



ON MY MIND BY STEPHEN SADIE



# ENTROPY AT ESKOM

The governance triad — shareholder, board and executive management — is proving deeply ineffectual at Eskom. But if South Africa is to extract itself from the energy crisis, it needs co-ordinated action — and soon

**T**hese days, you can go to any party, family gathering or school function, and one topic will inevitably come up: the Eskom crisis. Everybody, it seems, has become an expert on load-shedding. But what of governance? Where does it fit into the picture?

At a very basic level, governance revolves around the critical relationship between the shareholder, board and executive management of a company. It should go something like this: the shareholder appoints a board and provides a mandate to it; the board develops a strategy and appoints executive management; executive management implements the strategy.

If these three components work together, with each doing what it is supposed to do, the company should make progress.

So, let us consider the health of the governance ecosystem of South Africa's energy crisis.

First, the shareholder. The government is in disarray, with three ministers in charge of energy: Pravin Gordhan, Gwede Mantashe and Kgosi-ntsho Ramokgopa. It is common knowledge that there is a wide chasm between Mantashe and Gordhan.

As minister of mineral resources & energy, Mantashe is responsible for adding new energy to the grid. On this, he has failed dismally: to date, not 1MW has been added.

Mantashe seems wedded to coal and has been slow off the mark to fast-track renewables, despite their dramatic drop in price. At the same time, he's given his support for the Karpowership deal, which has been stuck in legal wrangling with the department of forestry, fisheries & the environment over bungled environment impact assessment processes.

Public enterprises minister Gordhan, for his part, has not moved

nearly quickly enough on the energy governance processes.

As for Ramokgopa, the new minister of electricity, the cabinet has sent back his proposal to refurbish coal-fired power stations on the grounds that it needs further technical work and clearer funding clarification. Though there is sympathy from the business sector to postpone the hard stop on some of the better-functioning power stations, there seems to be no appetite for long-term investment. There is also the bigger issue of carbon emissions beyond the 2025 extension Eskom has been granted.

President Cyril Ramaphosa has still not delegated any powers to Ramokgopa, nearly two months after he took office. That's amid apparent pushback from Mantashe, who feels his energy powers are being usurped.

Taken together, it's clear there's no real direction coming from the shareholder, with obvious impact on implementation of any energy plans. Between the three ministers, there is no unified strategy, which is creating uncertainty among the public as well as potential investors.

Then there's the board. The previous Eskom board had dwindled to five members before the current board was appointed in October. Given

the size of the utility, and its central role in the economy, it's difficult to understand how it could have such a small board. The boards of most NGOs are larger.

Another important board is that of the National Transmission Co South Africa. The company is fundamental to the realignment of energy, due to the urgent need to grow South Africa's limited grid capacity. Substantial investment in capacity is long overdue. Yet the transmission company's board has yet to be appointed.

Finally, there's executive management. After Mantashe's spurious claim that André de Ruyter was "actively agitating for the overthrow of the state", the Eskom CEO decided to resign in December. It is well known that De Ruyter played a key role in trying to end the corruption and criminal syndicates at Eskom.

It is now four months since he announced his resignation and there is no information on a replacement, other than that CFO Calib Cassim has been appointed in an acting capacity.

## Taking the lead

When it comes to governance of the electricity crisis, then, we have no permanent CEO, problematic boards, and three ministers all competing to see their own vision realised.

This is not the way you work yourself out of a crisis.

Numerous commentators have mentioned how Vietnam made tremendous gains with its widespread rollout of household solar panels. This may be just the kind of bold move South Africa needs. But that requires co-ordinated action.

The energy crisis affects us all, every day. As the Chartered Governance Institute of Southern Africa, we leave it to the engineers and energy specialists to sort out the operational specifics. But when it comes to governance, we believe there is much room for improvement. The shareholder, board and executive management need to be more closely aligned, and work more cohesively, to get the country out of the mire. **X**

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