

MINUTES OF THE BUSA ENERGY SUB-COMMITTEE MEETING HELD ON 30 OCTOBER 2018, 10:00 – 12:00 AT BLSA OFFICES

Key: Table = decision for follow-up:



1. OPENING AND WELCOME

Laurraine Lotter in the Chair opened the meeting and welcomed those present.

2. ATTENDANCE AND APOLOGIES

Attendance and apologies are captured under annexure 1 of the minutes.

3. ADOPTION OF THE AGENDA

The agenda was adopted with the following amendments:

Inclusion of the Eskom's Municipal Indebtedness under item 9

4. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 31 OCTOBER 2017

The minutes were adopted without amendment.

5. MATTERS ARISING

There were no matters arising.

6. ENERGY POLICY AND PRICING

6.1. IRP Comment

The BUSA submission on the draft IRP was noted.

6.1.1. The BUSA comment has been circulated. The most important thing to consider is the carbon constraint.

6.1.2. The motivation for the imposition of the Carbon Tax is to comply with our Nationally Determined Contribution (NDC) to the global climate change effort. However, the IRP shows that with the carbon constraint, it keeps us within the NDC, which places a question mark on the need for the tax. If the government decides that we need to move to the lowest of the PPD under the NDC, the electricity supply industry will

take 73% of the carbon space. This leaves very little space for industry and business. We will take this up very specifically in the Nedlac process on the IRP.

6.1.3. Review of the carbon constraint data indicates that they seem to have kept the constraint on RE post 2030, which forces in more Fossil Fuels. This will require industry to reduce emissions by 80%.

6.1.4. If anyone wants the data, request from Jarredine Morris.

6.2. IEP and Green Transport Strategy

6.2.1. IEP and GUMP are still outstanding – this is problematic for the IRP – where will the gas come from etc.

6.2.2. Green Transport Strategy relies heavily on Electric Vehicles (EVs) – however, the draft IRP does not seem to consider this.

6.2.3. Piet van Staden and Kevin Baart have different numbers on what the impact of EV's will have on electricity demand. They agreed to talk offline and revert to ensure we're all talking off the same hymn-sheet.

6.2.4. Sue Rohrs – The IEP (2016) assumes 9,6GW of Nuclear; we need to ensure that this is addressed in any revised version to reflect the mix in the updated IRP (2018).

6.3. SARS Audits of 12L.

(Refer to briefing note)

6.3.1. SARS is auditing the Energy Efficiency savings for the 12L claims.

6.3.2. This issue has been taken up with Presidency and we are hoping for meeting with National Treasury as they need to correct and instruct SARS.

6.3.3. When the instrument was being drafted, SARS said they didn't have the expertise to verify and it was agreed that the assessment will be done by accredited professionals and certified by SANEDI.

6.3.4. Suddenly SARS has decided to audit the saving, even the qualifying criteria. For example, any Fossil Fuel used to generate steam has been interpreted by SARS that steam is "hydro-electric power" which does not qualify for the incentive.

6.3.5. Members are requested to send through any information that would be helpful.

6.4. Eskom's Sustainability

6.4.1. The Chair reported that the Nedlac Report on the Review of Eskom's Business Model was in the process of finalisation.

Action (1)

BUSA to circulate the final version of the Nedlac Report on the Review of Eskom's Business Model once it has been finalised.

6.4.2. Piet van Staden presented an overview of the status of Eskom:

Financial – Eskom cannot fund the interest on their debt out of operational revenue.

Coal – Eskom has low stock levels at 10 of its stations.

Maintenance – 6 200MW Planned Maintenance; 12 400MW Unplanned Outages;
Use of OCGT's to meet peak demand = the system is extremely tight.

6.5. Eskom Tariff Increases

6.5.1. Summary of Discussion:

- Agreed that business cannot do nothing in the face of what is known of the situation.
- BAU is not an option for Eskom, given that, input must go beyond BAU in relation to Eskom.
- Business will respond as normally would have been done – an analysis of the application. In addition, this will be used as a trigger to say that BAU is not acceptable. Business would engage with government on the latter.
- The Shareholder must move urgently to stabilise Eskom – coal, EAF / supply
- Eskom / DoE must consider the new AQA Framework – decommissioning impact on supply and costs.
- Restructuring cannot be done by Eskom internally.
- A piece of work must be done that determines what tariff/price (w/o interruptions) is acceptable for business and industry to survive.

6.5.2. A position paper must be prepared which deals with the following:

- Current technical state of Eskom (coal, maintenance)
- Institutional Arrangements (Shareholders interventions, relationship and treatment of assets)
- Concerns around perusing a BAU MYPD4 application

- Make a proposal on what should be done and what business is willing to do to help
- There will be an Executive Team in the Presidency that will deal with infrastructure – BUSA is preparing input on how business can help.
- The policy and legislation constraints will be done as a separate paper with cross-referencing.
- The work needs to state what the economy can afford. Then, if this is the price that the economy can afford, what can be done to achieve this – build decision trees to get us there. (CSIR could do this work).
- Shaun Nel, Piet van Staden, and Sue Rohrs will help with drafting the first pass for this work, based on a BUSA outline

Action (2)

Following a discussion on Eskom Tariff Increases, it was agreed that BUSA would analyse the application and approach a consultant to do the work.

Action (3)

It was agreed that another piece of work must be done on what the economy could afford. BUSA will engage with the sector associations for this work.

6.6. Nedlac Gas Amendment Bill Task Team

Jarredine Morris reported that the work of the task team was currently underway at Nedlac and the task team was to conclude its work by the end of October 2018.

A key amendment to the Bill is the inclusion of a REIPPP-like process for the procurement of Gas to “stimulate the market”, and the requirement of the development of the Integrated Gas Development Plan (new GUMP).

Business has argued that the REIPPP model may not be suitable for Gas.

Business has argued that there must be clear linkages to the IRP, IEP and other sectoral Energy Plans.

The GUMP has been long-awaited and is referenced in the IEP, which is required in the National Energy Act already.

Business cannot just state that a REIPPP-like process will not be appropriate but must develop a counter proposal.

It was agreed that broader consultation with members must take place and inform the mandate on the matter.

Action (4)

It was agreed that Business must develop a counter proposal to the Draft Amendments in the Bill in relation to the REIPPP-like process.

Action (5)

It was agreed that broader consultation with members must take place and inform the mandate on the matter.

7. STATUS REPORTS FOR DISCUSSION

7.1. REIPPP

7.1.1. Based on Mike Levington's report the sector was currently in a hiatus regarding the timelines associated with future REIPPP Rounds. This is due to the following issues:

- Current IRP process which needs to be finalized and gazetted before future IPP procurement round (any Round 5 procurement will require a new Section 34(1) determination by the Minister of Energy). The current draft IRP 2018 indicates that no new renewable energy procurement rounds will be needed before 2023, which has meant that industry players are diverting their attention (and budgets) towards more active markets in the rest of Africa.
- Current uncertainty regarding the status of the Expedited Round which was cancelled in April this year. Industry's understanding from Minister Radebe's announcement was that the cancellation of Expedited was going to be replaced by a Round 5 before the end of 2018. No more clarification from DOE has been received.

7.1.2. In Mike Levington's report, it indicated that whilst there were rumours about Eskom's short-term system adequacy issues and the potential of earlier procurement, international players were not gearing themselves up for any action in the short term in South Africa.

Action (6)

It was agreed that there should be further discussion and an agreed mandate regarding a more equitable risk borne by IPP's in future rounds.

Action (7)

It was agreed that clarification will be sought regarding how the impact and inclusion of Ministerial Determinations from IRP2010 have been treated in the draft IRP2018.

7.2. Rooftop Solar

- 7.2.1. Mike Levington's report on Rooftop Solar was noted.
- 7.2.2. The Chair reported that the National Treasury had applied to the GCF for funding for the Solar Water Heater Programme.

7.3. REDZs

- 7.3.1. Mike Levington's report highlighted the presentation that was made by DEA and CSIR to the SIP 8 Expert Reference Group in September identifying new study areas for Phase 2 of REDZs including Witbank, Klerksdorp and Welkom.
- 7.3.2. The report also indicated that Specialist studies were being undertaken at the moment and expect the final recommendations to the Minister DEA to be ready before the end of the year.
- 7.3.3. Mike Levington's report further indicated that the protocols guiding the exemptions that were described in the NEMA Act for a Strategic Environmental Assessment (SEA) in a REDZ would be released for public comment before December 2018.

Action (8)

It was agreed that this needs to be reviewed as the statement doesn't make sense, the objective of the SEA should already shorten the process considerably to around 3 months?

8. STAKEHOLDER ENGAGEMENTS

8.1. IRP Presentation in Parliament

- 8.1.1. Jarredine Morris made a presentation at the Parliament Portfolio Committee on Energy on behalf of BUSA at the October 2018 public hearings.

8.1.2. The Chair of the Parliamentary Committee indicated that a workshop should be held to unpack common issues raised that deals with the facts of each issue.

Action (9)

It was agreed that BUSA should develop a discussion paper for the Nedlac Energy Task Team that would be dealing with the IRP.

Action (10)

It was agreed that BUSA should develop a lobbying strategy on the need to stabilise Eskom.

8.2. Feedback from the Presidential Jobs Summit

Action (11)

The Chair undertook to circulate an updated Presidential Jobs Summit Agreement document to the members of the subcommittee once it has been finalised.

9. ANY OTHER BUSINESS

9.1. Municipal Indebtedness

9.1.1. The Chair reported that it was agreed as part of the Jobs Summit Agreement that the DTI and COGTA would establish a joint task team and BUSA would be consulted in this regard.

9.1.2. The Chair stated that BUSA had requested a meeting with the Minister of COGTA to discuss among other things;

- A proposal for business to pay electricity directly to Eskom rather than to non-paying municipalities;
- Overturned Harrismith court interim order (court orders) and;
- Municipal Indebtedness.

Action (12)

BUSA to circulate the meeting briefing note to the subcommittee once the meeting with the Minister of COGTA has been confirmed.

9. CLOSURE

The Chair indicated that the next meeting of the sub-committee was scheduled for 19 February 2019, 10:00 – 12:00 and adjourned the meeting.

ANNEXURE 1: ATTENDANCE AND APOLOGIES

Attendees:

Name	Organisation
Baart, Kevin	SAPIA
Govender, Marilyn	SASA
Hamman, Christoff	ROTHSCHILD
Long, Dave	SAIPPA
Lotter, Laurraine (Chair)	BUSA
Maloney, Jane	PAMSA
Maneschijn, Raynard	DELOITTE
Morris, Jarredine	BUSA
Motsa, Bongani	MCSA
Pretorius, Rudolf	SASOL
Purchase, John	AGBIZ
Röhrs, Sue	PAMSA
Seane, Masego	SASOL
Shunmugam, Raj	AMSA
Stott, Joan	SACCI
Teffo, Christian	MCSA
van Staden, Piet	SASOL
Wait, Requier	AGRI SA

Apologies:

Name	Organisation
Bolt, Gerhard	DELOITTE
Corcoran, Marc	SAVRALA
Crawford, June	BARSA
De Lange, Martin	NAACAM
Dykes, Dennis	NEDBANK
Kingston, Martin	ROTHSCHILD
Langenhoven, Henk	MCSA
Lawrence, Michael	NCRFSA
Levington, Mike	SAREC
Mbanga, Xolani	EIUG
Naidoo, Sharmini	RFA
Nicolaou, Stavros	ASPEN
Ntuli, Ndiphiwe	BARSA
Nyatumba, Kaizer	SEIFSA
Roytowski, Ralph	AMSA
Saayman, Gerhard	SASOL
Serrão, Olivier	BUSA
Sibanda, Tyson	BUSA
Swart, Izak	DELOITTE
William, Ross	SAEFA