

Eskom's plan to keep the lights on

As Eskom continues to warn consumers of rotational load shedding, Deputy President David Mabuza has told Members of Parliament that the power utility has developed a detailed turnaround plan to address its challenges.



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“Key to the success of this plan is a focus on driving efficiency and reducing costs...” Mabuza said when responding to oral questions in the National Assembly..

He said some of the initiatives that would be taken include:

- Optimising primary energy costs through prudent long-term coal sourcing, investment in cost-plus mines and reducing the cost of logistics in terms of moving coal from mines to plants;
- Refining capital efficiency by reprioritising capital expenditure and optimising contract management;
Driving operational and cost efficiency in procurement;
- Growing revenue with pricing incentives and the pursuit of international sales and other new growth opportunities; and
- Improving workforce efficiency by optimising personnel costs and re-aligning the human resource capacity to match the required performance expectations.

This comes as the power utility continues to buckle under operational and financial strain, with the challenges in recent times leaving Eskom’s engineers with no choice but to implement rotational load shedding nationwide.

Mabuza said some of the root causes of the current state of affairs with regard to electricity supply have been the growth of the population and the extension of supply to all South Africans, as well as governance, financial and operational challenges within Eskom.

He said funding constraints within the organisation are resulting in less budget allocations to capital funding for the critical maintenance programme.

Operations

Mabuza said on the operational side, more than half of Eskom's fleet is over 37 years old and these power stations are at a stage where they require significant refurbishment to maintain the same standard of performance.

He said to support the turnaround plan, government has allocated R23bn per year for the next three years.

"This allocation will allow Eskom to execute the turnaround plan, thereby enabling the utility to channel part of their revenue towards effective and prudent maintenance that has been compromised due to lack of adequate funding.

"This turnaround plan will address the immediate plant performance and coal quality challenges restoring the security of supply, and this will lay the foundation for addressing both the financial and operational sustainability," he said.

Mabuza said an independent technical review team has also been appointed to review the plan and evaluate the state of power stations.

"The outcomes of this assessment will guide specific interventions at power station level to ensure that power supply disruptions are stabilised.

"Ultimately, Eskom must implement programmes that will improve the culture of accountability, productivity and efficiency at the utility.

"Where appropriate, it will have to dispose of non-core assets and increase its efficiencies thereby alleviating its current liquidity challenges in the short-term."

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