

**OPENING REMARKS AND BRIEF ORGANISATIONAL OVERVIEW FOR SAIPPA
ManCom MEETING – 8th JUNE 2015**

This is third time “OPENING REMARKS AND BRIEF ORGANISATIONAL OVERVIEW FOR SAIPPA” have been presented to a meeting of SAIPPA. It therefore behoves on both the Management Committee, specifically, and membership, generally, to indicate as to whether this exercise is adding value to the development of the association.

I therefore suggest that such inputs, given their content, be uploaded into our website. With regard to their availability to the public I leave it to the ManCOM to decide and direct.

BRIEF OVERVIEW OF THE ENERGY SECTOR

Whilst Sub-Saharan Africa is seen as a new frontier for investment and expansion and the economic growth rates have shown immense potential during the last decade and while the continent is blessed with power resources, unfortunately the infrastructure backlog is huge and utilisation is low.

McKinsey’s report on Africa claims that:

- “Other nations are also studying South Africa’s Renewable Energy Independent Power Producer Procurement Program.” This implies the SAIPPA should prepare itself for more engagements, queries, etc., in future.
- Over the past 20 years, private capacity in sub-Saharan Africa has doubled every five years, with 50 percent of total IPP capacity added to the grid since 2009 alone. While this is a positive story, the scale—about 6,300 megawatts of private capacity has been added since 1992—is insignificant compared with the total new capacity needed.

At the WEF Africa event last week the following were highlighted:

- Africa needs almost R5.5trn (\$450bn) investment in the energy sector to reduce power outages by half and achieve energy excess in urban areas;
- Calls for SADC to create a power pool to help ease electricity constraints which must be accompanied by regional standardisation.

Matthew le Cordeur – in an article - goes as far as speculating that South Africa (is) set to become global leader of green energy.

The nuclear procurement would be done in the same way that energy had been

procured from independent power producers (IPPs) of renewable energy. The nuclear procurement would likely be run either by the IPP office, which is part of the Department of Energy, or by a similar office established to procure nuclear power.

Fazila Farouk argues that South Africa, due to its continued reliance on fossil fuels and nuclear energy, is not embracing forward-thinking technological advancement of the 21st century and adapt to new modes of production based on renewable energy as a key driver of the "third industrial revolution".

Draft Regulations regarding Registration, Reporting on Energy Management and Submission of Energy Management Plans had been published for public comments until 12 June.

Minister Joemat-Pettersson said that she would shortly table an Energy Regulator Amendment Bill "which would seek to give us an appeals authority to Nersa, because at the moment Nersa grants a licence or sets a tariff and there is nowhere to appeal".

Amendments to the Electricity Regulations on New Generation Capacity is another outstanding issue that needs serious attention.

BRIEF OVERVIEW OF THE IPP SECTOR

Since the last meeting of the ManCom there has been a number of interesting developments – both encouraging and creating concerns however.

The pronouncements by the Minister, on the 16th of April, are so complex so much that I have suggested an information session with her or her designate to elaborate on the pronouncements which were reiterated during the policy and budget speech.

DoE has invited interested parties in Gas to Power RFI to register interest because it intends to run a procurement programme for Gas to Power. The RFB for CoGen IPPPP for 800MW (or 1800MW?) has ultimately been released.

Invitation for public comments on Eskom's Selective Reopener of MYPD3 application for Open Gas Cycle Turbines (OCGT) and Short Term Power Purchase Programme (STPPP) and impact of increase in Environmental Levy was issued. A clear signal of increasing costs in the electricity sector in the midst of dismal slow growth of the economy.

Embedded generation is becoming a reality for either businesses or households given the initiative by energy regulator to introduce regulations thereon. Response to such initiative has been encouraging.

NERSA has yet to release the final version of SSREG regulations. It may be helpful that as SAIPPA we enquire on this matter.

Another interesting development is the Facility for Investment in Renewable Small Transactions (FIRST) Programme for Small IPP's as announced by the Minister in her policy and budget speech recently. The objective of the facility is to provide financing to SME developers in the SPIPP Programme on a risk pooling basis that allows for standardising of certain risks across developers and projects, and for "crowding in" commercial investors / lenders on a reduced transaction cost, structured risk exposure basis.

Ahead of the formal launch of FIRST at the Africa Energy Forum in Dubai, the Sponsors of FIRST [DBSA, KfW, and Fieldstone] are requesting for all interested Project Developers and parties within the SPIPP market to make contact with FIRST

I have suggested to the Durban Chamber of Commerce and Industry to convene an Information Sharing Session eThekweni on this matter. I further suggest we engage the key players for a similar session elsewhere even if it is a roundtable on this initiative.

ACWA Power, of Saudi Arabia, which has just commissioned 50 MW Bokpoort CSP plant in the Northern Cape is aiming to develop a 5 000 MW portfolio of renewable- energy and conventional generation assets in Southern Africa by 2025 and reports that it is ready to bid into South Africa's upcoming Coal Baseload Independent power producer (IPP) procurement programme. Such effort is nothing less than an expression of confidence on Mzansi and SAIPPA must undoubtedly support and promote.

SAIPPA needs to prepare itself for an intensive public debate on electricity market vis-a-vis ISMO. Of course such has to be done in the context of driving for restructuring of the electricity supply industry as part of reviewal of the electricity sector as a whole. A 3/5 person Task Team is suggested to draft a position paper for SAIPPA to discuss and endorse.

UPDATE ON THE STABILISATION PLAN AND WAR ROOM PROCESS

There has been a number of public attacks on the War Room Process. Although government claims that partnerships have been established between [the] government, labour, business and civil society to find solutions to our problems, in keeping with the great spirit of our country, at a recent civil society electricity

conference here were allegations that “(The ‘war room’) does not include trade unions or any other civil society organisations”.

What is difficult is for even the likes of SAIPPA to still experience problems to get updates in time on developments. Once again the concept and practice of availing “distributable information” by the government should be affirmed and practised. “Distributable information” refers to information that government reckons can be distributed to both practitioners in the power industry as well as the public – its information that goes beyond issuing public notices on load shedding. It must include an update on progress, or lack thereof, regarding the implementation of the 5-point Stabilisation Plan.

WORKING GROUPS

The Working Groups seemingly are functioning accordingly except the need to assess their impact.

We need to assess the extent of impact of our input at the public hearing in April. Alternate membership in GCAC has been allocated to SAIPPA which, in my view strengthens our stature and profile.

The coal-based load WG has not convened even a single meeting! I trust the ManCom should address this matter intensively.

The Gas Working Group is about to get off the ground with coinciding developments such as issuing of the gas RFI.

STAKEHOLDER ENGAGEMENT

A Memorandum of Understanding between the Government of South Africa and the IPP Platform instead of SAIPPA is hereby humbly and passionately requested. Whilst the initial arrangement was between the Department of Energy and SAIPPA, recent development warrant a change of such structured relations to include the IPP community as whole. Considering the resonance of aims between the IPP Platform and SAIPPA and that SAIPPA is part of the Platform it is logical and adds value to replace SAIPPA with IPP Platform. This change of arrangement still has to be proposed to the Department or the Government as a whole.

IPP PLATFORM

A courtesy call was made to ESKOM Grid Access Unit and Single Buyer Unit by the Chairperson in May. The outcome was:

The proposed Breakfast Session on the Policy and Budget Speech by the Minister of Energy will take place in due course once the Office of the Minister provides the date.

Relations with BUSA vis-a-vis BUSA Energy Sub-Committee are rather confusing to say the least. Whilst SAIPPA is not a member of BUSA by virtue of participating in its Energy Sub-Committee it is bound to get associated with decisions taken within the Sub-Committee and therefore BUSA. This is rather odd and needs a clear, well-thought and thoroughly processed position.

I recommend SAIPPA engages with BUSA Energy Sub-Committee on very specific issues and in a structured manner that will not compromise SAIPPA

Return to the initial engagement between BUSA/NBI/Industry Associations was agreed and at some stage ManCom members have to revisit this initiative as long as it does not duplicate current activities.

An introductory meeting between SAIPPA and SALGA is also proposed to identify common challenges and brainstorm how to address them as well as explore areas of cooperation.

MEMBERSHIP MATTERS

- Update on membership recruitment drive

14 members have joined since January to the current 50. Interesting SAIPPA LinkedIn webpage has 134 members!

Currently our membership breakdown according to categories stands as:
CATEGORISATION ACCORDING TO TYPE OF MEMBERSHIP

Sustaining Membership	2%
Large Corporate Membership	16%
Medium Corporate Membership	4%
Small Corporate Membership	44%
Association / NPO	2%
Professional / Individual Membership	32%
Women	6%
Youth	?%
Disabled	2%

CATEGORISATION ACCORDING TO PROVINCE

Gauteng	68%
Kwa-Zulu Natal	14%
Mpumalanga	6%
Eastern Cape	2%
Western Cape	10%

Whereas in December 2014 the statistics were:

1. Sustaining Membership	3%
2. Large companies	15%
3. Medium companies	6%
4. Small companies	35%
5. Individual members	41%
6. Association/NPO	0%

It is also suggested that the Secretariat send a reminder for payment of fees by the more or less 10 members who have not yet paid their dues.

- The Programme on Introduction and Induction of New Members should not fall off the agenda and spotlight due its importance because we cannot take for granted all members have the same and common understanding of SAIPPA. That goes to expectations by the same members as well.
- Membership to international bodies must be grown as we are to adopt a policy guideline on this matter.
- Workshop on competition issues is outstanding and I suggest we persuade a few keen members to assist in coordinating in convening it. As agreed previously, a workshop on competition issues has to be convened with the support of Competition Commission

ATTENDANCE TO EVENTS – CONFERENCES, SYMPOSIA, ROUNDTABLES, WORKSHOPS, ETC.

✓ EVENTS ATTENDED:

- Africa Utility Week 12-14 May CTICC, Panel Discussion: Putting the right legal framework in place in Finance and Investment Forum

The Chairperson participated in the panel discussion.

- Input at 5TH Business Forum of the UKZN Graduate School of Business & Leadership-27 MAY 2015. THEME: "The State of Energy in South Africa: Business Thinking Outside the Box". The Chairperson participated in the panel discussion.

Note a follow up Information Sharing Session jointly between DoE, DBSA, and SAIPPA

✓ INVITATIONS:

- The Directors Event taking place on 23rd June at the Hilton Hotel, Sandton. Hosted by Sunday Times Top 100 Companies and in association with MMI Holdings and the Institute of Directors – Chairperson invited to a panel discussion
- Sustainability Week 2015, Sustainable Energy Seminar, scheduled for 24-25 June 2015 at the CSIR International Convention Centre – Chairperson invited
- Africa Oil & Gas Expo 2015, on the 8th & 9th September at the Sandton Convention Centre – Chairperson invited to a panel discussion
- SA International Renewable Energy Conference 2015 (SAIREC) from 4 to 7 October in CITCC, Cape Town will gather ministers, decision-makers, civil society, academia and the private sector to discuss experiences and strategies for accelerating the global deployment of renewable energy and the event is aimed particularly at giving the African renewable energy industry opportunities to showcase its work and gain insights from other participants.
- Workshop: Business opportunities in Energy Sector for women 23-24 June in Kimberley - THEME: Empowering women in the energy sector in South Africa. Note: A SAIPPA member, either located or operating, in the Northern Cape is directly invited to make a presentation and share experiences on the project in the province. A schedule for the workshops in other provinces to enable SAIPPA respective members to plan and block the days. If there is a project operational in any of the targeted provinces, it will be appreciated if the

delegates are allowed to conduct a site visit provided we comply with the security requirements.

ASSOCIATION POLICIES

An attempt has been made to draft policy guidelines on certain aspects of SAIPPA's in order to guide activities. For now areas covered are:

1. Engagement with foreign companies, regional, continental and global bodies including affiliation to regional, continental and global bodies
2. Affiliation of foreign companies to SAIPPA
3. Marketing of products, services or technologies to members through SAIPPA including conference offers
4. Attendance to events – conferences, symposia, roundtables, workshops, etc.
5. Associate Membership
6. Special Class Member

The above policy guidelines are due to growing pressure which is compelling SAIPPA to respond or ensure consistency in dealing or handling those very matters. What is proposed is for the Management Committee to apply its mind as much as is possible in order to make recommendations at the General Members Meeting within this month.

There is a company that would like to set up a meeting with the SAIPPA to talk about joint opportunities.

PROPOSED IPP INFORMATION HUB INCLUDING PROCUREMENT OF DATA AND GENERAL INFORMATION, SUBSCRIPTIONS, ETC

The information hub has to be established soonest given the vitality of informing our members about developments in the IPP sector.

RESOURCE MOBILISATION FOR SAIPPA OPERATIONS AND TOOLS OF SERVICE FOR OFFICE BEARERS

Status quo of combinative tasks of Chairperson and Acting Secretary General is a daunting task but manageable. Challenges faced by SAIPPA regarding resources for general activities, and providing services to members, specifically are becoming obvious as activities and demands on the association grow daily.

A balance between resource adequacy and responding to the needs of the association has to be struck.

Contribution in kind should be encouraged especially by the large companies or business associations. This may be a creative approach rather than contributing financially beyond paying fees.

Papers generated by the Chairperson should be uploaded and used as reference in future. Critical thinking has to be encouraged if we are to engage with government and other stakeholders in policy and related issues.

Survey of needs of members and relevance of SAIPPA to the IPP industry are amongst crucial issues that have to be constantly interrogated and definitive as well as clear positions especially policy guidelines have to be adopted.

SERVICES FOR MEMBERS

There is a strong need to ascertain the appropriateness and extent of utilisation of current services to members.

Sharing and online distribution of information on developments is very crucial for members. However SAIPPA is far from addressing this service meaningfully because it demands on focused attention and requisite skills.

The decision to conduct a survey of needs has not been implemented and the need for volunteers to support Mr Wayne Glossop should be presented to members at the General Members Meeting.

Currently SAIPPA charges R150 for members and R200 for non-members on events organised by the association. For the forthcoming event with energy Department the charge has been increased to R200 for members and R300 for non-members attending. I, however, maintain this is still too low for the value of services we are providing.

I therefore suggest a revised policy and formula which is part of the proposed policies.

GENERAL

Requests from non-members have been growing steadfastlyⁱ. Whilst there is keenness to enter the industry those new entrants are obviously at a disadvantage due to their lack of knowledge about the IPP industry. It is on this basis that I propose that SAIPPA develops a support programme for such entrants in partnership with government and other stakeholders. However such must be accompanied by a strategy to cover costs.

JUNE is a youth month and we need to dedicate promotion of independent power

production to attracting and empowering the youth especially women and the disabled as well as those in the rural hinterland. Surely the General Members Meeting may have to focus amongst other crucial matters on the youth in independent power production. The same should be done in August - the women's month – a special activity for women in independent power production

ⁱ **State of Energy in SA (Business Forum)**

Edoardo Cabral Ngubane <cabral@azibtech.com>

28TH May 2015 11:51 (2 hours ago)

Good Day Mr Njikelana

Hope that this mail finds you well. In our brief discussion at the forum yesterday I mentioned my willingness to enter the industry of alternative energy. So far my research has suggested that there is intent from government and independent power producers through PV panels to source their material locally. I am not sure how far SAIPPA has gone to assist start-ups in this regard but would really appreciate any direction that could lead me to be involved. My interest is in production and installation of PV panels. I do understand that there are licences to be obtained and training to be undergone to meet industry standards.

Best Regards
Edoardo Cabral Ngubane