

"OUTAGE"

Media Statement - 23 March

Eskom partners with Special Investigating Unit to fight corruption

Wednesday, 23 March 2011:

Eskom is strengthening its commitment to government's anti-corruption drive with a three-year partnership with the government's corruption fighting agency, the Special Investigating Unit (SIU).

The SIU is a multi-disciplinary forensic investigation and litigation agency, created by statute. It focuses on corruption, fraud and maladministration in the public sector. It has had considerable success in detecting and eliminating these practices in government departments and state-owned enterprises, and in recovering public funds.

"We have made it a strategic imperative that Eskom must be a high-performance organization. Our partnership with the SIU will help us to achieve that, and in addition will ensure that Eskom is ethical, well governed and has appropriate fraud detection and prevention measures in place," said Brian Dames, Eskom Chief Executive.

"If any loopholes are identified, they will be closed. If corrupt activities are found, by Eskom staff or contractors, we will take appropriate action, including criminal prosecution if it is warranted," Mr Dames said

The Head of the Special Investigating Unit, Willie Hofmeyr, welcomed the partnership and said: "Eskom has demonstrated a serious commitment to deal with corruption and maladministration issues. This kind of innovative partnership to build capacity to fight corruption is vital if we are going to deal with corruption effectively."

Eskom and the SIU are in the process of finalizing the terms of the agreement, according to which the SIU will deploy a team of expert investigators for a systematic check of all Eskom divisions over the next three years. An appropriate application for a proclamation by the President is currently in progress and, once gazette, will confer special investigative powers on the SIU engagement. A major focus of the investigation is likely to be probity checks on Eskom's procurement contracts. Eskom spends R90 billion annually on purchasing goods and services, including for its capital investment programme. The SIU investigation will seek to uncover any corrupt practices or conflicts of interest, and will identify risks for Eskom, including contract fraud and legal non-compliance.

"This is going to strengthen our internal audit function, and especially our forensic team. It is going to strengthen the organization as a whole. We hope it will contribute to the reputation we are building for honesty, efficiency and transparency," Mr Dames said.

For further information please contact:

Eskom spokesperson Hilary Joffe: 079 697 9374 or Special Investigating Unit spokesperson: Marika Muller.

End

"OUT A 7"

An update on the replacement of Unit 3 of the Duvha power station

2016/06/22

Wednesday, 22 June 2016: The process of appointing a supplier for the replacement of Duvha Unit 3 which got damaged in March 2014 will be concluded next week.

There are currently three suppliers participating in the commercial process.

The procurement process followed the requirements of the Preferential Procurement Policy Framework Act (PPPFA) and the qualifying supplier was engaged for the negotiation phase during March and April 2016. The tender evaluation was conducted according to the 90:10 principles set out in the PPPFA and thus the lowest price will be the determining factor.

On 30 March 2014, Unit 3 got damaged as a result of over pressurisation of the boiler furnace. The furnace pressure had increased beyond the tolerance limit, resulting in a Class 5 explosion which led to the loss of a 600 MW unit. The entire unit was shut down and isolated as per standard operating procedure.

Given the potentially large insurance claim, a loss adjuster was appointed to act on behalf of both the insured and the re-insurers for the purpose of leading a process to determine the extent of the damage to the boiler and collaborate with Eskom engineers to reinstate the damaged property.

This insurance process, which included solicitation, review and costing of various solutions to recover the loss was completed in August 2015 and subsequently Eskom entered into a settlement agreement with its insurers. The settlement agreement provided for the replacement of the damaged property within a given period of time.

Eskom management obtained approval for the procurement strategy for the recovery of Duvha Unit 3 and the execution thereof in December 2015.

The allegations that Eskom has contracted a consultant to adjudicate the procurement process are baseless, misleading and malicious. At no stage has Eskom sought or utilised the services of any company to act as 'middle man' between Eskom and potential boiler suppliers.

Prior to the approval of the procurement strategy for the replacement of Duvha unit 3, the loss adjuster had approved the FEDIC Silver Book as an appropriate contracting strategy and all costings were based on such strategy. This strategy essentially seeks to contract on a turn-key basis where potential suppliers assume all construction and interface management risks.

Eskom therefore rejects with contempt the allegations that its senior executive management is closely aligned to procurement irregularities, and reserves its rights in this regard.

ENDS

Eskom to restart process for a contract to rebuild Duvha 3 boiler

2016/06/30

Thursday, 30 June 2016: Eskom previously announced that the negotiation of the contract for the rebuilding of the Duvha Unit 3 boiler was expected to be concluded by the end of June 2016. The contract negotiations for the rebuild portion of the scope have been terminated as of 27 June 2016.

Negotiations were terminated during the final stages as the supplier was unable to meet the conditions precedent to enable agreement on the contract.

Despite the termination of negotiations for the demolition, engineering, procurement and construction scope, Eskom has appointed suppliers who will commence with the structural assessments and repairs scope of work. Based on the current works schedule no additional delay is foreseen as the structural assessments and repairs scope is on the critical path. The works are expected to continue for the remainder of 2016.

Whilst the structural assessments and repairs of the boiler structures are underway, Eskom will commence in a new commercial process. Management is yet to approve initiation of the new commercial process.

ENDS.