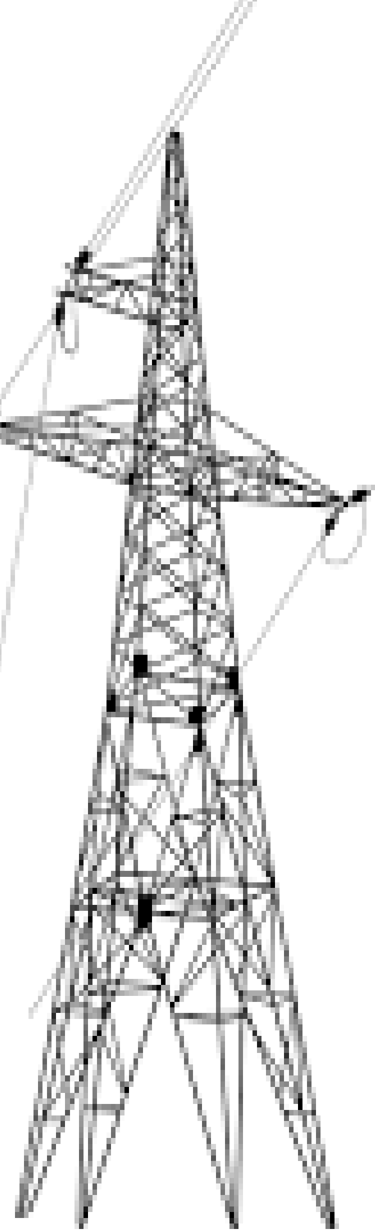


POLASA

THE POWERLINE AND SUBSTATION ASSOCIATION

PARLIAMENTARY PORTFOLIO COMMITTEE ON TRADE, INDUSTRY & COMPETITION

SAGREN V MOODLEY

POLASA BOARD CHAIR

4th JUNE 2025

POLASA INTRODUCTION

***Po**wer**l**ine **a**nd **S**ubstation **A**ssociation*

is an association that

provides all stakeholders in the electricity

Transmission and Distribution industry

with

a common platform

to address matters of

common interest.

PROGRESS MADE IN IMPLEMENTING THE SMP

The Negatives - Alignment:

- A key stakeholder on the demand side, the SOEs, were not part of the mainstream SMP discussions and decisions. The participants in the SMP was largely from the supply side ... industry and labour.
- Apparent misalignment between the SMP and other departments like DPE and DMRE on the imperatives to localize.

The result:

- *far too much effort is invested in convincing the SOEs to localize rather than taking concrete actions to localize demand.*

PROGRESS MADE IN IMPLEMENTING THE SMP

The Negatives – Illicit Trade:

- SARS remains unable to put a fast and decisive stop to the illicitly imported steel and steel products.
    - o Despite being assisted by the Local Content Compliance Unit (a unit setup by the SMP) to investigate and provide tangible evidence to SARS.

The result:

- *Far too much resources are invested in convincing SARS to act on illicit imports rather than then them acting decisively to close the hole.*
- *This only encourages more of the same illicit practices.*

PROGRESS MADE IN IMPLEMENTING THE SMP

The Negatives – Lack of Demand:

- The SOEs are not releasing capital projects at a fast enough rate to absorb existing local supply and consciously build new supply.

- According to the ESKOM (NTCSA) Transmission Development Plan of June 2023, 14 000km of transmission lines need to be built by 2032.
  - These projects are not being timeously released to manageably meet this target whilst local supply capacity continues to be eroded.

The result:

- *Industry is not able to sustain current supply capacity let alone build new capacity.*

PROGRESS MADE IN IMPLEMENTING THE SMP

The Positives:

- Eskom Distribution's introduction of the TEAP list (list of technically compliant and locally manufactured products).
- The successful challenge of many projects that were opened to international suppliers.
- The relationship build with NTCSA (Eskom Transmission) to engage on the localization of their build programme.

While progress is being made:

- *Could have been significantly more if the SOEs drove re-industrialization through localization as a core output and not a "bolt-on".*

EFFECTIVENESS OF THE IDENTIFIED IMPLEMENTATION ACTIONS

Effectiveness was hampered because:

- The key stakeholder on the demand side (the SOEs) were not actively part of the SMP which meant that:
  - It was difficult to determine certainty of work.
  - Near impossible to collaborate with them to execute that work.

- The SMP team was made up largely of private company CEOs, and NOT industry association representatives. This has had the negative impact of:
  - Lots of talk in a meeting but a lot less action afterwards.
  - Micro company agendas being promoted at the expense of macro country wide benefits ... which has brought with it mistrust.

LESSONS LEARNT

80/20 rule:

- Understand and prioritise the fundamental issue that needs to be addressed.
    - In the case of the SMP, supply exceeds demand. Greater effort should therefore be invested in stimulating demand.
    - Starting at the political level and working through respective ministries and departments.

Alignment - government:

- Ensure better alignment within government regarding reindustrialization.
    - Whilst the DTIC maybe the custodian, it needs to be driven and supported across other departments.

Alignment - Industry:

- It’s critically important to foster industry alignment across the value chain (from upstream to downstream) on the commonly agreed principles

  - and understand where in other instances other views may be held.

LESSONS LEARNT

Endlessly debating the why:

- SOEs should have been given a clear directive to localize their demand.
  - To ensure resources are expended on the execution and not endlessly debating the "why".

Conducive environments:

- Structures should have been established to create a "safe and controlled" space for SOEs and industry to engage without fear of violation of the competition and other legislation.

Effective council:

- A more effective SMP Executive Oversight Council is needed which is properly structured and empowered to do what needs to be done, and have a structure to flag/ address areas requiring attention / escalation.

LESSONS LEARNT

The SMP is still needed.
Progress has been made

It however needs to be restructured with the correct stakeholders who have a clearer mandate and support of the state to localize.

THE IMPACT OF THE CHANGING DOMESTIC AND GEOPOLITICAL LANDSCAPE

Capital to build:

- Given the large capital requirement to execute the Transmission build programme, there is a need to attract external funding.
- This funding (irrespective of source) should not come with conditions that force the local sector not to reindustrialize.

Becoming self-reliant:

- Given the turbulent uncertain geopolitical landscape, South Africa should become increasingly self reliant with its own capabilities and capacities to not only build new infrastructure but to also be able to maintain it over time.

Reducing unemployment:

- SA’s unemployment levels are “dangerously” high. The transmission and distribution build programme is not complicated and can absorb large numbers of semi-skilled and skilled South Africans.

NEW AND/OR EVOLVING CHALLENGES & OPPORTUNITIES FOR THE INDUSTRY

Eskom Distribution

6 000 km of line & substations

R 45 billion

(over 5 years)

Eskom Transmission

14 000 km of line & substations

R 450 billion

(over 10 years)

Over R 500 billion

(including the municipal build)

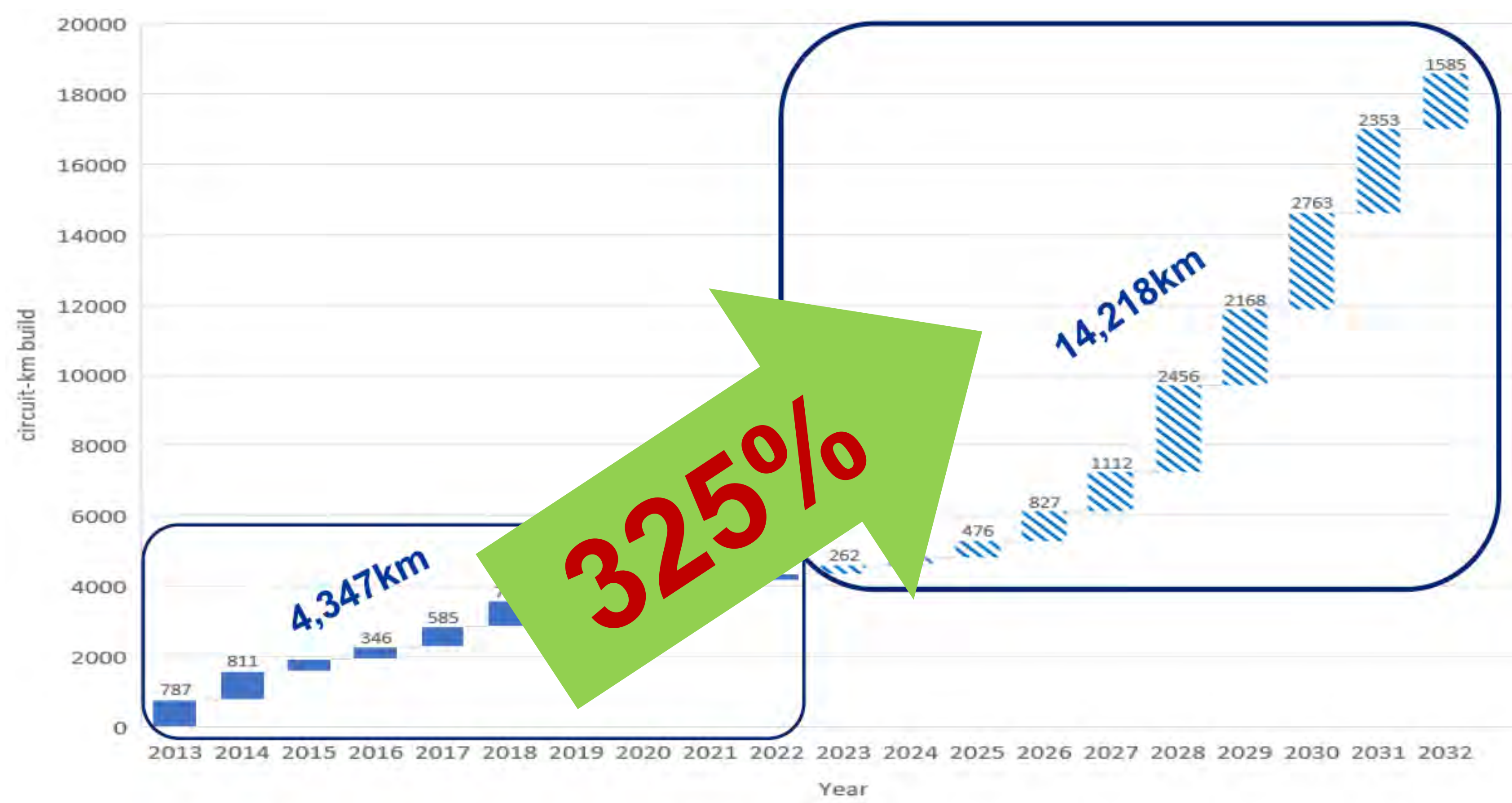
A unique opportunity to RE-industrialize the sector as opposed to us exporting our jobs and importing products and services.

NEW AND/OR EVOLVING CHALLENGES & OPPORTUNITIES FOR THE INDUSTRY

Transmission Assets Nationally	Total New Assets: 2023 - 2032
Power lines (km)	
765 kV	6328
400 kV	7698
275 kV	192
Total length (km)	14218
Transformers	
Number of units	170
Total capacity (MVA)	105865
Capacitors	
Number of units	40
Total capacity (MVar)	2700
Reactors	
Number of units	52
Total capacity (MVar)	14713

14 218 circuit km is **43%** of current 33 000 km total.

NEW AND/OR EVOLVING CHALLENGES & OPPORTUNITIES FOR THE INDUSTRY



STEPS TAKEN (IF ANY) TO AMEND, ADAPT OR REDEVELOP THE SMP

- In the review session with Minister Tau on 1st March 2025,
  - Industry issues and positions were patently clear.
  - Lack of decision by government regarding the way forward negatively impacts on an already struggling industry.
  - Given the complex nature of the value chain and the different industry stakeholders it is unlikely that decisions will suit every party, but it is hoped that decisions can be considered and made that are likely to enable the industry to sustain itself.

- We (industry and the DTIC) continue with projects/ opportunities to the extent that we able to in the absence of the items not being addressed as noted above and, in the lessons learnt.

PARTING THOUGHT

The current electricity powerlines and substations in South Africa were built by South Africans.

This **capability** still exists in South Africa.
What is missing is the **full capacity** to deliver all that is needed
BUT
this full capacity can be reestablished if there's
certainty of work
and a
commitment from our government & SOEs to localize.

A restructured SMP can drive this.