

MINUTES OF THE BUSA ENERGY SUB-COMMITTEE MEETING HELD ON 27 NOVEMBER 2019, 14:30 – 16:00 AT BUSA OFFICES

ATTENDANCE

SURNAME & NAME	ORGANISATION	ATTENDANCE
Booyesen, Walter	DELOITTE	Attended
Dean, Jo	SAREC	Attended
Dykes, Dennis	BASA	Attended
Ganto, Mlu	CAIA	Attended
Hamman, Christoff	ROTHCHILD	Attended
Langenhoven, Henk	MCSA	Attended
Langridge, Ian	SAIPPA	Attended
Levington, Mike	SAREC	Apology
Mohlaba, Nonhlanhla	BLSA	Attended
Molony, Jane	PAMSA	Attended
Moodie, Elzanne	FAPA	Attended
Morris, Jarredine	BUSA	Attended
Ndlovu, Nozizwe	SACCI	Attended
Nteoane, Sandile	SAVRALA	Attended
Radebe, Maurice	SASOL	Attended
Rohrs, Sue	PAMSA	Attended
Seane, Masego	SASOL	Attended
Van Staden, Piet	EIUG	Attended

APOLOGIES

SURNAME & NAME	ORGANISATION	APOLOGY
Ade, Michael	SEIFSA	Apology
Baart, Kevin	SAPIA	Apology
Bangerezako, Portia	SANLAM	Apology
Bengu, Dumisani	FASA	Apology
Bold, Gerhard	DELOITTE	Apology
Bomela, Dumisani	HASA	Apology
Chibanguze, Taffi	MCSA	Apology
Corcoran, Marc	SAVRALA	Apology
Crawford, June	BARSA	Apology
Derby, Portia	NAACAM	Apology
De Klerk, Mark	HYPROP	Apology
De Lange, Martin	NAACAM	Apology
De Wet, Liesl	RFA	Apology
Douglas, Giles	ROTHSCHILD	Apology
Grant, David	SABMILLER	Apology
Human, Jaco	IGUG-SA	Apology
Kingston, Martin	ROTHSCHILD	Apology
Kruger, Marique	SEIFSA	Apology
Lawrence, Michael	MCRFSA	Apology
Leyden, Siobhan	RA	Apology
Long, Dave	SAIPPA	Apology
Mahanyele, Vuvu	AMCHAM	Apology
Magafeda, Siganeke	SAPIA	Apology
Makhetha, Tebele	BLSA	Apology

REGISTRATION NUMBER: 2014/042417/08

PRESIDENT: Siphon M Pityana **VICE PRESIDENT:** Martin Kingston **NEDLAC CONVENOR:** Kaizer Moyane

DIRECTORS: Busi Mavuso, Cas Coovadia, Christopher Campbell, Deidre Penfold, Gwarega Mangozhe, Joe Mwase, Maurice Radebe, Roger Baxter, Stavros Nicolaou, Vusi Khumalo

SURNAME & NAME	ORGANISATION	APOLOGY
Maneschijn, Raynard	DELOITTE	Apology
Manga, Nobuzwe	SATMC	Apology
Maphumulo, Sam	SASA	Apology
Marais, Gerhard	RFA	Apology
Manzi, Muzi	AFSA	Apology
Mitchelson, Marcel	SASOL	Apology
Moola, Mumtaz	SAPOA	Apology
Moothilal, Renai	NAACAM	Apology
Mosiah, Lerato	HFA	Apology
Mpofu, Portia	SASA	Apology
Mthombeni, Tsakani	EIUG	Apology
Nafte, Desiree	SAPOA	Apology
Naaidoo, Shamini	RFA	Apology
Netshifhefhe, Constance	PPC Ltd	Apology
Nicolaou, Stavros	ASPEN	Apology
Nijikelana, Sisa	SAIIA	Apology
Nkosi, Brenda	SASOL	Apology
Ntseoane, Sandile	SAVRALA	Apology
Ntuli, Ndiphiwe	BARSA	Apology
Nyatumba, Kaiser	SEIFSA	Apology
Ojo, Olatunde	BCC	Apology
Penfold, Deidre	CAIA	Apology
Pierini, Claudio	BCC	Apology
Pretorius, Herman	EIUG	Apology
Pretorius, Rudolf	SASOL	Apology
Purchase, John	AGBIZ	Apology
Roytowski, Talph	AMSA	Apology
Saayman, Gerhard	SASOL	Apology
Schoeman, Jan	RMI	Apology
Seaka, Steve	ABSA CAPITAL	Apology
Serrao, Olivier	BUSA	Apology
Shaw, Tom	IGUG-SA	Apology
Shunmugam, Raj	CLENCAROL	Apology
Sibanda, Tyson	BUSA	Apology
Swart, Izak	DELOITTE	Apology
Teffo, Christian	MCSA	Apology
Theron, Paul	AMSA	Apology
Umanah, Tebogo	TBCSA	Apology
Valasis, Vera	FASA	Apology
Vallabhjee, Bhavtik	ABSA CAPITAL	Apology
Venter, Pierre	BASA	Apology
Wait, Requier	AGRISA	Apology
Williams, Ross	SAEFA	Apology
Yawitch, Joanne	NBI	Apology

MINUTES

Key: Table = decision for follow-up:



1. OPENING AND WELCOME

Maurice Radebe in the Chair opened the meeting and welcomed those present.

2. SAFETY BRIEFING

Jarredine Morris gave the safety briefing.

3. ATTENDANCE AND APOLOGIES

Attendance and apologies are captured above.

4. DECLARATION OF INTEREST

There were no declarations of interest recorded on the attendance register. It was agreed that a checklist would be included on the agenda to cover these matters in future meetings.

Action (1)

A checklist for conduct at the meetings will be included in the agenda for future meetings.

5. ADOPTION OF THE AGENDA

The agenda was adopted with the following amendments:

Addition of the Business Economic Indaba (BEI) – energy security.

6. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING HELD ON 8 OCTOBER 2019

The minutes were adopted.

7. MATTERS ARISING

Covered under the agenda.

8. GAS WORKING GROUP

The BUSA Gas Working Group has been established under this subcommittee. There is clearly momentum and energy for this work.

The ToR were drafted, circulated to this SC and finalised. The work plan has also been finalised.

The first steps are for the WG to understand the current landscape. Presentations received from Transnet, Sasol, NEPAD, IGUA-SA.

Next presentations planned are on the regulatory and legislative framework for Gas, presentations from the CSIR and engagements with DTIC and DMRE.

The full Energy SC will be invited to these presentations.

Action (2)

Full Energy SC to be invited to the presentations being arranged for early next year.

The focus of the WG is on security of supply of gas for existing users and demand growth, including gas to power (G2P) gas industrialisation.

It was agreed at the last Gas Working Group meeting that modelling that compares power costs and gas price with different configurations of gas and LNG at Coega would be done and presented at the next meeting.

There seems to be tension between Transnet and DMRE regarding development at Coega vs. development at Richards Bay. DMRE is unhappy with Business' submission in favour of Richards Bay and feels that Business is overstepping questioning policy decisions. It does not help that it is unclear who has the mandate for the development in this case – Transnet or DMRE?

After the announcement by DMRE of the Coega development, Transnet has been asked to explore a Richards Bay/Coega hub and spoke kind of system.

BUSA will pursue further engagement with DMRE ultimately. However, this will be based on a sound rational argument and least-cost. If the chosen path is other than least-cost, for example to fulfil a developmental mandate – who should pay?

The Working Group will work to build a business case – a rational, fact-based view on these developments for further engagement on these areas.

Under PPGI there is a Renewable Energy master plan – there was an initial move to do a Renewable Energy and Gas Master Plan together, but the Renewable sector pushed back against this and there seems to be a specific Gas Master Plan in talks. BUSA will follow-up with PPGI on the status of this.

Action (3)

BUSA to follow-up on the status of the Gas Master Plan under the PPGI.

It was further agreed that as far as possible there should be coordination in efforts. BUSA is an apex organisation and it must ensure that its position is coordinated with other channels, including the PPGI.

9. ESKOM

9.1. ESKOM RESTRUCTURING (SPECIAL PAPER)

The Eskom Special Paper was published at the end of October 2019. Although it was not published for public comment, it is included in the ToR for the Nedlac Eskom Leadership Task Team.

Minerals Council has done a brief for its Board that will be shared with BUSA.

BUSA has also drafted an “initial thoughts” paper which will be circulated.

It is concerning that although this is government policy the clear intent and timelines are unclear.

Experience with the IRP shows that in Nedlac, a lot of time can be spent with little result. It was agreed that the Eskom Leadership Task Team needs to develop a “mini-ToR” for what the Task Team will do with this paper. BUSA must then develop its position for this process.

Action (4)

Propose that the “mini-ToR” be developed for dealing with this paper under the Nedlac Eskom Leadership Task Team.

Develop a position to feed into the Nedlac process.

9.2. Nedlac Leadership Task Team

The task team has held one meeting to date to discuss the ToR.

The next meeting is scheduled for 4 December 2019.

The team is a 6-aside – there is still space for nominations. BASA and MCSA will revert on their availability to participate.

Action (5)

BASA and MCSA to revert on their availability to participate on the Nedlac Task Team.

9.3. Appointment of the new Eskom CEO

BUSA has issued a statement of support for the new CEO. It was agreed that the incumbent will need the support of business and the country.

Agreed that BUSA should request a meeting with the new CEO once he’s settled to discuss his vision for Eskom and find out what help he needs.

Action (6)

Request a meeting with the new Eskom CEO once he’s settled.

10. ENERGY POLICY AND PRICING

10.1. MINISTERIAL DETERMINATIONS – LETTER TO MINISTERS GORDHAN AND MANTASHE

Mining have multiple projects that are ready to start, however the lack of Ministerial action presents a problem.

Industry Players and Eskom Transmission are understood to be concerned about the requirements to build significant infrastructure based on the requirements in the IRP by 2025 – an yet there are no Ministerial Determinations and it is nearly 2020.

BUSA has written to the Ministers to prompt the issuing of new Ministerial Determinations in line with the new IRP.

No reply has been received from the Ministers, only an acknowledgement from Minister Gordhan’s office. BUSA to follow-up with the Ministers and indicate that there is pressure to escalate.

Agreed that if there is still no response by the end of next week this matter will be escalated to the Presidency.

Action (7)

BUSA to follow-up with the Ministers and if necessary, escalate to the Presidency.

11. STATUS REPORTS FOR DISCUSSION

11.1. REIPPP

A notice has been issued from the IPP Office looking for transaction advisors for Bid Window 5. It is understood that the transformation requirements are problematic because the transformation to date has been inadequate, but the IPP office can't get a clear definition and goal on which to base the RFPs.

It is also understood that there will be a bidder's conference early next year.

Given the requirements in the IRP and the current poor EAF, Industry expects an emergency call for 10 – 15GW of emergency power.

However, all the processed require a 4-5-year process to commercial operation. Government will have to implement a special process in this case due to the urgency.

It was agreed that Business must be sensitive to the transformation requirements and find ways to address this. Suggested that a proactive approach to this by the sector.

Industry's view is that allowing willing buyer/willing sellers could go a long way to achieving this transformation.

The Just Transition debate is important in this context. BUSA is engaging with the ILO on funding/collaboration on two studies. One a desktop study on what initiatives, both in the public sector and in the private sector, are already underway. What the synergies of these are and the gaps. The second piece of work is to develop a proactive BUSA position, including opportunities for business/opportunities/programmes that business can offer.

The role of electricity in achieving the development goals of this country must be acknowledged.

It was agreed that a BUSA working group on the just transition must be established.

Action (8)

Establish a BUSA working group on the just transition.

Bid Window 1-3 contract renegotiations –

There are 64 SPV's with individual contracts. This cannot be negotiation by the sector as this is collusion. This process has become a voluntary process to refinance rather than a contract renegotiation.

The same has transpired regarding the coal contracts as these are individual contracts and must be dealt with separately.

11.2. REDZ

Traditionally coal and gold mining areas in Klerksdorp and Witbank are being rezoned to incorporate the industrial value chain for Renewable Energy with waste-water treatment and utilisation of old Eskom power stations.

Mike Levington will present the Renewable Energy Master Plan scenarios to the Energy Subcommittee next year.

Action (9)

Mike Levington to present the scenarios to the Energy Subcommittee next year.

11.3. ELECTRICITY EXPORT OPTIONS

The South Africa Power Pool (SAPP) has changed their membership rules to allow electricity export into the region independently (not via Eskom).

However, NERSA won't put together the policy rules as they don't have a policy document. This is needed to get this going and this can help the economy. For example, Eskom can make money off from the use of their transmission network north of the border. This is perceived to be worth around 4.5billion ZAR.

SAIPPA wants BUSA's support for their position paper at DMRE. This will be circulated to members.

Action (10)

SAIPPA to share their paper for consideration of support by BUSA

11.4. DISTRIBUTED GENERATION

The IRP makes provision for Distributed Generation in table 5. This allows for 2000MW in aggregate up to 2022 and 500MW thereafter. However, the IRP has moved away from a Ministerial Determination not being required for a 1-10MW allocation (the so-called "licence lite" option covered in the previous annexure D)

In addition, the wording in the IRP limits this to own-use and doesn't include wheeling etc.

This will be raised with NERSA with respect to the exemption schedule at a meeting scheduled for 9 December 2019, and with the DMRE.

It is understood that DMRE is consulting internally on this, and that the problem is understood. However, department officials have indicated that this would not be address by revising the IRP, but that they will engage with NERSA on how this is interpreted. BUSA will seek engagement with DDG Jacob Mbele early next year.

Action (11)

Following meeting with NERSA, BUSA to engage on this matter with DMRE.

An interim solution maybe to amend the schedule.

The aim of the meeting with NERSA is to get support for a fix and then meet with DMRE and also to get clarity from NERSA on their view of the IRP with regards to Distributed Generation.

It is understood that DMRE is not keen to life the threshold under Schedule 2 to 10MW from 1MW, because of the technical requirements etc, but maybe up to 3MW.

Another option is to approach the Minister for consent to deviation for up to 10MW.

12. STAKEHOLDER ENGAGEMENTS

See 11.4 re meeting with NERSA and planned meeting with DMRE.

13. ANY OTHER BUSINESS

Wits Business School has launched its Africa Energy Leadership Project. BUSA will ask for information from Rod Compton and circulate. The Chair has also asked any members interested to volunteer to guest lecture. Those interested should contact him directly.

Action (12)

BUSA to get information on the WBS Africa Energy Leadership Project and circulate to members.

Business Economic Indaba – Energy Security

Members would like to give input into this and frame the agenda of the breakaway/theme.

Maurice Radebe is volunteering to lead this area if required.

Members see this as a good opportunity to put the issues on the table.

BUSA will find out the process for the development of this and revert to members.

Action (13)

BUSA will find out the process for the development of this and revert to members.