

Eskom targets R55.6bn saving

Cost saving is key to Eskom's turnaround strategy and the power utility aims to save R55.6bn over the next three years, Deputy President David Mabuza says.



Deputy President David Mabuza

"The 2020/21 corporate plan outlines a cost savings target of R55.6bn over a three-year period, from financial year 2021 to financial year 2023. The cost saving target for financial year 2021 is R14.1bn," he says.

Government's equity support is assisting Eskom in servicing its debt commitments. However, this only improves liquidity, but will not resolve Eskom's financial viability, and even with government support, Eskom's liquidity remains constrained due to poor long-term financial sustainability.

Separating the entities

"In the implementation of timelines envisaged in the Department of Public Enterprises' roadmap, Eskom has reported that the timelines for transmission can be met, although the legal separation of generation and distribution will take somewhat longer. This delay is due to legal and regulatory changes, which are beyond Eskom's control," Mabuza says.

Eskom has also decided to accelerate the legal separation of transmission, which will create the required certainty for prospective investors in generation capacity, in turn ensuring that bids are fairly adjudicated, relative to Eskom generation.

“The end state of the process is to ensure that all three divisions will be able to operate as standalone and financially viable businesses. This will further ensure that Eskom is able to mitigate the risks to debt and lender security, as well as asset base. In view of this, we are comfortable with the progress towards achieving the milestones envisaged in the roadmap.”

The deputy president says that while Eskom is improving its revenue and debt collection measures to fund its operations and ensure that electricity is supplied on a sustainable basis, rising municipal debt continues to pose a serious risk to Eskom’s long-term financial sustainability.

Debt

The debt also significantly contributes to the liquidity challenges facing the entity.

“We therefore fully support Eskom’s efforts to collect revenue by following its credit control measures, and we reiterate our commitment made in both Houses of Parliament, to ensure that organs of state do expedite payment of outstanding debts owed to Eskom, and that they settle all outstanding debts to municipalities.”

Mabuza says the Eskom Political Task Team is also in the process of finalising an effective institutional mechanism to deal with debt verification processes, and resolve disputes where there are disagreements on the debt amounts owed.

“This will culminate in the appointment of facilitators to oversee this process. More importantly, we have a responsibility to improve a culture of payment for services such as electricity and water by our communities to avoid unnecessary disruptions in the provision of these services. We are in the process of rolling out a comprehensive campaign to raise awareness and encourage communities to pay for electricity and other services that they consume. This is the right thing to do.

“We make this clarion call on all our communities to pay for electricity to enable Eskom and municipalities to provide services on a continuous and sustainable basis,” Mabuza says.

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