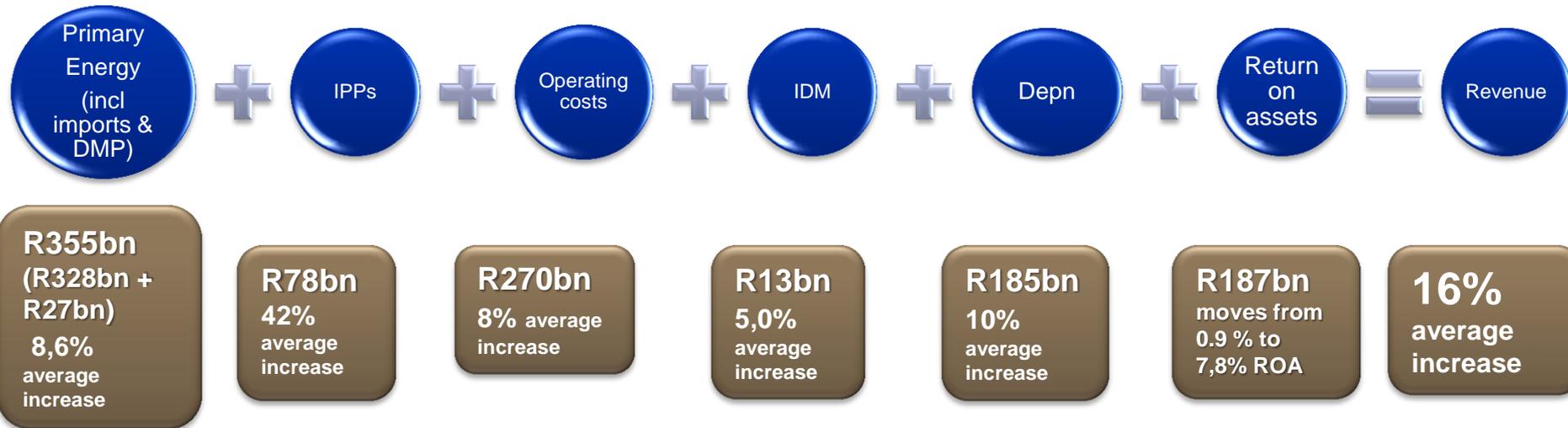


Linkages between regulation and funding

- Lenders and credit agencies require sound regulatory approaches to cost recovery
- Government loans and guarantees depend on long term regulatory certainty ensuring Eskom's ability to repay debt
- Equity in the form of retained earnings can only come from a strong (regulated) revenue base

The cost components of MYPD3

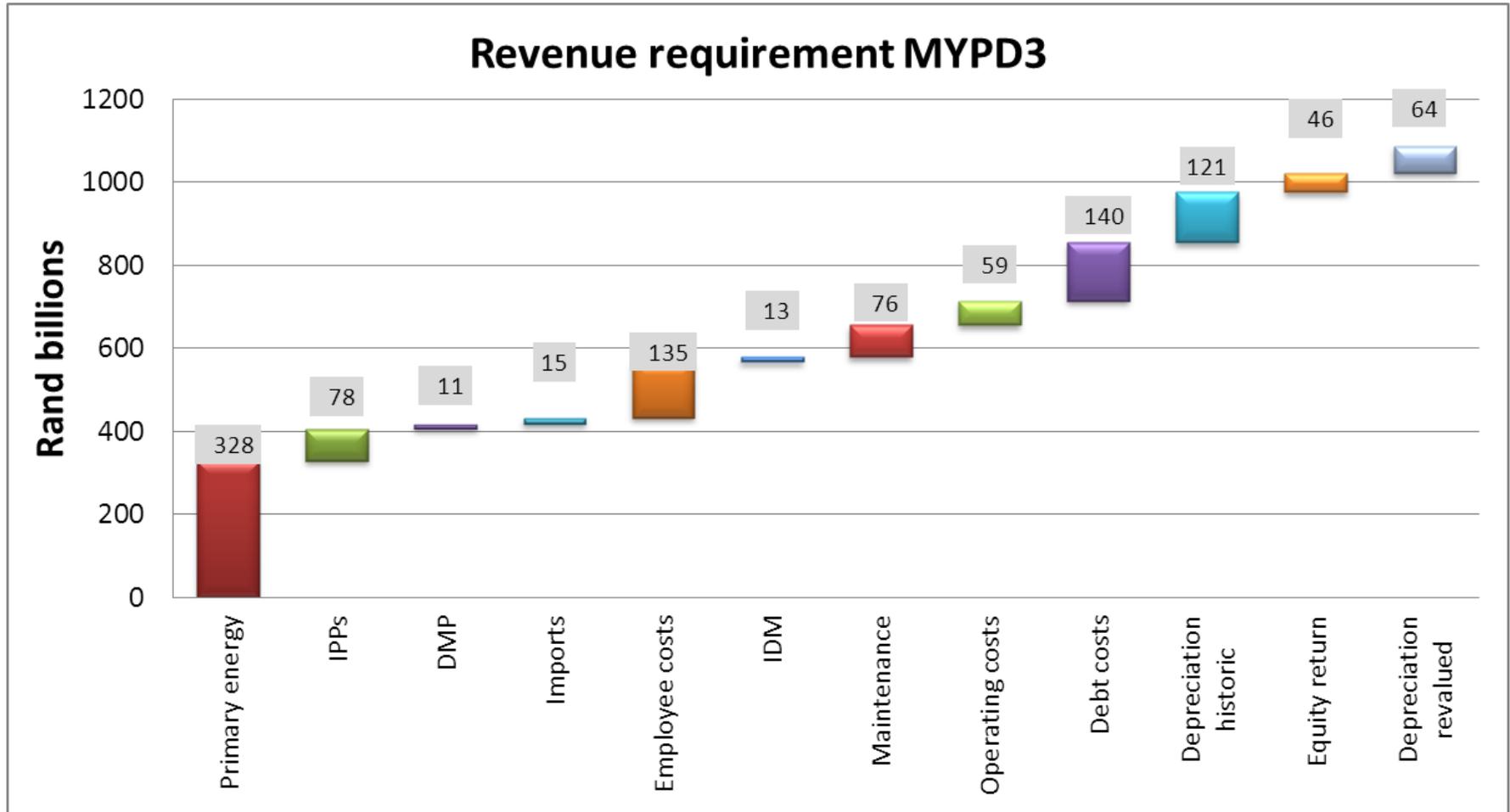
**Eskom applies for revenues to cover its expected costs
 NERSA's rules set out which costs are allowed**



Return on assets = % cost of capital allowed X depreciated replacement asset value

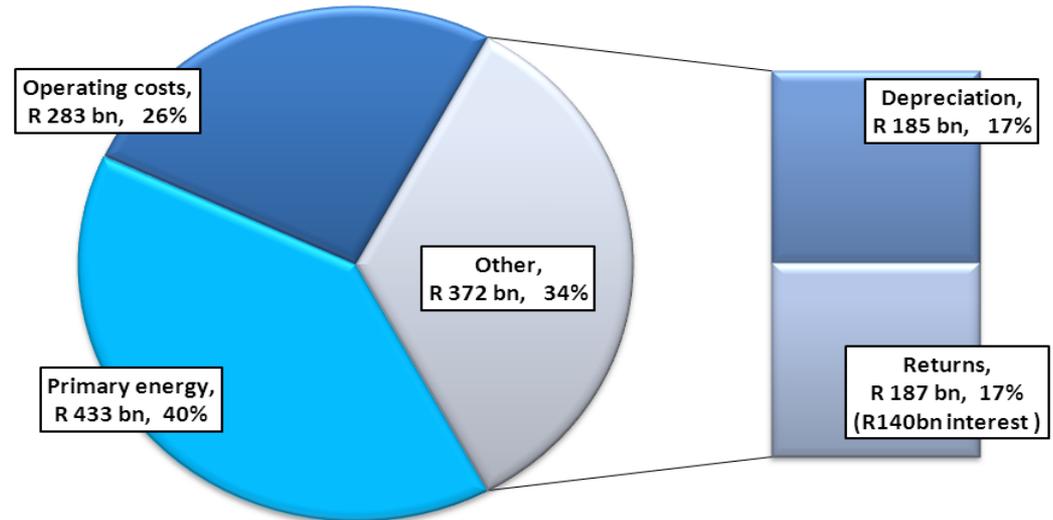
Price levels	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Nominal c/kWh (13% X 5)	61c/kWh	69c/kWh	78c/kWh	88c/kWh	99c/kWh	112c/kWh
Real (2012/13 terms) (13% X5)	61c/KWh	65c/KWh	69c/KWh	74c/KWh	79c/KWh	84c/KWh
Nominal c/kWh (16% X 5)	61c/kWh	71c/kWh	82c/kWh	95c/kWh	110c/kWh	128c/kWh
Real (2012/13 terms) (16% X5)	61c/KWh	67c/KWh	73c/kWh	80c/kWh	88c/kWh	96c/kWh

What the MYPD3 revenue pays for

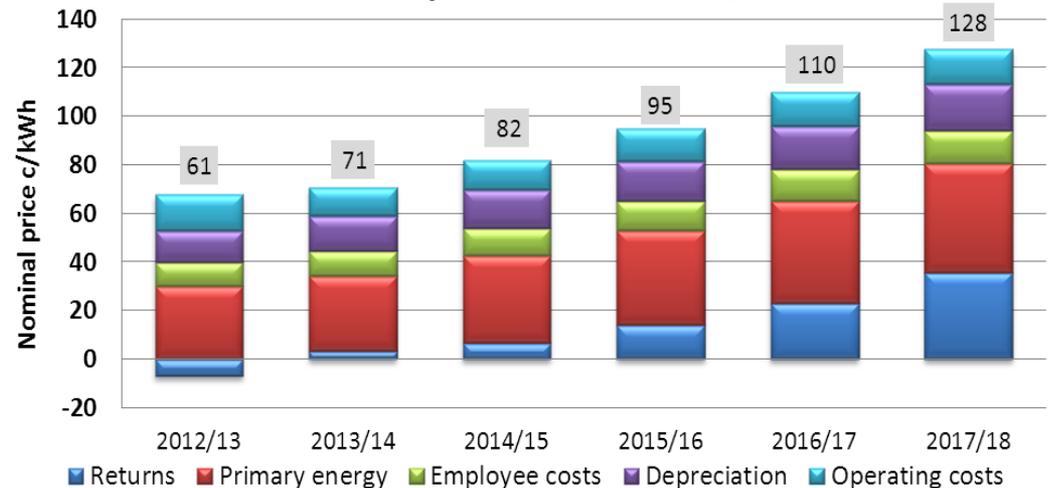


- **Returns** – most of this goes to cover interest costs
- **Equity** – After paying for interest from the returns the balance is equity
- **Operating costs** escalate at approximately 8% a year, including efficiency savings
- **Capex:** completing new build projects and maintaining existing networks and current fleet of power stations will cost **R337bn.**
- **Eskom Primary energy** average increase of 8,6% a year and 10% a year including IPPs.

Revenue building blocks over MYPD 3

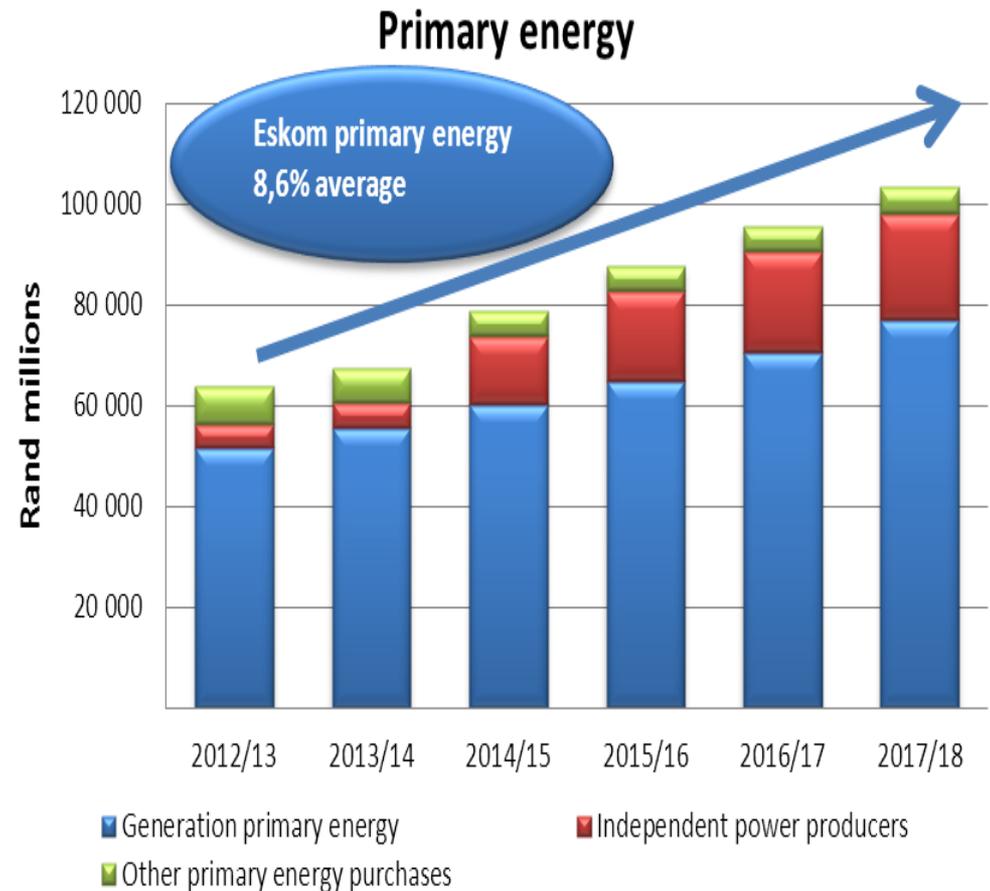


Revenue requirement nominal c/kWh



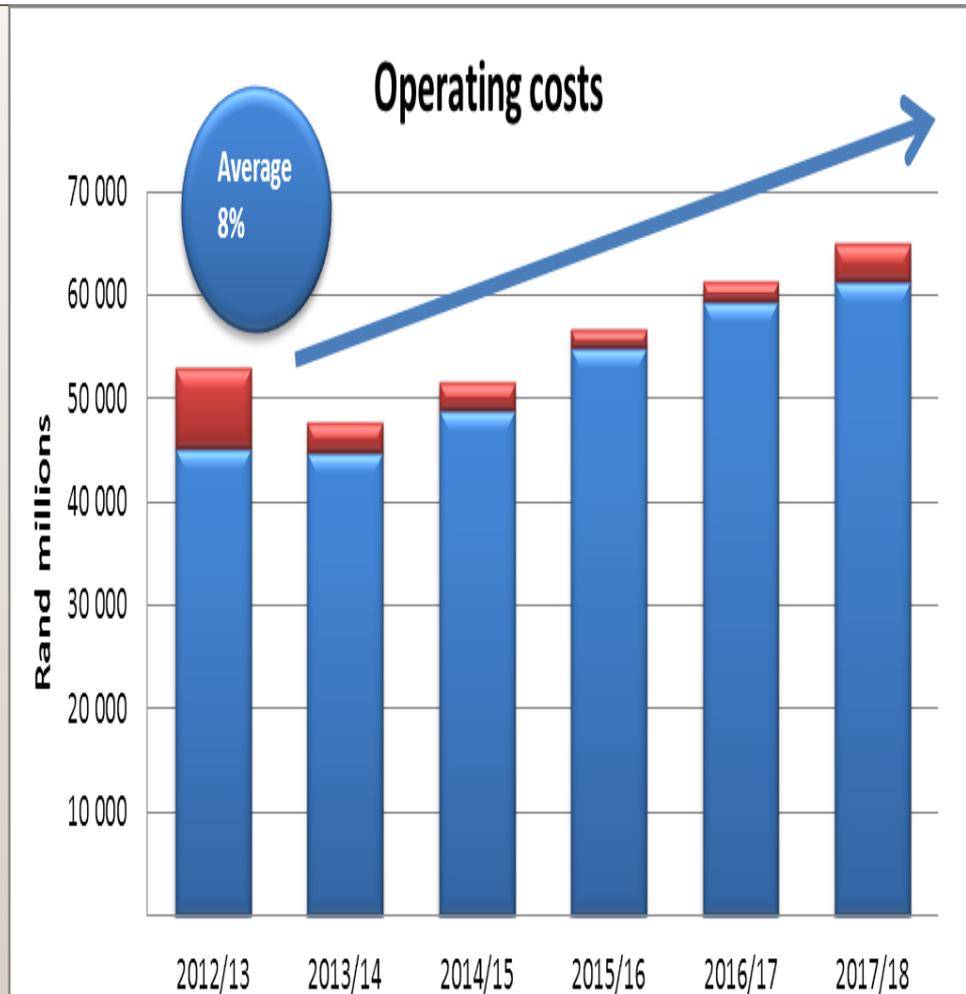
Primary energy costs increase

- Generation primary energy costs increase marginally above inflation at 8,6% on average, but at 10% if independent power producers (IPPs) are included
- Success depends on coal cost increases of no more than 10% on average
- Low demand assumption of 1.9% contributes to low primary energy costs
- Any upward movement in demand must be contained by Energy Conservation Scheme
- IPPs – included are the DoE renewables programme of 3725MW, and Peaker of 1020MW
- Further IPPs – include Medium Term Power Purchase Programme and short term purchases
- Imports – mainly from Cahora Bassa



Operating costs will show efficiency gains

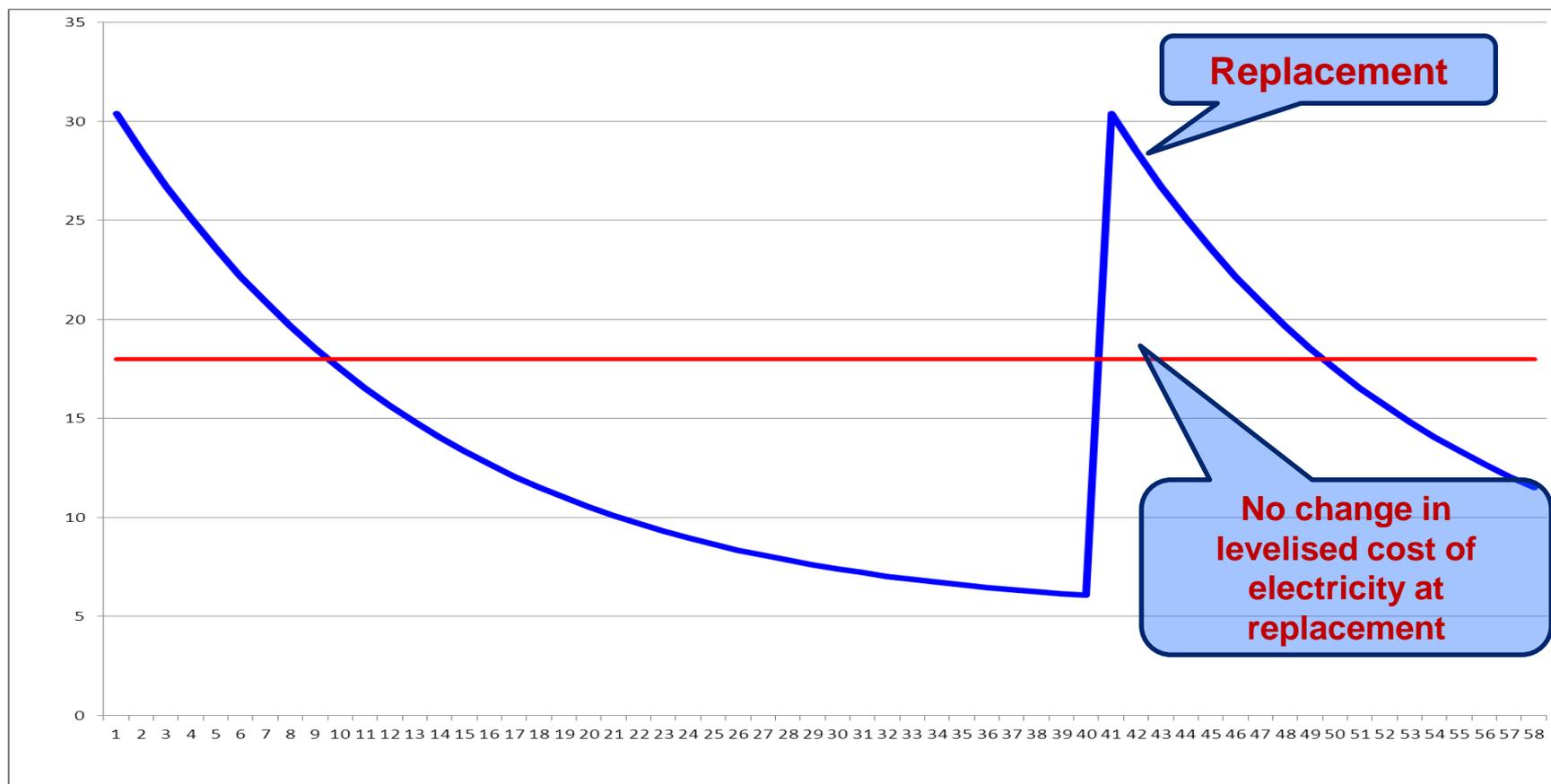
- Operating costs include employee and maintenance costs as well as Integrated Demand Management
- Drop from 2012/13 to 2013/14 is due to IDM costs of R7bn accelerated in and dropping off in 2013/14
- Eskom has challenged itself to achieve savings of R30bn over five years
- Maintenance will not be compromised – it remains a priority
- Integrated demand management is essential to ensure security of supply and moderate primary energy costs (R13bn included in the MYPD3 period)
- Employee costs are kept within tight control
- Benefits of Eskom's 'Back to Basics' programme will be seen in operating cost performance



Historical cost depreciation recovery leads to price shocks at replacement

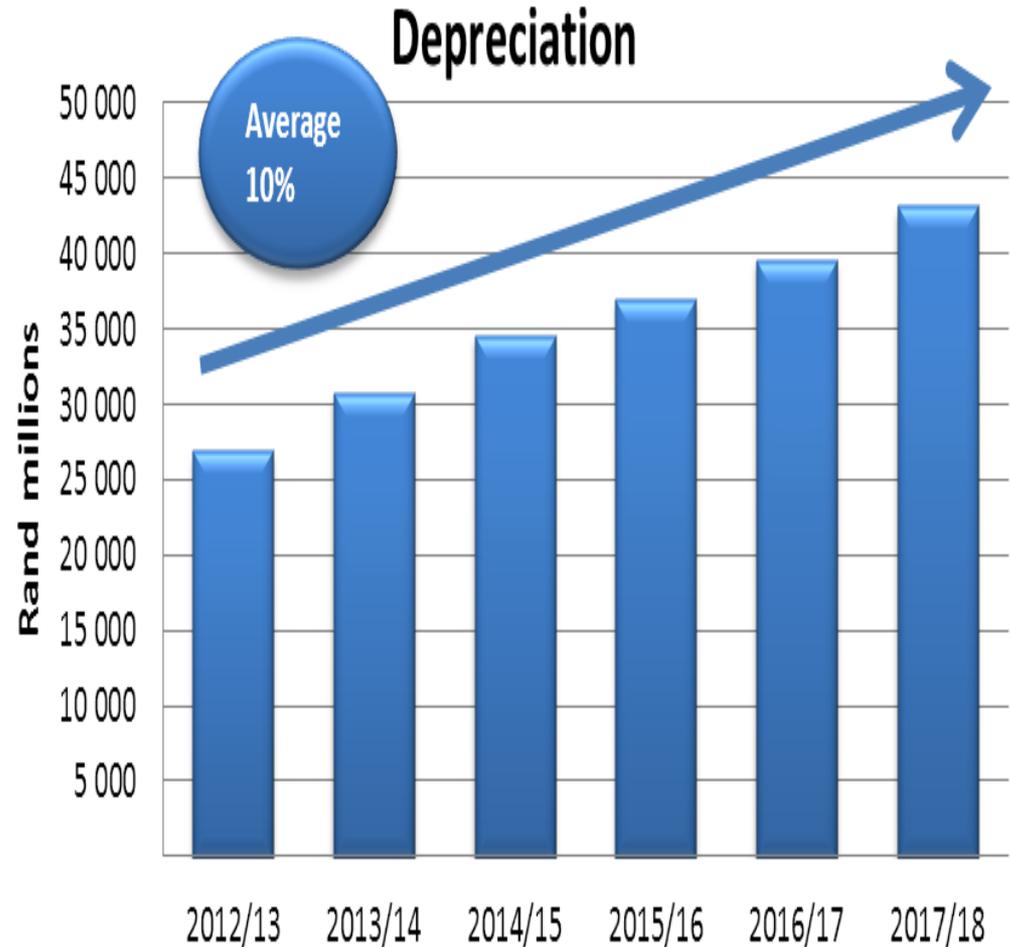
'Constant' Rand billion

Historical cost method

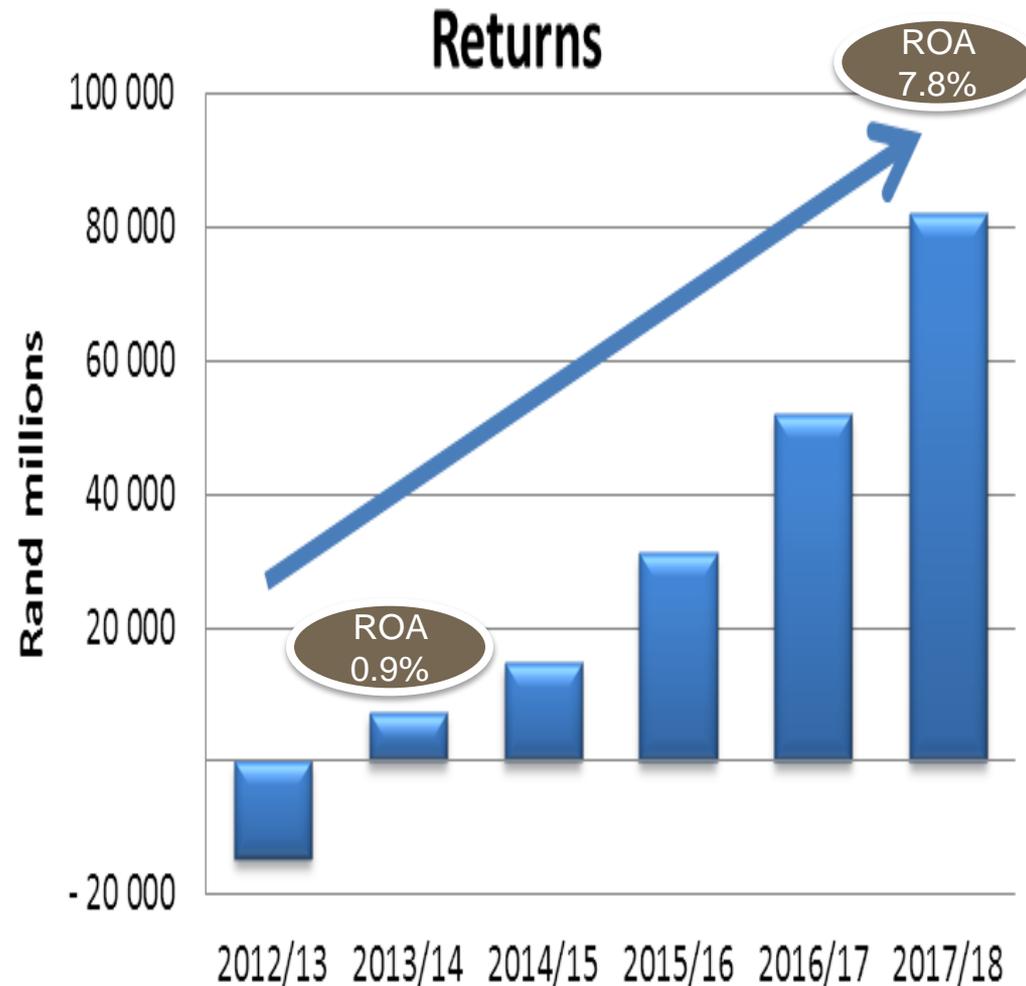


Depreciation costs see double-digit increase

- Escalating at above inflation due to application of the principle of depreciated replacement valuation
- Aligned to Electricity Pricing Policy (2008)
- Critical factor to move to cost-reflective price levels
- Covers cost of 'consuming' and ultimately replacing assets
- Builds up retained earnings to help fund future expansion as per IRP 2010
- Allows correct price signals on true cost of scarce resources
- Revaluation methodology supported by rating agencies



- Return caters for both debt and equity costs
- Positive returns generated totalling R187bn over MYPD 3
- Real returns are below NERSA target of 8.16% and reach 7.8% by 2018.
- Returns are below Eskom WACC of 8,31%
- After paying for finance costs of R140bn the remainder of R47bn is attributable to equity returns
- Eskom's revenue sacrifice had it requested 8,31% is R209bn during MYPD3



Understanding the return components between interest and equity

Items R'm	2014	2015	2016	2017	2018	Total MYPD3
Return on Assets (1)	7 271	14 643	31 187	51 878	81 885	186 863
Interest (2)	21 198	26 503	30 223	31 824	30 619	140 366
Equity portion (1-2)	(13 927)	(11 860)	964	20 054	51 265	46 497

What the rating agencies say about Eskom

Strengths:

- Dominant market position for the next few years
- Continued government support and the potential for government to provide additional financial support if necessary

Weaknesses:

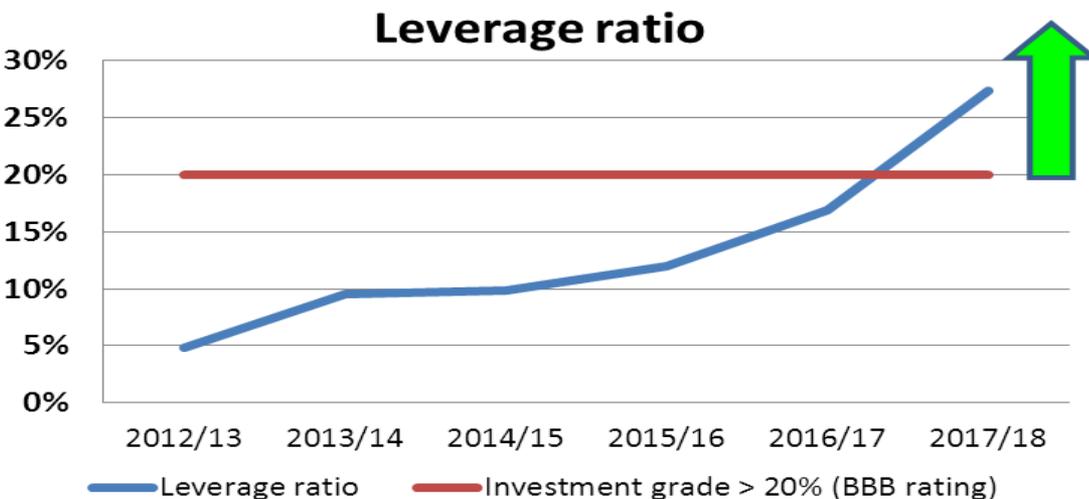
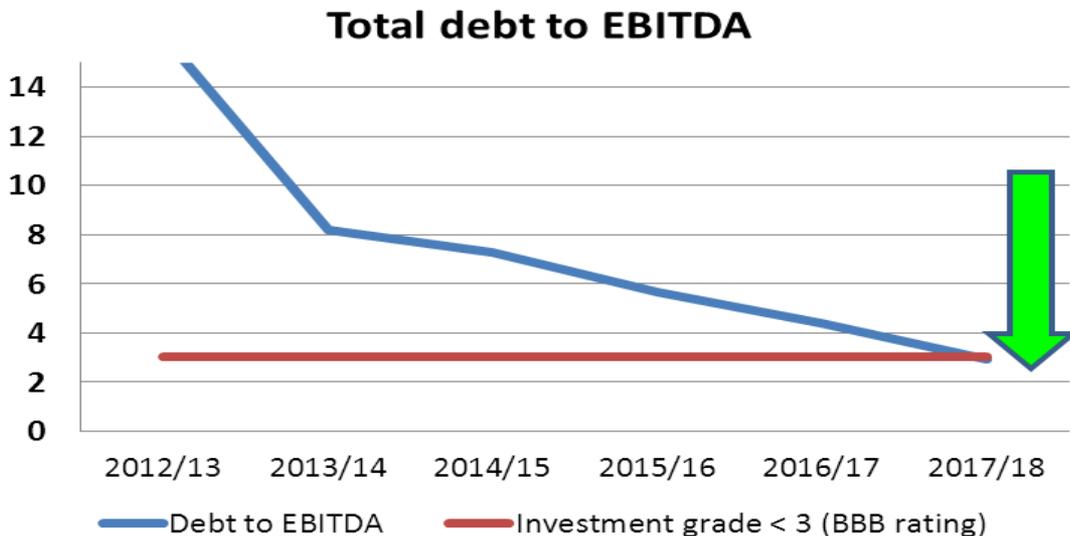
- Eskom's highly leveraged position, given the build programme
- Regulated tariffs will not be fully cost-reflective in the short term
- Regulatory risk and government's plan to introduce IPPs
- Weak credit metrics on funding and liquidity

	Quality of Credit	Moody's	S & P
Investment Grade	Gilt Edged	Aaa	AAA
	Very High	Aa1	AA+
		Aa2	AA
		Aa3	AA-
	Upper-Medium	A1	A+
		A2	A
		A3	A-
	Medium Grade	Baa1	BBB+
		Baa2	BBB
		Baa3	BBB-
Sub-Investment Grade	Questionable	Ba1	BB+
		Ba2	BB
		Ba3	BB-
	Poor	B1	B+
		B2	B
		B3	B-

Headline Rating	
Standalone Rating	

Financial sustainability once stand-alone investment grade is achieved in 2018

- Both ratios must meet criteria to qualify for stand-alone investment grade
- Eskom currently relies on government support for investment grade rating
- Majority of funding for approved new build secured (almost 80%)
- Investment grade status necessary to secure the balance of funding, and critical for long-term expansion post Kusile



Two long term scenarios modelled

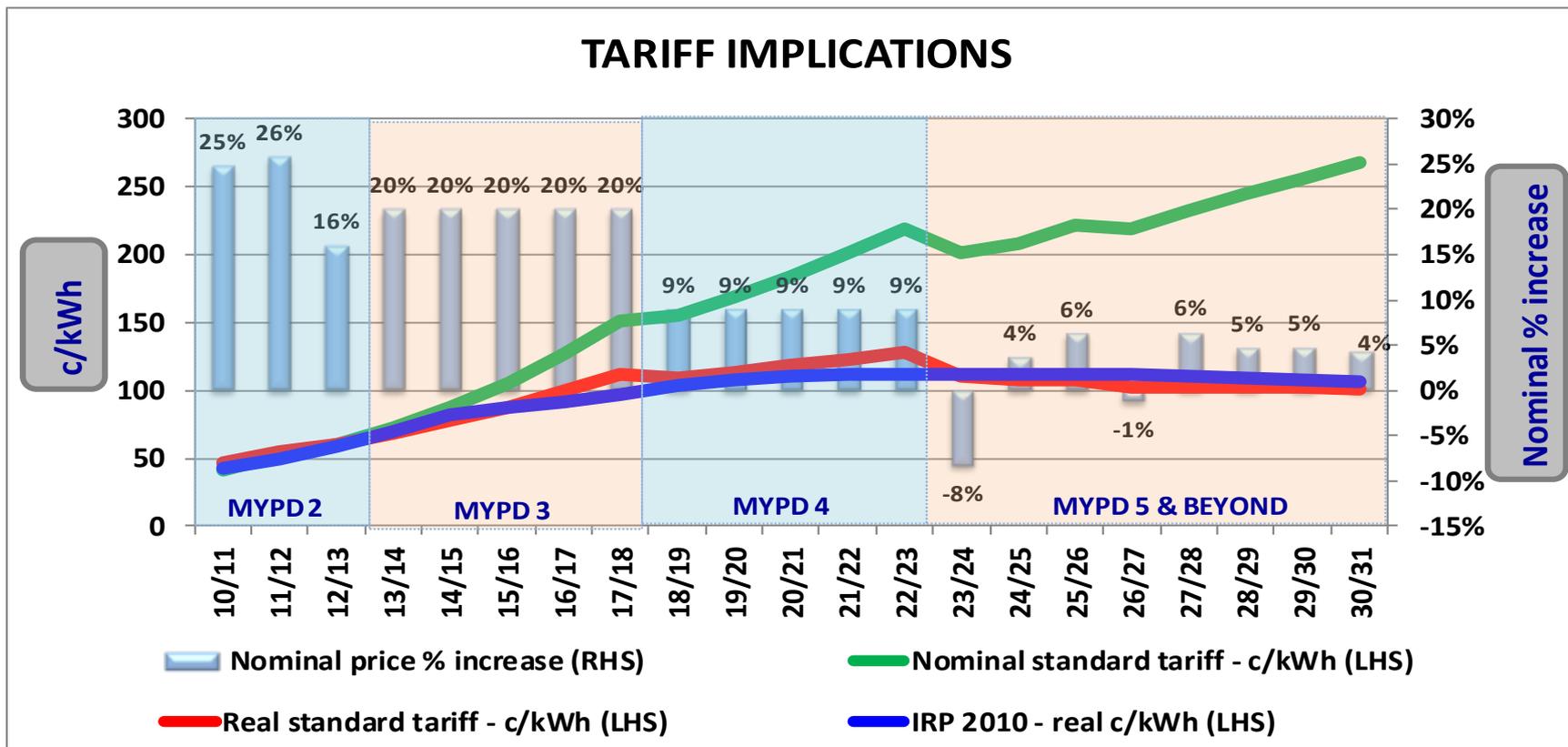
- **Scenario 1** - Eskom builds 65% of IRP2010 (28 737MW), IPPs 35% (16 491MW).
- **Scenario 2** - Eskom builds 100% of IRP2010 (31 437MW), IPPs (13 791MW).
- IPPs 13 791MW comprises:
 - 9 210MW DoE assumption
 - 1 020MW DoE Peaker
 - 2 609MW imports
 - 960MW Cogeneration

TECHNOLOGY	ESKOM (assumed)		IPPs (assumed)		IRP 2010 TOTAL MWs
	MYPD 3	POST MYPD 3	MYPD 3	POST MYPD 3	
Nuclear	0	9,600	-	-	9,600
Coal	0	4,368	2,442	-	6,810
Gas	0	3,269	672	2,300*	6,241
Wind	0	5,200	2,547	400	8,147
Solar and CSP	0	6,300	3,321	-	9,621
Other renewables	0	-	173	-	173
DoE peaker	-	-	1,008	-	1,008
Cogen	-	-	1,019	-	1,019
Import Hydro	-	-	-	2,609	2,609
Capacity (MW)	-	28,737	11,182	5,309	45,228

65%

35%

16,491MW



- Assume Eskom builds 65% of new capacity to 2030, or **29000 MW** , while IPPs build **16000 MW**
- Price path required is **20% for 5 years (MYPD3)** followed by **9% for 5 years (MYPD 4)** and inflation thereafter

CONCLUSION



PROCESS

We urge you to engage with our application

Eskom is committed to open and on-going communication throughout the process

We urge all stakeholders to participate in Nersa's consultation process

The quality of debate will shape the quality of the outcome



Submission to NERSA	On-going Eskom communication	Public Hearings	NERSA finalises price increases	New tariffs are implemented
17 October 2012	October-January	January 2013	February 2013	April/July 2013

- A stable and secure supply of electricity is essential to support economic growth and development , now and into the future
- Tariffs are the fairest and most efficient way to pay for electricity , and ensure the industry invests in the infrastructure needed to deliver the electricity we need
- Prices must cover the full cost of producing electricity from existing and new assets - ensuring Eskom and electricity industry are financially sustainable
- This must be balanced with the impact of tariffs on the economy and poor households
- We have looked hard at our costs and committed to R30 billion in savings
- Proposed increase of 13% to cover Eskom's costs, plus 3% to introduce new independent power producers, giving a total of 16% for each of the five years
- Including new build beyond Kusile would raise this to 20% a year over MYPD3

- Eskom is committed to move towards a cleaner energy mix, and to improving energy efficiency in its own operations and those of its customers and stakeholders
- Eskom cannot do it alone : we welcome the involvement of the private sector to support us in meeting South Africa's energy needs into the future.
- We must ensure that solutions to meet future energy needs will ensure the tariff trajectory is affordable and support the aspirations of Government policy on job creation and local supplier development.
- Decisions need to be made soon on implementing the Integrated Resource Plan The funding of the plan requires serious consideration.
- Regional options must be considered, in southern and central Africa, which could help us meet our future energy needs and contribute to regional development
- We must look at potential game changers, such as gas (natural or unconventional).
- Eskom's application strikes the optimal balance for South Africa - we urge you to engage with it.



Thank you