

Eskom to split in three

To ensure the country's power security, Eskom will be split into three separate entities - generation, transmission and distribution - under Eskom Holdings, President Cyril Ramaphosa said in his State of the Nation Address (Sona).



He said Eskom is in crisis and the risks it poses could severely damage the economic and social development ambitions of the country.

“In responding to this crisis, we are informed by the need to minimise any adverse economic cost to the consumer and taxpayer. As we address the challenges that face Eskom we will ensure that there is meaningful consultation and dialogue with all key stakeholders.

“We will lead a process with labour, Eskom and other stakeholders to work out the details of a just transition, and proper, credible and sustainable plans that will address the needs of all those who may be affected.

“As we address the challenges that face Eskom, we also need to safeguard our national fiscal framework, achieve a positive impact on our sovereign credit rating, and pay attention to the rights and obligations of Eskom’s funders,” he said.

Eskom has come up with the nine-point turnaround plan which government supports. “In line with this plan, Eskom will need to take urgent steps to significantly reduce its costs. We need to take steps to reduce municipal non-payment and confront the culture of non-payment that exists in some communities.

“It is imperative that all those who use electricity – over and above the free basic electricity provided – should pay for it,” he said.

Eskom needs a new business model

The president said to ensure the credibility of the turnaround plan and avoid a similar financial crisis in a few years’ time, Eskom will need to develop a new business model.

He said the business model would need to take into account the root causes of its current crisis and the profound international and local changes in the relative costs, and market penetration of energy resources, especially clean technologies.

“It needs to take into account the role that Eskom itself should play in clean generation technologies.

“This will ensure that we isolate cost and give responsibility to each appropriate entity,” he said.

The President said this will also enable Eskom to be able to raise funding for its various operations much easily from funders and the market.

“Of particular and immediate importance is the entity to manage an independent state-owned transmission grid combined with the systems operator and power planning, procurement and buying functions.

“It is imperative that we undertake these measures without delay to stabilise Eskom’s finances, ensure security of electricity supply, and establish the basis for long-term sustainability.”

Aim to make SOEs self sufficient

The president said government wants state-owned entities (SOEs) to be fully self-sufficient and be able to fulfill their development and economic role.

“Where SOEs are not able to raise sufficient financing from banks, from capital markets, from development finance institutions or from the fiscus, we will need to explore other mechanisms, such as strategic equity partnerships or selling off non-strategic assets.

“As we do all this, we will not support any measures that, in any form, dispose of assets of the state that are strategic to the wellbeing of the economy and the people.

“We have the task and the responsibility to safeguard, build and sustain these key institutions for future generations,” he said.

He said government has sought credible plans from boards to put in place the right skills and expertise to manage these companies so that government can shift the focus from immediate stability to long-term sustainability.

“We also seek to build a pragmatic and cooperative relationship between government, organised labour and private sector stakeholders, where we can jointly determine a strategic path for SOEs to create jobs, enable inclusive growth and become operationally and financially sustainable.

“Security of energy supply is an absolute imperative. This we will do without burdening the fiscus with unmanageable debt,” he said.

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