

Presentation to SAIPPA
Recent Nersa COFIT & REFIT Public Hearings

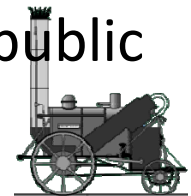
Bridget Long

24th May 2011



Background

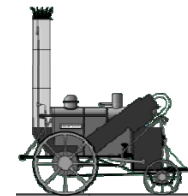
- COFIT: Cogeneration Feed-In Tariff
 - NERSA Consultation Paper Cogeneration Regulatory Rules and Feed-In Tariffs issued for public comment on 19 January 2011
 - Written comments were due on 25 February 2011
 - Public hearings held on 3rd May
- REFIT: Renewable Feed-In Tariff
 - NERSA Consultation Paper Review of Renewable Energy Feed-In Tariffs issued for public comment on 25 March 2011
 - Written comments were due on 21 April 2011
 - Public hearings held on 5th & 6th May
- This presentations serves to provide an overview of the public hearings



COFIT Tariffs

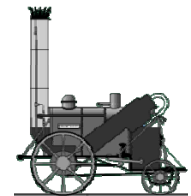
COGEN TYPE	TARIFF (R/kWh)
TYPE 1: Recovery of Waste Heat or Energy from Wastes	
Discard Coal	0.665
Waste Heat Furnace Off-gas	0.975
TYPE 2: Combined Heat & Power	
Coal	0.672
Natural Gas / LNG	1.178
TYPE 3: Renewable Cogeneration	
Wood Chips	0.761
Bagasse (Cane Fibre 1)	1.835
Cane Fibre 2	1.875

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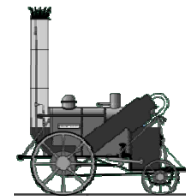
COFIT Hearing Summary

- 70% the presentations were focused on the two Type III Renewable COFITs – Wood Chips & Bagasse
- Type I: Waste Heat & Type II: CHP COFITs only dealt with in general comments
- Nothing at all was presented about coal and LNG
- Nersa 'Wood Chips' category, inclusive of all mill wastes, too broad and tariff of 76.1c/kWh too low
- 'Bagasse' tariffs of ≥ 185.3 c/kWh too high – threat to Pulp and Paper
- Nersa LCOE input costs not representative of current market costs



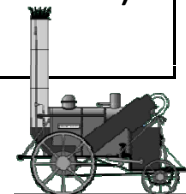
COFIT LCOE Comments

- Capital Costs: too low
- O&M Costs: too low
- Heat Rate: too low
- Distribution & Transmission cost of 1% too low
- *NOTE: Transmission and connection costs are no longer counted as recoverable costs as per the NGR May 2011 Amendments*
- No provision for project development costs, fencing fees and mobilisation in Nersa costs
- No mention of escalation calculations in the Consultation Paper



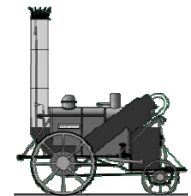
COFIT Tariffs

COGEN TYPE	TARIFF (R/kWh)	PROPOSED TARIFF	PROPOSED BY
TYPE 1: Recovery of Waste Heat or Energy from Wastes			
TYPE 2: Combined Heat & Power			
TYPE 3: Renewable Cogeneration			
Wood Chips	0.761	R1.70 +	Amathole Forestry Company (when questioned but with no calculations)
		R1.34	PAMSA (from member submissions)
		R1.36	Sawmilling SA
Bagasse (Cane Fibre 1)	1.835	R1.73	SA Sugar Association (Due to updated fuel costs)
Cane Fibre 2	1.875		
NEW CATEGORY: Black Liquor	-	0.976	PAMSA (from member submissions)



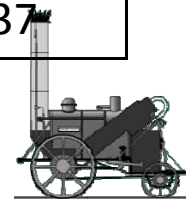
REFIT Hearing Summary

- The Consultation Paper was a review of the 2009 REFIT tariffs
- Nersa received 200 written submissions and heard 35 presentations over the 2 days
- All technologies well represented;
 - 15 Solar
 - 4 Biomass
 - 6 Wind
 - 3 Hydro
 - 7 General / Other
- Noticeably absent however, were other government departments such as the DoE and National Treasury



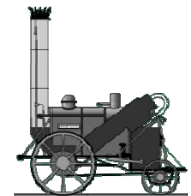
REFIT Review Tariffs

YEAR:	REFIT 2009	REFIT 2011
TECHNOLOGY	R/kWh	
Wind \geq 1 MW	1.25	0.938
Landfill Gas \geq 1 MW	0.90	0.539
Small Hydro \geq 1 MW	0.94	0.671
CSP trough \geq 1 MW w/o storage	3.14	1.938
CSP trough \geq 1 MW with TES 6 hrs	2.10	1.836
CSP central receiver (tower) \geq 1 MW with TES 6 hrs	2.31	1.399
Photovoltaic \geq 1 MW ground mounted	3.94	2.311
Biomass solid \geq 1 MW (direct combustion)	1.18	1.060
Biogas \geq 1 MW	0.96	0.837



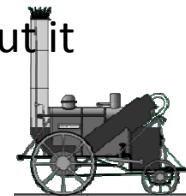
REFIT Hearing Summary

- Common comments throughout all the presentations
 - the timing of the review
 - the lack of transparency in Nersa's LCOE model
 - the incorrect assumptions Nersa had made in terms of financial assumptions and capital costs resulting in unrealistically low REFIT's
 - the way Nersa intends to escalate the tariffs
 - where is the PPA?
 - single CSP tariff



REFIT Hearing Comments

- The timing of the review
 - most were expecting 1st round of procurement at this stage and were surprised with the review
- The lack of transparency in Nersa's LCOE model
 - unable to make accurate tariff comparisons as all conditions of the Nersa model are unknown
 - Proposed tariffs not certain until accurate industry figures are used in Nersa model
- Incorrect assumptions in Nersa model terms of financial assumptions and capital costs resulting in unrealistic REFIT's
 - most presenters were unhappy with the capital costs Nersa used for their technology
- The way Nersa intends to escalate the tariffs
 - 100% escalation on full tariff required
 - if escalation is only applied to part of the tariff, much higher starting tariffs are needed
- Where is the PPA?
 - Needs to be released for public comment as nothing can be finalised without it
- Single CSP tariff
 - A tariff of R3/kWh was the average put forward



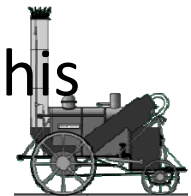
REFIT Comments cont...

BIOMASS

- Not a clear enough distinction between COFIT & REFIT definitions
- REFIT mechanism needs to cater for plants with multiple fuels and tariffs
- Fibre before Fuel

HYDRO

- 10MW cap should be removed
- Projects built on existing dam and water reticulation infrastructure should be allowed
- Only 30% cost linked to forex – LCOE should reflect this



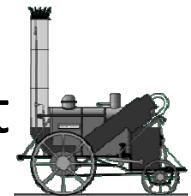
REFIT Comments cont...

SOLAR

- Criteria should not be so limiting
- Nersa shouldn't choose the appropriate technologies: let the market decide
 - Allow other proven technologies i.e. Dish Stirling & Linear Fresnel
- Common vision needed between all relevant government departments

WIND

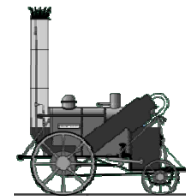
- Annual review of tariffs are too often
- REFIT reviews should not be for immediate implementation, but rather for years ahead
- Appeals for R1.25/kWh for 1st round of procurement



Proposed REFIT Review Tariffs

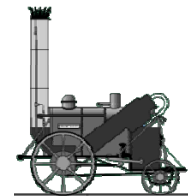
YEAR	2011 REVIEW	PROPOSED
TECHNOLOGY	R/kWh	
Wind \geq 1 MW	0.938	1.25
Landfill Gas \geq 1 MW	0.539	-
Small Hydro \geq 1 MW	0.671	1.15 – 2.35
CSP trough \geq 1 MW w/o storage	1.938	3.00
CSP trough \geq 1 MW with TES 6 hrs	1.836	
CSP central receiver (tower) \geq 1 MW with TES 6 hrs	1.399	
Photovoltaic \geq 1 MW ground mounted	2.311	3.00
Biomass solid \geq 1 MW (direct combustion)	1.060	1.51
Biogas \geq 1 MW	0.837	-

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What Now?

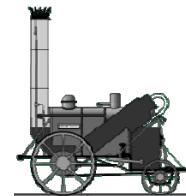
- Nersa staff indicated that a lot of the preparatory work of reviewing inputs had been completed before the public hearings from the written submissions.
- The Regulator's approved tariffs for both COFIT & REFIT are scheduled to be published on 26th May 2011.



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- Aim to provide a total energy solution to IPPs as well as to willing buyers through careful analysis of both supplier's and buyers needs
 - Wheeling Models & Agreements
 - Nersa Licensing
 - Eskom Connection Agreements
- More detailed review of the public hearings also available

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Questions?

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