Interim integrated results for the six months ended 30 September 2014

25 November 2014

This presentation is available at www.eskom.co.za/IR2014/interim

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Agenda and presenters

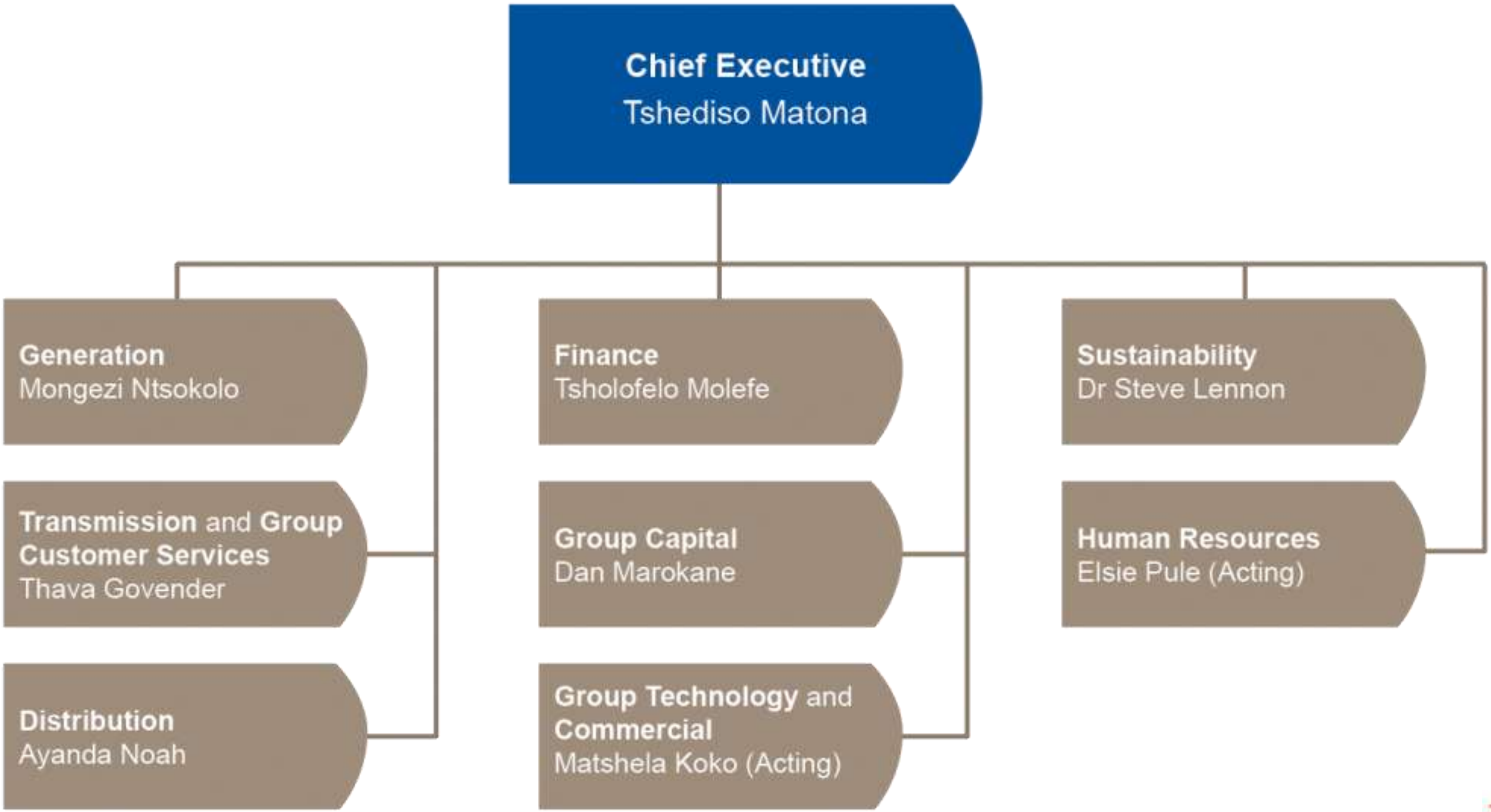
Overview of the period	Tshediso Matona
Sustainable asset creation	Tshediso Matona
Operational sustainability	Tshediso Matona
Financial sustainability	Tsholofelo Molefe
Outlook and system update	Tshediso Matona

Throughout this presentation, **comparative period** refers to the six months ended 30 September 2013, while **period** refers to the six months ended 30 September 2014 and **year end** to 31 March 2014

Overview of the period
Tshediso Matona

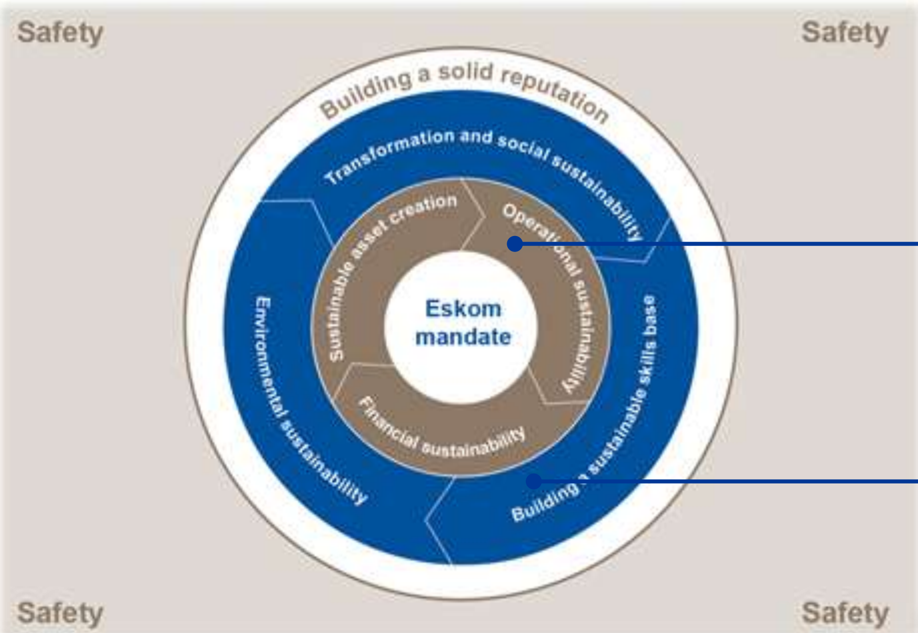
Exco structure

The following changes to the composition of Exco were announced, with effect from 1 November 2014, to bring stability to the organisation



Eskom's seven sustainability dimensions

The rapidly changing environment requires a response that will **ensure sustainability**



Eskom's mandate is comprehensive, focused on seven dimensions of sustainability

- **Core areas** revolve around the tension of sustainable asset creation, financial sustainability and operational sustainability
- Beyond that**, Eskom also needs to ensure a positive wider impact** on the environment, contribution to strategic transformation and social sustainability objectives as well as the contribution to a sustainable skills base

Safety will continue to be the foundation for all our operations and is key to Eskom's performance and sustainability

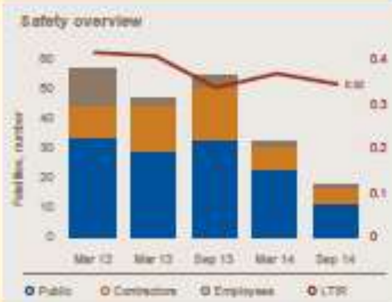
Refer to page 9-10 in the interim IR for more information

Overview of the period

Eskom

Safety remains the foundation of Eskom's operations

No operating condition or urgency of service can justify endangering the life of a person, including the public, or causing injury or harm to the environment



Reducing environmental footprint

Eskom remains committed to **reducing emissions** to minimise the effect of its operations on the environment, and to comply with regulated emission standards

More than **1 000MW of renewable IPP** generation capacity connected and providing power to the grid

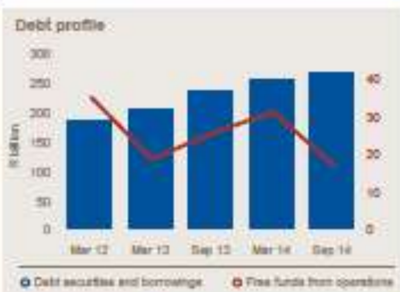
Financial sustainability and liquidity under severe pressure

Six month YoY profit down to **R9.3bn**

Projected year end profit of **R0.5bn**

Use of OCGTs and IPPs to ensure **security of supply**

Projected year end sales volumes **1.1%** YoY



Government support package announced, with **equity cash injection** of at least **R20bn**

NERSA approved additional revenue of **R7.8bn** for 2015/16 financial year

Arrear municipal debt deteriorated to **R4bn**

Power system will remain constrained until more units from the capacity expansion programme come online

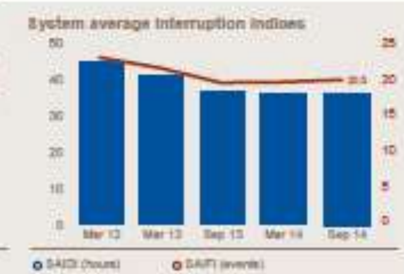
All 46 wind turbines installed at **Sere Wind Farm**

Medupi Unit 6 on track for first synchronisation

Load shedding only implemented as a last resort to prevent a longer, more damaging shut down of the entire system

Majuba coal silo collapse resulted in supply disruptions; load shedding implemented on Sunday 2 November

Load shedding over **three** evening peak events during winter



No major system incidents

Refer to page 17 to 19 in the interim IR for performance against key KPIs

Overview of the period

	Current status	Future focus
Safety	• **Safety performance** trended positively against the comparative period, although **contractor** and **public fatalities** remain a concern to Eskom	• Safety will remain a priority until **zero harm** is achieved • Significant efforts to manage **contractors** more effectively and educate public on **electrical safety**
Sustainable asset creation	• Both Medupi and Kusile have achieved a number of **significant milestones** since March 2014 • Work stoppage **lifted** at Ingula • **Sere** on track for commercial operation by March 2015	• **Recovery strategies** and productivity improvement plans put in place at Medupi and Kusile • Commercial strategy was defined to **increase contractors' resources** and improve performance
Financial sustainability	• Financial health **deteriorated** due to inappropriate return on assets owing to substantial **cost increases** (OCGTs, IPPS and maintenance cost), lower sales volumes and **lack of cost-reflective tariffs**	• Eskom continues to work closely with Government • Focus remains on **BPP savings** • Eskom is preparing a **revenue review** application for first year of MYPD 3
Operational sustainability	• Eskom is managing the **constrained** power system to meet electricity demand while protecting **system integrity**, especially after **Majuba** incident	• Eskom **strives** to meet electricity demand, but has to do so within financial, operational and environmental **constraints** • Financial sustainability **paramount**

Highlights

- **All 46** wind turbines at Sere wind farm completed, with **20 transformers** synchronised to the grid
- **Full commercial operation** of Sere on track for March 2015
- Employee **LTIR** target achieved
- On track for **first synchronisation** of Medupi Unit 6
- **Cabinet** approved financial support package, with at least **R20 billion** of equity
- **R7.8 billion** additional revenue approved by NERSA (MYPD 2 RCA)
- More than **1 000MW** from RE-IPPs available to the grid
- **Network** performance better than target
- Winter **maintenance plan** successfully executed

Refer to page 17 to 19 in the interim IR for performance against key KPIs

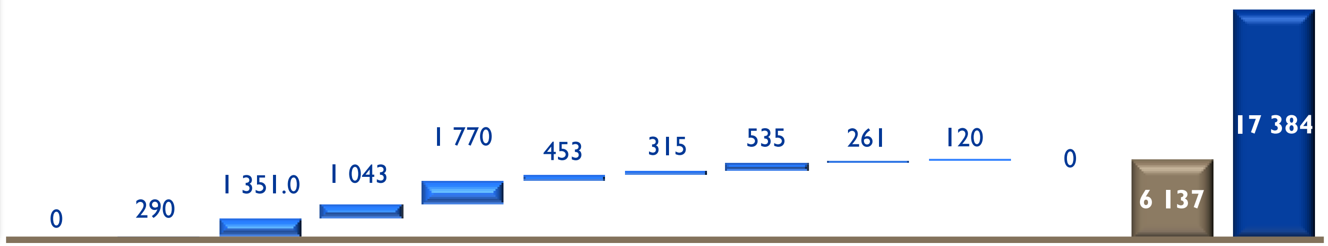

Sustainable asset creation
Tshediso Matona

Capacity expansion programme overview

To date, the construction work that has been completed has added ~ 6 137MW of capacity, ~ 5 659km of transmission network and ~ 27 655 of MVAs

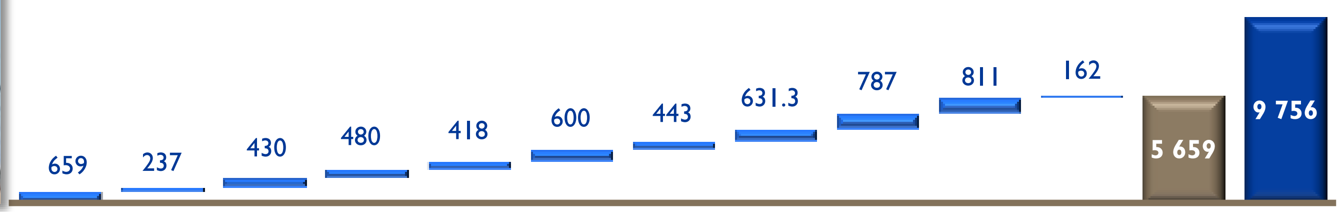
Megawatts

MW of capacity



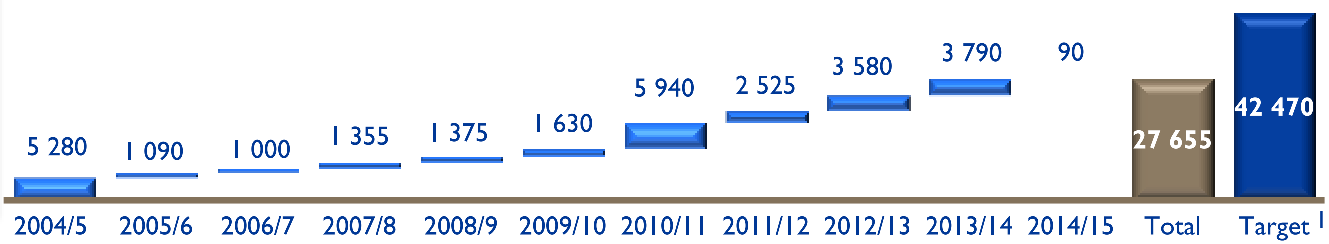
Transmission

Km lines



Substations

MVAs



1. Refers to the target of the total capacity expansion programme

Refer to page 31 in the interim IR for more information

Progress on Medupi Power Station

- Processes aimed at **schedule recovery** in order to meet milestones are showing **good results**
- Issues around welding on Unit 6 boiler **resolved** and post-weld heat treatment **completed**
- Number of **significant milestones** achieved since 31 March 2014
    - Boiler chemical clean, draught group test run and site integration tests
    - First coal delivered to the stockyard, commissioning of coal stacker and coal mills progressing well
    - First oil fire
- On track for **first synchronisation**, although risks remain which may cause delays. Full commercial operation expected six months thereafter

- **Industrial action** during July 2014 delayed progress
- **Additional shifts** required to recover schedule

Refer to page 32-33 in the interim IR for more information

Progress on Kusile Power Station

- Good progress after **resolving boiler quality** issues and business rescue of FGD contractor
- Number of **significant milestones** achieved since year end
  - HP rotor and generation step-up transformer were successfully set, and Unit 1 was put on electrical barring
  - Steam turbine lube oil system flush
- On track for **first synchronisation**

- **Industrial action** during July 2014 delayed progress
- Productivity improvement plans implemented since to recover schedule after delays experienced after **resources** were **redeployed** to Medupi
- Structural bolt failures and overstressed connections delayed **air-cooled condensor work**
- Non-conformances discovered in **Unit 1 spiral wall**

Refer to page 33-34 in the interim IR for more information

Progress on Ingula and Sere

- Section 54 **work stoppage** at Ingula was completely **lifted** during September 2014, thereby resuming work in the inclined-high pressure shafts
- Ingula's two **emergency diesel generators**, to be used in the event of a black start, have been **hot commissioned**
- **All 46 wind turbines** at Sere have been installed
- **Transformers** of 20 wind turbine generators have been **energised**, providing 42MW to the grid
- Sere remains on track to be in full commercial operation by **March 2015**

- Section 54 **work stoppage** significantly **impacted progress** at Ingula for almost 12 months
- Forecast first synchronisation of Unit 3 has moved out to **first half of 2016**

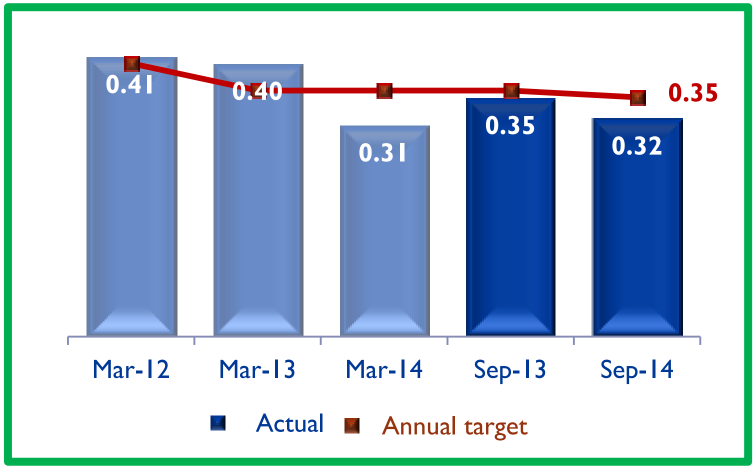
Refer to page 34-35 in the interim IR for more information

Operational sustainability
Tshediso Matona

Safety

Fatalities

LTIR performance



- **LTIR performance** was better than target
- Although still unacceptable high, the number of **fatalities** – employee, contractor and public – have **reduced** against the comparative period
- Two business units obtained **Blue Flag** status for exceptional SHE performance

- Safety performance is not yet at the desired level
- **Number of public fatalities**, mainly from electrical contact and motor vehicle accidents, remain a concern

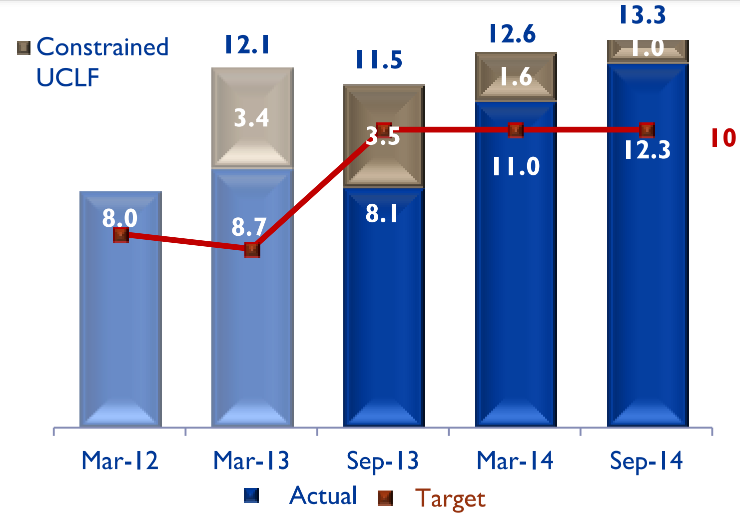
Refer to page 29-30 in the interim IR for more information

Generation performance

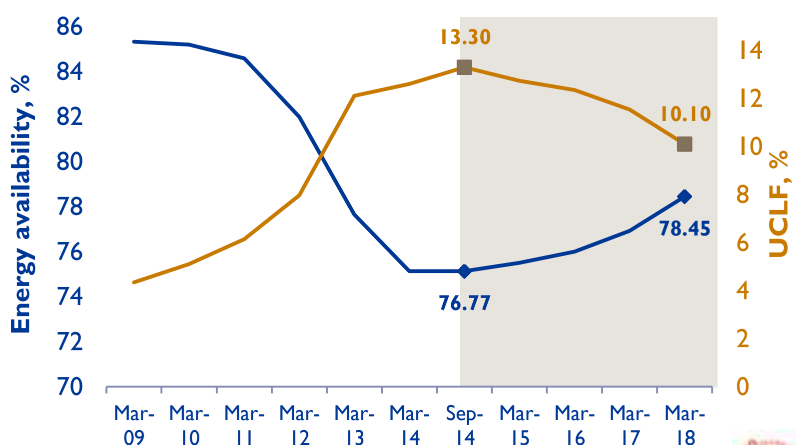
- **Partial load losses reduced**, easing pressure on the constrained power system
- Maintenance of generation plant performed during winter in line with the **Generation sustainability strategy**

- **Load shedding** necessitated during June
- Collapse of **main coal silo** at Majuba Power Station on 1 November, requiring load shedding to protect the power system
- Increase in **outage slips** and **post-outage UCLF** (unplanned maintenance)
- Balancing **trade-offs** between performing adequate **maintenance** while **meeting customer demand**, within current **financial constraints** which limit usage of costly OCGT plant

Unplanned capability loss factor (UCLF) %



EAF versus UCLF – outlook



Refer to page 48-51 in the interim IR for more information

Majuba recovery programme update

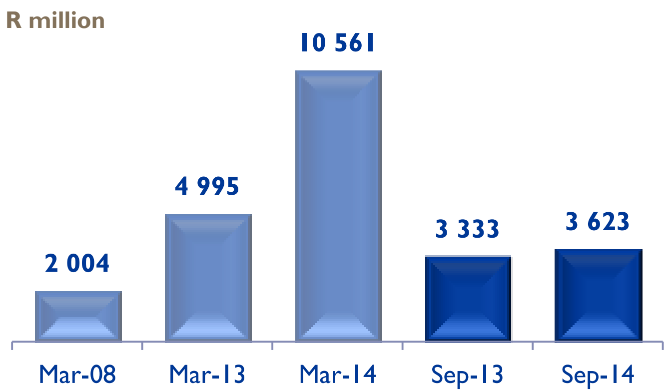
- The programme is being managed with **three distinct solutions**, namely immediate, interim and permanent
- The **immediate solution** deals with the short-term actions to be put in place to **recover the capacity** of the units and to conduct **demolition activities** while ensuring safety of personnel
- Immediate solution will be in place until **engineering investigations** are concluded
- Outcome of engineering investigations will identify the **scope of work** and subsequent **schedule and cost impacts** of the interim and permanent solutions
- An **interim solution** will be required, before a long-term **permanent solution** can be implemented, to alleviate some of the very complex coal logistics currently in place
- Recovery activities are **progressing to plan** with units operating at 70% of full capacity
- **Supporting activities** (including stakeholder interactions, insurance considerations, environmental impacts and commercial activities) are **progressing to plan**

Refer to page 50 in the interim IR for more information

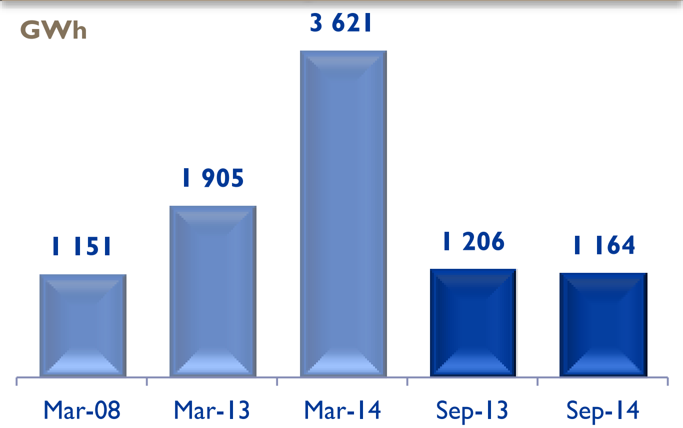
Primary Energy

Eskom

OCGT costs[1]



OCGT production[1]



- Coal stock days above target at **46 days** (target: 42 days), supporting security of supply
- Coal delivered **to Medupi** from July 2014
- Mokolo Crocodile Water Augmentation Project is **delivering water** to Medupi

- Primary energy cost increased due to **high usage of OCGTs**
- Load losses still being experienced at Arnot, Matla and Tutuka due to **poor quality coal**
- **Majuba rail** operation was affected by breakdowns of the tippler offloading system

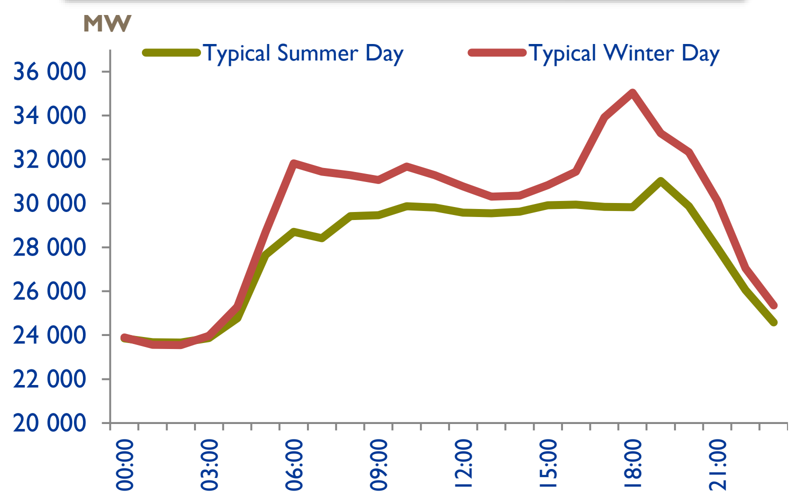
1. The 2009, 2010, 2011 and 2012 financial years are not shown as OCGT usage during those years was minimal

Refer to page 38, 52-53 in the interim IR for more information

Integrated Demand Management and IPPs

Energy purchased from IPPs

Summer and winter load profiles



- More than 1 000MW **renewable energy** connected and available to the grid
- **4 280MW contracted** with IPPs
- **760 IDM projects** installed: potential demand savings of 81MW (energy savings 258GWh)
- Dispatchable load of 1 417MW is available under the **demand response** programme

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- **Funding constraints** have impacted funding for IDM projects, significantly affecting performance on **demand savings** and internal energy efficiency performance
- Challenges **connecting future IPPs** to the grid, dependent on grid strengthening and refurbishment
- System **potentially constrained all day** during summer, but mainly over peak in winter

Refer to page 54-57 in the interim IR for more information

Transmission and Distribution performance

- **System minutes lost** for events < 1 minute performance better than target
- **No major incidents** occurred
- SAIDI and SAIFI performance was **better than target**
- More planned maintenance, which improves **network reliability**
- **Energy losses** have significantly improved, aided by prosecution of cases of electricity theft, thus more energy available to the network

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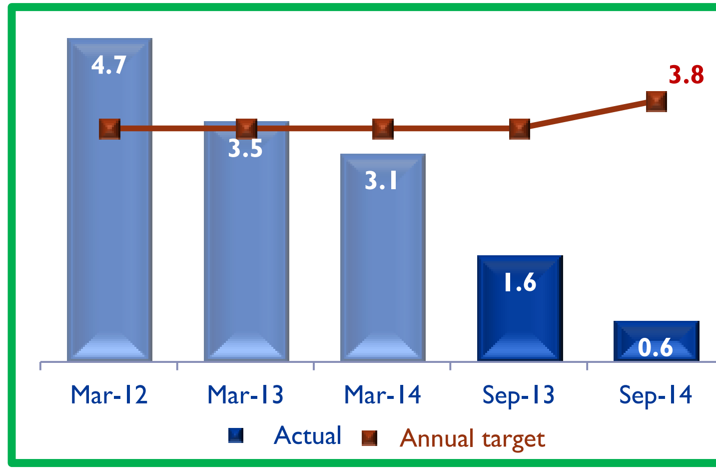
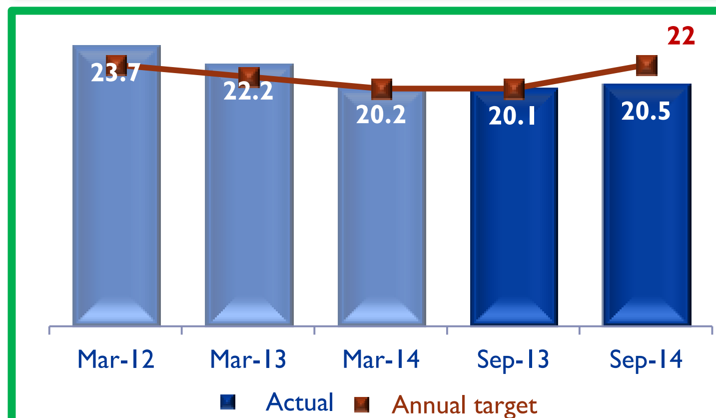
- Energy imports from **Cahora Bassa** were affected by availability issues on HVDC transmission lines

System minutes lost < 1 minute



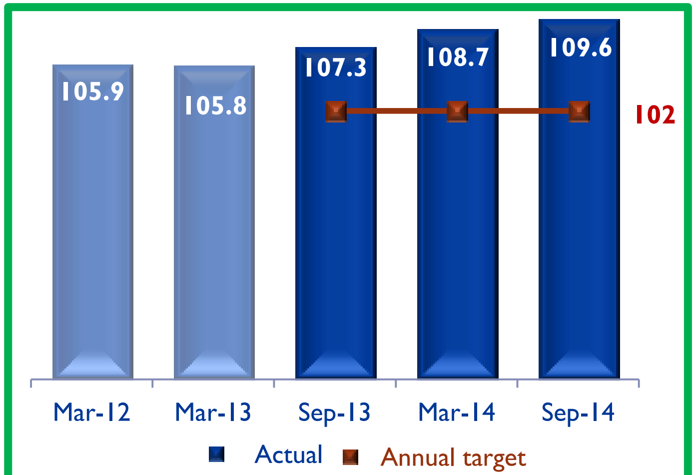
SAIFI (number/annum)



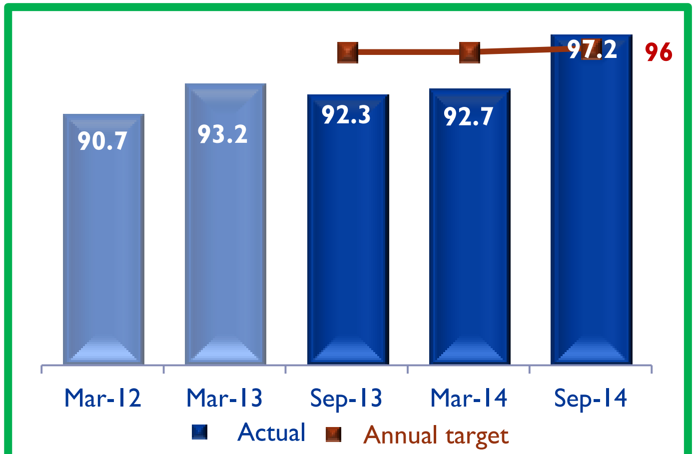
Refer to page 53-54 in the interim IR for more information

Group Customer Services performance

Eskom KeyCare index



Enhanced MaxiCare index



- Numerous interactions with **key industrial customers** on system status and progress on capacity expansion programme
- Good performance on **KeyCare** and **Enhanced MaxiCare** measures
- Continuous engagement with customers to **contract load reduction** allowed for effective planning and prevention of load shedding

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- **Load shedding** incidents negatively impacted customer satisfaction
- **Delay in recovery** in demand from key industrial customers to pre-winter levels impacts revenue outlook

Refer to page 57 in the interim IR for more information

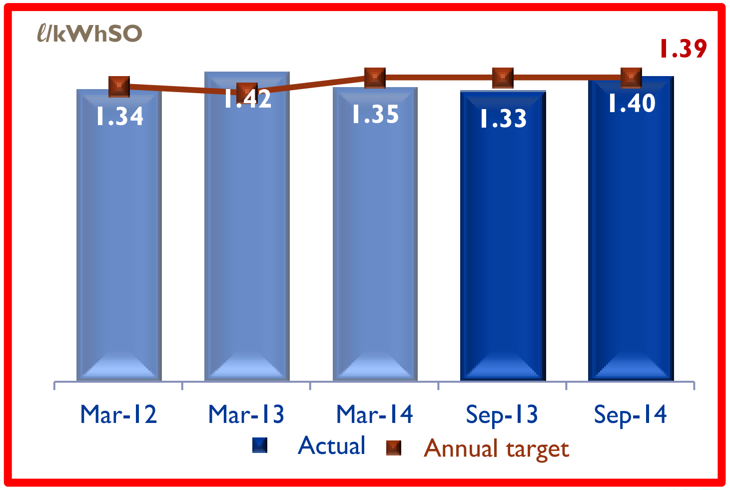
Environmental performance

- Relative **particulate emissions** has improved since year end and is better than target
- A number of delayed **water use licences** have been issued, with six more expected soon
- Significant decrease in number of **environmental contraventions**

- Financial and system **constraints** are impacting the implementation of **initiatives** to improve environmental performance
- **Specific water consumption** has deteriorated since 31 March 2014 but current year end projections approximate target
- Partial load losses were required in some instances, to comply with **atmospheric emission licences**

Relative particulate emissions

Specific water consumption



Refer to page 57-60 in the interim IR for more information

Financial sustainability
Tsholofelo Molefe

Financial overview

- Eskom's current financial health is **under strain**, driven by a number of key factors:
  - **Inappropriate return on assets** over a sustained period due to above-inflation cost increases, lower sales volumes and **lack of cost-reflective tariffs**
  - Escalating Municipal and Soweto **arrear debt**
  - **Substantial cost increases** largely due to the need to meet customer demand, while at the same time managing Generation's sustainability
  - **Deteriorating balance sheet** due to an ambitious capital expansion programme to increase capacity and strengthen the network, **funded through borrowings**
- In addition, **new emissions requirements** will also require increased funding
- The recent downgrade by Moody's to sub-investment grade may impact **availability and affordability of funding**, while any further downgrades may trigger loan covenants
- Standard & Poor's retained Eskom's **investment grade** rating, but with Negative Outlook

Refer to page 23-25 in the interim IR for more information

Financial results for the period to 30 September 2014

Measure and unit	Reviewed[1] period to 30 Sept 2014	Reviewed period to 30 Sept 2013	Audited year to 31 March 2014	Audited year to 31 March 2013
Key financial statistics				
Revenue, R million	**81 898**	77 722	139 506	128 775
(Contraction)/growth in GWh sales volumes, %	**(1.4)**	(0.1)	0.6	(3.7)
Profit for the period after tax, R million	**9 287**	12 241	7 089	5 183
Electricity revenue, c/kWh	**74.00**	68.97	62.82	58.49
Electricity operating costs, c/kWh	**62.14**	55.29	59.67	54.15
Capital expenditure, R million	**27 452**	23 440	59 803	60 133
Average days coal stock, days	**46**	53	44	46
Key financial ratios				
Gross debt securities issued/borrowings, R million	**264 915**	236 780	254 820	202 956
Debt/equity ratio	**2.08**	1.72	2.06	1.84

- Revenue reflects impact of **8% tariff increase**, coupled with **declining demand** for electricity
- Primary energy cost increased significantly, particularly due to **use of OCGTs** and **IPP purchases**
- **R200 billion** funding plan for remainder of MYPD 3 (1 April 2014 to 31 March 2018) is progressing well, with **32.8%** of funding secured
- Municipal **arrear debt** has increased to R4 billion, negatively impacting liquidity

1. Figures have been reviewed, but not audited, by the independent auditors, SizeNtsalubaGobodo Inc.

Refer to page 36-39 in the interim IR for more information

Income statement for period ended 30 September 2014

R million	Reviewed period to 30 Sep 2014	Restated[1] Reviewed period to 30 Sep 2013	Audited year to 31 March 2014
Revenue	**81 898**	77 722	139 506
Other income	**452**	183	962
Primary energy cost	**(38 065)**	(31 266)	(69 812)
Operating expenses (including depreciation and amortisation)	**(28 544)**	(28 622)	(58 293)
Operating profit before net fair value gain and net finance cost	**15 741**	**18 017**	**12 363**
Net fair value loss on financial instruments	**(860)**	(998)	(620)
Net fair value gain on embedded derivatives	**1 621**	1 868	2 149
Operating profit	**16 502**	**18 887**	**13 892**
Net finance cost	**(3 539)**	(1 853)	(4 772)
Share of profit of equity-accounted investees	**33**	26	43
Profit before tax	**12 996**	**17 060**	**9 163**
Income tax	**(3 675)**	(4 846)	(2 137)
Discontinued operations	**(34)**	27	63
Net profit for the period	**9 287**	**12 241**	**7 089**

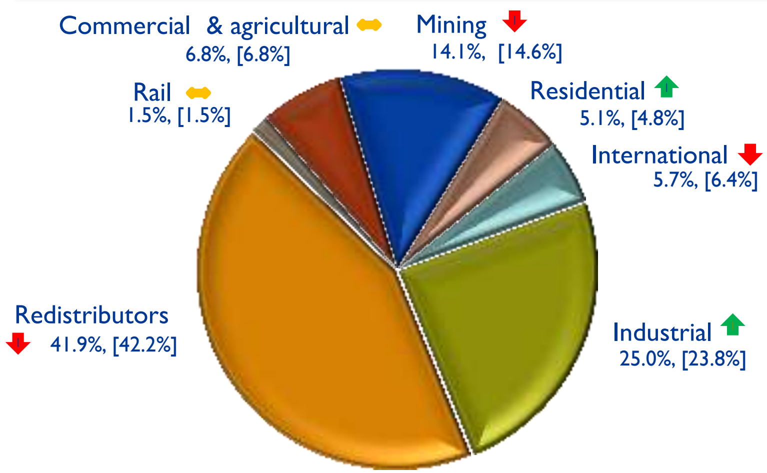
- **Group revenue** of R81.9 billion (2013: R77.7 billion), an **increase** of 5.4% against the comparative period, reflecting the **contraction** 1.35% in **sales volumes**
- Revenue growth has been offset by **escalating primary energy and operating costs**
- Embedded derivative gain is mainly due to the closure of the Bayside aluminium smelter
- **Finance costs** of R8.3 billion were **capitalised** during the period to 30 September 2014 (2013: R6.1 billion)
- Effective tax rate of 28.3% (2013: 28.4%)
- Forecast year end profit: **R0.5 billion**
- **No dividend** was recommended

1. Comparatives have been restated due to the classification of Eskom Energie Manantali s.a as a discontinued operation

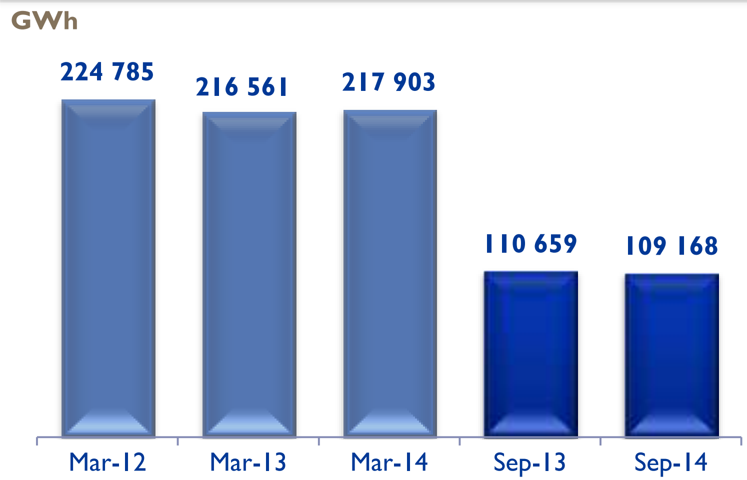
Sales and revenue

- **Declining sales volumes**, 1.55% below the year-to-date plan and 1.35% lower than the same period in 2013, largely caused by:
  - Impact of industrial action in platinum sector
  - Contraction in the gold mining sector
  - Closure of the Bayside aluminium smelter
- **Local sales** of 103 494GWh (September 2013: 104 397GWh), and **international sales** of 5 674GWh (September 2013: 6 262GWh)

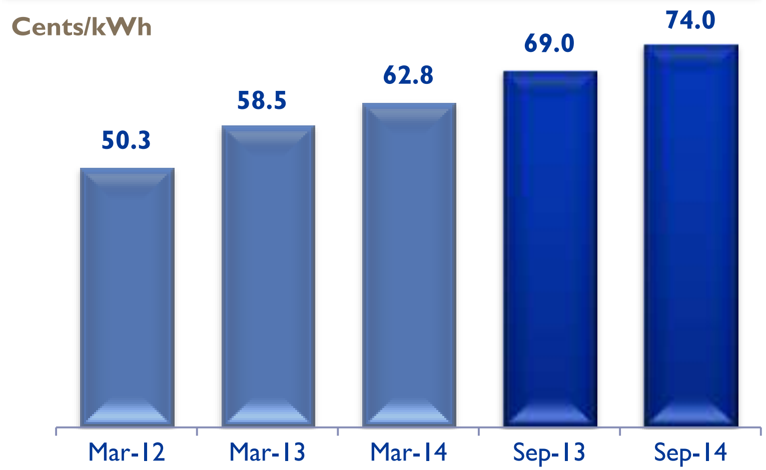
Electricity sales by customer type[1]



Electricity sales



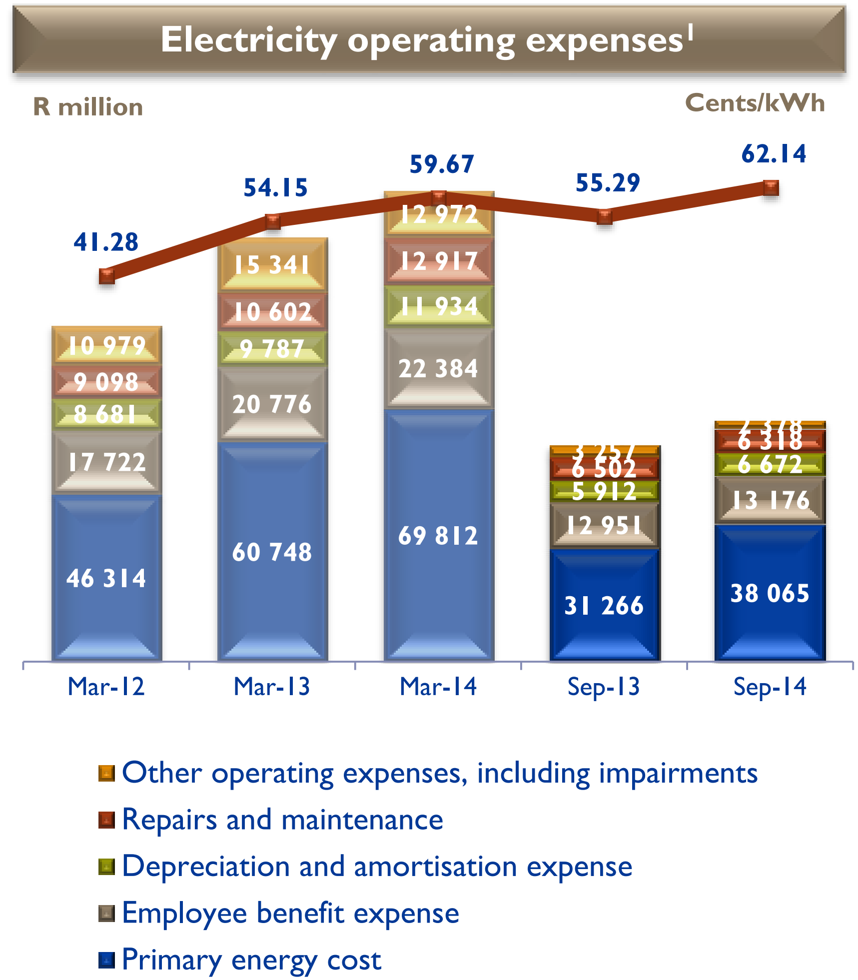
Electricity revenue



1. Percentages reflect the sales proportions for the current period. Percentages in brackets are those for the period to 30 September 2013

Electricity operating expenses

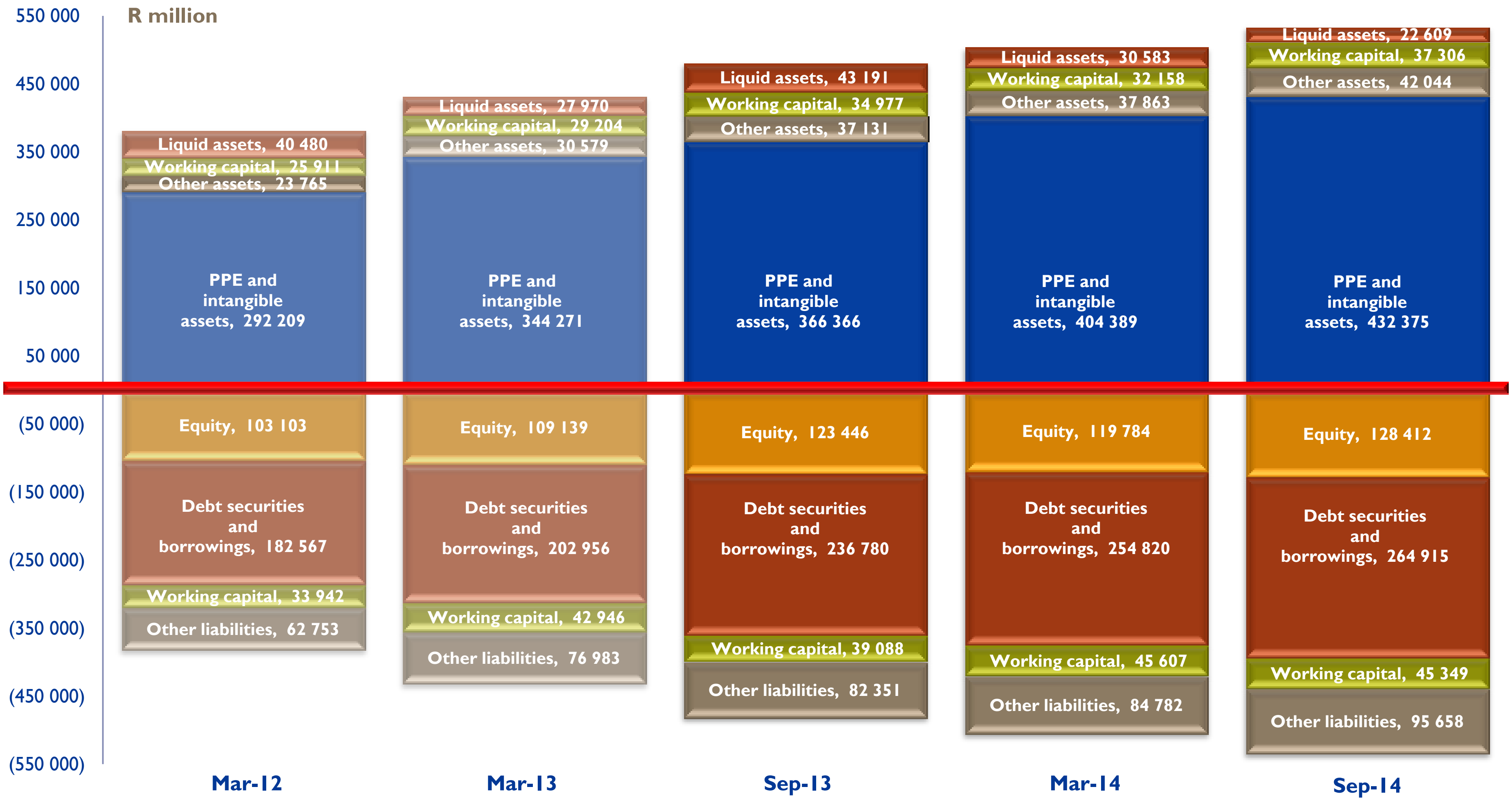
- The **electricity operating cost** per kWh sold is 62.14c/kWh[2] compared to the March 2014 actual of 59.67c/kWh
- Electricity operating cost is forecast to be in the region of 67.14c/kWh for the year to 31 March 2015, due to anticipated increases in **primary energy cost**
- The **employee benefit expense** includes direct and indirect expenditure for the **42 372 Eskom employees** (group employees: 46 370)
- Included in other operating expenses is the **impairment on arrear debt** of 0.91% of revenue (September 2013: 0.90%)



1. Reflects only company expenses
2. Cents/kWh figures are calculated based on total electricity sales numbers for the period

Financial position

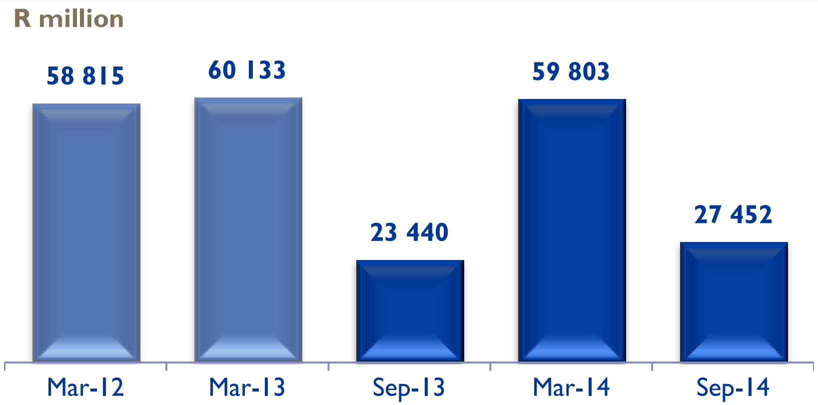
Growth in property, plant and equipment (PPE) funded by debt raised



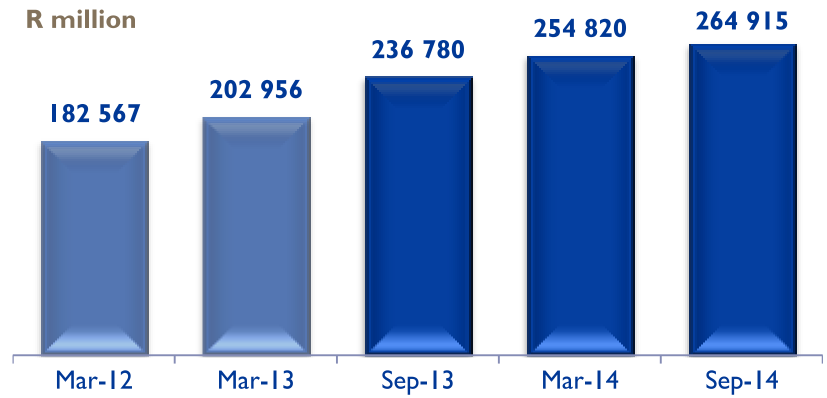
Mar-12	Mar-13	Sep-13	Mar-14	Sep-14
Debt/equity ratio 1.60	Debt/equity ratio 1.84	Debt/equity ratio 1.72	Debt/equity ratio 2.06	Debt/equity ratio 2.08

Investing and funding activities

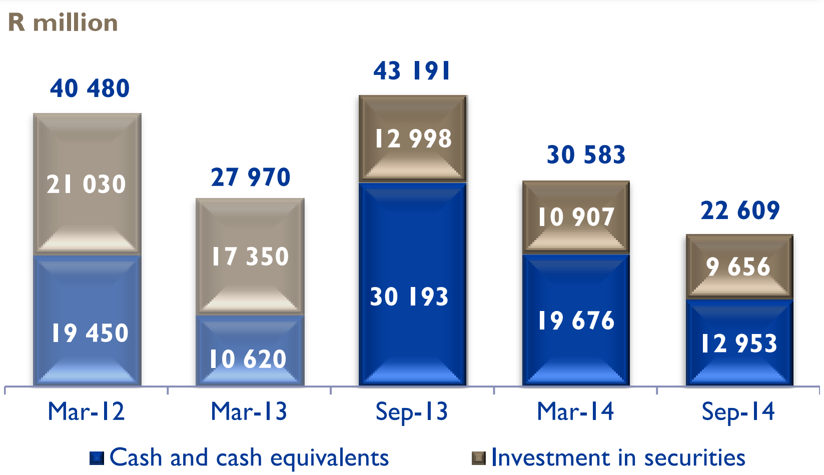
Capital expenditure[1]



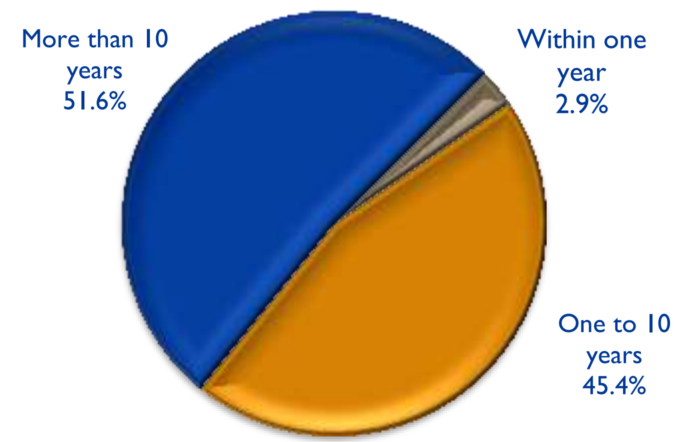
Debt securities and borrowings



Liquid assets at period end



Debt and borrowings maturity profile[2]

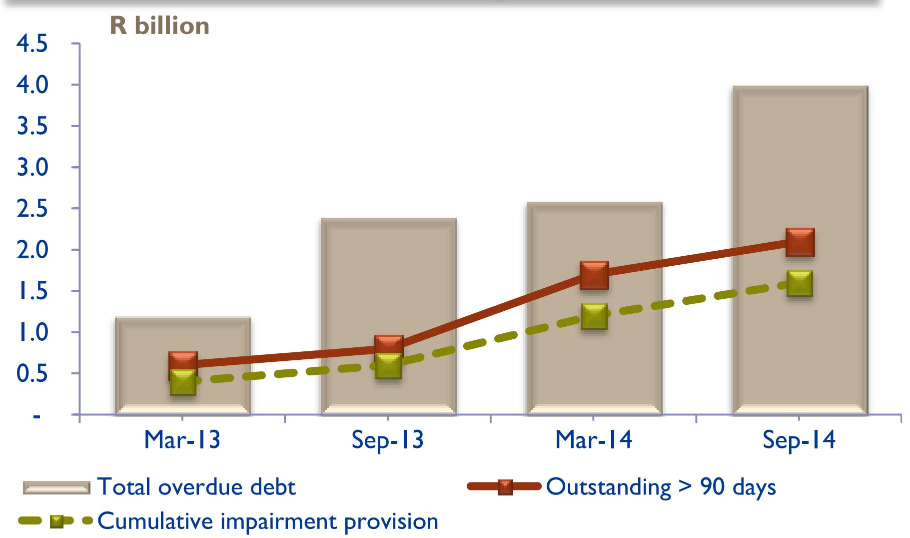


1. Excluding capitalised borrowing costs
2. Represents the repayment of nominal capital and interest in the strategic and trading portfolio

Arrear municipal debt and debtors ageing

- The increase in **arrear municipal and Soweto debt** to R4 billion each since year end is of serious concern
- As set out in the table below, 50% of amount outstanding is **within the due date** (0-15 days)

Arrear municipal debt



Electricity debtors age analysis	Total	0-15 days	16-30 days	31-60 days	> 60 days
Large power users, excluding municipalities	7 322	6 018	253	58	992
Large power users, municipalities	9 188	5 184	525	799	2 681
Small power users	2 370	0	1 513	200	657
Soweto	3 995	0	309	230	3 457
Other customers	746	560	137	21	29
Total at 30 September 2014	**23 622**	**11 762**	**2 737**	**1 308**	**7 815**
% of total	100%	50%	12%	5%	33%

Refer to page 39-41 in the interim IR for more information

Revised funding plan: R200 billion
from 1 April 2014 to 31 March 2018

Source of funds	Funding sourced R billion	Currently secured[1] R billion	Drawdowns to date[1] R billion
Domestic bonds	41.0	5.0	5.0
International bonds	42.0	3.3	3.3
Commercial paper[2]	60.0	2.4	2.4
Existing domestic DFIs	6.0	6.0	1.5
Existing international DFIs	32.3	32.3	2.2
Existing ECAs	15.4	15.4	0.9
Other and new sources	2.8	1.1	–
Totals	**199.5**	**65.5**	**15.3**
Percentages		32.8%[3]	23.4%[4]

1. For the period from 1 April 2014 to date
2. Commercial paper is issued for up to one year and then redeemed and reissued for the same net amount. The commercial paper is thus by definition not fully secured for the full period, however, Eskom's long term observations and past trends support a high level of confidence that Eskom will be able to roll over the redemptions each year. For this reason, the gross value of the commercial paper issued is shown as "secured"
3. As a percentage of the R199.5 billion funding sourced
4. As a percentage of the currently secured total

Refer to page 43 in the interim IR for more information

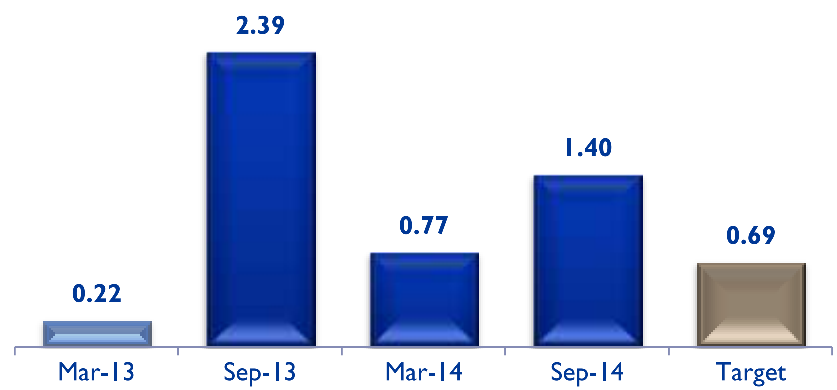
Key financial ratios

Gross debt/EBITDA ratio

Free funds from operations (FFO)

FFO as a % of gross debt

Interest cover ratio[1]



1. In 2012/13 the effect of the remeasurement of the government loan (income of R17.3 billion income) impacted the interest cover ratio

Refer to page 37 in the interim IR for more information

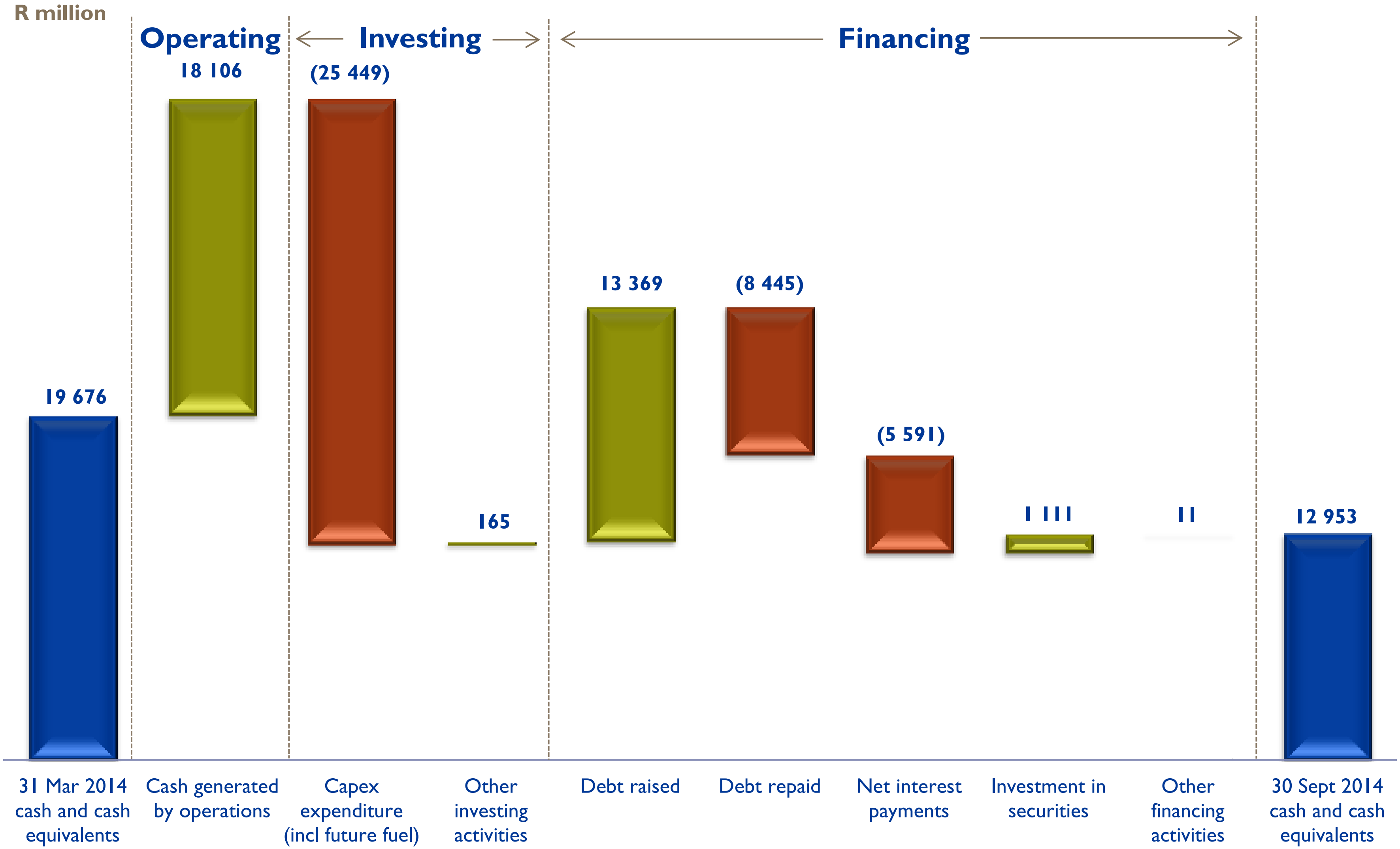
Current Sovereign and Eskom credit ratings

As a significant portion of Eskom's debt is **guaranteed by Government**, its headline credit rating has been **uplifted**, but remains **closely linked** to that of the Sovereign

Rating	Standard & Poor's	Moody's	Fitch
RSA government			
Foreign currency	BBB–	Baa2	BBB
Local currency	BBB+	Baa2	BBB+
Outlook	Stable	Stable	Negative
Eskom Holdings SOC Ltd			
Foreign currency	BBB–	Ba1	–
Local currency	BBB–	Ba1	BBB+
Standalone	b–	b3	B
Outlook	Negative	Stable	Negative
Action date	11 Nov 2014	7 Nov 2014	18 Jun 2014
Affirmation date	11 Nov 2014	7 Nov 2014	28 Oct 2014

Refer to page 42 in the interim IR for more information

Summary of cash flows



Refer to page 41 in the interim IR for more information

Moving towards financial sustainability

- Steps taken toward **financial sustainability**, some of which are addressed by the Government support package, include:
  - **Business Productivity Programme**, which targets savings in opex, capex and working capital, as well as cash unlocking initiatives
  - Restriction of the capacity expansion programme to **R280 billion**, revised upwards from R251 billion based on the additional Government support
  - An **increase of R50 billion** in the funding plan for the MYPD 3 period, which will be backed by Government guarantees
  - Maintaining an **investment grade credit rating**, with Government support
  - **Equity funding** of at least R20 billion to be provided Government, together with possible conversion of the existing **shareholder loan** to equity
  - Government will **support** Eskom's application for a tariff increase **above 8%** for the remainder of MYPD 3, subject to regulatory mechanisms
  - National and Provincial Treasury, and Cooperative Governance and Traditional Affairs are working with Eskom to resolve arrear municipal debt
- NERSA decision on **revenue adjustment** for MYPD 2 will add revenue of **R7.8 billion**, but only in the 2015/16 financial year

Refer to page 23-25 in the interim IR for more information

Moving towards financial sustainability continued

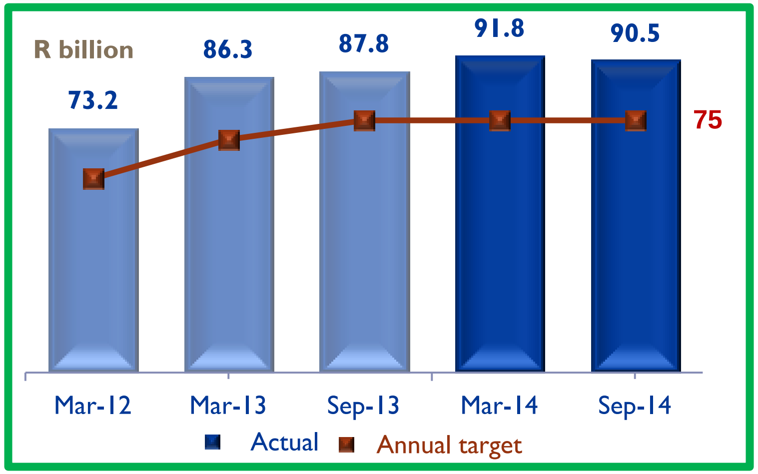
- Work of the **Inter-Ministerial Committee**, led by the Finance, Public Enterprises and Energy Ministries, continues to **explore long-term solutions** to Eskom's financial challenges
- In the short term, Eskom has to obtain adequate funding to **ensure liquidity**, thereby supporting its status as a going concern, and to avoid further ratings downgrades
- Financial support package announced by Government will assist in **easing liquidity pressures**, but **financial sustainability must still be addressed**
- Ratings agencies have indicated that the Government support package has had a **stabilising impact** and will support Eskom's **liquidity and credit metrics**
- Key to ensuring financial sustainability is to achieve an **appropriate return on assets** in the long term, and therefore, **cost-reflective tariffs** that allow for the recovery of efficient costs, which implies **above-inflation** tariff increases
- Eskom's Board has resolved that **financial sustainability** and status as a **going concern** cannot be compromised in support of operational sustainability or balancing supply and demand

Refer to page 23-25 in the interim IR for more information

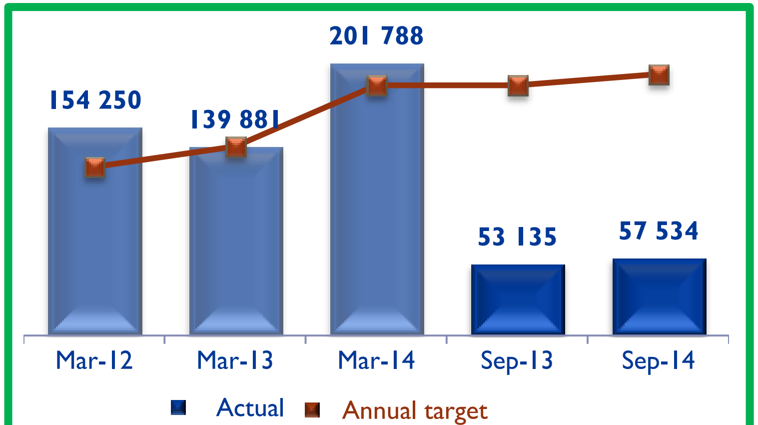
Other sustainability areas
Tshediso Matona

Eskom's socio-economic contribution

B-BBEE compliant spend



Number of electrification connections



- Good performance against overall **B-BBEE compliant** spend, as well as spend on certain categories of suppliers (black-owned and black women-owned suppliers)
- Eskom Development Foundation initiatives have benefitted **101 836 beneficiaries** year-to-date, and include completion of **two schools**

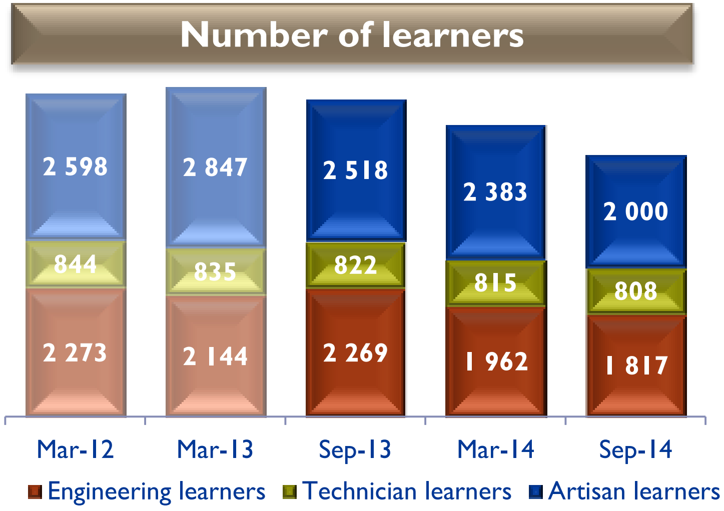
- Performance on certain categories of B-BBEE spend **below target** (black youth-owned, black people living with disabilities, qualifying small enterprises and exempted micro enterprises suppliers)

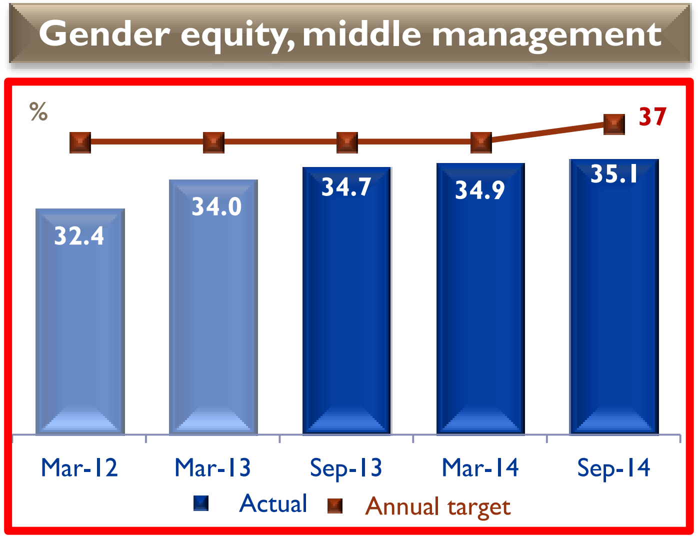
Refer to page 61-63 in the interim IR for more information

Internal transformation and building strong skills

- Conclusion of a **two-year wage agreement** with organised labour provides stability
- Employee numbers kept in check through **limited replacement** of attrition
- Solid performance on **disability equity** and **racial equity**
- **Learner pipeline** agreed with shareholder on track

- Reduced **external recruitment** hampers **gender equity** at senior, middle management and professional levels





Refer to page 60-61, 63-64 in the interim IR for more information

Outlook and system update
Tshediso Matona

System performance over winter

- Eskom has sustained the **performance** of its **generation plant** through winter, especially due to a strong focus on addressing partial load losses
- In winter, the **load increases by up to 4 000MW**, particularly during the **evening peak from 5 pm to 9 pm** (in particular from 5:30pm to 6:30pm), predominantly due to the use of **space heating, geysers and cooking** that takes place during that time
- **Open-cycle gas turbines** (OCGTs) and **IPPs** are often used to meet demand
- Generation continued with **much-needed maintenance** of the generating plant
- **IPP and municipal generation** was also used to offset over-reliance on key customers having to reduce load. **Solar and wind** assisted, but are highly variable
- A total of 1 417MW is available through **demand response** by key industrial customers, with another 2 000MW in the form of **interruptible supply** from smelters
- Eskom had to **load shed** in 2014 **for the first time since 2008**. Load shedding took place for **short periods** on 6 March; 11, 12 and 17 June 2014; and 2 November
- The decision to implement load shedding isn't taken lightly. It is a **last resort**, to **prevent** the **power system from collapsing**, which would lead to a **country-wide blackout**, which would negatively impact the economy. The steps prior to load shedding includes calling on major industrial customers to reduce load

System outlook during summer 2014/15

- The system remains tight all day during summer due to the **flat load profile**, due to almost constant industrial load and the impact of air conditioning during the day. The residential component over evening peak is **not as evident** in summer
- **Maintenance** of power stations **will not be compromised**, as it ensures a **reduction in unplanned outages**, thereby ensuring security of supply in the long term. Due to the lower overall demand for electricity, **more maintenance** is undertaken during summer than in winter
- **Major summer risks** include the reduced output from Majuba, extended periods of high rainfall impacting coal supply, outage slip and scope extensions, poor coal quality reducing output, diesel supply constraints and continued plant unreliability
- These risks, when superimposed on an already tight system, can result in the need for **demand reduction**
- **Renewables**, peaking at over 900MW, will **potentially offset** some of the OCGT usage, but IPPs are mostly **unavailable** during the **evening peak** when demand is high
- Eskom will **protect the integrity** of the power system, and will implement **load shedding** if necessary to protect the system from a devastating country-wide blackout
- We thank customers who rallied to the call to reduce energy consumption for beating the short, sharp evening peak in winter and call on customers to **Live Lightly** in the summer months by **reducing demand** from **06:00 to 22:00**

Conclusion

- The power system will **remain constrained** until a substantial number of units from the build programme comes online
- Eskom is on track to achieve first synchronisation of **Medupi Unit 6**, with full commercial operation expected approximately six months thereafter
- We call on customers in the summer months to **Live Lightly** by **reducing demand** from **06:00 to 22:00** to manage the all-day "Table Mountain profile"
- Use of costly **open-cycle gas turbines** beyond budget is **not sustainable** given the financial constraints
- **Load shedding** will be implemented to protect the power system from total collapse
- Lower summer tariffs and higher maintenance will significantly **reduce profit** by year end
- Eskom will focus on the following three priorities in the short to medium term, namely **sustainable asset creation**, **financial sustainability** and **operational sustainability**
- Eskom has to **balance** meeting the short-term priority of meeting customer demand with long-term financial and operational sustainability, requiring difficult **trade-offs**
- Board has resolved that **financial sustainability** and **going concern** will **not be compromised** in support of operational sustainability or balancing supply and demand

Less is more – Live Lightly!

- Saving electricity **reduces pressure** on the grid, **cuts** your **electricity bill** and **reduces** South Africa's **carbon emissions**
- The power system **remains vulnerable** all day during summer

"Know your number"

1. **Use air conditioning efficiently**
   - Set air conditioning to 23°C
   - Close windows and doors to optimise air conditioning
   - Switch off 30 minutes before leaving the office
2. **Switch off all geysers and pool pumps** (all day until 9pm), and invest in a timer
3. If you use the pool frequently, **limit pool filtering cycles** to two cycles daily, and not between 5pm & 9pm
4. **Switch off all non-essential lighting**
5. **Respond to Power Alert messages** by switching off all appliances that are not being used

"Live Lightly"

Thank you

This presentation is available at
www.eskom.co.za/IR2014/interim