

# **Presentation to SAIPPA**

Electricity sales : challenges experienced by IPPs

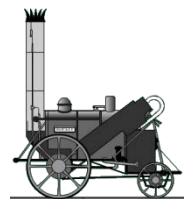
**Sue Röhrs**

17 March 2015



# Background

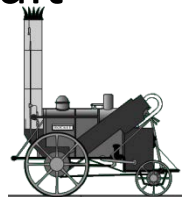
- Legislation and policies
  - ERA
  - 2<sup>nd</sup> Amendment Bill to ERA
  - IRP 2010
  - MTRMP
  - New Generation Regulations
  - Other Acts
  - Municipalities & Municipal legislation
- Licensing
- Agreements
  - PPA
    - DoE / Eskom
    - Municipal
    - Trading
    - Bilateral
  - Use of System Agreements
  - Amendment Agreements
- Lack of Buyers
- Grid Access



# *Legislation / Policies (cont)*

## ➤ Electricity Regulation Act : difficulties

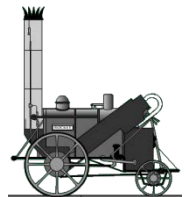
- ◆ No difference between new generation and amendments to existing (eg. Medupi – large scale generation and small scale generation)
- ◆ Limited exemptions (widen)? What is “own generation”?
  - ❖ Does it include wheeling to other facilities?
  - ❖ What if other facility is owned by separate company within the group?
  - ❖ What about large own generation
  - ❖ What about generation less than 1MW? – only dealt with in 2<sup>nd</sup> Amendment Bill



# *Legislation / Policies (cont)*

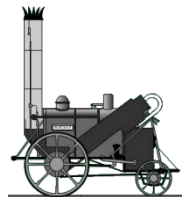
## ❑ 2<sup>nd</sup> Amendment Bill to ERA

- ✓ Not gazetted yet
- ✓ Checks and balances (more responsibilities to DoE & less to NERSA) – pre - implementation?
- ✓ Ministerial Determinations – “must” versus “may”
- ✓ Even more difficult for bilaterals / wheeling



# *Legislation / Policies*

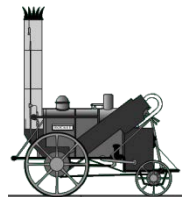
- ❖ IRP 2010 (Integrated Resource Plan)
  - All REIPPP programmes gazetted into IRP
  - Longer term plan – next 20 years
  - New Generation only (what if both old generation capacity and new generation capacity?)
  - Limited to :
    - technologies that have been gazetted into IRP
    - No of MW stipulated in IRP
  - Should have been updated every 2 years



# *Legislation / Policies*

## ✧ MTRMP (Medium Term Risk Mitigation Plan)

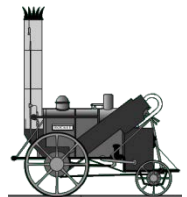
- Annexure to IRP – therefore part of it
- “Keeping the Lights On”
- Up to 5 year plan
- Warm and fuzzy language (not specific at all) – benefits technologies not covered in IRP?
- CoGen RFP gazetted into MTRMP.
- What about bilaterals, small scale etc.?
- No provision for MTRMP in draft IRP



# *Legislation / Policies cont.*

## ○ New Generation Regulations

- ✓ Sales of “New Generation Capacity” to organs of state (including DoE / Eskom / Munics)
- ✓ Feasibility Studies / Procurement / Value for Money etc.
- ✓ What about Munics?
  - PPAs with Munics caught by this
  - PFMA is referred to
  - difficult to implement for Munics
  - licensing issues for Munics



# *Legislation / Policies cont.*

## ◆ Circularity between ERA + IRP + New Gen Regs

- ❖ Ministerial Determinations (ERA) – thus far issued ito IRP (MTRMP) and New Gen Regs

- ❖ New Gen Regs

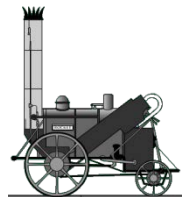
  - ✧ Issued ito ERA (cart before the horse? Aligned with 2<sup>nd</sup> Amendment Bill)

  - ✧ Only envisages National Procurement Process

- ❖ IRP

  - ✧ Ministerial Determination ito ERA

  - ✧ New Generation to organs of state, therefore New Gen Regs apply



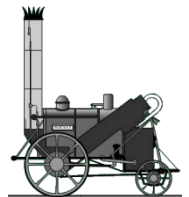


# *Legislation & Policies / Municipalities*

◆ Compliance to other Acts (EIA, Water & Air Quality Act licences and permits etc)

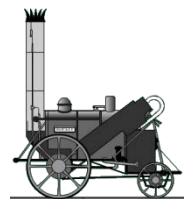
## □ Municipalities

- Legislation
- Delays and PPA's / Connection and Use of System Agreements / Amendment Agreements
- Electricity supplementing revenue : Supply & Demand
- Political Will : what's in it for me attitude



# *Licensing*

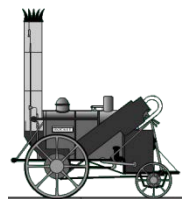
- ✓ No difference between new and existing licences
- ✓ Lack of procedures for amendments (to be prescribed by Minister)
- ✓ Lack of rules by NERSA to assist with compliance to IRP
- ✓ 120 days +
- ✓ Ministerial Determinations
  - Only used for IRP / MTRMP, although Minister has wider discretion
- ✓ Show compliance to IRP / any other requirements of the Minister
- ✓ Own Use definitions?
- ✓ Lengthy Process
- ✓ Widen Exemptions?



# Agreements

## ✧ PPAs

- DoE / Eskom National Procurement Programmes
- Eskom :
  - ❖ MTPPP limited time period, declining tariff, most expired
  - ❖ STPPP v short time periods, reasonable PPAs, extensions, thus far limited to original bidders
  - ❖ WEPS (spillover power)
- Municipal PPAs
- Trading Agreements
- Bilateral Agreements

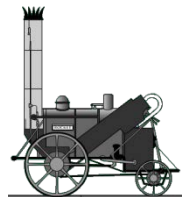


# *Agreements cont.*

## □ Use of System Agreements :

- ◆ Lack of cohesion between Eskom departments (3 departments involved)
- ◆ Eskom keep updating their UoS agreements (sometimes during the process)
- ◆ If UoS is complicated or to be signed by Eskom Exec, must go to commercial in Cape Town
- ◆ Regions don't seem to be up to speed – referral to MegaWatt Park

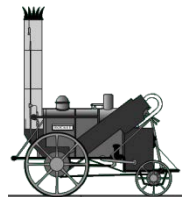
## □ Amendment Agreements



# *Lack of Buyers*

- Bilateral Agreements / Wheeling
  - Lack of progress on NERSA wheeling rules
  - Wheeling costs are expensive
  - Process is complicated
  - Eskom and Munic oppose deals
  - Difficult to get licensing approval
- Difficulty in selling new generation to organs of state
- Not possible to sell < 5 MW to organs of state (except for small scale renewables into National Programme)
- Not dealt with in IRP 2010
- No incentive to invest capital?
- Small scale < less than 11Kv not allowed to wheel
- Cross-border – agreements at National level

**WHO ELSE TO SELL TO????**



# Grid access

## ❑ Grid access:

### ○ Transmission & Distribution delays

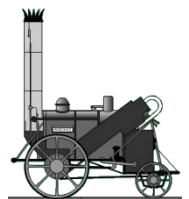
- Sometimes even for connected generators
- Acquisition of land by Eskom (many properties involved)
  - Servitudes
  - Expropriation
- Eskom lacks budget

### ○ Costs of installation

- All new connections assumed to be “dedicated” for use of generator
- Therefore generator charged – transmission infrastructure?

## ❑ Compliance to grid codes

## ❑ Lack of rules for small embedded generators.



# *Thank you*

## *Questions?*

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