
	Submission Form for Board and Exco Committees Executive Summary Annexure A	Template Identifier	240-43921804	Rev	7
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1. BACKGROUND


The Eskom Restructuring and Legal Separation is in response to the Department of Public Enterprises' (DPE) "Roadmap for Eskom In a Reformed Electricity Supply Industry 2019" (the "DPE Roadmap").

The rationale for the restructuring of Eskom is well articulated in the DPE Roadmap as follows:

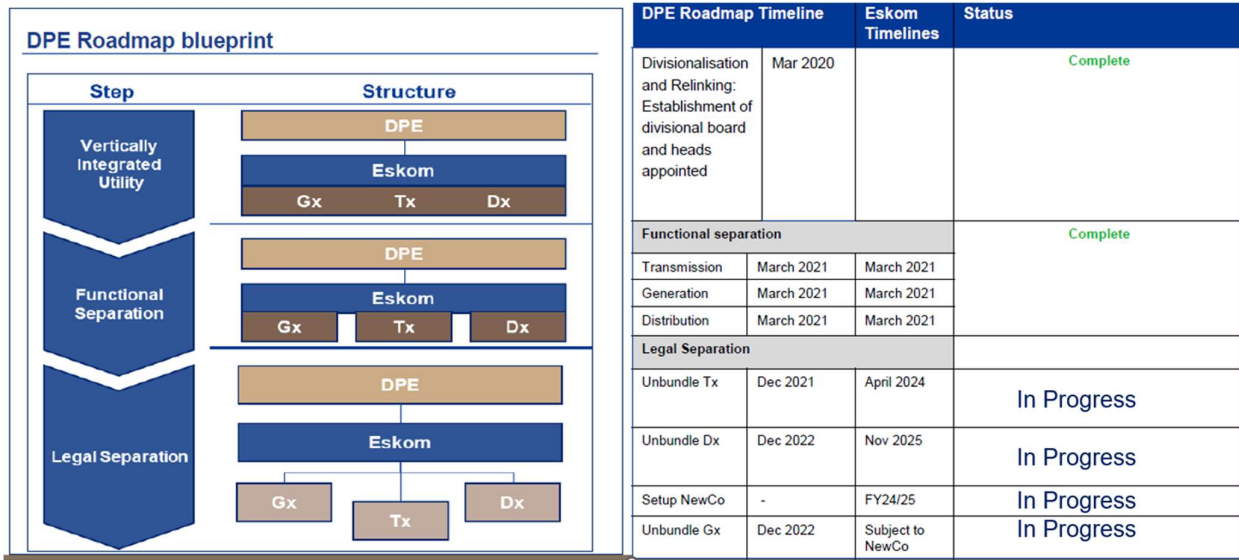
- "The need to reform the energy sector has been proposed in the past. In the 1998 White Paper on Energy Policy, Government had identified some of the reforms required to the electricity supply system, including the restructuring of Eskom, to ensure a reliable, competitive, and transparent system."
- "The formation of a Transmission Entity (TE) under Eskom Holdings will foster a competitive market and will encourage the use of diverse sources of energy."
- "Eskom's vertically integrated structure was appropriate at its inception and served the country well for over 90 years. This configuration is no longer suitable to meet the country's energy needs and has made the business susceptible to the kind of problems it has recently experienced, including state capture. The restructuring of Eskom into three subsidiary businesses – generation, transmission, and distribution – is necessary to reduce the risk that Eskom poses to the country through its dependence on fiscal allocations and inability to supply the economy with adequate power."
- "The Eskom that must emerge from these reforms must be capable, transparent, accountable, competitive and world class. Government has a responsibility to mitigate the systemic risk that Eskom has become to the country. This will start by making the organisation responsible in how it allocates resources to its operational activities, and that it is answerable for its performance at all levels."

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The DPE Roadmap stipulated a blueprint for the Legal Separation of Eskom into three (3) wholly owned entities, with timelines as shown below.

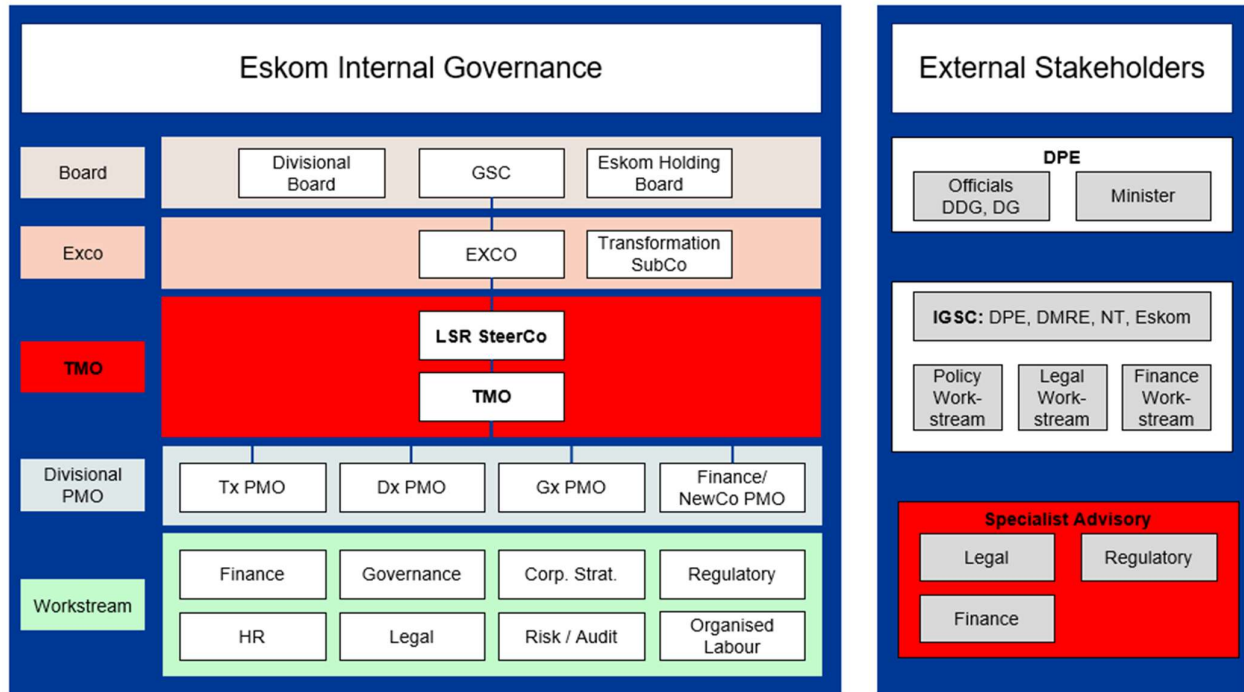


Since the start of the process, the legal separation of Eskom has been managed by the Transformation Management Office (TMO), providing integration and overall programme management, with the divisions driving the execution of the multitude activities and deliverables through divisional PMOs, and supported by the relevant functional expertise through various workstreams and specialist advisors. As depicted below.

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The Eskom Board suggested an expansion in the capacitation of the legal separation program by engaging the appropriate external services to increase the speed and expertise by centralizing the project management of the Legal Separation project.


To support and facilitate the separation of Eskom’s line divisions into subsidiaries of Eskom Holdings SOC, a specific operating model was selected as the preferred model. Several reviews of the model have been conducted in prior years with the last assessment conducted in 2019. The operating model was first approved by EXCO on the 24th April 2020 as part of the Divisionalisation process and in February 2022 EXCO confirmed the appropriateness of the operating model as part of the legal separation process including the principles for cost recovery of the corporate functions.

Since the decision to adopt the operating model, several important milestones have been achieved and in parallel significant developments have occurred. These include:

- The appointment of divisional boards following the completion of the functional separation,
- The imminent legal separation and establishment of an independent National Transmission Company of South Africa (NTCSA),
- The state capture commission report and emerging governance issues

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Concerns have emerged since the model was approved and in the process of implementation, which have partly hindered the model's efficient application. These concerns range from (1) the suitability of the model for the independent subsidiaries and (2) implementation challenges related to the roles and services provided by the corporate centre.

In this regard, Eskom is looking to procure services of a professional services company with relevant experience and expertise to support Eskom in delivering the Legal Separation according to set timelines, as well as work with the existing specialist advisors, and play as lead advisor to the Board and EXCO.

Furthermore, the developments and concerns relating to the operating model have given rise to the need to determine whether the model is still the best fit for Eskom considering the objectives and desired outcomes of the legal separation process. Thus, the professional services will include an independent review and analysis of the current model to identify strengths and weaknesses and offer recommendations to ensure the selected model aligns to the Eskom corporate strategy.

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2. OBJETIVES

Legal separation specific

- To successfully manage and deliver the legal separation project of Eskom's Transmission, Distribution and Generation in line with identified timelines. Noting the fact that the legal separation of Transmission is imminent and is close to completion at the time of publication of this document.
- To provide an experienced multi-disciplinary team with expertise to support the divisions and workstreams and drive implementation on all workstreams.
- The alignment, integration and risk management pertaining to the legal, financial, and regulatory environment.

Operating model specific


- Evaluate whether the operating model is the appropriate model to adopt as part of the legal separation of Eskom Holdings into three subsidiaries by providing an unbiased and impartial assessment of the effectiveness of the operating model's implementation while identifying strengths and weaknesses.
- A stress tested and appropriate operating model complying with industry standards, legal requirements, and best practices, leading to increased efficiency and the trust of stakeholders.
- Ensure that the model's implementation complies with industry standards, legal requirements, and best practices, leading to increased efficiency and the trust of stakeholders.
- Provide clarification of roles to eliminate ambiguity and duplication and close the alignment gaps between the corporate functions and the subsidiaries.
- Advise how processes can be streamlined, duplication of efforts can be eliminated, and the mitigation of any risks identified to efficient application of the model.

General

- To work with other specialist advisors in areas where these are in place (to deliver the program in the most sustainable manner for the Eskom group).
- Advise and engage the Board and management on the direction and implementation of the Legal Separation of Eskom using best practice and relevant experience.

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3. SCOPE

Below is the high-level scope that highlights the key focus areas to deliver the above objectives:

Advisory and Consulting Services

Legal Separation Strategy Review. Reviewing the approach and strategy adopted for Eskom Legal Separation and restructuring and provide guidance on areas of enhancement and acceleration. Clarify the context, rationale, benefits, and risks to the Eskom Legal Separation and align stakeholders around the strategy. Compile a business case and plan for the legal separation of Eskom and its subsidiaries. Define a target group structure and necessary governance to support the organisation post Legal Separation. Work with other specialist advisors in areas where these are in place and deliver the program in the most sustainable manner for the Eskom group.

Advisory. Act as leading advisor to the Eskom Executive committee and Board on broader Legal Separation and provide leadership and best practice on all key areas of the Legal Separation. Regularly keep the Board engaged and apprised on all relevant progress, challenges and risks related to Legal Separation and operating model. These areas may include finance, legal transactions, organisational restructuring and governance, and operating model, Regulatory and policy requirements, Electricity trading and supply, Licensing, and other relevant industry developments. In this regard, pull in the relevant specialists to advise the Board and management.


Transactions. Manage all the relevant legal and financial transactions necessary to implement the Legal Separation.

Financial Viability and Overall Sustainability. Define and drive execution of a comprehensive financially viable model and plan to ensure Eskom's overall financial viability and sustainability. Assist Executive committee to assess financial viability for separate entities and develop a set of interventions to ensure Eskom's financial viability and sustainability under different scenarios. In this regard, work with existing specialist advisors and management to define a financially viable business and operating model across Eskom group.

Program Management. Provide comprehensive programme management methodology and governance, support, and resources for all the areas of the Legal Separation. Provide full-time support for the Divisions as well as the enabling functions.

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Manage the overall Legal Separation process. Drive an integrated program plan across all areas of the Legal Separation and task teams.

Alignment and Integration. Ensure ongoing alignment of initiatives with the overall objectives of the Legal Separation. Work with existing specialist advisors to review assumptions and find areas of potential acceleration. Play an integration role between the other advisors, Eskom task teams, management and Board and other stakeholders.

Risk Management and Mitigation. Establish a risk management and mitigation process to identify, manage and mitigate known and emerging risks associated with Legal Separation and the operating model. These may include but not limited to financial, regulatory, legal, operational and stakeholder risks.

Stakeholder Management. Drive a consolidated (internal and external) stakeholder management and engagement strategy and plan to align employees and stakeholders around the Eskom process of Legal Separation

Change Management. Drive the overall change management for the implementation and delivery of the stated objectives.

Project write-up. Keeping of a project log of progress and milestones that would be signed off by the client from time to time, with a completed pack presented to the client after the completion of the project.


Skills transfer. The transfer the skills and knowledge to the selected Eskom employees. The areas include but are not limited to exposure to different methodologies to conduct business reviews, data analysis methodologies and tools, exposure to design frameworks for operating models, benchmarking techniques and report writing at executive level.

Reporting and recommendations. The successful service provide must provide a report with recommendations to include but not limited to:

- The methodology that was considered to conduct the review, including analysis methods used.
- Supporting evidence (documents/ records reviewed, interviews, site visits, data, observations, and any other evidence gathered during the review process)
- Best practices and benchmarks from the industry for comparison.
- Risk vs. benefit assessment: evaluation of potential risks and associated mitigation measures relative to the benefits of different models including the current operating model.

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- Detailed findings and observations based on the evaluation of each scope element.
- Clear and actionable recommendations for improvement in each area of evaluation.

Evaluation of the Eskom chosen operating model

Review of Eskom operating model. Conduct an independent assessment of the operating model to determine its appropriateness in line with policy and strategy of the company. The review must include identifying strengths and weaknesses of the current model. Carry out an analysis of possible inefficiencies and issues impacting effective implementation of the model. Make recommendations on the culture and change management aspects required to successfully implement a model.

Operating model options and benchmarks. Provide an overview of possible models against objectives, indicating an assessment of the benefits and trade-offs of each model. This should include benchmarking of other similar entities that have completed legal separation process and the selected model. The benchmarking exercise must consider developed and developing countries electric utilities including the global average of electric utilities.


Efficacy of the operating model. Provide recommendations on key enablers required to improve the efficacy of the selected model to support business outcomes by analysing the end-to-end operational processes and identify potential barriers, inefficiencies. Identify possible areas for process optimization in terms of process owners, roles, KPIs & measurement, reviews and optimisations. Furthermore, assess the technology, systems, and infrastructure and how it will be managed after unbundling, including, IT cost benchmarking and IT complexity assessment.

Migration and operationalisation. Manage all activities related to the migration and transfer of business, people, asset, and other resources from Eskom to the respective subsidiaries and functions to operationalise the entities. Implement an efficient Corporate Centre and related structures and governance to support the subsidiaries. This includes evaluation of the size of the corporate centre (organisational structure, resourcing, required skills and capabilities) against the model, taking into account the roles and responsibilities of the corporate centre.

Governance framework. Evaluate Eskom's governance framework, decision-making processes, and accountability structures, including, how the operating model and recommended model will impact the independence of the Boards of the subsidiaries.

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Define the role of the Boards and their committees for the subsidiaries (Transmission, Distribution and Transmission) post-legal separation and ensure that the responsibilities are explicit.

Alignment of processes. Determine the extent to which the model enables the alignment of the organisation's processes and resources with the strategic goals and objectives. Provide recommendations on how best the model can assist with driving performance and achieve the intended outcomes of the strategic objectives.


Role clarification. Provide clarification of roles to eliminate ambiguity and duplication and close the alignment gaps between the corporate functions and the subsidiaries. This includes evaluation of the size of the corporate centre (organisational structure, resourcing, required skills and capabilities) against the model, considering the roles and responsibilities of the corporate centre.

4. PROJECT ROLES

Role	Name
Overall Project Lead	Pieter Nortje
TX Lead	Pindi Mabena
DX Lead	Kevin Pillay
GX Lead	Eric Shunmagum
Commercial lead (sourcing manager)	Mpho Dire
Finance Lead	Daryl Govender
Legal Lead	Vuyo/ GCE
Regulatory Lead	Tbc
People Lead	Peter Mashatola
GRAD and Comms Lead	Natasha Sithole
Change Management Lead	Natasha John
Strategy and Planning	Makungu Nkuna

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5. SCOPE SIGN-OFF

DATE: 31 January 2024

COMPILER: **NAME: PIETER NORTJE
MANAGER - BUSINESS IMPROVEMENT**



SIGNATURE (NAME, TITLE)

PROJECT OWNER: **NAME: VUYOLWETHU TUKU
GE - TMO**



SIGNATURE (NAME, TITLE)

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