

	<b>Standard</b>	<b>Transmission</b>
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Compiled by	Supported by	Approved by
 <b>Rofhiwa Murudi</b> <b>Transmission PLCM Subset Champion</b>	 <b>Atha Scott</b> <b>Senior Manager: Asset Investment Planning</b>	 <b>Prince Moyo</b> <b>General Manager: Asset management</b>
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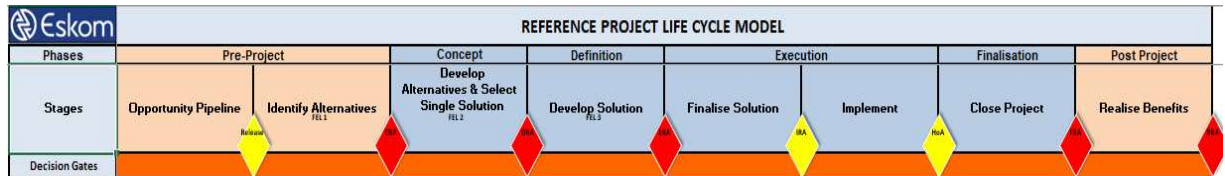
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## 1. Introduction

All projects in Eskom are required to conform to an approved governance framework which is used to:

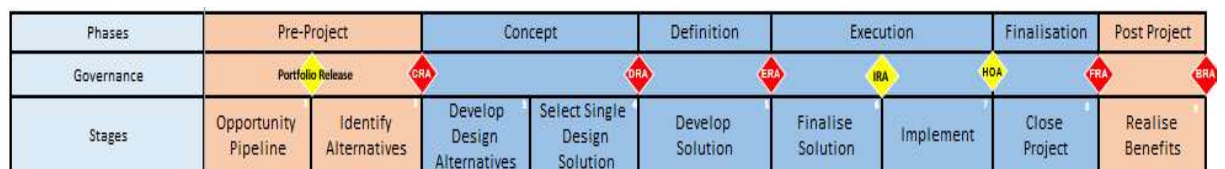
- Govern the work of the project,
- Manage the approval of the project and the project's investment process.

To this end, a standard project life cycle model (Eskom reference PLCM) has been defined, which governs the structuring and management of projects necessary to ensure effective control and decision capability across the span of the project – see Figure 1



**Figure 1: Eskom Reference PLCM**

In order to cater for the unique requirements of various project types across the Eskom business, the standard project life cycle model (Eskom Reference PLCM) framework was used to develop further individual PLCM subsets, which comprises of phases, stages, governance gates, and subset applicable work packages. The Transmission PLCM Subset is one of the approved PLCM Subsets identified. The Transmission PLCM subsets (Tx Model, IPP & Customer and Bulk Process) serve as the approved governance framework for all projects executed within the Transmission Business – see Figure 2



**Figure 2: Transmission Subset PLCM**

## **2. Supporting clauses**

### **2.1 Scope**

The scope of this standard covers the supporting processes, procedures, standards, governing frameworks and enabling systems used to deliver all projects moving through the Transmission PLCM subset.

#### **2.1.1 Purpose**

This standard aims to identify additional recommended controls that support the Transmission PLCM Subset standard and to fill the gaps in the current standard and where no standard exists. It serves as an advisory document, and compliance thereto is recommended to assist business units in effectively managing their projects, programmes and portfolios.

#### **2.1.2 Applicability**

This standard applies to all projects undertaken by the Transmission division and to all projects undertaken by the Transmission division and any other Eskom Division or subsidiary undertaking work on behalf of the Transmission division.

#### **2.1.3 Effective date**

This document will be effective from the date of authorisation.

## **2.2 Normative/informative references**

Parties using this document shall apply the most recent edition of the documents listed in the following paragraphs

### **2.2.1 Normative**

- [1] 240-52879467 Project Delivery Policy
- [2] 240-77126412 Eskom Reference PLCM
- [3] 240-95401790 Reference Project Life Cycle Model Standard
- [4] 240-95232993 Eskom Reference Project Life Cycle Model Framework
- [5] 240-85549806 Governance Standard for Gate Management in Eskom
- [6] 240-85261844 Eskom Project Classification and Categorisation Standard
- [7] 240-103274305 Transmission PLCM Subset Gate Management Plan
- [8] The South African Grid Code
- [9] 240-163056325 Transmission Project Life Cycle Model and Work Package Standard
- [10] 240-125523202 Transmission Delegation of Authority

**2.2.2 Informative**

- [1] 240-42364544 Portfolio Management (Conceptual PCM)
- [2] 212-112 Portfolio Structures and Investment Detail Requirements Document in SAP PPM
- [3] 240-143479183 Transmission Investment Committee Level 1 Terms of Reference
- [4] 240-125523202 Transmission Group Delegation of Authority Standard
- [5] 240-103693536 Planning Review Committee Terms of Reference
- [6] 240-61713594 Procedure for Self-Build Customer Projects in Transmission
- [7] Customer applications procedure
- [8] Asset Management Committee Terms of Reference
- [9] Grid Planning Technical Review Committee
- [10] Eskom DoA

**2.3 Definitions****2.3.1 General**

Definition	Description
<b>Business Category</b>	Means the funding allocation channels per the strategic outcomes defined within the Eskom Corporate Plan and NERSA reporting requirements.
<b>Business Sub-Category</b>	Clearly defined programmes of work or standard operational areas of responsibility within the Portfolio.
<b>Capital Plan</b>	A Prioritised listing of projects within the pre-project planning, concept, definition, execution and finalisation phases, used to manage capital target setting and measure capital performance.
<b>Dependent Projects</b>	<p>Dependent projects are projects that have a one-way dependency on one another. Example:</p> <ul style="list-style-type: none"> <li>• Project A can be completed without Project B and still achieves the objective stated in the Planning Report. Project A is, therefore, an interdependent project.</li> <li>• However, Project B cannot be completed unless Project A has been completed and will not achieve the objectives as stated in the Planning Report. Project B is, therefore, a dependent project.</li> </ul>

Definition	Description
<b>Hand Over Approval Date</b>	The date when <u>ALL</u> technical work on the project in the Execution phase has been completed. This includes completing all construction, testing, energising (or ready for energising), site clearance and rehabilitation works and asset and site handover to operations.  The Hand Over Approval date aligns with the governance Hand Over Approval gate in the Transmission PLCM Subset and the completion date of the Execution Phase on the ERA form.
<b>Independent Projects</b>	Independent projects can stand alone, be completed and achieve their objectives on their own as stated in the Project Charter.
<b>Initiative</b>	A summation or grouping of one or more interdependent projects. These projects are identified during the network or grid development planning stage, in a planning report, or as a result of a customer application and eventually initiated as an initiative with one or more projects.
<b>Interdependent Projects</b>	Interdependent projects have a two-way dependency and cannot be initiated individually as it would not achieve the project objective. If any one of these interdependent projects is stopped or not completed, the rest of the projects objectives will not be realised.
<b>Investment Release Approval Forms</b>	This is the collective name given for all Investment Approval forms presented to the Investment Committees (i.e. CRA/DRA/ERA/FRA/PCA).
<b>Opportunity Pipeline</b>	Phase during which supported projects within the Portfolio Investment Plan, not yet released into the Capital Plan, are checked for strategic alignment, capital expenditure forecasted and strategic future resource requirements determined.
<b>Portfolio</b>	A collection of components (sub-portfolios, programmes, sub-programmes, projects or other work) managed as a group to achieve strategic goals.
<b>Portfolio Component Structure</b>	A hierarchical grouping of projects and, where applicable, programmes, sub-programmes and sub-portfolios within a portfolio
<b>Portfolio Investment Plan</b>	Listing of projects received from the various Development and Business plans, as captured: <ul style="list-style-type: none"> <li>- In both the Eskom Opportunity Pipeline and the Capital Plan and</li> <li>- per Portfolio and, where applicable, sub-portfolio/programme and sub-programme, as defined by the Portfolio Components, and serves as the single point of entry for the capturing and delivery of all Eskom projects requiring capital funding.</li> </ul>

Definition	Description
<b>Portfolio Management</b>	The centralised management of one or more portfolios, which includes identifying, prioritising, authorising, managing, and controlling projects, programmes and other related work to achieve specific strategic business objectives
<b>Programme</b>	It is a group of related projects, sub-programmes and programme activities that are managed in a coordinated way to obtain benefits and controls not attainable from managing them individually.
<b>Programme Management</b>	The management approach assists the organisation to effectively manage programmes by applying knowledge, skills, tools, and techniques to a programme to meet programme requirements and to obtain benefits and control not attainable by managing projects individually.
<b>Project</b>	A non-routine, temporary undertaking with a unique definition and scope of work, with clearly defined start and end points and time-bound deliverables, to achieve a unique goal within a defined schedule, cost, and performance parameters. It will invariably cross functional boundaries, requiring temporary management and cross-functional organisation comprising temporarily assigned and/or contracted personnel, with the accountability for managing and controlling project logistics, resources, and performance in a coordinated and prioritised approach.
<b>Project Class</b>	A project's complexity and resource intensity is used to assign a classification (class) which will prescribe the most appropriate project delivery approach.
<b>Project Completion Date</b>	The date when the project is 100% constructed, tested, energised, the physical asset is handed over to operations, the entire constructed asset is transferred to commercial operation, the site -cleared and rehabilitated and handed back to operations, and all committed costs have been paid, aligning with the Finalisation Release Approval gate on the Project Life Cycle model.
<b>Project Delivery Framework</b>	A governance framework that utilises existing organisational structures at various levels in the organisation to establish a framework of delivery teams within virtual offices to enable the effective and efficient execution of projects, programmes and portfolios.
<b>Project Grouping</b>	An optional project delivery type grouping within a defined programme.
<b>Project Management</b>	The application of knowledge, skills, methods, processes and techniques to achieve the project objectives.

Definition	Description
<b>PLCM Subset</b>	A project life cycle model (PLCM) based on the rules set in the Reference PLCM, but developed to satisfy the unique requirements of a particular business environment.
<b>Technology Type</b>	Technology Type defines the physical machinery or device utilised for or is delivered by the implementation (project).  Eskom technology types provide the entire enablement mechanism of the project.
<b>Transmission</b>	The collective name for the Transmission business.

### 2.3.2 Disclosure classification

**Controlled disclosure:** controlled disclosure to external parties either enforced by law or discretionary.

### 2.4 Abbreviations

Abbreviation	Description
CRA	Concept Release Approval
DRA	Definition Release Approval
ERA	Execution Release Approval
FRA	Finalisation Release Approval
IRAF	Investment Release Approval Form
NERSA	National Energy Regulator of South Africa
PCM	Process Control Manual
PCA	Project Cancellation Approval
PIP	Portfolio Investment Plan
PLCM	Project Lifecycle Model
TPMO	Transmission Portfolio Management Office

## **2.5 Roles and responsibilities**

### **Divisional Executives**

The Group Executive of Transmission is accountable for ensuring that this standard is adhered to within the Division.

### **General Managers**

The General Managers of Transmission are responsible for ensuring that this standard is adhered to and applied uniformly within their respective business areas.

### **Line Managers and Project Managers**

Line Managers and Project Managers within the business units are responsible for standard implementing this standard.

### **Senior Manager – Asset Investment Planning**

The Senior Manager is responsible for ensuring that this standard is effected and reviewed for reporting on the application thereof within the business.

### **Gate Readiness Review Team/Committee**

The Gate Readiness Review Team/Committee is responsible for ensuring that the PLCM subset phase work package deliverables are reviewed and signed off formally before the project can proceed to the Investment Committee for investment approval.

### **Investment Committees**

The Investment Committees are responsible for undertaking investment decisions.

## **2.6 Process for monitoring**

Adherence to the standard will be monitored through TPMO reviews to ensure compliance and assist with the correction of non-compliant practices, and self-assessment audits by the business unit to ensure effective implementation of this standard, highlighting best practices and correcting incorrect practices.

## **2.7 Related/supporting documents**

- a) Investment Committee Submission Templates

### **3. Managing projects through the Transmission PLCM Subset**

All projects executed within the Transmission Business shall follow one of the three Transmission PLCM subsets, which serves as the approved governance framework for all projects. It contains the life cycle of a project. It integrates the processes of all the functions (e.g. governance, project management, engineering, finance, commercial, environment, health and safety, quality, etc.) to effectively deliver projects. It provides a framework that will ensure that certain minimum requirements are met at critical stages of the project. Furthermore, it provides:

- A consistent method of project selection, control and evaluation.
- Comprehensive guidance on which project activities and deliverables should be included in each project delivery stage.
- Clear lines of accountability throughout the project life cycle.
- A framework for integrating the PLCM requirements with existing business processes and structures.

This standard provides the required guidance and recommends the application of additional controls to assist the business units in effectively managing their projects, programmes and portfolios.

#### **3.1 Project Assignment**

Projects are identified from either strategic opportunities and/or business requirements, including compliance with Eskom licences. These projects are collated into various Development and Business plans and thereafter consolidated and captured by Portfolio Management.

For projects to be captured correctly, they should at all times be assigned to the correct:

- Project PLCM subset
- Project Class
- Business Category

It is the responsibility of the respective Transmission Planning business functions to allocate the correct Project Types, Project Classes and Business Categories.

**3.1.1 PLCM Subset Type**

The selection of a PLCM subset serves as an indication of the Project Type and informs the governance framework which will be used to plan and execute a project. In Transmission, projects are planned and executed based on the following PLCM subsets:

- 1) Transmission PLCM
- 2) Customer Projects PLCM
- 3) Bulk Projects Process
- 4) EPC PLCM

All Transmission Business projects will have the Transmission PLCM subset assigned as its Project Type. The PLCM subsets may be reviewed without having to update this document.

**3.1.2 Project Class**

The objectives of project classes are to prescribe the most appropriate delivery approach. The complexity and resource intensity of a project is used to assign a project classification. The three main classes of projects are tabulated below:

<b>Project Classes</b>	<b>Determining Factors</b>	<b>Transmission Business Applicability</b>
Standard Project	<ul style="list-style-type: none"> <li>Projects which are undertaken using uncomplicated systems, standard processes, and methodologies. The effort required to complete deliverables through governance is less than that of Extensive and Mega Projects. A Project in which Eskom houses the detailed design / final solution and project management capability. A project with a complexity factor of less than 19 points.</li> </ul>	<i>Applicable</i>
Extensive	<ul style="list-style-type: none"> <li>Projects which are undertaken using slightly complicated systems, processes, and methodologies to assist in navigating project complexities. The level of effort required to complete deliverables through governance is more than that of Standard Projects but less than that of Mega Projects. A Project in which Eskom houses project management capability but may not house the detailed design / final solution capability. A project with a complexity factor of 19-24 points.</li> </ul>	<i>Applicable</i>

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Project Classes	Determining Factors	Transmission Business Applicability
Mega Project	<ul style="list-style-type: none"> <li>A project which requires significant physical and financial resources and is a major "step-out" in terms of complexity for both Eskom, its partners and/or suppliers, both locally and internationally. These projects are undertaken using complicated systems, processes, and methodologies to assist in navigating many project complexities. The level of effort required to complete deliverables through governance is much more than that of Extensive projects. A Project in which Eskom does not house the project management and detailed design / final solution capability. (It is advised that the role of the Project Director for a Mega Project be outsourced or as a second choice be adopted on a temporary basis by internal candidates with the necessary pre-requisites to fulfil the requirements of such a role.) A project with a complexity factor of greater than 25 points.</li> </ul>	<i>Applicable</i>

### 3.1.3 Business Categories

Business categories aim to categorise projects according to funding allocation and NERSA reporting functionality. The linking of projects to a business category is mandatory and must be done when the project is captured onto the PIP. The following business categories have been concluded and are applicable to the Transmission Business:

Term	Description
Expansion	Deliver new capability and capacity to the Eskom coverage (e.g. new power station, new power corridor, new customers, etc.)
Land & Servitude Acquisition	Acquisition of property or servitudes.
Refurbishment	Asset modification and repairs to restore to its original design.
Strengthening	Ensuring delivery from its current capacity to an increased capacity. Enhancing an asset to perform at an improved performance.

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Term	Description
Business Services	Eskom internal business processes in support of the project's delivery.

In respect of the Transmission Business, and for ease of reference, the following categories will be applied within the Transmission and will form the basis of NERSA, funding and performance monitoring and reporting

### 3.1.4 Approved Transmission Business Categories

#### 3.1.4.1 Transmission Categorisation

Business Category	Sub-Category	Item Grouping	Description
Expansion	Infrastructure		
	Telecoms		
	Direct Customer	IPP	Building infrastructure that may include HV/MV lines/cables and substations to add a new IPP customer to the existing network. Most, if not all, of the capital required will be paid up front by the IPP customer.
		Major Customer	Building infrastructure that may include HV/MV lines/cables and substations to add a new customer to the existing network or to strengthen the current network to an existing customer. In most cases, a substantial portion of the capital will be paid up front by the customer.
		Interconnector	
Reliability	N-1		Plant enhancement with the express purpose of reducing loads exposed to breakdowns and/or reducing time to restore supply after a breakdown.
	Telecoms		
Strengthening	Transmitting Plant		Transmission capacity increase projects to stabilise a constrained network infrastructure.
	Telecoms		Capacity and performance improvements on the telecoms facilities in Eskom.
Refurbishment	Transmission Network		
	Direct Customer	Network	Rebuilding or replacement of the existing plant and networks or a significant part of it to single customers that may or may not include a premium supply portion of the supply to the Customer.
	Telecoms		

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Business Category	Sub-Category	Item Grouping	Description
Business Services	Continuous Business Improvement		Business Services refer to the Eskom internal business processes in support of the Projects delivery
Maintenance	Corrective	Outage	Unplanned outages that are due to deferring maintenance and urgent repairs, increasing or resulting in the risk of load shedding. Outage - Corrective Maintenance is a maintenance task performed to identify, isolate, and rectify a fault so that the failed equipment, machine, or system can be restored to an operational condition within the tolerances or limits established for in-service operations
		Online	This refers to maintenance services undertaken during the normal operation of the plant. It covers maintenance which happens regularly and continuously and is not dependent on lengthy unit shutdowns. That is, oil changes, routine and minor adjustments and servicing,
	Inspection	Outage	Inspections that require machine equipment to be shut down for a planned duration (7-14 days).
	Routine	Outage	Maintenance items/activities to be done during forced outages (UCLF) and short planned outages (<14 days) that can be capitalised. This refers to maintenance services undertaken during an outage when the plant is available. It covers maintenance which happens regularly and continuously and is not dependent on lengthy unit shutdowns. That is, oil changes, routine and minor adjustments and servicing
		Online	This refers to maintenance services undertaken during the normal operation of the plant. It covers maintenance which happens regularly and continuously and is not dependent on lengthy unit shutdowns. That is, oil changes, routine and minor adjustments and servicing.
	Minor Replacement	Online	Unplanned corrective maintenance could be due to a breakdown not being stopped by preventative maintenance. This is reactive maintenance that is undertaken for the “run it till it breaks” maintenance mode. It includes all activities to handle broken or off-standard conditions involving building systems, related equipment, and production equipment. All maintenance activities not specifically planned for during annual budgeting and scheduling.
	Major Replacement	Outage	This refers to all major maintenance replacement of the Structure, System, or Component (SSC) that is capitalised and planned and carried out during planned

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Business Category	Sub-Category	Item Grouping	Description
			outages; these activities are done frequently at certain intervals. These activities are “major” either infrequent in nature or scheduled on a non-routine basis, and may require setting aside funds over a period of time.
	Planned	Outage	This refers to all maintenance that is planned and carried out during planned outages; these activities are done frequently at certain intervals. Maintenance activity performed during outage like for like change less than 36 months / partial spare replacement typically.
	Unplanned	Outage	This is an unplanned outage that impacts UCLF (Unplanned Capability Loss Factor). This is an action when the unit is shut down for a short while to repair the broken equipment. Refer to KGA-040 (Management of Outages) Koeberg Administrative Procedure.
Land Acquisition			Capex incurred to obtain land to enable the business to establish lines and substations to transfer energy from the power stations via the main transmission networks into the sub-transmission and distribution networks.
Servitude			Capex incurred to obtain a right on land to enable the business to establish lines and substations to transfer energy from the power stations via the main transmission networks into the sub-transmission and distribution networks.

### 3.2 Composition of the Transmission PLCM Subsets

Transmission PLCMs consists of the following:

- Phases
- Stages
- Phase Gates
- Deliverables
- Work Packages
- Activities

**Phases** – a section of a project life cycle that is a collection of logically related project activities, usually culminating in completing one or more major deliverables. A project phase ensures appropriate project governance by ensuring additional risk to the sponsor organisation is not taken on without the necessary work deliverables being completed and authorisation obtained to proceed.

**Stages** – This is a sub-section of a project phase.

**Phase Gates** – A predefined decision control point at the end of each phase/stage where the Approving Authority reviews Deliverables and Work Packages to assess technical performance and evaluates the investment performance against predefined parameters and authorises work to the next stage.

**Deliverables** – a measurable, tangible, verifiable outcome, result, or item that must be produced to complete a project or part of a project.

**Work Packages** – a collection of one or more deliverables.

**Activities** – A distinct scheduled portion of work performed during the course of a project to contribute to the delivery of Work Package deliverables.

### 3.2.1 Transmission PLCM Subset Phases

The Transmission PLCM Subsets consist of 6 Phases and 9 Stages, as shown in Figure 3

Phases	Pre-Project Planning		Concept		Definition	Execution		Finalisation	Post Project
Stages	Opportunity Pipeline	Identify Alternatives	Develop Design Alternatives	Select Single Design Solution	Develop Solution	Finalise Solution	Implement	Close Project	Realise Benefits

**Figure 3: Tx PLCM Subsets PLCM**

### **3.2.1.1 Pre-Project Planning Phase**

The Pre-Project Planning Phase is the first of the six (6) phases of the Transmission PLCM subset. The objective of this phase is to outline the project requirements and is made up of two (2) stages:

#### 3.2.1.1.1. Opportunity Pipeline

The Opportunity Pipeline stage supports the long-term funnel view of projects to forecast future project expenditure and determine resource requirements as input into planning for strategic resource capacity.

#### 3.2.1.1.2. Identify Alternatives

A project is released in the identify alternatives stage on a predetermined date (release gate) to generate alternatives to satisfy the required business change (pre-feasibility). The project is linked to a business case to ensure benefits to the organisation. The required project governance is determined, and the project manager is appointed to prepare the project for concept release approval (CRA). CRA for Customer Projects will be prepared and presented by the Grid Planner.

### **3.2.1.2 Concept Phase**

The Concept Phase is the second of the six (6) phases of the Transmission PLCM Subsets. The objective of the Concept Phase is to identify the design solution and is made up of two (2) stages:

#### 3.2.1.2.1. Develop Design Alternatives

To develop the selected design alternatives to evaluate/compare their competitive advantages.

#### 3.2.1.2.2. Select Single Design Solution

To select the single design solution that best fulfils the business need and completes the project concept.

### 3.2.1.3 Definition Phase

The Definition Phase is the third of the six (6) phases of the Transmission PLCM Subsets. The objective of the Definition Phase is to define the solution and is made up of one (1) Stage:

Develop Solution → The objective of the Definition phase is to develop the different disciplines within the single solution to a stable converged solution, including the detailed scope, the cost estimate, and the justification for the project delivery approach.

### 3.2.1.4 Execution Phase

The Execution Phase is the fourth of the six (6) phases of the Transmission PLCM Subsets. The objective of the Execution Phase is to execute and hand over the project and is made up of three (3) Stages:

Finalise Solution → To develop each discipline to a detailed level to interface and integrate, ready for implementation.

Implement → Successfully implement the agreed solution on time and within budget safely. Handover product, service, or result to relevant stakeholders as agreed upon for operational use.

### 3.2.1.5 Finalisation Phase

The Finalisation Phase is the fifth of the six (6) phases of the Transmission PLCM Subsets. The objective of the Finalisation Phase is to ensure all aspects of the project are successfully completed and signed off and is made up of one (1) Stage:

Close Project → To ensure that all aspects of the project are successfully completed and signed off.

### 3.2.1.6 Post Project Phase

The Post Project Phase is the last of the six (6) phases of the Transmission PLCM Subsets. The objective of the Post Project Phase is to operate the Asset and is made up of one (1) Stage:

Realise Benefits → To assess whether the agreed benefits have been achieved.

## 3.2.2 Transmission PLCM Subset Gates

The Transmission PLCM subset consists of six (6) mandatory Gates plus one (1) optional gate. The Seven Gates of the Transmission PLCM subset are:

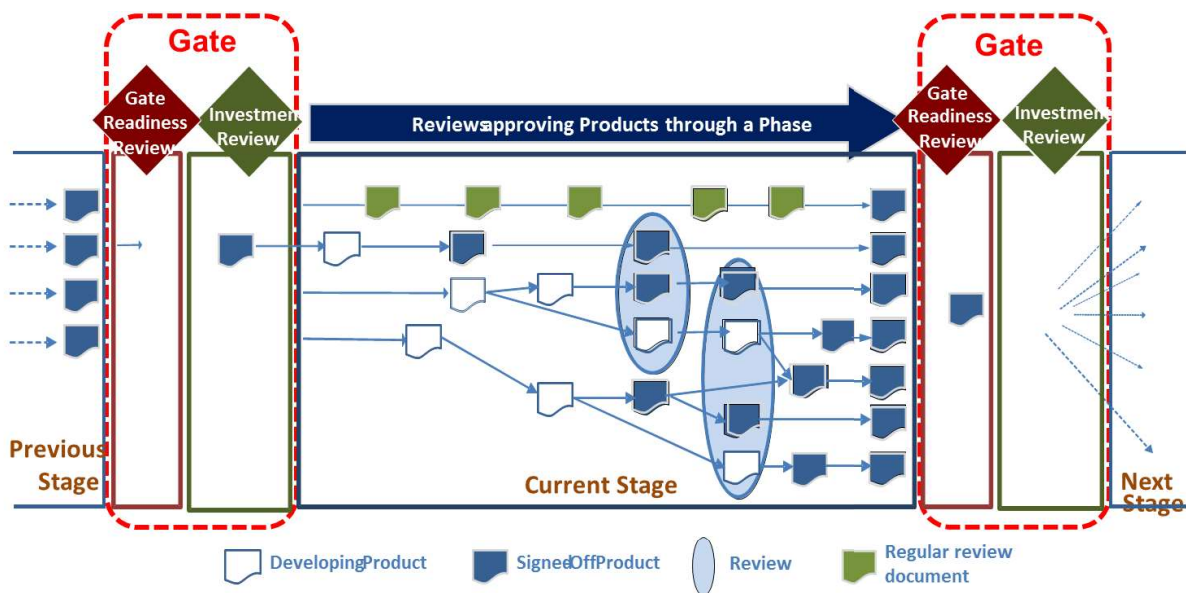
1. CRA Gate
2. DRA Gate

3. ERA Gate
4. IRA Gate (optional gate – depending on the nature and complexity of the project)
5. HOA Gate
6. FRA Gate
7. BRA Gate

At first, the mechanism for projects approaching a Governance Gate to determine whether a project moves through the gate or not was the outcome of the Investment Committee decision. Eskom governance subsequently introduced a two-tiered approach (see figure 4 below) with the addition of a formal mechanism which evaluates the work done on a project in the current phase before proceeding to the Investment Review portion of the gate.

The two-tiered gate management approach comprises:

1. A Gate Readiness Review
2. An Investment Review



**Figure 4: Two-tiered Gate Management Approach**

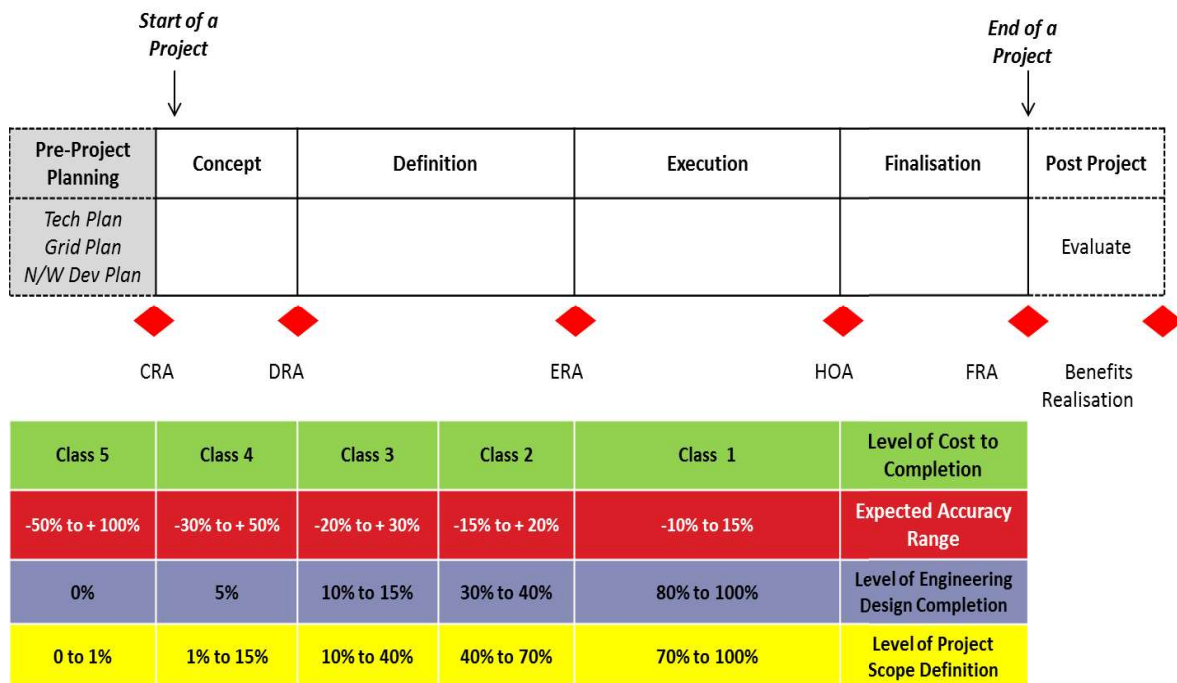
Each of the governance gates will require both reviews except the IRA, HOA and BRA Gate where no investment review is required as no investment decisions are necessary at these gates.

The Gate Readiness Review aims to ensure that the PLCM subset phase (work package) deliverables are reviewed and signed off formally. The Gate Readiness Review is a go/no go decision for the project to proceed to the Investment Review as a pre-requisite for investment approval. The output of a successful Gate Readiness Review is the authorisation of the applicable Gate Readiness review template and a PDRA (in the case of projects going for approval to ICAS, GCIC and IFC).

The I Investment Review process aims to make sound investment decisions within the specified Delegation of Authority framework. Investment decisions should be based on the business impact of the intended investment in relation to the applicable organisational imperatives at the time. The output of a successful Investment review is the authorisation of the applicable Investment Approval Form. The role of the Committee is to assist Transmission in making investment decisions in line with the delegation. Investment decisions include asset purchases/acquisitions, land acquisitions; disinvestments / decommissioning; asset disposals, critical and strategic capital spares. Investment decisions also relate to investments with both Capex and Opex

### **3.2.3 Standard Levels of Estimates for Transmission Business projects**

The levels of estimates of the cost to completion, engineering design completion (or design completion, where engineering is not applicable), and project scope definition will be applied using a standard approach to each life cycle phase and will apply to all projects and project types – Figure 5 depicts the Level of Estimates in relation to the Eskom Reference PLCM.

**Figure 5: Eskom Reference PLCM Standard Levels of Estimates**

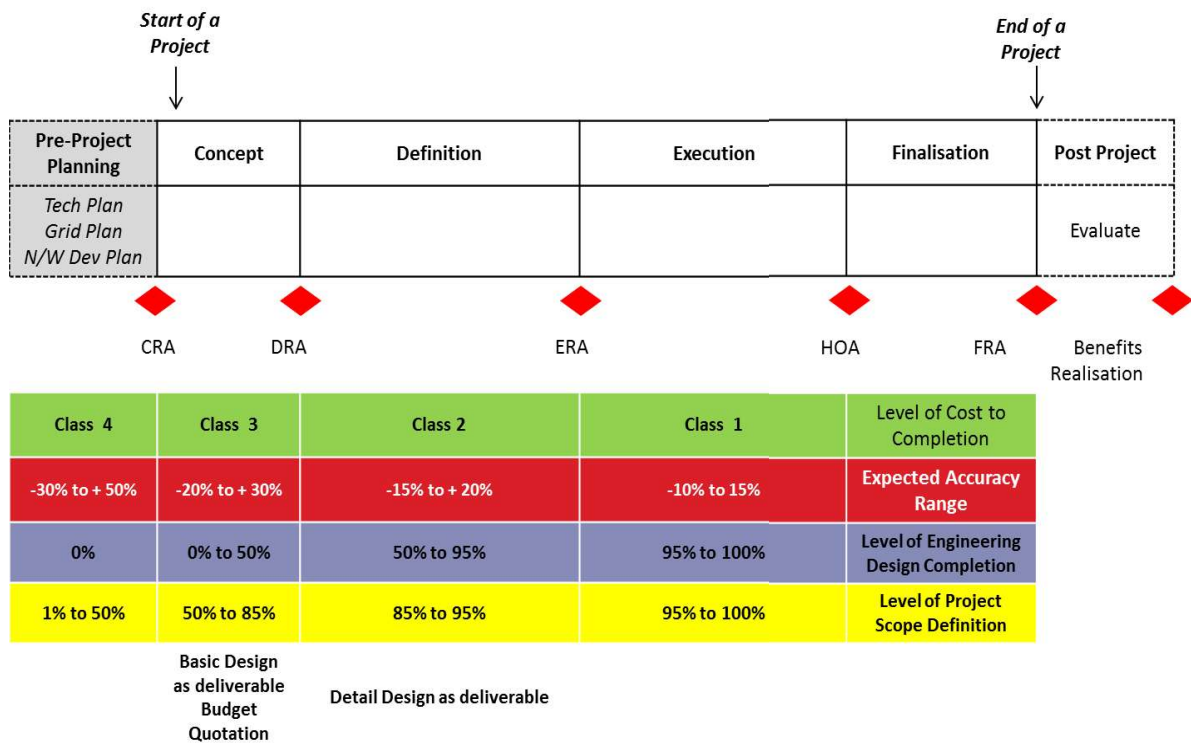
The levels of estimates for Transmission Business projects can be refined due to various factors:

- Environmental approvals are available and in a final state at definition release approval (DRA) (that is, environmental authorisation, received from the DEA, is a pre-requisite for definition release approval for Transmission projects). Final routes and/or sites are, thus, selected.
- With the final route or site selected, the project scope could be finalised early in the PLCM, with the designs being based on this mature level of scope.
- The costs of these designs are further based on standard packages (of known and previously priced components).
- Further, a phased difference at the level of engineering design completion exists between the Transmission Business and, i.e. New Build projects. As part of the Transmission PLCM subset, there is a detailed design handover in the definition phase (for ERA), for most of the Transmission Business projects, all of this result in an earlier mature level of project scope definition and level of engineering design completion. The known scope certainty of a project improves as the project matures and the level of cost accuracy is inherently dependent on the scope accuracy.

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Another critical factor in guiding these estimates is that the South African Grid Code (Network Version 10.1) determines that Eskom must comply with the provision of a budget quotation to the Customer with a confidence of 85% in financial and physical supply conditions terms. This budget quotation is based on a concept design and is delivered to the Customer. A budget quotation is a binding document between Eskom and the Customer, when accepted, and commits Eskom to a project cost and a specific completion date. (The budget quotation may contain a list of exclusions.)

In order to be able to comply, the following estimate levels for Transmission Business projects are proposed, the classes are brought forward, the scope is set to 85% in the concept phase (to comply with the Grid Code), and the engineering design completion levels are realistically increased. The cost accuracy ranges have been kept to the original cost to completion level classes. See figure 6 below.



**Figure 6: Transmission PLCM Subset Standard Levels of Estimates**

The Eskom Reference PLCM's Standard Levels of Estimates should, however, be adhered to as a minimum standard.

### 3.2.4 Transmission Business Investment Committees

Eskom has sufficient governance structures in place to justify Investment Committees at different levels within the organisation. Investment decisions can be categorised in terms of elements of the delivery system, with very specific degrees of risk exposure attached to the type of investment.

Each Investment Committee level has its Terms of Reference (ToR) with clearly defined accountabilities and responsibilities. These committees meet regularly and normal meeting procedures apply (i.e. agenda, minutes, quorum, etc.)

See the latest versions of the Eskom DoA and Transmission Delegation of Authority for the Delegations of Authority.

The governance of capital investment requires the relevant Investment Committees to make sound investment decisions within the specified Delegation of Authority framework. Investment approval decisions should be based on the business impact of the intended investment and in accordance with the applicable Transmission Grid Codes. Business dimensions and the expression of a possible business impact of investment are summarised as follows:

- Continuity of supply – increase in reliability/flexibility/availability/restoration time/continuity.
- Quality of supply – related to the voltage profile, dip proofing, flicker, and harmonics related to a supply.
- Safety and health – improvement in/reduced risk of.
- Environmental – improvement in/avoidance of incidents.
- Capacity – increase in available capacity for future growth.
- Cost avoidance – reduction in current cost/future avoidance of cost.
- Economic cost – economic impact of potential interruptions on specified customer base.
- Image and reputation – improvement in/protection.
- Statutory – compliance with the law.
- Strategic investments – an example is the investment made for early strategic servitude acquisitions.

#### **3.2.4.1 Business Case**

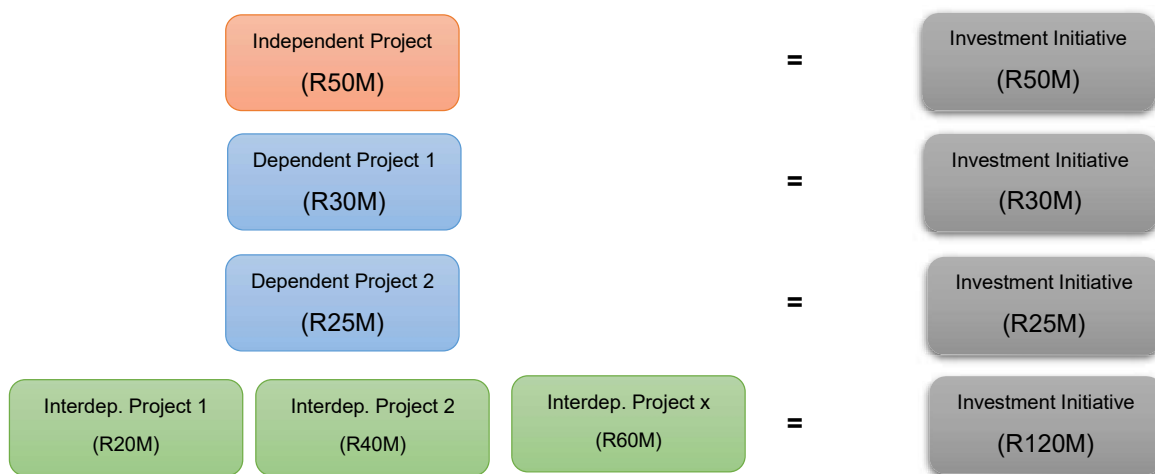
All projects must be supported and motivated by a robust business case that clearly outlines the need for initiating the project. The detail of the business case motivation will be contained in the development plan (network/grid) or planning report. It will depend on the type and size of each project. Depending on the type of project, it may include the following:

- Load forecast
- Assumptions for load forecast, for example, customer applications and electrification
- Technical and regulatory criteria that will be violated if the project is not done
- Past and forecast network performance
- The impact of not doing the project, for example, cannot connect customers or generators

The key points of the business case motivation are included in the Investment Committee submissions, as the detail should be contained in the (network or grid) development plan report or planning report.

### 3.2.4.2 Investment initiative

Investment committees make decisions on Investment Initiatives. An investment initiative can consist of one project (independent or dependent project) or a number of interdependent projects. The total value of an independent or each dependant project or the total value of a number of interdependent projects equals the total initiative value. See Figure 7 below.



**Figure 7: Projects and Investment Initiative**

Each Investment Committee has its defined approval limit as defined in the DoA and will be subject to change as the DoA is updated/amended. The decision as to which Investment Committee to obtain approval from will depend on the total value of funds being requested for the Initiative at that particular time as per the stage gate approval required and not the total value of the Initiative.

#### **3.2.4.3 Investment Release Approval Forms (IRAF)**

Investment Release Approval Forms are created at the project level for each project. The IRAF is a document completed by the Project Manager to obtain investment approval in terms of scope, cost and time for the following project phase. CRA documents for Customer Projects will be compiled and presented by the Grid Planner. Depending on the nature and complexity of the projects, the Project Manager may request the assistance of the Planning and Engineering and/or other relevant functions when presenting the CRA, DRA or ERA forms, respectively. When approved at a specific gate, funds will be released for the next phase as requested on the specific Investment Release Approval Form. No funds may be moved within the Initiative's interdependent projects as each project's funds needs to be managed individually. On Customer or IPP projects, the gate approval becomes effective only when the Customer accepts the quote and fulfils the other quotation conditions, including payment of the quotation fees. Funds can only be released after this quotation's effectiveness is reached.

#### **3.2.4.4 Funds released post Investment Approval**

From a practical point of view, each Project Manager should understand the project's specific and unique risks and manage them accordingly. A justified percentage contingency amount for investment approval can be requested from the relevant Investment Committee based on defined uncertainties and risks.

Finance will allocate the amount approved as per the Delegation of Authority from the financial system (SAP Investment Management (SAP IM)). This amount may or may not include a contingency allowance, depending on the project risks. Any percentage variance between base costs and final costs remains subject to the funds approval by the Investment Committee as well as the quotation conditions for Customer Projects by the Customer. Finance cannot increase the allocated budget amount on the financial system (SAP IM), unless approved by the Investment Committee. It will, therefore, not be possible to exceed the approved amount as per the Investment Committee, and no Project Manager or process is allowed to commit Eskom beyond the Investment Committee approved amount. The principle to allow justified contingencies has, thus, been put in place and can be used.

**3.2.4.5 Investment Committee Submissions requirements and Approvals per Governance Gate**

The following Investment Committee requirements and approvals are provided for (on request) at each governance approval gate.

Gate	<b>CRA</b>
<b>IC Requirements</b>	<ul style="list-style-type: none"> <li>CRA Gate Readiness Review approval; IRAF – CRA Form; High level cost estimates based (costing sheet) on the planning report solution scope of work; Long lead items bill of materials (BOM)</li> </ul> <u>Customer projects</u> : <ul style="list-style-type: none"> <li>IC conditional approval subject to Cost Estimate Letter acceptance and payment by Customer (non-binding)</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>As defined in IRAF or equivalent CRA Investment Approval Form</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Concept Design; Environmental; Land valuation; Land acquisition baseline; Servitude registration; Cadastral survey; Initial survey; Geotechnical studies; Ordering of long lead time materials (if applicable)</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>DRA delivery date (for non-customer-related projects)</li> </ul> <u>Customer projects</u> : <ul style="list-style-type: none"> <li>Duration (no. of days) for Eskom to provide Customer with budget quotation</li> </ul>

Gate	<b>DRA</b>
<b>IC Requirements</b>	<ul style="list-style-type: none"> <li>DRA Gate Readiness Review approval; IRAF- DRA Form; Selected solution cost estimates (costing sheet) based on the Basic Design report solution scope of work; Long lead items bill of materials (BOM); IC Presentation; Schedule; Long-lead material ordering</li> </ul> <u>Customer projects</u> : <ul style="list-style-type: none"> <li>Budget quotation</li> <li>List of quotation Exclusions which may impact budget quotation</li> <li>Revised budget quotation for scope change and costs outside 85% (financial and physical supply conditions) confidence level</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>As defined in IRAF or equivalent DRA Investment Approval Form</li> </ul>

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<b>Cost</b>	<ul style="list-style-type: none"> <li>Final Design; Delta on environmental; Delta for total land acquisition (premiums, etc.); Final survey; Ordering of Long lead time materials (if applicable)</li> </ul> <u>Customer projects:</u> <ul style="list-style-type: none"> <li>IC conditional approval is subject to Budget quotation acceptance for binding costs (connection charge as project execution cost)</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>ERA delivery date (for non-customer-related projects)</li> </ul> <u>Customer projects:</u> <ul style="list-style-type: none"> <li>Duration (no. of days) for Eskom to construct and commission assets from the date of customer acceptance and payment of Budget quotation.</li> </ul>

<b>Gate</b>	<b>ERA</b>
<b>IC Requirements</b>	<ul style="list-style-type: none"> <li>ERA Gate Readiness Review approval; IRAF - ERA Form; Detailed Cost Estimate (costing sheet) based on the Final Design report solution scope of work; IC Presentation; Schedule</li> </ul> <u>Customer projects:</u> <ul style="list-style-type: none"> <li>Budget quotation acceptance and confirmation of payment</li> <li>Exclusions which impacted budget quotation</li> <li>Customer Services notification confirmation of changes to Budget Quotation</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>As defined in IRAF or equivalent ERA Investment Approval Form</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Total project execution cost</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>HOA delivery date (for non-customer-related projects)</li> </ul>

<b>Gate</b>	<b>HOA</b>
<b>IC Requirements</b>	<ul style="list-style-type: none"> <li>None</li> </ul> <u>Customer projects:</u> <ul style="list-style-type: none"> <li>Initiate the first bill</li> </ul>
<b>Scope</b>	<ul style="list-style-type: none"> <li>As defined in IRAF or equivalent ERA Investment Approval Form</li> </ul>

<b>Cost</b>	<ul style="list-style-type: none"> <li>Total project execution cost as defined in the ERA Investment Approval Form</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>180 days for FRA submission to IC</li> </ul>

<b>Gate</b>	<b>FRA</b>
<b>IC Requirements</b>	<ul style="list-style-type: none"> <li>FRA Gate Readiness Review approval; IRAF - FRA Form; Actual cost based on the completed scope of work; actual completion date; IC Presentation, Lessons Learned</li> </ul> <p><u>Customer projects:</u></p> <ul style="list-style-type: none"> <li>Final cost reconciliation letter to the Customer – reconciled project costs versus customer payments/guarantee</li> </ul>

### 3.2.5 Approval rules, phase output requirements, values, and time limits

#### 3.2.5.1 Concept Release Approval (end of Pre-Project Planning Phase)

- Approval is as per the applicable Divisions Delegation of Authority.
- CRA investment approval requests a budget for all those activities required to be completed in the concept phase. In exceptional cases, it could include long lead time material.
- The estimated total initiative value needed for the project must be indicated.
- Environmental and land development (servitude, if required) requirements for the project need to be clearly defined.
- The following are the minimum required outputs of the phase:
  - The approved Project Charter
  - Project Organogram
  - High-level milestone schedule
  - Planning Report
  - SURS
  - Approved Governance Plan
  - Cost Estimate
  - CRA governance submission documents

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**Customer projects (cost estimate) for Concept Release Approval (end of pre-project-planning phase):**

Requirements	Transmission
Approval	As per Transmission Delegation of Authority
Cost Estimate Letter (non-binding)	According to the South African Grid Code for Transmission: <ul style="list-style-type: none"> <li>• ≤ 20 working days for project costs ≤ R35 million; and</li> <li>• ≤ 40 working days for project costs &gt; R35 million</li> </ul>
<ul style="list-style-type: none"> <li>• The cost estimate letter should also indicate the duration required for Eskom to provide the budget quotation from the customer acceptance date of the cost estimate. The guiding timelines are prescribed in the SA Grid Code.</li> <li>• The quoted fee as per the cost estimate is to be accepted and paid in full and all the other conditions met before the CRA approval becomes effective</li> </ul>	

### 3.2.5.2 Definition Release Approval (end of Concept Phase)

- Approval is as per Eskom DoA and the applicable Divisions Delegation of Authority.
- DRA investment approval requests a budget for all those activities required to be completed in the definition phase. In exceptional cases, it could include long lead time material.
- The estimated total initiative value needed for project execution will also be indicated.
- Land acquisition costs include, but are not limited to, the cost of land valuation, the consideration payable to landowners, registration of rights in both general and specific terms, and the cost of cadastral surveys. In the event of an outright purchase of land, the cost of transfer of title must be included.
- The following are the minimum required outputs of the phase:
  - Legal and Regulatory Requirements
  - Concept Designs
  - Provisional Scope
  - Project Management Plan
  - Constructability Review Plan
  - DRA Gate Submission Documentation

**Customer-related projects (budget quotation) for execution and definition release approval (end of concept phase):**

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- In the case of customer projects, the budget quotation at the end of the concept phase will be based on the concept design and the related costs and schedules done as part of the preparation for the quotation.
- The budget quotation should always contain a list of exclusions, which may result in costs being outside the 85% confidence level (in terms of provision of financial terms and physical supply conditions). The difference in costs will typically originate from costs linked to changes in forex and commodities, CPI, force majeure, changes due to environmental authorisation, servitudes, government approval delays, changes in law, etc.
- In the case of Transmission customer projects (according to the South African Grid Code for Transmission), the budget quotation will be delivered within 80 working days for project costs ≤ R35 million and within a negotiable duration for costs above R35 million.
- The committed Hand Over Approval date must be approved on the BQ submission. Milestone information is to be agreed on between Eskom and the Customer.
- The budget quotation, when accepted by the Customer, will be the only binding document between Eskom and the Customer.
- The budget quotation must be accepted and paid, and all other conditions are met. Phased payments are allowed as long as Eskom has a guarantee for the outstanding payments.
- All agreements with the Customer, that is, the supply agreement, wheeling agreement, CUOSA agreement, etc., need to be signed by the Customer as part of the budget quotation acceptance. Some of these agreements are “live” documents containing names of people, etc. Some of the appendices are to be signed when needed in later phases or during energising and handover.
- A draft electricity supply agreement (ESA) is to be issued as an annexure to the budget quotation, so that electricity supply agreement drafting and negotiations can happen earlier in the process and to ensure that an electricity supply agreement is signed and in place well before Eskom commences with construction of the asset (in the execution phase).
- Depending on what the intent is one of the two options below can be followed when the customer projects are taken to the IC’s for approval
  - Approval for a DRA/ERA subject to BQ effectiveness (when BQ is accepted, BQ fees paid, and all other BQ conditions met) being reached. This option will be used when Eskom or the self-build Customer will not continue with the detailed designs before BQ effectiveness is reached.
  - Approval for a DRA (to a value less than or equal to the CRA already approved) and approval of an ERA subject to BQ effectiveness being reached. This option will be used when Eskom or the self-build customer plans to continue with the detailed designs while awaiting BQ effectiveness.

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- The ERA is approved subject to BQ effectiveness being reached. Before the ERA is released (BQ effectiveness is reached), the following should be in place:
  - The quoted fee and conditions as per the budget quotation to be accepted and paid; **AND**
  - All the agreements signed or, at least, agreed on by both parties, at which later date certain appendices are to be signed
- A revised budget quotation may be provided to the Customer if:
  - the project's scope changed significantly from the concept design done for the original budget quotation; **AND**
  - the costs (not on the list of exclusions) are outside the 85% confidence level, accepted as part of the original budget quotation by the Customer

### 3.2.5.3 Execution Release Approval (end of Definition Phase)

- Approval is as per the applicable Divisions Delegation of Authority.
- ERA investment approval should request the budget required to execute the project to completion.
- The estimated total initiative value needed for project execution will be requested if all the projects are in the definition phase.
- The following are the minimum required outputs of the phase:
  - ❖ Deliverables Register
  - ❖ Legal and Regulatory Requirements
  - ❖ Environmental Assessment where required
  - ❖ Final Designs, drawings proformas and settings
  - ❖ Final and freeze Scope
  - ❖ Equipment and Material Register
  - ❖ Procurement Strategy and pack
  - ❖ Final Execution Schedule
  - ❖ Cost Estimate
  - ❖ Project Execution Plan
  - ❖ Constructability Review Report
  - ❖ ERA Gate Submission Documentation

### Customer-related projects for execution release approval (end of definition phase):

- The customer project will be released for execution if all the contractual budget quotation conditions have been accepted.

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#### **3.2.5.4 Finalisation Release Approval (end of Execution Phase)**

- Initiatives must be presented to the relevant Investment Committee within 180 calendar days after the last interdependent project's Hand Over Approval (HOA) date.
- Where an initiative consists of a number of interdependent projects, each of these projects needs to be closed within 180 calendar days, submitted for approval in the form of a FRA to the relevant authorising authority (relevant manager or Investment Committee).
- The following are the minimum required outputs of the phase:
  - ❖ Hand-over certificate
  - ❖ Reconciled Materials Register
  - ❖ In and out Commissioning Certificate
  - ❖ Lessons Learned Report

#### **Customer-related projects finalisation release approval (finalisation phase):**

A final cost reconciliation letter is to be sent to the Customer indicating the project cost reconciliation versus customer payments. Once the Initiative associated with a customer project has been completed, a reconciliation of project costs against payments made by the Customer must be undertaken. Payments to the Customer must be refunded within six months after the project completion date. Customer payments to Eskom are to be within one month of written notice or revised account to the Customer.

### **3.2.6 The management of Cost, Time and Scope Revisions**

Project value, duration, and/or scope of work variances need to be managed.

The high number of delays experienced in project execution has resulted in a substantial increase in submissions to Investment Committees requesting modifications.

An improved understanding of the cost impact of project time delays, other than interest during construction (IDC), is required to demonstrate savings that could have been achieved if the project had been completed on scheduled time.

To increase transparency on delay cost implications, all costs incurred due to delays in completing a project must be captured and analysed. Apart from the IDC, additional cost implications that result from, for example, market movements and contract obligations must be considered and quantified for the duration of the time delay. Such consideration should include, among other things:

- real price increases;
- inflation;
- commodity price changes;
- scope changes;
- scope creep
- foreign exchange fluctuations;
- cost of forward cover rolled forward;
- contract penalties; and
- Billed standing time.

Such additional costs must be separately identified and reported to the Investment Committees as part of the submission, even if they are fully absorbed by the contingency or the total budget.

The following serves as standards as to when project approval forms are to be revised.

#### **3.2.6.1 Cost Revisions**

All CRA's, DRA's and ERA's will reflect the requested budget for the next phase of the project. **This, together with the actual costs incurred to date, is the IC approval mandate in respect of cost.** Cost revisions must be submitted via a Project Change Request form and recorded in the Project Change Request Register

The approval forms must be revised where the requested budget for the following phase of the project is projected to be exceeded and a budget supplement is essential. Cost variances relate to those cases where there are unforeseen:

- design-related costs and/or
- unforeseen EIA costs and/or
- additional funds required for long lead time material and/or

- Increase in construction costs and/or
- Increase in material cost (incl. Forex, CPA's, etc.)

Revisions should be kept to a minimum with the recouping of cost left for the following phase. Only where the budget supplement is essential should a cost revision be undertaken.

### 3.2.6.2 Time Revisions

All CRA's, DRA's and ERA's lists the governance expiry date. **This is the IC approval mandate in respect of time.** Time revisions must be submitted via a Project Change Request form and recorded in the Project Change Request Register

There are two ways in which the IC mandate for the time shall be managed:

- For projects where the approved delivery date will be exceeded by more than six (6) months – a full revision is required, and the normal IC requirements will be applicable.
- Projects where the approved delivery date will not be exceeded by six (6) months –. A full revision will not be required, but a reduced submission requirement of a Project Phase Completion Delay to the investment committee.
  - **NB:** where a project has already gone outside of the IC time mandate —> a time revision will be required requesting retrospective approval
  - If two or more time extensions are sought within the period of 12 months, a full submission for time will be required. Where there are uncertainties pertaining to any one of the outstanding activities and their deliverables to be completed for that phase → a time revision will be required

All FRA's must be submitted within 180 days from Hand-Over Approval date. If for any reason the FRA cannot be submitted within 180 days, a Notification of FRA Delay letter is to be submitted to the Investment Committee provided such submission is still within the 180-day period.

Note: In respect of customer projects, the impact of any delay must be communicated immediately to the Customer by the Customer Executive responsible for the customer application.

### 3.2.6.3 Scope Revisions

All CRA's, DRA's and ERA's will list the project's scope. **This is the IC approval mandate in respect of scope.** Scope changes during the project life cycle should be restricted to design alternative changes and should not relate to the revisiting of planning alternatives. Where consideration is given to planning alternatives, the governance approval should be revised, or a new project shall be initiated with the newly selected planning alternative and the current project closed.

Significant design changes must be submitted via a Project Change Request form and recorded in the Project Change Request Register. These design changes must be presented to the applicable Design Review Team and recorded as approved changes to the originally approved basic design. These changes must follow the approved Project Management change control process.

Some of the main causes of significant scope of work changes are associated with:

- the need to change line routes or substation sites due to the landowner's objections; and
- Constructability issues.

Significant changes will necessitate the revision of the relevant governance submission.

Minor changes to scope should be accommodated in the detailed design package, thus being included in the project cost estimates on which the ERA form(s) is/are based. The Project Engineer can deal with minor changes that come within the approved project contingency value as project change requests (PCRs). Strict control must be exercised over the cumulative value of PCRs issued.

### 3.3 Process for Project Cancellations, Deferments, Reinstatement and Technical close

The process for Project Cancellations and Project Deferments is described in the Process Control Manual for Portfolio Management. The Portfolio Management PCM comprises 3 processes:

- 1 Process Control Manual for Establish Portfolio Management
- 2 Process Control Manual for Deliver Portfolio
- 3 Process Control Manual for Manage Capital Investment

Project cancellations and project deferments are informed by the Optimise Portfolio Sub process in the Process Control Manual for Deliver Portfolio.

Capital targets are assigned to each Division after submission of their capital Plans to Capital Efficiency and are the outcomes of the "Set Capital Target for Divisional Portfolios" sub process of the Process Control Manual for Manage Capital Investment. After the Divisional targets have been received, the targets are allocated to the respective portfolios within the Division. In the event where the Portfolio's allocated capital target does not align to its submission; the Portfolio will go through a process of:

- a) requesting a review of the target allocated to the Portfolio from within the Division
  - i. if successful → deliver projects/programmes in line with capital target submission
  - ii. if unsuccessful → follow b) process below
- b) Prioritise projects and Balance Portfolio (review project schedules) and scrub projects until there is alignment with assigned portfolio target.

The outcome of b) above will yield a number of projects which will sit below the allocated target line but still within the PIP. As these projects no longer form part of the approved Capital target, they will have to be reviewed after every capital target review process for either:

- 1) Deferment; or
- 2) Cancellation

by the project initiators. The outcome of this exercise must be presented as one submission by the Portfolio Delivery Manager once after every capital target review process has been completed to the respective Investment Committees for:

- 1) Approval of notification in the case of deferment of projects, and
- 2) Approval in the case of cancellations (costs may have to be expensed)

### **3.3.1 Project Cancellations Approval (PCA)**

As a rule, all projects below the allocated target line must be reviewed by the project initiator to test if the need for the project still exists and find possible alternatives if the business needs no longer exists, the Project Manager shall proceed to have the project cancelled at the relevant IC. However, where the business need for the project still exists but the project has exceeded the relevant IC mandate for PLCM duration, i.e.

- 5 years for projects below R20m and
- 10 years for projects in excess of R20m,

Such projects shall not be deferred but instead be cancelled by the Project Manager. The Project Manager must, however, ensure that the initiator is timely notified of the intention to cancel such projects to obtain support for cancellation or confirm initiation of a new project before cancellation. Approval of cancellations by the respective IC's serves as an official instruction to the project core team that all work must stop on the project. A formal summarised presentation must be made to the relevant Investment Committee. The presentation must consist of at least the following in respect of each project to be cancelled: -

- 1) Costs already committed (e.g. material ordered, Consultants appointed, etc.)

- 2) Costs that can be recovered
- 3) Costs to be written off
- 4) Impact of project cancellation
- 5) Suggestions on cost allocations (e.g. Overheads, etc.)
- 6) Actions to be taken

After obtaining IC approval for the project's cancellation, the Project Manager shall inform the Initiator or the Network/Grid Planner accordingly and request that a new project be initiated based on the business need as determined by the project initiator.

### **3.3.2 Project Deferral**

In the case of project deferments, no IC time mandates are approved. Approval of notifications of deferment to the respective IC's serves as an official instruction to the project core team that all work must stop on the project. It is strongly recommended that projects which have been identified for deferment be completed to the end of their current phase so that a completed product can be put on hold (e.g. project in Definition phase – complete all Work Packages in Definition Phase including Gate Readiness Review. Do not proceed with ERA approval. The last approved IRAF form will be a DRA with an approved notification of deferment). A formal summarised presentation must be made to the relevant Investment Committee. As soon as IC permits the approval for deferment, the project must be flagged for deferral in the SAP PS system.

The presentation must consist of at least the following in respect of each project to be deferred: -

- ✓ Costs already committed (e.g. material ordered, Consultants appointed, etc.)
- ✓ Costs to be written off
- ✓ Impact of project deferment
- ✓ Reconciliation between the approved amount and total spent to date

**Customer Projects** - where a customer initiates the project cancellation or deferment on a Customer Project, the following actions shall be taken:

- ✓ Written evidence of the Customer's request to cancel/defer must be presented to Eskom
- ✓ Determine the committed cost incurred to date
- ✓ Identify the total amounts paid by the Customer to Eskom.
- ✓ Customer quotation(s)/contract must be referenced and applied when calculating costs or refunding due.

### **3.3.3 Project reinstatement**

In the case of the reinstatement of a deferred project, the IC time and cost mandates are approved. Approval of notifications of reinstatement to the respective IC's serves as an official instruction to the project core team that all work must continue on the project.

As soon as the approval instruction is obtained from IC, a communique must be shared with Finance to perform the following financial activities;

- Project status must be changed from deferral to the status of the project prior deferment
- IDC settlements to be re-run
- Costs that need to be written off/scrapped and not IDC related
- IDC relating to the deferment period to be scrapped and written off in the income statement

### **3.3.4 Project Technical Close**

The project is flagged for technical close when construction is completed but pending finalisation of financial, legal or other FRA obligations. A trigger would be a request to close a project received from the project manager with the submission of a handover certificate and, where applicable, in-and-out commissioning sheets.

Project accounting will perform checks on WBS costs to verify that all costs have been accounted for. Resolve items that were unaccounted WBS costs are identified (open purchase orders). This is done by tracking the project costs, reconciliations and obtaining proof where items have been resolved.

Project accounting will change the project system status to "complete technically" in the project system when project management confirms that all the technical work on the project has been completed to avoid further commitments.

## **3.4 The Management of Interdependent Projects across Divisions**

Interdependent projects across divisions are grouped as one Initiative. The investment approval limit is based on the interdependent projects' total value. When any one of these projects needs investment approval, they must be presented, at the same Investment Committee sitting, as a single initiative, irrespective of the stage in which the different projects find themselves.

A Project Integration Manager will be appointed for complex initiatives consisting of interdependent projects within different programmes and portfolios within different divisions or Operating Units. The Integration Manager will be accountable for overall project and site coordination and for project alignment via integrated development and implementation schedules. The Integration Manager will further support the submissions at all Investment Committees and show justification of the overall project. In relation to the Investment Committee approval of interdependent divisional projects, such Division whose sum total item value is the highest will serve as the Investment Committee approval body for these initiatives. Projects with interdependencies across divisions shall be approved by Exco Capital Committee with support from the respective Divisional Boards as stated in the Eskom DoA.

Dependent projects (projects with one-way dependency) need to be initiated separately, but scheduled with the necessary dependency links. They do not need to be presented together at the Investment Committee, but the status of any dependent project must be declared. (This particularly applies to customer projects that are dependent on strengthening projects.)

#### **4. Acceptance**

This document has been seen and accepted by:

<b>Name</b>	<b>Division - Area of Representation</b>

**5. Revisions**

Date	Rev	Compiler	Remarks
June 2023	3	R Murudi	New document created for Transmission subsets since the Wires PLCM Subset Guideline was archived due to divisionalization and legal separation of Transmission. The document was developed to address transmission specific requirements
August 2016	2	M. Barday	Standard Guideline review
June 2015	1.1	M. Barday	Minor Changes effected
August 2013	1	L Rabie	Generate new document with coordination of latest approved information

**6. Development team**

The following people were involved in the review of this document:

- Rofhiwa Murudi
- Shumani Mamphodo
- Lusani Ramathavha