

# Medupi plant faces major obstacles

Construction of Eskom's Medupi power plant has hit another major obstacle with the news that critical software for the operating system - being developed by French contractor Alstom - has failed three tests.



Public Enterprises Minister Malusi Gigaba has taken the extraordinary step of intervening directly in the saga. (Image: GCIS)

There is no certainty whether the problem can be resolved.

Eskom is in a race against time to bring the first unit of Medupi on line by December to relieve South Africa's tightly constrained energy supply. Without Medupi, the country faces a serious threat of blackouts and load-shedding next year, raising fears of a repeat of the serious effects on the economy in 2008.

The revelations about Alstom follow the news two weeks ago that the biggest contractor on the job - Hitachi Power Africa - had made thousands of faulty welds on the four boilers built so far, which must now be redone.

Eskom financial director Paul O'Flaherty said last week the boiler protection system being developed by Alstom - including a critical piece of software that provides information on what is happening inside the boiler - was six to nine months behind schedule.

The system, which according to Eskom's schedule should now be on site, has failed repeatedly in the past 18 months, the last time at a crucial test on 24 December.



As a result, Eskom has drawn Alstom's performance bond of 10% of the contract price, a contractual remedy employed in serious circumstances. In effect, this means that Alstom will sacrifice 10% of the price to Eskom.

O'Flaherty said this could and would be done repeatedly if failures continued. Other penalties could also follow.

## Gigaba intervenes

The failures by contractors Alstom and Hitachi have prompted Public Enterprises Minister Malusi Gigaba to take the extraordinary step of intervening directly in the saga.

In December, Gigaba requested that global Alstom chief executive Patrick Kron come to South Africa for a meeting, during which he expressed his deep concern and dissatisfaction with the company's performance. He also met with Hitachi Power earlier this year.

Gigaba said he had two concerns in relation to Alstom: one was that its failures were impairing the Medupi delivery schedule; and the other was that the relationship with Eskom appeared to have broken down.

"Last year, I asked the chief executive of Alstom to come to South Africa to meet with me, where I presented him with these problems. He assured us he was going to intervene and subsequently Alstom's Kron and Eskom's chief executive Brian Dames had a long meeting where Dames detailed the extent of the problem in their relationship and the problems that confront us at Medupi," said Gigaba.

"I then met with Kron's representative later on to discuss progress, because from where I sat it was clear that we had serious problems with Alstom and Hitachi."

Both Alstom and Hitachi had committed themselves to meeting the deadlines, which would allow the first unit of Medupi to provide its power to the grid by the December deadline, Gigaba said.

"Both of them committed that by the end of February they were going to submit detailed technical plans of how they are going to fix the problems without us having to change the timelines for the delivery. They have submitted those plans to Eskom," he said.

Eskom was analysing these plans and would report back to him, he said.

O'Flaherty said that the schedules provided by both contractors indicated that the plant would be able to make first steam by July and supply first power to the grid by December.

## Evaluation

However, Eskom was still evaluating whether this was realistic. "By the end of this month we will have an integrated schedule. The question is, is the schedule do-able and can they perform?" he said.

Alstom communications manager Kobie Hyman said in response to questions that the boiler protection system "has suffered some delays due to the late availability of inputs and some technical specifics, which took longer to develop than anticipated". Although the same system was in operation in other plants around the world, each system had to be custom-built, she said. The delay would not affect the critical path of the project.

Hitachi spokeswoman Pamela Radebe said last week that Hitachi would rectify all the weld faults within the normal work programme. She said only 1% of all welds were faulty, while O'Flaherty had said that 9,000 welds were defective.

The Hitachi logo, consisting of the word "HITACHI" in a bold, red, sans-serif font.

Apart from poor delivery by contractors, Gigaba said he had concerns over Eskom's ability to manage big contractors and complex contracts. For instance, he said, there was no evidence that there had been regular meetings between Alstom and Eskom to evaluate progress.

Apart from worries over project management, Gigaba was also critical of the approach by the contractors to meet their commitments.

He said the contractors failed to understand South Africa's "domestic situation; the pressures that we are feeling, but also to appreciate that this is big money.

"I think that in some ways they must get over the notion that this is a developing country and you can do almost as you please in terms of delivering projects that you have entered into," Gigaba said.

O'Flaherty said that while Eskom recognised that there had been short-comings with project and contract management, much has been done in the past 18 months to improve this.

"In Medupi's case we have always been on the back foot in terms of placing contracts, rushing to get work done and trying to get the skills. We employed two execution partners to help manage but at times they did not perform.

"We are certainly not perfect and we haven't done as well as we should have but we are doing everything in our power to rectify the situation.

"You have to have a belief that if you employ a big contractor, with a reputation, that they will be able to deliver. They build in Europe every day; they build in Japan every day. Why can't they build here?" he added.

Source: *Business Day* via I-Net Bridge

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