Eskom chair reiterates need for private investment

By Joe Bavier

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South Africa's power sector will require increased private sector investment as debt-ridden utility Eskom implements structural reforms and builds critical new infrastructure, the company's chairman said in an interview.

An aerial view of Kriel Power Station run by state electricity utility Eskom in Delmas, in Mpumalanga. Source: Reuters/Shafiek Tassiem

Private sector involvement in the power sector is a politically sensitive subject as South Africa prepares for elections in May, and the chairman made clear state-owned Eskom would not be moving towards privatisation.

"Private sector participation, yes, but the asset is going to end up with the government," Mteto Nyati, the chairman of Eskom's board of directors, said in an interview.

Africa's most industrialised nation is weathering its worst power crisis on record, necessitating daily scheduled blackouts that have disrupted economic activity and crippled growth as Eskom battles to keep its ageing fleet of coal-fired power plants operational.

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The government is working to add generating capacity, largely through deals with private companies operating solar and wind projects.

However, Nyati said the capacity to connect those new projects to the national grid was limited by available transmission capacity.

"We probably need close to R350bn rand over the next 10 years to build the transmission infrastructure. We do not have, from our own operations, the capacity to fund that," he said.

Transmission funding

Nyati said Eskom had the finances to fund the first three years of its transmission expansion plan.

Beyond that, it would need private investment, he said, adding the board was considering the kind of build, operate, transfer models that had already been used to construct highways and communications networks.

Under a reform plan announced by President Cyril Ramaphosa in 2019, Eskom will be unbundled into three companies that will separately manage electricity generation, transmission, and distribution.

The transmission unit will be operational this year, Nyati said, with the new distribution entity to follow suit in 2025.

IPPs more involved in future

In future, he predicted Eskom's generating company would be the sole provider of the baseload electricity required to keep the grid running, but with independent power projects increasingly involved in adding new generating capacity.

A government planning document released for public comment last month called for a massive programme of power plant construction to ensure adequate electricity supply to 2050.