

All hands needed on deck to turn Eskom around: President

With Eskom facing myriad challenges that have affected its ability to meet demand, President Cyril Ramaphosa pulled no punches when he detailed what needs to be done to get the power parastatal back on track.



President Cyril Ramaphosa addresses the National Assembly

The president was responding to the debate on the State of the Nation Address (Sona) in the National Assembly, which took place as Eskom implemented load shedding for the fifth day in a row.

“The unprecedented failure of Eskom’s generating capacity over the last few days underlines the severity of the challenges the company faces and the urgency of measures to address them.

“There is a no single solution to the problems at Eskom – neither restructuring, nor refinancing, nor cost cutting, nor tariff increases, nor better plant maintenance on their own will have the necessary effect.

“We need to pursue all of these measures and more, simultaneously, in a coordinated manner, and with purpose, to turn the utility around,” he said.

This comes after the president announced during Sona that Eskom would be divided into three separate state-owned entities – generation, transmission and distribution, all under Eskom Holdings.

While the announcement has garnered a lot of attention from all quarters of society, Ramaphosa said it is by no means the only or most significant measure that must be undertaken.

“In his budget speech next week, the minister of finance will detail the measures that government will undertake to assist Eskom to stabilise its finances.

“It represents a significant commitment at a time when public finances are severely constrained.

“It must therefore be accompanied by – and must be dependent on – a credible, far-reaching turnaround plan that has both an immediate and a lasting impact,” he said.

Addressing MPs, the president said the leadership of the utility has already taken steps to cut costs and improve efficiency. He said, however, that much more needs to be done and it needs to be done more quickly.

“One of the tasks that are essential to ensuring secure electricity supply is a dedicated and detailed focus on maintenance.

“Maintenance doesn’t grab headlines, nor does it strike most people as even vaguely interesting but an effective, comprehensive maintenance programme, properly funded and led by skilled personnel, is the one thing that stands between reliable electricity supply and darkness.”

The president said the fundamental principle that must underpin government’s response to the Eskom crisis is that it must be inclusive and consultative.

“We accept, as government, that we have not done enough to bring some of the key stakeholders, such as labour, on board and are determined to correct this.

“As social partners, as stakeholders, as a country, we have a common interest in finding sustainable solutions to the crisis at Eskom.

“We therefore have a collective responsibility, which extends beyond our immediate interests, to work together to fix Eskom,” he said.

Immediate plan to ease load shedding

The president was pleased with the willingness of some experienced technical professionals, who have the capacity to deal with the challenges that Eskom faces, to respond to the Thuma Mina call of coming back home to help.

He said in the immediate term, there is a need to intervene aggressively to ensure that load shedding is addressed.

“The teams assembled by the Presidency, the minister of public enterprises and the Eskom board need to prioritise the building up of an adequate electricity generation safety margin to ensure the national grid is restored to a state of robustness able to withstand the demands that will be placed on it by new industrial capacity enticed through the 2018 Investment Conference.

“We all need to agree on the roadmap with concrete actions in the short, immediate and long term to achieve an end state of an electricity secure country.”

Government doing all it can to minimise risk to jobs, consumers

Ramaphosa assured that government understands the fears of workers about job losses at Eskom and in associated industries.

“We understand the concerns of lenders, investors and business owners. We will address them directly and honestly.”

He said the next weeks and months will be difficult as government effects the changes that need to be made.

“It is our responsibility to ensure that throughout this process, we take the greatest care to minimise the negative impact on the most vulnerable in our society – the township and rural resident, the worker, the emerging farmer and the small business owner,” he said.

Restructuring to reduce massive risk to Eskom

The president said restructuring the power utility will reduce the risk of a massive Eskom, that at times has, in its current form, been termed “too big to fail”, placing government in a position where all its eggs are in one basket.

“[The restructuring] will align Eskom with international electricity trends, where the vertically integrated electricity utilities have been broken up to enable better regulatory oversight through a single buyer model, and increase competition in the generation and distribution space, driving down the cost of electricity for the economies.

“A good example of this transformation is the People’s Republic of China. A unitary Eskom has proven to be difficult to lead.”

Ramaphosa said that ultimately, the restructuring of Eskom is intended to ensure security of electricity of supply for the country, which is critical to building up the positive investor sentiment and confidence essential for the investment required to create sorely needed jobs.

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