

## **2008 EIUG Chairman's report:**

2008 was a very eventful year for the South African Electricity Industry, for Eskom and for the EIUG.

The year started with Eskom requesting a planned industrial shutdown to conserve electricity demand as a consequence of Eskom's inability to satisfy the supply needed for the country. It later transpired that the major source of the problem was in fact an acute coal supply shortage. [This in spite of the EIUG having monitored the coal supply process two years earlier to confirm that it was being well managed]

The predominantly EIUG membership assisted in Eskom rebuilding its coal supply stocks for a short period [some 5 days] by shutting down operations to a low maintenance level.

At the second meeting between industry and Eskom, where Eskom requested a continuous 10 % electricity consumption reduction, it was agreed that an Industry/Eskom task team be established to manage the crisis.

In conjunction with Eskom a number of Eskom/Industry workgroups were established to aid the electricity industry right itself and my thanks to many of the EIUG membership that spend many hours in 2008 in these workgroups enabling the industry to "correct" itself at minimum cost to the GDP and individual organisations.

Toward mid year it became apparent to the EIUG membership that many of the outputs of the Eskom/Industry workgroups were not being effectively implemented as Eskom did not have the mandate to enact many of the required outcomes of the workgroups and that parallel workgroups had been established in other Government bodies as the crisis had moved beyond Eskom's management control, into other Government spheres, particularly Eskom's parent [the DPE], the DME, DTI and Treasury.

It was clear to all in the Eskom/Industry workgroups that each group needed a co-ordinated mandate to deliver an output in a controlled fashion. At this point the EIUG influenced DME through sterling work by past chairman, Mike Rossouw, to establish a Project Management Office to enable this co-ordinated effort.

The latter third of the year was significantly influenced by the Global economic slowdown, which in spite of the hardships it will bring to the economy does enable the SA electricity industry the opportunity to put in place plans to manage the supply/demand imbalance in a more balanced and less damaging way than the present PCP program, drafted by Eskom allows.

### **The challenges ahead**

2009 promises to be as challenging as 2008, as the EIUG members lend their support to the PMO to ensure our voice is heard in all areas where we operate. At this point I would ask for continuing support from individual members in supporting the workgroups to be established in areas where you have knowledge and in areas where your particular industry may be affected by any decision reached by a specific workgroup.

The ongoing increase in the electricity price is another area of grave concern to EIUG membership, as Eskom struggle to balance their books as the funding of the new generation equipment under construction is factored in. My believe is that the EIUG membership needs a clear view of the real price of electricity we are likely to need to fund in the future – however this funding might occur.

In addition, in the event of a global recovery the supply demand mismatch, presently in short term balance will revert to a supply shortage, probably though until 2018 and we as industry need to play our role in ensuring sufficient electricity for ongoing growth.

Your support in our challenge is extremely important and I would like to thank those of you that had an active role in 2008 for your assistance and encourage other members to become actively involved in areas you have knowledge and experience during the coming years.

Thank you

Ian Langridge  
17<sup>th</sup> Feb 2009