Eskom Overview & National Development Plan SIPs

2013 CESA Annual Conference – 12/11/2013

Poobie Govender, General Manager, Strategic Projects, Eskom
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   1.2 Eskom Capital Programme
   1.3 Our Approach to Project Management

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   2.1 National Development Plan and Government’s Infrastructure Plan
   2.2 PICC Governance
   2.3 SIP Overview & Eskom Role

3. SIP 01
   3.1 Overview
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   3.3 Impact
   3.4 Challenges

4. Making a Real Difference on the Ground
About Eskom

- Strategic **100% state-owned electricity utility**
- Top-15 electricity utility, Africa’s largest electricity utility
- Supplies approximately **95% of South Africa’s electricity**
- Operate and maintain **27 power stations** with a capacity of 43.5 GW
- Electricity **price ranked 4th lowest** by NUS consulting
- Electricity sales of 216 561GWh (2012:224 785GWh) and electricity revenues of R126.7 billion (2012: R113.0 billion) **[year ending 31 March 2013]**
- As at 31 March 2013:
  - **46 266 group employees** (2012: 43 473)
  - **5.0 million customers** (2012: 4.9 million)
  - Net maximum generating capacity of 41.9GW (2012: 41.6GW)
  - 373 280km of cables and power lines
  - 17.1GW of new generation capacity by 30 September 2018; 6.0GW already commissioned
- Voted **one of the most desired companies to work for** in **2013 Sunday Times** survey
- **R300 billion new build program** has created **35 000+ direct jobs**; 45% filled by local to site workers
Eskom’s new build programme ranks among the world’s largest construction projects

$ billions of capex

- Olympic Dam (world’s largest mining project) 20
- Medupi, Kusile, Ingula 23
- Kusile, Medupi, Ingula 20
- 5 yr capex on rail, port and pipeline upgrades 8
- Three Gorges Dam 25
- World’s largest electricity project

Rand billion

Eskom’s investment volume is unparallel in SA...

- Eskom 60
- Transnet 25
- Group 5 7
- Aveng 2

Rand billion

... and on par with large multinational peers

- Eskom 60
- E.ON 78
- ENEL 70
- RWE 68

Annual average spend between FY11/12 and FY16/17
Much construction work has been completed

**Megawatts**

<table>
<thead>
<tr>
<th>Year</th>
<th>MW Capacity</th>
</tr>
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<tbody>
<tr>
<td>FY 2004/5</td>
<td>0</td>
</tr>
<tr>
<td>FY 2005/6</td>
<td>290</td>
</tr>
<tr>
<td>FY 2006/7</td>
<td>1,351</td>
</tr>
<tr>
<td>FY 2007/8</td>
<td>1,043</td>
</tr>
<tr>
<td>FY 2008/9</td>
<td>1,770</td>
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<tr>
<td>FY 2009/10</td>
<td>452</td>
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<tr>
<td>FY 2010/11</td>
<td>315</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>535</td>
</tr>
<tr>
<td>FY 2012/13</td>
<td>261</td>
</tr>
<tr>
<td>FY 2013/14</td>
<td>120*</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>6,137</strong></td>
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**Transmission**

<table>
<thead>
<tr>
<th>Year</th>
<th>Km Line</th>
</tr>
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<tbody>
<tr>
<td>FY 2004/5</td>
<td>659</td>
</tr>
<tr>
<td>FY 2005/6</td>
<td>237</td>
</tr>
<tr>
<td>FY 2006/7</td>
<td>430</td>
</tr>
<tr>
<td>FY 2007/8</td>
<td>480</td>
</tr>
<tr>
<td>FY 2008/9</td>
<td>418.30</td>
</tr>
<tr>
<td>FY 2009/10</td>
<td>600.30</td>
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<tr>
<td>FY 2010/11</td>
<td>443.40</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>631.3</td>
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<tr>
<td>FY 2012/13</td>
<td>787</td>
</tr>
<tr>
<td>FY 2013/14</td>
<td>511</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,197.3</strong></td>
</tr>
</tbody>
</table>

**Substations**

<table>
<thead>
<tr>
<th>Year</th>
<th>MVAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004/5</td>
<td>5,280</td>
</tr>
<tr>
<td>FY 2005/6</td>
<td>1,090</td>
</tr>
<tr>
<td>FY 2006/7</td>
<td>1,000</td>
</tr>
<tr>
<td>FY 2007/8</td>
<td>1,355</td>
</tr>
<tr>
<td>FY 2008/9</td>
<td>1,375</td>
</tr>
<tr>
<td>FY 2009/10</td>
<td>1,630</td>
</tr>
<tr>
<td>FY 2010/11</td>
<td>5,940</td>
</tr>
<tr>
<td>FY 2011/12</td>
<td>2,525</td>
</tr>
<tr>
<td>FY 2012/13</td>
<td>3,580</td>
</tr>
<tr>
<td>FY 2013/14</td>
<td>290</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,065</strong></td>
</tr>
</tbody>
</table>

**Source:** Eskom Group Capital Division (Construction Management)
Eskom’s capital projects journey thus far

**Lessons learnt**
- Focus on savings, assurance and local content required
- Uniform processes/systems across projects required
- Eskom to become a more professional and action owner

**Enabled execution**
- Rationalise resource allocation at portfolio level
- Negotiated and placed all remaining contracts
- Initiated auditing process
- Started onsite construction
- Drove major cost saving efforts

**Major projects running**
- Initiated fast project start
- Negotiated local content into main contracts

**Built group wide EPC(M)**
- Consolidated major new build activities in GC
- Benchmarking and best practices
- Initiated harmonised systems/processes
- Accelerated execution
- Improved FEL
- Set up capital efficiency
- Group level capital monitoring

**Closing the gap to world performance**
- Continued with processes & PO set up
- PM training in place
- Finalised and piloted Mega and repeatable projects systems
- Become a more active/involved owner
- Share experiences internationally
Lessons learned are structured around three pillars; more than 500 lessons recorded since inception of Eskom build programme

Portfolio-level capital allocation

- Effective project ‘scrubbing’ methodology
- Project ranking methodology
- Scrubbed and ranked projects have to be clearly prioritised, using fact-based considerations of delivery constraints

Project lifecycle management

- Project development and engineering
- Contracting and procurement
- Construction
- Contractor management
- Commissioning

Enablers

- Safety, Health, Environment and Quality
- Project Controls
- Project Tools and systems
- Project Management Office
- Organisational structure
- Capabilities
In support of Eskom’s project management framework

Integrated, standardised and aligned Project Management practices and organisation

Operating Model

One PM operating model - eHPUM

Business Processes

Standardised 22 PCMs PM capability based

Organisation

One standard PM structure reference – 20 PM positions with standardised curriculums

Systems

Standard system platforms – SAP, Primavera, Prism

Assurance

One uniform assurance review approach

Project Lifecycle Model (PLCM)

People

DATA
- Complete
- Accurate
- Relevant
- Accessible
- Timely

Process

Configuration

System

Training

Operations Readiness
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4. Making a Real Difference on the Ground
“The National Development Plan aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.”

Source: National Development Plan Executive Summary
Government’s Infrastructure Plan

- Government recently adopted an **Infrastructure Plan** that is intended to transform the economic landscape of South Africa, create a significant numbers of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies.

- The aim of the infrastructure plan is to construct new infrastructure, to expedite current projects, to enable and support economic and social development and to improve the maintenance of existing infrastructure.

- In July 2011 Cabinet then decided to establish a body to integrate and coordinate the long term infrastructure build, namely the **Presidential Infrastructure Coordinating Commission (PICC)** with its supporting management structures.

- An **Infrastructure Book** was compiled, which contains information about **infrastructure projects** across the country.

- The PICC then developed and approved eighteen **Strategic Integrated Projects (SIPs)** to support economic development.

- Each SIP comprise of a large number of specific infrastructure projects.
In support of PICC governance structure

The PICC does not displace the role of the implementing agencies. The individual departments, provinces, municipalities and state owned entities are still responsible for the implementation of the relevant projects.

Chair: President of South Africa
Members: Various ministers, premiers and executive mayors

Chair: Minister of Rural Development and Land Reform
Role: Unblocking challenges, monitoring development plan, ensure coordinated regulatory approvals

Chair: Minister of the Economic Development Department
Role: Oversee day-to-day work of the Technical Task Team

Comprises various resources from public agencies and government
Role: Ensure reporting to the PICC Secretariat and assurance of information

A Minister appointed to chair each SIP

Cabinet
PICC Council
PICC MANCO
PICC Secretariat
Technical Task Teams
SIP 01
SIP 18
Overview of the 18 SIPS

5 Geographically-focused SIPS
3 Spatial SIPS
3 Energy SIPS
3 Social Infrastructure
2 Knowledge SIPS
1 Regional Integration SIP
1 One Water & Sanitation Masterplan SIP
Role of SOCs in the PICC

- The PICC has appointed a State Owned Company (SOC) to lead each SIP, the intent being to:
  - **Ensure project focus**
  - **Improve project co-ordination and quality** (development and construction) through the use of standardised and proven methods and tools
  - **Improve progress tracking** through the use of standardised dashboards and common information technology systems
  - **Raise decisions required to unblock progress** to a ministerial and presidential level
  - The **creation of the asset remains the accountability of the asset owner** e.g. transmission infrastructure remains with Eskom, rail with Transnet Freight Rail and water with Department of Water Affairs.
**Eskom’s PICC journey**

<table>
<thead>
<tr>
<th>PICC is Established</th>
<th>DPE &amp; PICC Mandate to Eskom</th>
<th>Eskom starts mandate implementation</th>
<th>SIP 01 Programme Office Operational</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Presidential Infrastructure Coordination Committee (PICC) is established following Jul 2011 Cabinet Lekgotla</td>
<td>• Minister of Public Enterprises mandates Eskom on the 29th Sept 2012 to lead the SIP 1 programme integration and coordination role and develop a common monitoring platform</td>
<td>• Eskom Exco approves the Strategic Project Department (SPD) structure within the Office of Chief Executive on 26th Oct 2012 to house functions to fulfil the DPE &amp; PICC mandate</td>
<td>• Integrated team formed with most government entities represented</td>
</tr>
<tr>
<td>• SOE Projects are clustered into 18 SIPS covering transportation, telecommunication, energy, health and education and water and sanitation</td>
<td>• The creation and funding of assets remains the responsibility of assets owners</td>
<td>• Project progress reported quarterly to PICC</td>
<td>• Business plan finalised and presented to the PICC</td>
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<tr>
<td></td>
<td></td>
<td>• Common tool for Project Monitoring developed</td>
<td>• Meetings with business on-going</td>
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<td></td>
<td></td>
<td>• DPE mandated Eskom for integration and coordination of SIPS 9 and 10 (as of Aug. 2013)</td>
<td>• DPE mandated Eskom for integration and coordination of SIPS 9 and 10 (as of Aug. 2013)</td>
</tr>
</tbody>
</table>
Eskom will lead three SIPs and will also have Eskom-related projects in all 18 SIPs

<table>
<thead>
<tr>
<th>SIP 1: Unlocking the Northern Mineral Belt</th>
<th>Roads</th>
<th>Rail</th>
<th>Ports</th>
<th>Water</th>
<th>Energy</th>
<th>ICT</th>
<th>Industrial</th>
<th>Social</th>
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</thead>
<tbody>
<tr>
<td>SIP 2: Durban-Free State-Gauteng Logistics and Industrial Corridor</td>
<td>✓</td>
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<td>✓</td>
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<td>SIP 3: Southern Eastern Node and Development Corridor</td>
<td>✓</td>
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<tr>
<td>SIP 4: Unlocking Economic Opportunities in the North West Province</td>
<td>✓</td>
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<tr>
<td>SIP 5: Saldiana-Northern Cape Development Corridor</td>
<td>✓</td>
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<tr>
<td>SIP 6: Integrated Municipal Infrastructure starting with 23-least resourced district municipalities</td>
<td>✓</td>
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<td>SIP 7: Integrated Urban Space and Public Transport focused on the 12 urban areas</td>
<td>✓</td>
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<tr>
<td>SIP 8: Green Energy in support of the South African Economy</td>
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<tr>
<td>SIP 9: Electricity Generation to support socio-economic development</td>
<td>✓</td>
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<tr>
<td>SIP 10: Electricity Transmission and Distribution for all</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>SIP 11: Agri-logistics and rural infrastructure</td>
<td>✓</td>
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<tr>
<td>SIP 12: Revitalisation of public hospitals and public health facilities</td>
<td>✓</td>
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<tr>
<td>SIP 13: National School Build Programme</td>
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<td>SIP 14: Higher Education Infrastructure</td>
<td>✓</td>
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<tr>
<td>SIP 15: Expanding access to communication technology</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>SIP 16: SKA and Meerkat</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<td>✓</td>
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<tr>
<td>SIP 17: Regional integration for African cooperation and development</td>
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<td>✓</td>
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<td>✓</td>
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<tr>
<td>SIP 18: Water and Sanitation Masterplan</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

**Table Legend**
- Light Pink: Eskom related projects
- Dark Blue: SIP Programme Coordination
1. Eskom at a Glance
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   3.4 Challenges

4. Making a Real Difference on the Ground
SIP 01: Unlocking the country’s Northern mineral belt & rejuvenating the mining sector

SIP 01

• Unlock mineral resources
• Rail, water pipelines, energy generation and transmission infrastructure
• Thousands of direct jobs across the areas unlocked
• Urban development in Waterberg – first major post-apartheid new urban centre will be a “green” development project
• Rail capacity to Mpumalanga and Richards Bay
• Shift from road to rail in Mpumalanga
• Logistics corridor to connect Mpumalanga and Gauteng

SIP 01 is the largest of the 18 SIPS by project value and is estimated at R803 billion to 2025.

The scope of projects extends into the Limpopo, Mpumalanga, Gauteng and KwaZulu Natal provinces.

A wide range of government departments and State Owned Companies (SOCs) are involved; these include Eskom, Transnet, DWA, TCTA, SANRAL and the DoT.

Approximately 48 projects have been identified ranging from water to energy to rail to port to road development.

As at Dec 2012, 8 projects where in procurement and construction. The approximate value of these projects is R115 billion and the direct jobs introduced estimated at 28 000.
### Challenges to be overcome

The working together of national, provincial, local government business and communities is central to successfully delivering on the Infrastructure Plan.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expedited Approvals</td>
<td>Regulatory approvals for items such as water use licenses, land and rights and others impacting infrastructure projects must be expedited.</td>
</tr>
<tr>
<td>Effective Communication</td>
<td>On-going communication must be channelled across spheres of government to communities and business, making them aware of progress and activities in their area.</td>
</tr>
<tr>
<td>Active Coordination &amp; Capacity building</td>
<td>Bulk cut across provinces and all government entities must integrate and coordinated plans. Capacity building in government and businesses must be proactively managed to plan procure and execute projects</td>
</tr>
<tr>
<td>Urban Planning</td>
<td>Municipalities must make provision for additional resources and strengthen local services to accommodate pressure from the mass influx of out-of-town workers and new residents including new businesses. Methods to improve access to land for servitudes required</td>
</tr>
<tr>
<td>Ethical Conduct</td>
<td>Underpinning the success of government’s infrastructure plan is honesty, fair practice and avoiding corrupt behaviour.</td>
</tr>
</tbody>
</table>
We set up a PMO in Eskom to programme integrate, coordinate and report on the SIP
In support of DPE Mandate for Programme Management of SIP 01 received on 29th September 2012

Business plan completed and submitted to shareholder and PICC in Dec 2012

Multiple government entities meet monthly to report project progress and collaborate (includes DPE, DoE, DoT, Limpopo Premiere Office, DWA, TCTA, Transnet, SANRAL, DEA, Eskom, IDC)

All relevant SOEs represented in the SIP01 SOE team in monthly collaboration & progress sessions
As a team we aligned on the scope of SIP 01

**Waterberg Development**

The Waterberg coal complex in Lephalale is amongst the richest untapped mineral resources in the country and is a source for future coal for energy generation in Limpopo, Mpumalanga and for export to international markets.

**Moloto Corridor**

The Moloto corridor will provide safe and reliable passenger transport from the rural communities of Nkangala and Sekhukhune to Tshwane.

**Steelpoort Development**

Investment in water infrastructure in Tubatse will unlock the region’s rich mineral resources and uplift 2 million people living in dire socio-economic conditions.

**Mpumalanga Bottleneck Reduction**

Mpumalanga hosts the largest number of coal-fired power stations in the country, reliable future coal supply to these power stations will ensure the security of SA’s power supply.

**Export Logistics**

International demand for coal is expected to remain high over the long term. This project will increase export opportunities by establishing a more direct route to Swaziland, the Port of Maputo and the Richards Bay Coal Terminal.
We have made real progress this year

**Execution Progress**

- In this year:
  - The Komati Water Scheme project has been officially opened
  - The De Hoop dam construction is largely complete
  - R10.2 bn (5 projects) have moved into procurement and execution

**Programme Integration, Coordination and Information**

- An integrated plan and regulatory approval sequence for the Waterberg is completed
- Priority issues are escalated for PICC resolution
- The Department of Environmental Affairs is working on streamlining environmental and water permit approvals.
- Common project monitoring tool for tracking progress on all SIPs has been piloted and proven
- 4th Construction Report prepared for PICC
We have made real progress this year

**Urban Planning**:  
► Platform to start collaboration with municipality, province and business started

**Skills, Commodities and Localisation**  
► Resource Demand Estimation Tool to support upfront strategic planning around skills planning and materials and equipment for infrastructure developed.  
► This has been joint effort with BLSA, SOCs and Government departments
Magnitude of economic impacts mirror construction spending profile, benefits persist beyond end of 2026

Medium to long-term average macroeconomic impacts

<table>
<thead>
<tr>
<th>Year</th>
<th>Private consumption</th>
<th>Gross fixed capital formation</th>
<th>Exports</th>
<th>Imports</th>
<th>GDP at market prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-2019</td>
<td>1.2</td>
<td>0.7</td>
<td>1.3</td>
<td>2.9</td>
<td>5.0</td>
</tr>
<tr>
<td>2020-2024</td>
<td>1.9</td>
<td>1.5</td>
<td>1.3</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>2025-2030</td>
<td>1.4</td>
<td>1.0</td>
<td>0.0</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Average</td>
<td>1.1</td>
<td>0.7</td>
<td>0.8</td>
<td>2.1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Comments

- GDP grows by an average of 0.9% per year faster than in the baseline scenario showing the significant implications of SIP 1.

- In terms of South Africa’s trade balance, imports are expected to exceed exports by a significant margin. As a result, localisation opportunities should be investigated to increase the GDP multiplier associated with SIP 1 spending.

- Despite construction spending ceasing in 2026, GDP still grows at a rate 0.8% faster than the baseline between 2025-2030 showing the lasting impact of the construction spending and enhanced economic growth capacity brought about by more infrastructure.

- In order for this economic benefit to be unlocked through the construction spending, it is crucial that the local/municipal infrastructures in the regions concerned are enhanced to be able to deal with the increased populations and construction activity.

A GDP growth rate on average 0.9% higher than that of the baseline between 2010 and 2030 illustrates the strategic importance of SIP 1 for the South African economy. However, opportunities for localisation should be investigated to improve this impact.
It is expected that the Limpopo and surrounding areas will benefit greatly from the estimated 53,200 job opportunities created for semi- and unskilled workers.

### Employment Benefits - SIP 1 Construction Phase

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment per year (1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2014</td>
<td>Highly skilled: 2.3, Skilled: 17.0, Semi &amp; Unskilled: 0.2</td>
</tr>
<tr>
<td>2015-2019</td>
<td>Highly skilled: 63.2, Skilled: 0.2, Semi &amp; Unskilled: 0.1</td>
</tr>
<tr>
<td>2020-2024</td>
<td>Highly skilled: 76.5, Skilled: 15, Semi &amp; Unskilled: 0.6</td>
</tr>
<tr>
<td>2025-2030</td>
<td>Highly skilled: 46.9, Skilled: 0.6, Semi &amp; Unskilled: 53.2</td>
</tr>
<tr>
<td>Average over entire period</td>
<td>Highly skilled: 0.6, Skilled: 0.1, Semi &amp; Unskilled: 53.2</td>
</tr>
</tbody>
</table>

**Comments**

- Employment opportunities increase mostly for individuals falling within the informal or semi- & unskilled categories given the model assumptions and the nature of construction labour resource requirements. (Skilled and highly skilled individuals are more likely to benefit from wage increases rather than an increase in the number of individuals employed).

- After 2020-2024 there will be mass demobilisation of workers. Sustainable solutions will need to be developed to pre-empt this.

- It should be noted that the above figures do not include the additional job opportunities that will be created once these infrastructure projects are completed and move into the operational phases.

**Employment benefits are realised even after the investment in construction has ended. These opportunities however are not large enough to prevent the need to demobilise construction workers once construction projects are completed.**
34% of SIP 01 are already funded

- The SIP 01 programme is estimated to cost around R 803 billion
- 34% of the projects have funding (excl. Project Mafutha)

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Spend (R Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waterberg Total</td>
<td>R 517.89</td>
</tr>
<tr>
<td>Steelport Total</td>
<td>R 15.48</td>
</tr>
<tr>
<td>Mpumalanga Bottleneck Reduction</td>
<td>R 41.80</td>
</tr>
<tr>
<td>Moloto Corridor</td>
<td>R 15.00</td>
</tr>
<tr>
<td>Export Logistics</td>
<td>R 22.35</td>
</tr>
</tbody>
</table>

Unfunded: R 673.27
Funded: R 21.34

Numbers exclude Interest during construction

*Includes Mafutha which is on hold and privately funded (R 234 bn)
We have made progress on SIP 01 but still have further to go

<table>
<thead>
<tr>
<th>Externed Approvals</th>
<th>Integrated regulatory sequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Communication</td>
<td>Focus is currently on alignment within government entities</td>
</tr>
<tr>
<td>Active Coordination &amp; Capacity building</td>
<td>Integrated project plans in place and resource estimation tool developed to inform skills gaps and localisation opportunities</td>
</tr>
<tr>
<td>Urban Planning</td>
<td>Conversation to assess impacts of large infrastructure projects and people influx has started</td>
</tr>
<tr>
<td>Ethical Conduct</td>
<td>Vigilant</td>
</tr>
</tbody>
</table>
1. Eskom at a Glance
   1.1 About Eskom
   1.2 Eskom Capital Programme
   1.3 Our Approach to Project Management

2. National Development Plan & SIPs
   2.1 National Development Plan and Government’s Infrastructure Plan
   2.2 PICC Governance
   2.3 SIP Overview & Eskom Role

3. SIP 01
   3.1 Overview
   3.2 Progress
   3.3 Impact
   3.4 Challenges

4. Making a Real Difference on the Ground
Communities need to feel benefits and to become involved in protecting these developments.

- Job Opportunities
- Basic Services
- Schools
- Clinics
- Recreational Centres
Medupi has achieved successes in four key areas

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Achievement</th>
</tr>
</thead>
</table>
| Local to Site Procurement        | • Contracts worth R2.1bn placed with Limpopo based suppliers  
   • Eskom alone placed contracts worth R800m with Limpopo suppliers  
   • 68% of these contracts are with companies owned by black women |
| Job Creation                     | • On-site employment at end June 2013 was 16 006 people  
   • 42.4% of the workforce are Lephalale residents  
   • 70.9% of unskilled and semi skilled are from Limpopo province  
   • 6% of the construction workers and 80% of the supporting services are women  
   • 95% of the workforce are South African  
   • 53% of the Workforce are youth (<35yrs old) |
| Skills and Entrepreneurship      | • Contractors committed to train 2128 skills development candidates  
   • 1536 already trained  
   • Large number of those are employed by the project  
   • Hitachi invested R24m in the Tlhahlong Training Centre to produce 700 artisans as part of its ASGISA contractual obligations  
   • 404 Artisans are qualified and are employed by Murray and Roberts  
   • 65% of the artisans are from Limpopo  
   • Women constitute 17% of the 404 artisans. |
| Eskom Funded Infrastructure      | • Eskom invested over R40m in sewage and electrical distribution systems in Lephalale.  
   • Six mobile schools, teachers and equipment funded  
   • R3bn spent on procurement, housing, electricity, roads, sewerage plants and related infrastructure in Lephalale since 2007 |
Komati Water Scheme opened

- Komati Water Scheme Augmentation Project is the construction of a new pipeline and pump station from Rietfontein Pump Station to Duvha power station to augment the increase in water demands on the Komati Scheme.
- The project was launched by the Minister of Water and Environmental Affairs, Edna Molewa, on 19 March for National Water Week 2013.
De Hoop Dam largely completed

Construction of the 88m high De Hoop Dam and related infrastructure will supply water to domestic and industrial users in the middle Olifants river catchment area.
Upgrades to roads

Nelson Mandela Road
New employee housing units

More than 1000 housing units have been completed and 2500+ even have been designed for future projects

Confidential
The purpose of this project is to upgrade the current taxi rank in Wells street to the benefit of the entire community.
Paarl Waste Water Treatment Works

- Paarl WWTW has an installed treatment capacity of 10ML/d
- Plants are experiencing capacity constraints – operational issues are being addressed as a matter of urgency
- There is a need to install an additional 10ML/day treatment plant
- Construction is expected to commence post Feb 2015
Eskom Medupi – ED, CSI, SED and skills development
“Our intention on this project is to empower the local community – Murray and Roberts wants to leave a lasting legacy in Lephalale and implement a project that will go a long way towards addressing the skills shortage in the area. We want to see young people become qualified artisans who will be able to support themselves, their families, and contribute meaningfully to the economic growth of this country” says de Villiers
<table>
<thead>
<tr>
<th></th>
<th>PROJECT NAME</th>
<th>VALUE Rm</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water from Mokolo dam – MCWAP1 (LLM impact)</td>
<td>2 100 000 000</td>
<td>In progress</td>
</tr>
<tr>
<td>2</td>
<td>Expansion of Zeeland WTW</td>
<td>87 000 000</td>
<td>Completed</td>
</tr>
<tr>
<td>3</td>
<td>Marapong Supply Zone 8ML Reservoir</td>
<td>6 000 000</td>
<td>Completed</td>
</tr>
<tr>
<td>4</td>
<td>Water Pipeline Zeeland to Onverwacht (750mm)</td>
<td>300 000 000</td>
<td>In progress</td>
</tr>
<tr>
<td>5</td>
<td>Lephalale Sewer Treatment plant Paarl (New:10ML)</td>
<td>55 000 000</td>
<td>Completed</td>
</tr>
<tr>
<td>6</td>
<td>Upgrading: internal sewer network (4 pump stations)</td>
<td>9 000 000</td>
<td>Completed</td>
</tr>
<tr>
<td>7</td>
<td>Sewer treatment plant Marapong upgrade</td>
<td>13 000 000</td>
<td>Completed</td>
</tr>
<tr>
<td>8</td>
<td>Refurbish of Paarl Treatment Works</td>
<td>14 500 000</td>
<td>Completed</td>
</tr>
<tr>
<td>9</td>
<td>Increase main station capacity (5 MVA Transformer)</td>
<td>11 000 000</td>
<td>Funded by LLM – Completed</td>
</tr>
<tr>
<td>10</td>
<td>New Main Sub Station (120 MVA) (Funding LG &amp; H)</td>
<td>220 000 000</td>
<td>In progress: COD 4/2015</td>
</tr>
<tr>
<td>11</td>
<td>Upgrade Mini-Subs 2 &amp; 3 (Switch gear)</td>
<td>4 000 000</td>
<td>Funded by LLM – Completed</td>
</tr>
<tr>
<td>12</td>
<td>Marapong internal roads upgrade (5.5km) Phase 1 (Funding: R5,3m Exxaro; R3,5m LLM)</td>
<td>8 800 000</td>
<td>Completed</td>
</tr>
<tr>
<td>13</td>
<td>Marapong internal roads upgrade (5.5km) Phase 2 (Funding: R3,3m Exxaro; R3,5m LLM; R14,8m MIG)</td>
<td>21 600 000</td>
<td>Completed</td>
</tr>
<tr>
<td>14</td>
<td>Ring Road</td>
<td>2 700 000</td>
<td>Completed</td>
</tr>
</tbody>
</table>

**TOTAL (Rm) Excluding MCWAP1**  
752 600 000
Exxaro CSI
Sasol – Steenbokpan

- Multi Purpose Community Centre in Steenbokpan
- Upgrading of school in Steenbokpan

Current clinic facility...
A school born out of love is a beacon of progress for Lephalale

Hitachi Power Africa invested a total of R1,25m to Segwati Pre School which was initially used for its construction and the purchase of educational toys. “Helen (the principal) is the reason that school is still standing strong - she is innovative and a beacon of what can be achieved. It is important not only for us, but for the country to work with champions like Helen who are able to take what little they have and get and run with it”, says Pamela Radebe, HPA head of Enterprise Development
In support of

• Business and operational plans are being finalised

• Funding and studio space are required – being facilitated
### Other projects planned for Lephalale

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
</tr>
</thead>
</table>
| 1 | **Truck Stop – temporary and permanent:**  
• Temporary truck stop authorized  
• Preparation almost complete and on time for use from July/Aug 2013.  
• Further development of permanent truck stop ongoing |
| 2 | **Skills development plan:**  
Task team developing skills development plan for Lephalale |
| 3 | **Lephalale university campus:**  
Included as part of skills development plan & MLI |
| 4 | **Lephalale Tourism:**  
Lephalale tourism strategy being developed for area to becomes preferred tourism destination |
| 5 | **LED issues:**  
LAC & Tourism being addressed separately, incubator and Industrial Park included as part of SEZ |
| 6 | **Environmental Sustainability issues:**  
Efforts underway to green the town - negotiations regarding landfill site, recycling, backyard composting, food gardens |
| 7 | **Social Services issues:**  
Waste/recycling awareness, Safety/security forums, Marapong clinic take-over, Steenbokpan MPCC |
Accelerated growth in the area brings about a wealth of opportunity but with growth comes challenges.

- SIP 01 investment brings about a wealth of opportunity and social upliftment.
  - Access to job opportunities
  - Basic services
  - Community developments such as schools, clinics, hospitals and recreational centres
  - New business opportunities will open up through the hype of economic activity in the area and it is open for entrepreneurs to exploit

- With opportunity comes a number of challenges and we require support from community members.
  - Welcome out-of-town workers and new residents
  - Patience in providing infrastructure such as water, sanitation, roads etc. These developments take time and cannot be completed overnight
  - Work with government and business to avoid strike action where possible. Extended strike action hinders progress in the area
  - Assist with family relocation to help prevent progress delays
  - Land access to build infrastructure
A brighter future is only possible with your patience and support
Thank you

SIP 01 Programme Lead: Poobie Govender (General Manager in Office of the Chief Executive)
SIP 01 Eskom Executive Sponsor: Kannan Lakmeeharan (Divisional Executive in Office of the Chief Executive)
Contact details: sipinfo@eskom.co.za
Overview of the 18 SIPS: Geographic SIPS

SIP 1: Unlocking the Northern Mineral Belt with Waterberg as the Catalyst

Investment in rail, water pipelines, energy generation and transmission infrastructure will catalyse unlocking of rich mineral resources in Limpopo resulting in thousands of direct jobs across the areas covered. Urban development in the Waterberg will be the first major post-apartheid new urban centre and will be a “green” development project.

Mining includes coal, platinum and other minerals for local use and export, hence the rail capacity is being extended to Mpumalanga power stations and for export principally via Richards Bay and in future Maputo (via Swaziland link).

The additional rail capacity will shift coal from road to rail in Mpumalanga with positive environmental and social benefits. Supportive logistics corridors will help to strengthen Mpumalanga’s economic development.

SIP 2: Durban-Free State-Gauteng Logistics and Industrial Corridor

Strengthen the logistics and transport corridor between SA’s main industrial hubs; improve access to Durban’s export and import facilities, raise efficiency along the corridor and integrate the Free State Industrial Strategy activities into the corridor and integrate the currently disconnected industrial and logistics activities as well as marginalised rural production centres surrounding the corridor that are currently isolated from the main logistics system.
Overview of the 18 SIPS: Geographic SIPS

**SIP 3: South Eastern node & corridor development**
Promote rural development through a new dam at Umzimvubu with irrigation systems and the N2- Wildcost Highway which improves access into KZN and national supply chains; strengthen economic development in PE through a manganese rail capacity from N Cape, a manganese sinter (NC) and smelter (EC); possible Mthombo refinery (Coega) and transshipment hub at Ngqura and port and rail upgrades to improve industrial capacity and performance of the automotive sector.

**SIP 4: Unlocking the economic opportunities in North West Province**
The acceleration of identified investments in roads, rail, bulk water and water treatment and transmission infrastructure will result in reliable supply, meet basic social needs and facilitate the further development of mining, agricultural activities and tourism opportunities and open up beneficiation opportunities in the North West Province.

**SIP 5: Saldanha-Northern Cape Development Corridor**
Develop the Saldanha-Northern Cape linked region in an integrated manner through rail and port expansion, back-of-port industrial capacity (which may include an IDZ) and strengthening maritime support capacity to create economic opportunities from the gas and oil activities along the African West Coast. For the Northern Cape, expansion of iron ore mining production.
Overview of the 18 SIPS: Energy SIPS

SIP 8: Green Energy in support of the South African economy
Support sustainable green energy initiatives on a national scale through a diverse range of clean energy options as envisaged in the IPR2010 and to support biofuel production facilities.

SIP 9: Electricity Generation to support socio-economic development
Accelerate the construction of new electricity generation capacity in accordance with the IRP2010 to meet the needs of the economy and address historical imbalances.

SIP 10: Electricity Transmission and Distribution for all
Expand the transmission and distribution network to address historical imbalances, provide access to electricity for all and support economic development.

Align the 10-year transmission plan, the services backlog, the national broadband roll-out and the freight rail line development to leverage off regulatory approvals, supply chain and project development capacity.
Overview of the 18 SIPS: Spatial SIPS

SIP 6: Integrated Municipal Infrastructure Project

Develop a national capacity to assist the 23 least resourced districts (17 million people) to address all the maintenance backlogs and upgrades required in water, electricity and sanitation bulk infrastructure. The road maintenance programme will enhance the service delivery capacity thereby impact positively on the population.

SIP 7: Integrated Urban Space and Public Transport Programme

Coordinate planning and implementation of public transport, human settlement, economic and social infrastructure and location decisions into sustainable urban settlements connected by densified transport corridors.

SIP 11: Agri-logistics and rural infrastructure

Improve investment in agricultural and rural infrastructure that supports expansion of production and employment, small-scale farming and rural development, including facilities for storage (silos, fresh-produce facilities, packing houses); transport links to main networks (rural roads, branch train-line, ports), fencing of farms, irrigation schemes to poor areas, improved R&D on rural issues (including expansion of agricultural colleges), processing facilities (abattoirs, dairy infrastructure), aquaculture incubation schemes and rural tourism infrastructure.
Overview of the 18 SIPS: Social Infrastructure SIPS

SIP 12: Revitalisation of public hospitals and other health facilities

Build and refurbish hospitals, other public health facilities and revamp 122 nursing colleges. Extensive capital expenditure to prepare the public health care system to meet the further requirements of the National Health Insurance (NHI).

SIP 13: National school build programme

A national school build programme driven by uniformity in planning, procurement, contract management & provision of basic services. Replace inappropriate school structures and address basic service backlog & provision of basic services under the Accelerated School Infrastructure Delivery Initiative (ASIDI). In addition address national backlogs in classrooms, libraries, computer labs and admin buildings. Improving the learning environment will go a long way in improving outcomes especially in the rural schools as well as reduce overcrowding.

SIP 14: Higher Education Infrastructure

Infrastructure development for higher education focusing on lecture rooms, student accommodation, libraries and laboratories as well as ICT connectivity. Development of university towns with combination of facilities from residence, retail and recreation & transport. Potential to ensure shared infrastructure such as libraries by universities, FETs & other educational institutions.
Overview of the 18 SIPS: Knowledge SIPS

SIP 16: SKA & Meerkat

SKA is a global mega science project, building an advanced radio-telescope facility linked to research infrastructure and high speed ICT capacity & provides an opportunity for Africa and South Africa to contribute towards advance science.

SIP 15: Expanding access to communication technology

Provide for 100% broadband coverage to all households by 2020 by establishing core Points of Presence (POP’s) in district municipalities, extend new Infraco fibre networks across provinces linking districts, establish POP’s and fibre connectivity at local level, and further penetrate the network into deep rural areas.

While the private sector will invest in ICT infrastructure for urban and corporate networks, government will co-invest for township and rural access as well as for e-government, school and health connectivity.

The school rollout focus initially on the 125 Dinaledii (science and math focussed) schools and 1525 district schools. Part of digital access to all South Africans includes TV migration nationally from analogue to digital broadcasting.
Overview of the 18 SIPs: Regional SIP

**SIP 17: Regional Integration for African cooperation and development**

Participate in mutually beneficial infrastructure projects to unlock long term socio-economic benefits by partnering with fast growing African economies with projected growth ranging between 3% and 10%.

The projects involving transport, water and energy also provide competitively priced diversified, short, medium to long term options for the South African economy where for example, electricity transmission in Mozambique (Cesul) could assist in provided cheap, clean hydro power in the short term whilst Grand Inga in the DRC is long term.

All these projects complement the Free Trade Area (FTA) to create a market of 600 million people in South, Central and East Africa.