

11 March 2019

Zondo Commission – power station forced to accept sub-standard coal from Gupta company

The commission of inquiry into state capture heard on Monday how Eskom lied to National Treasury about Majuba power station receiving coal from Brakfontein Extension, a part of the Brakfontein mine with which the power utility concluded a coal supply agreement in March 2015. According to Gert Opperman, the contract manager for the Brakfontein account, the second colliery, which was near to the main mine, had not supplied any coal to Majuba, as there had not been a quality test of its coal at the time that the request was made. Brakfontein mine was owned at the time by Tegeta Explorations and Resources, one of the businesses in the Gupta family's stable.

Treasury requires that state contracts where variations are sought to the value of 15% of the contract or higher, are subject to approval of the national finance office. Eskom, in this case, claimed that it was receiving 77% more coal, owing to the contract being extended to Brakfontein Extension. The matter was one of those probed by Fundudzi forensic investigators, commissioned by Treasury, and released in November 2018.

Opperman was handed the management of the contract on 20 April, just over a month after the coal supply agreement (CSA) between Eskom and Tegeta was signed. He told the inquiry that one odd observation he made about the Brakfontein account was that a standard coal quality test, usually done on samples from a mine being explored by Eskom under ordinary circumstances, was not done at Brakfontein until after the contract was signed. No due diligence had been done either to determine if Tegeta was above board.

In fact, the Brakfontein account was used to channel a R659-million to Tegeta for another contract, with Optimum, a little over a month after its own contract was in existence. Evidence from Snehal Nagar last week revealed how a pre-payment to Optimum, also owned at the time by Tegeta, was made using Brakfontein, in an urgent transaction that had to be made no more than two hours after he received the instruction from the finance division. Nagar, like Opperman, works in the primary energy division of Eskom. Fundudzi also explored the pre-payment.

In the months after he took over the contract, said Opperman, the issue of the quality of Brakfontein coal would frequently arise as a problem. Eskom had started noticing an increase in stockpiles of coal, due to the poor quality of the coal supplied. On this basis, the contract was suspended in late August, but was soon afterwards lifted on the instruction of former acting chief executive Matshela Koko, who at the time was head of energy generation.

On two occasions, in September and November 2016, stockpiles of coal that was not of the quality stipulated on the CSA were imposed on Majuba. Opperman had initially rejected a request by Jacques Roux on behalf of Tegeta, that a stockpile be moved to Majuba, based on its poor quality. Soon after his rejection, he received a call from Koko instructing him to proceed with moving it to Majuba. When Opperman escalated his frustration to his superior, [Vuyisile] Ncube, he was told to do as Koko instructed. Ncube felt, like Opperman, that this was not the correct approach, but it had to be done.

The same happened in November, and again Koko stepped in when Opperman tried to stop the supply. He had to submit, as Koko wielded a lot of power. For this reason, few employees would act outside his instructions, for fear of reprisal, explained Opperman.

Opperman believes that it was at Koko's insistence that a planned audit of Brakfontein colliery, initiated by Ncube and due to happen in October, after the first forced supply of poor quality coal, was cancelled. The audit would have helped Opperman and his team record formally the extent to which Brakfontein was supplying sub-standard coal to Majuba and the long-term impact this would have on the power station.

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