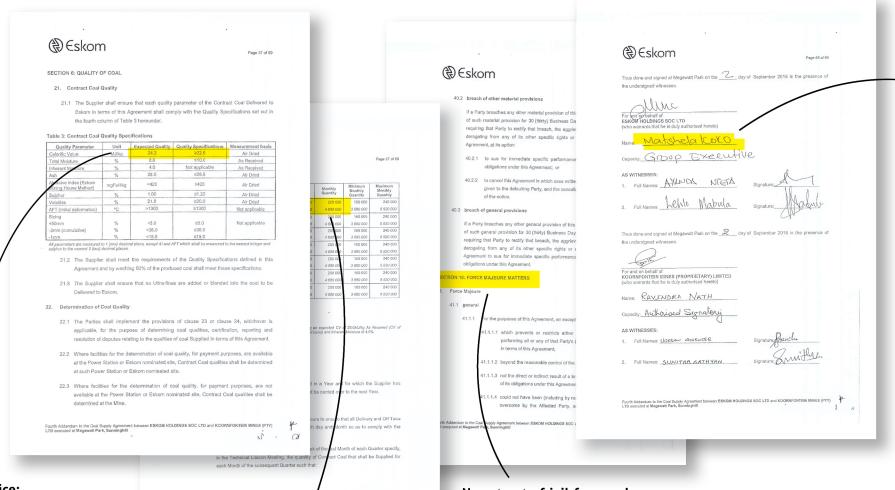
Tegeta's R7bn bonanza

On 2 September 2016, Eskom signed a seven year R7 billion coal contract with the Gupta/Zuma-owned Tegeta Exploration and Resources. It was signed without any tender. Two months later Eskom decided to mothball the power station.



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Higher price:

Previously Koornfontein delivered a 21.2 CV (calorific value) coal. In this contract Eskom asked for a higher 23 CV coal, upping the price from R376 to R414 per ton.

Increased quantities:

Eskom increased the quantities of coal from 135,000 tons per month to 200,000 tons per month, but after just 6 months Tegeta was 400,000 tons behind on deliveries.

No get-out-of-jail-free card:

In November - two months after the contract was signed - Eskom decided to mothball Komati power station. Komati will be closed in 2019/20. However, Eskom can't cancel the contract - they only have two options: pay Tegeta out or divert the coal. Eskom says if necessary they will divert the coal. Eskom refuses to say whether the officials that signed the contract were aware that Komati was on the chopping block, but confirmed that research into the financial viability of Komati had been ongoing for several months.

Treasury did not "fully support" the deal:

the deal: On 17 August, Treasury told Eskom they could sign the R7bn contract but only if there were no other suppliers in the area. Instead of issuing an RFP, Eskom boss Matshela Koko signed the contract two weeks later. Only after the contract was signed Eskom told Treasury that there were other suppliers. Treasury then instructed Eskom to do market research to determine if Tegeta's coal was the cheapest option.

