



The Southern African Power Pool

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SAPP ELECTRICITY TRADING OPPORTUNITIES

By

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**SAIPPA BREAKFAST SEMINAR:
MARKETS FOR IPPs**

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1. Introduction to SAPP

2. SAPP Trading Arrangements

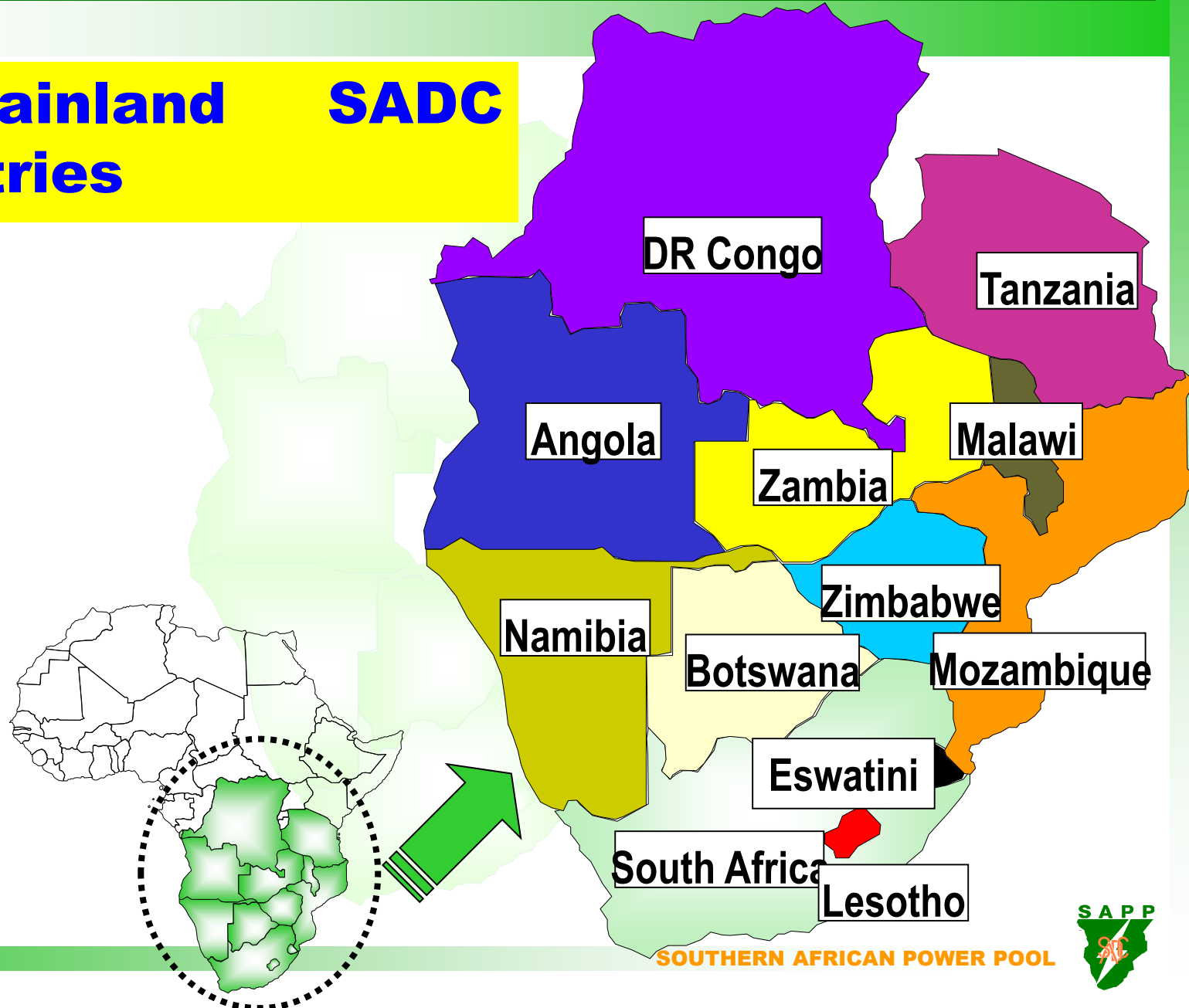
3. Requirements for IPPs to Trade in SAPP

4. SAPP Market Performance



1. Introduction to SAPP

12 Mainland SADC Countries



SAPP Establishment

- In **1995**, the Ministers responsible for energy in the Southern African Development Community (SADC) signed an Inter-Government MOU on the creation of a power pool under the name, **Southern African Power Pool (SAPP)** with objectives to:
 - ❖ cooperate and coordinate in the planning and operation of the electricity business in SADC
 - ❖ Facilitate cross border electricity trading in SADC
 - ❖ Promote regional cooperation in power projects development (Generation and Transmission Infrastructure)
 - ❖ Ensure that the region Attracts Investment for large energy intensive electricity users



SAPP Governing Documents

- ❑ Inter-Governmental MOU
 - **Established SAPP.**
 - **Signed by SADC Member Countries**
- ❑ Inter-Utility MOU
 - **Established the Management of SAPP.**
 - **Signed by the SAPP Members (Utilities)**
- ❑ Agreement Between Operating Members
 - **Signed by Operating Members (Interconnected)**
 - **Sets requirements for interconnected operations**
- ❑ Operating Guidelines
 - **Sets guidelines for system operations**
- ❑ Market Guidelines and Market Rules
 - **Govern operations of electricity trading**

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Bilateral Trading in SAPP – Key Features

- ❑ **Trading arrangements mutually agreed between bilateral parties**
 - ✓ **Volumes and Prices are the key parameters**
 - ✓ **Transmission path to be secured in advance**
 - ✓ **Bilateral parties directly invoice and settle each other**
- ❑ **Can be firm or non firm**
 - ✓ **Firm contracts**
 - **Generally not interruptible – hence there is reliability premium**
 - ✓ **Non Firm contracts**
 - **Are interruptible with notice**
 - **If notice given, no penalties**

4. SAPP Competitive Market Development

PREVIOUSLY

- Bilateral contracts
- Short-Term Energy Market (STEM) – 2001
- Post STEM (Balancing Market) – 2002
- Post Day Ahead Market (PDAM) – 2013

CURRENT

- Bilateral contracts
- Day-ahead Market (DAM) – 2009
- Intra Day Market - 2016
- Forward Physical Markets (MA &WA) - 2016

FUTURE

- Balancing Market
- Financial Markets

SAPP Trading Portfolios

- 1. Bilateral Trading Objectives are mainly**
 - ✓ To meet long term demand and supply balance
 - ✓ To underpin Generation and Transmission Investments
- 2. Month and Week Ahead Markets**
 - ✓ To meet short term demand and supply balance
- 3. DAM & IDM Trading Objectives are mainly**
 - ✓ To optimize supply & demand portfolios in a bid to minimize cost of supply and maximize participants profits
 - ✓ Assist in managing load and generation fluctuations

Financial Settlement Management

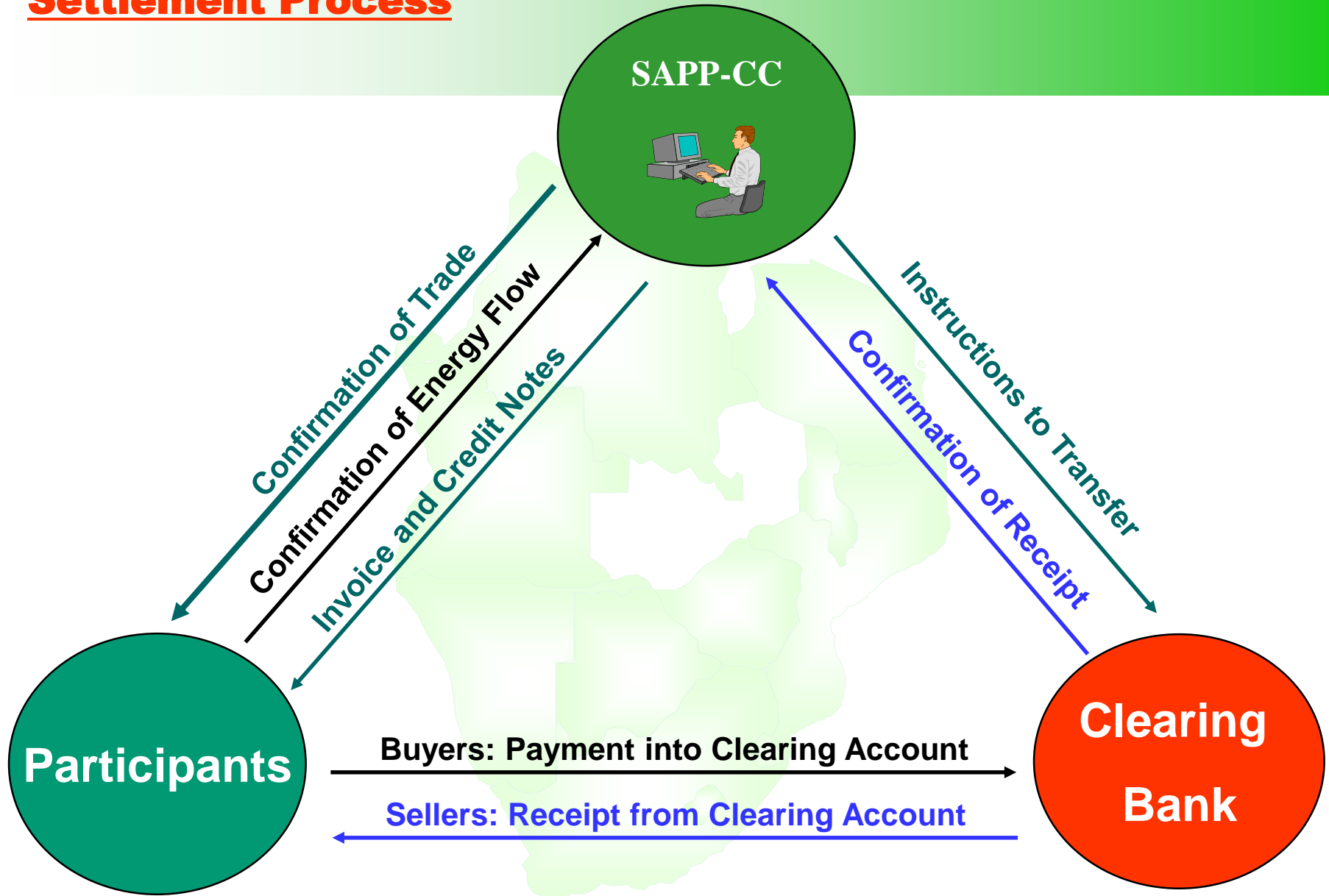
❑ Market Operator

- ✓ Market Operator (SAPP) is the trading counterparty responsible for all financial settlement on competitive markets (settlement of traded amount, wheeling & losses obligations)

❑ Participants Trading Accounts

- ✓ All participants trading accounts are maintained and managed by the SAPP through its Trading Division
- ✓ Division monitors accounts balances to ensure sufficient funds before participant is allowed to buy on the market
- ✓ Bank reconciliations done monthly for each account

Settlement Process



Participation Fees

- ❑ **All Participants shall pay participation fees to the Market Operator**
- ❑ **Annual Subscription Fees – An annual fixed subscription fee, to be determined by the Markets Sub-Committee**
- ❑ **Administration Fees – Each Participant on the market shall pay a volume dependent trading fee to be determined by the Markets Sub-Committee for each trading transaction.**

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Requirements for IPPs to Trade in SAPP

Participants can only trade directly on the SAPP market upon:

- ❑ **Having been licensed or given permission by the host country to undertake cross border trading**
- ❑ **Acceptance as a Market Participant by SAPP Executive Committee**
- ❑ **Being party to a TSO connected to a SAPP Control Area and have arrangements for Balance Responsibility**
- ❑ **Signing the SAPP Market governance documents**
- ❑ **Opening of the requisite accounts for trading purposes and having the requisite security for trading purposes**
- ❑ **Have at least two trained Traders**



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Competitive Market – Traded Volumes

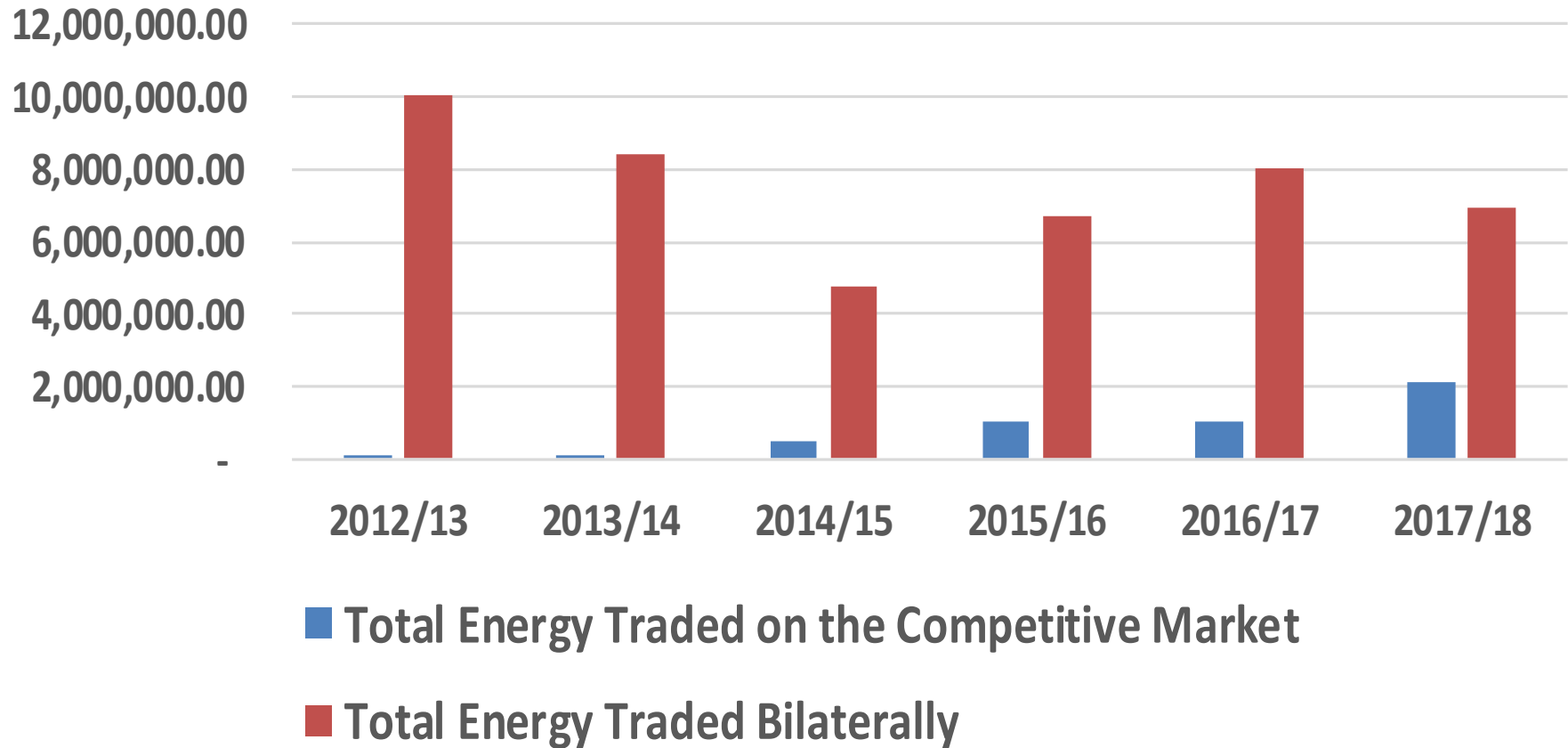
Total Traded Volumes on Competitive Market (MWh)



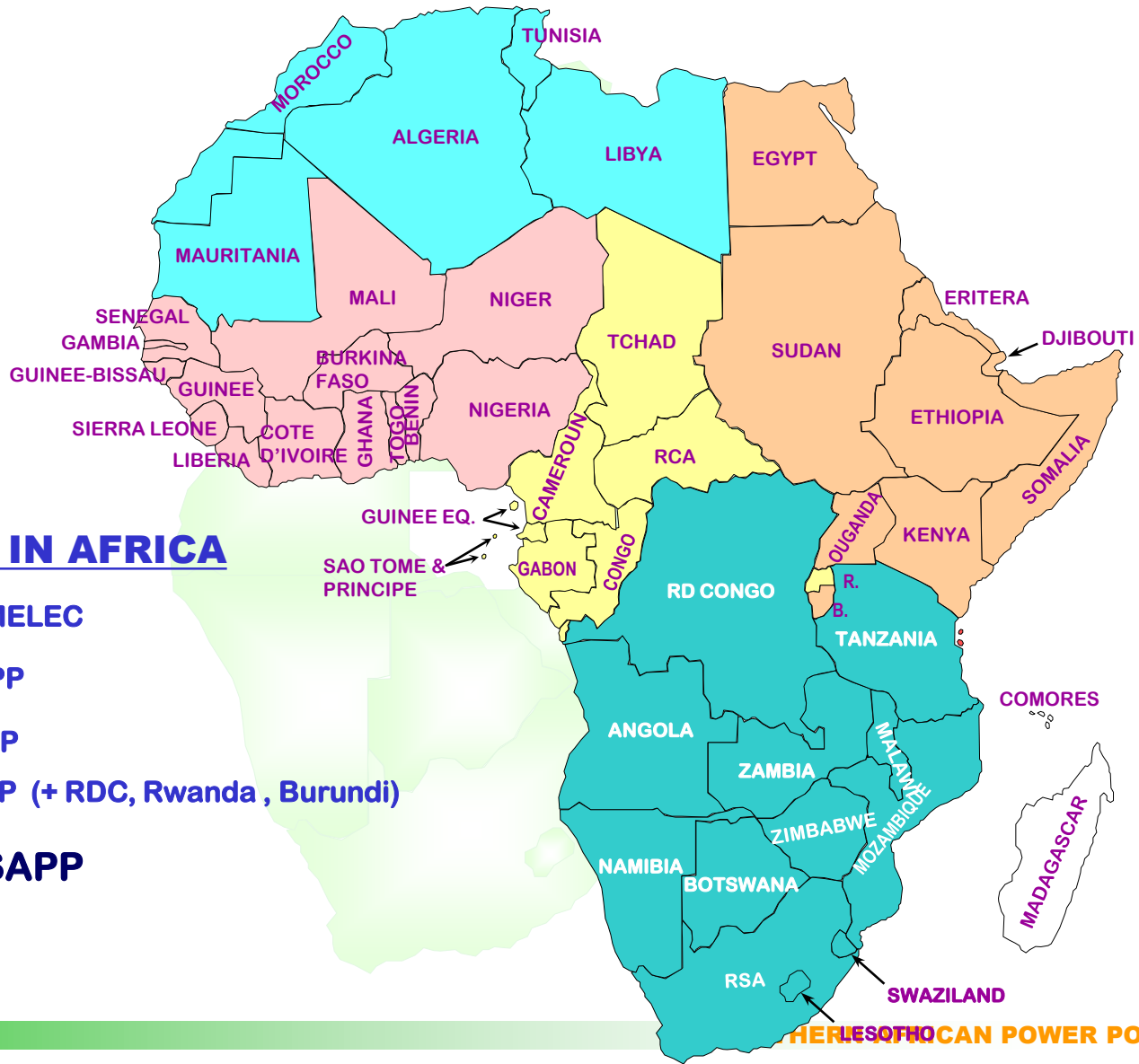
- ❖ There has been a general increase in traded volumes on the SAPP competitive market
- ❖ Confidence on the market has gone up








Energy Traded Bilaterally vs Energy Traded on the Competitive Market



The future: An African Power Market



POWER POOLS IN AFRICA

-  COMELEC
-  WAPP
-  CAPP
-  EAPP (+ RDC, Rwanda, Burundi)
-  SAPP



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Thank you for your attention