



The South African Independent
Power Producers Association
4 Karen Street
Bryanston
Sandton, 2196
14 April, 2020

National Energy Regulator of South Africa
526 Madiba St
Arcadia
Gauteng, 2019
Att: Mr Dennis Seemela
Email: irp-procurement.techrange@nersa.org.za
Copy: Mmboniseni.murathi@nersa.org.za

Dear Sir:

**SAIPPA's RESPONSE TO NERSA CONSULTATION ON MINISTERIAL
DETERMINATION FOR 2000MW**

Thanks

We thank you for the opportunity to provide input into the consultations on the "Concurrence with the Ministerial Determination of the Procurement of New Generation Capacity from the range of Energy Technologies" – published on 18 March, 2020. This is one of two papers published on the same day. These comments pertain to Paper 1, for the procurement of 2000MW of "Other" power as contained in Table 5 of IRP2019.

SAIPPA

The goals of the Independent Power Producers Association of South Africa are to promote the collective interests of IPP's in South Africa, to assist with public policy formation and implementation, and to serve as a platform for information dissemination to its members. We seek broad industry reform resulting in competitively priced, reliable and readily available electricity in a regulatory environment that is transparent, certain and IPP friendly.

It should be noted that SAIPPA wants to work with the DMRE and NERSA to ensure adequate supply of reliable, affordable and sustainable electricity to all South Africans to ensure economic growth for all and to ensure that the poor and the informal sectors are included in the economic growth of the country.

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SAIPPA Membership

SAIPPA currently has 45 paying members that include large and small companies in the paper, chemical, food, cement and energy industries. Some of these companies in turn are the dominant players in their industries, and have some of the larger IPP generation assets in their portfolios. In addition, our membership includes service providers, consultants, energy lawyers, academics and project funding institutions.

GENERAL ISSUES:

There are a number of general issues that we would like to comment upon, some of which come from our reading of the gazetted Determination by Minister Mantashe under section 34(1) of the Electricity Regulation Act, 2006, dated 18/02/202.

Determination for 2000MW: Most industry experts now feel that the shortfall the country is suffering from is considerably more than 2000MW. This is not surprising given that the IRP2019 modeling, from which the 2000MW originates is now 2 years out of date, and in that time the Eskom EAF's have continued to fall. The 2000MW needs increasing. We are however very sensitive to any further delays to the procurement of this power, and recommend that NERSA concur with the 2000MW, but at the same time initiate a process for more power to be allocated by the Minister.

Timing of the Procurement of Generation: Section 1.1 of the Ministerial Determination makes it clear that he wishes connections to the grid to occur by "...no later than December 2021". This timing makes it very difficult for long delivery generators to be considered in the programme, given that orders for manufacturing cannot be placed before Financial Close and this is not likely before end 2020. This leaves 12 months for manufacture, shipping, erection and commissioning which is most probably possible for only the simplest of generation plants.

Types of Technologies: This procurement should include all technologies that IPPs can offer be it wind, solar, battery storage, cogeneration, small coal plants, coal gasification, gas, biomass, wave, biogas and small hydro. This will allow NERSA to consider all suitable license applications, without having to require a Ministerial Deviation from the IRP2019, something that has created huge frustration for IPPs.

Procurer and Buyer: We note that the Minister has designated DMRE and Eskom Holdings to be the procurer and purchaser of the 2000MW of electricity, as laid out in Sections 5 & 7. This implies that all 2000MW is allocated to procurement by DMRE in a rather slow process that could take 6 to 9 months just to identify the Preferred Bidders. It is likely then that CODs are still 18 months off – hardly an exercise for "...short term risk mitigation..." as the Minister intends. Our recommendation is that this allocation should allow anyone that applies for a license to generate in the situation of PPA's between an IPP and any private business whether it be bilateral or through trading platforms but need to exclude municipalities and Eskom. This is due to the PMFA and MFMA and the competitive nature of procurement processes required in the state procurement processes.

Procurement: Our point above implies that not all procurement has to be competitive and in the public domain. Traders need the flexibility to enter into procurement contracts for some of the 2000MW allocation, and large loads, mines for instance, requiring power. These organisations should be allowed to procure

power in their own considered best interest and not subject to the limitations imposed by a national procurement process. Wheeling in these instances should be charged by the network provider, whether it be Eskom and/or a municipality.

Additional Ministerial Determinations: For the arguments advanced above, it is clear that this Ministerial Determination is insufficient for South Africa's needs. An additional Ministerial Determination is warranted. This for more capacity, for any procurer, for any buyer and for any IPP technology.

NERSA Concurrence: It is our strong recommendation that NERSA concurs with the Minister's Determination without further delay, making it explicitly clear that bilateral PPA's and trading of electricity through trading platforms are allowed, so that procurement of much needed power can begin.

The Need for Urgency: We would like to highlight the need for urgency in these matters. It is common cause that the current version of the IRP was first modeled in 2016, that it was gazetted in October 2019, that the Minister issued his Determination 4 months later and then NERSA sought public comment another month on. It is our view that these matters require an urgency that they are currently not receiving.

Question and Answers: Our answers to the questions posed in the consultation paper follows.

Acknowledgment: Our members, contribution is acknowledged and valued.

Yours faithfully

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T. Garner

SAIPPA Chairman