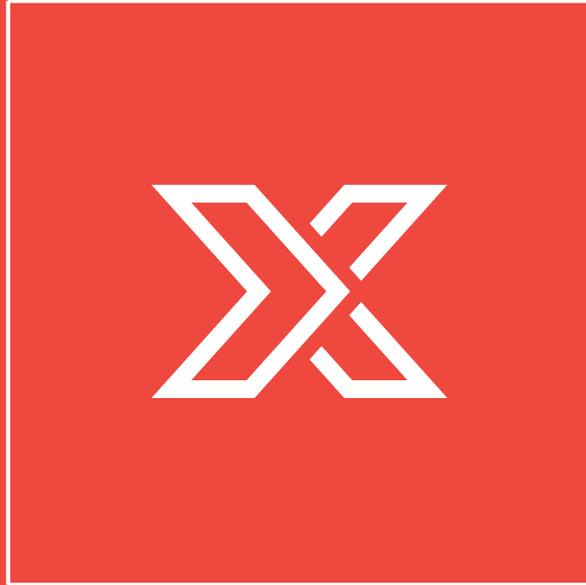


Electricity Supply Industry – South Africa



20 February 2019



Discussion points

- **South African Market for IPP's**
- **DoE Procurement programme**
- **Sales to municipalities**
- **Bilaterals**
- **Own-use**
- **Opportunities**

DoE Procurement Programme

- **Conclusion of the IRP**
 - Sales volumes and continued decline
 - Grid defection underestimated
 - New IPP's under current uncertain climate
- **Renegotiation of contracts**
 - Concluded “successfully” in other countries (e.g. Germany, Spain, Italy)
 - Dampens the programme success
- **Further DoE procurement programmes**
 - Unlikely to be the same REIPPP we know



Sales to municipalities & Bilaterals

- **Municipalities eager to engage with IPP's**
 - Current legislation “prevents” engagements
 - Bankability and credit worthiness questionable
- **Direct contracting with customers/end users**
 - Grid defection mitigation strategy
 - Enabling Use-of-System fees/charges
- **Bilateral agreements**
 - Current legislation receptive to bilateral arrangements
 - Wheeling arrangements allowed by Eskom for specific circumstances
 - Peer – to - Peer trading WILL be a reality



Generation for own-use

- **IRP allocation**
 - 1 MW to 10 MW installations of embedded generation
 - 200MW per annum on the draft IRP
- **Definition of generation for own use (and embedded generation)**
 - % Ownership not defined but IRP draft allows for a group of companies to qualify
 - Relationship of SPV's with consuming entity not defined
 - Restriction to single-customer supply and same premises
- **Future of own-use generators**
 - Its here, fewer entities rely 100% on the unreliable network
 - The national grid will be mainly used for back-up services
 - Investments estimated above R400m on solar & wind installation 2018/19



Challenges

- **Preservation of the existing state-owned infrastructure**
 - No new deviations or licenses issued for IPP's
 - “Revenue protection” for Eskom and municipalities
- **Overlapping and contradictions in the Schedule 2 of the Act the draft IRP 2018**
 - Exemptions in Schedule 2 and the Licence requirements in the draft IRP
- **Banking/Funding institutions requirements**
 - Guarantees (similar to the REIPPP guarantees) required for IPP investments
- **SAPP Trading**
 - MoU allows for other electricity service providers
 - Membership framework been under development since Q1 2017.



Opportunities

- **Own generation or bilateral arrangements**
 - Permissible and encouraged during load-shedding periods
 - Own generation becoming less of a grudge expenditure
- **Infrastructure costs reduction and technological advancements**
 - “Short—term” leasing arrangements being considered
 - Unreliable and “unsustainable” Eskom generation fleet needs augmentation
- **Bilateral agreements**
 - Trading platforms (e.g. Blockchain) enabling power trading
 - Funding/Finance institutions, mining houses, EUI’s and IPP’s have common goals.



Thank you

