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ESKOM CORPORATE AND FINANCES

R69bn urgent-relief battle lost, but war continues

Judge Jody Kollapen has turned down State-owned power utility Eskom's application for urgent relief with regard to the National Energy Regulator of South Africa's (Nersa's) controversial treatment, in its most recent tariff determination, of the R69-billion in government support announced in the 2019 Budget. Kollapen said the application was not urgent and would instead be evaluated as part of the second phase of Eskom's contestation of Nersa's fourth multiyear price determination (MYPD4), which governs the utility's tariff increases for the three-year period to March 31, 2022.

Had Eskom received the urgent relief, which it argued was necessary to help it avoid financial calamity, the utility's tariff could have increased by 16.5% on April 1, double the 8.1% already sanctioned for the year. In addition, the tariff could have risen by another 16.5% in 2021 instead of the 5.22% approved under the MYPD4. In his response to the ruling, Eskom CFO Calib Cassim said he respected the decision of the court and that Eskom would follow its guidance on the matter.

He noted, however, that Eskom's case had two parts, with the urgent application, which had been launched to influence the tariff that would be instituted on April 1, representing only 'Part A'. During the second part, or 'Part B', the merits of Eskom's challenge of the regulator's treatment of the "shareholder equity in its MYPD4 decision" would be heard.

Eskom defends request for R27bn tariff increase from regulator

Cash-strapped power utility Eskom has defended its request for an additional R27-billion in tariffs, saying it needs to recover prudently incurred costs for the financial year 2018/19. At a public hearing in Cape Town in February, Eskom general manager for regulation Hasha Tlhothlhemaje said the Regulatory Clearing Account (RCA) application was meant to deal with variances between what was assumed when the regulator made its decision on Eskom's revenue application in 2018/19 and what actually materialised as the utility spent money "to fulfil its mandate to provide electricity". Eskom is seeking to claw back R27.3-billion through the RCA application, which will result in an electricity tariff hike of between 12% and 17%.

The application for R27.3-billion comprises R5.5-billion in revenue shortfalls, R14-billion related to coal and coal-related costs, R3.3-billion in operating costs and R3.4-billion related to the running of the utility's 3 400 MW of open-cycle gas turbines. The National Energy Regulator of South Africa will announce its decision on the application on or about March 24, so that Eskom is able to adjust its tariffs on April 1.

At the public hearings on the RCA application, various organisations have expressed their opposition to the granting of further tariff increases for the utility.

ESKOM GENERATION

Eskom faces closure threat at biggest working power plant

Power group Eskom is battling to keep all the units of its biggest operational power plant open after being served with a compliance notice by the Environment Ministry, owing to its high levels of air pollution. The indebted power utility has failed to fully repair pollution-abatement equipment at its 4 116 MW Kendal power plant, in Mpumalanga, that began malfunctioning in early 2018 and was damaged further in a strike later that year. The Ministry issued the notice in December saying the plant would need to close two of its six generating units, 1 and 5, if action was not taken to bring them back into compliance. It demanded maintenance plans for the rest. Units at the plant have been emitting particulate matter at a multiple of the 100 milligrams per normal cubic metre limit. The pollutant causes asthma, bronchitis and emphysema, according to AirVisual, an air quality monitoring app. Eskom has "put in place a plan to ensure that Kendal is brought back into compliance as soon as possible", the utility said in an emailed response to questions. Still, the company has objected to the compliance notice because of the impact it would have on electricity generation.

INDEPENDENT POWER PRODUCERS

Eskom CEO says it wants hand in negotiating IPP pricing

Electricity supplier Eskom wants to play a role in negotiating the price at which new and existing independent power producers (IPPs) sell electricity to the embattled utility, says CEO Andre de Ruyter. "It is very important that [with] the roll-out of the new IPP programme that Eskom, as the ultimate buyer of the electricity produced by the IPPs, be involved in the negotiations of the commercial terms," De Ruyter has said in Parliament. "It is very important to us that we understand . . . the quantum and the cost of what is being contracted on our behalf. So we are engaging with the IPP Office with a view to being involved in the process right at the outset." De Ruyter added that Eskom also wanted to "relook" at the terms negotiated during the first two rounds of government's renewable-energy IPP programme.

Grid-scale containerised energy storage system launched in South Africa

Energy solutions company BlueNova Energy, part of JSE-listed Reunert Group, has launched its grid-scale Intelligent Energy Storage System (iESS) at Reunert Park, in Midrand, where the first unit has been installed to support businesses occupying the office park. The BlueNova Energy iESS, which is housed in a shipping container, is the first of its kind to be produced in South Africa. The system is equipped with a battery storage converter; a self-developed environmental management system; an industrial-grade heating, ventilation and air-conditioning system; and a lithium iron phosphate, or LiFePO₄, battery pack, which can store up to 1 MWh of energy. The system's building block has a 250 kW power output, with 1 000 kWh installed stored energy, and is scalable to provide for more than

250 MW output power with 1 GWh installed energy capacity. The iESS is designed for off-grid and grid-connected applications.

Perdekraal East, Kangnas wind farms receive last loads

All turbine components have been successfully transported to two of the country's largest wind farms. The final loads for the Perdekraal East Wind Farm arrived on February 21, while the final loads for Kangnas Wind Farm arrived on February 26. "The massive logistical undertaking saw 1 090 loads travel to site, covering more than one-million kilometres, and 55 000 t of wind turbine components being delivered," says Kangnas and Perdekraal East construction programme manager Christo Loots. Transportation of the first loads for the 140 MW Kangnas Wind Farm began in May 2019, with blades, nacelles and other components travelling to site from the Saldanha port, just outside Springbok, in the Northern Cape. Transportation of the first loads for the 110 MW Perdekraal East Wind Farm, north-east of Ceres, in the Western Cape, started in June 2019.

Private electricity generation identified as most urgent structural reform for reigniting growth

Considering that the barriers to economic growth in South Africa are "complex and require structural reforms", Finance Minister Tito Mboweni's 2020 Budget indicated that the cost of doing business, the cost of finding or conducting work and the cost of living "must be significantly reduced". Such reforms will help to transform the economy by improving the profitability of existing businesses, encouraging the startup of new enterprises, boosting private-sector investment, creating jobs and reducing unemployment, and improving the purchasing power of all households. Government has indicated that, most urgently, the regulatory path should be cleared to enable the private sector to generate its own electricity, thereby contributing financial and technical capacity to meet the country's energy needs.

Ramaphosa announces far-reaching actions to boost power generation 'outside of Eskom'

President Cyril Ramaphosa has announced far-reaching and practical interventions to address South Africa's electricity crisis, including several steps to "significantly increase generation capacity outside of Eskom". In what was his fourth State of the Nation Address, Ramaphosa said measures would be taken, over the coming months, to "fundamentally change the trajectory of energy generation in our country". To rapidly increase non-Eskom generation capacity he announced the following actions:

- The imminent issuance of a Section 34 Ministerial Determination to give effect to the Integrated Resource Plan 2019, enabling the development of additional grid capacity from renewable energy, natural gas, hydropower, battery storage and coal.
- The initiation of the procurement of emergency power from projects that can deliver electricity into the grid within three to 12 months.
- The continued registration by the National Energy Regulator of South Africa (Nersa) of small-scale distributed generation for own use of under 1 MW. Such facilities would require no licence.

- That Nersa would ensure that all applications by commercial and industrial users to produce electricity for own use above 1 MW were processed within the prescribed 120 days, with no limit to installed capacity above 1 MW.
- The launching of Bid Window 5 of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and the opening of discussions with successful bidders from REIPPPP Bid Window 4 to accelerate the completion of their projects.
- The negotiation of supplementary power purchase agreements to acquire additional capacity from existing wind and solar plants.
- The development of measures to enable municipalities, in good financial standing, to procure their own power from independent power producers.

Sasol confirms making 600 MW own-gen proposal in response to DMRE RFI

Energy and chemicals group Sasol has made a submission to the Department of Mineral Resources and Energy (DMRE) in line with its request for information (RFI) on possible emergency electricity solutions that could be "grid-connected in the shortest time at the least possible cost". The RFI closed at the end of January. Sasol's submission outlined a proposal for increasing self-generation across its South African production locations, which could reduce its demand and free-up capacity for Eskom to supply other households and businesses. Overall, Sasol's operations in Secunda, in Mpumalanga, and Sasolburg, in the Free State, required 1 200 MW of electricity. Sasol already generated 600 MW of that internally and Sasol CEO Fleetwood Grobler indicated that it had plans that could make it entirely self-sufficient.

Solar farm under consideration for AMSA in Vanderbijlpark

Steel producer ArcelorMittal South Africa (AMSA) believes there is potential to develop a 75 MW to 100 MW solar photovoltaic (PV) power plant adjacent to its Vanderbijlpark mill, in Gauteng. The JSE-listed company is also convinced that such a project could proceed relatively quickly should South Africa's regulatory framework be adapted to support generation projects larger than 10 MW and be developed on the back of a long-term offtake agreement with an independent power producer. CEO Kobus Verster says that AMSA cannot set aside capital for a solar PV plant. Nevertheless, there is a strong business case for entering into a multidecade power purchase agreement with a third-party supplier, which could locate its solar plant on the AMSA-owned land surrounding the mill. That business case, which has been under review for the past four months, has been further strengthened by the fact that Eskom has again resorted to load-shedding and is warning that power cuts could become more frequent over the coming 18 to 24 months as it ramps up maintenance across its aged coal fleet.

South Africa's permission for ACWA plant expires, lawyers say

ACWA Power has been informed by the South African government that its environmental authorisation to build a 306 MW coal-fired

power plant in the country has expired, according to lawyers opposing the project. The authorisation for the Khanyisa coal-fired plant lapsed on October 31, 2018, and the Saudi electricity company has opposed the decision in South Africa's High Court, the Cape Town-based Centre for Environmental Rights says. The Department of Environment, Fisheries and Forestry maintains that any further activities the company undertakes on the project will be illegal, the lawyers note. The plant was initially supposed to be completed in December 2020.

Turkey's Karpowership looks to plug South African power gap

Turkey's Karpowership, one of the world's largest powership firms, has submitted a plan to South Africa to provide "several" ships capable of plugging the severe power shortage in the country. In December, South Africa's energy department issued a request for information to source between 2 000 MW and 3 000 MW of power generation capacity that could be connected in the shortest time, at the least cost.

ENERGY PLANNING

Ministerial Determinations needed to unlock IRP 2019 are finalised and await Nersa's concurrence

Mineral Resources and Energy Minister Gwede Mantashe announced in February that the Section 34 Ministerial Determinations required to give effect to the Integrated Resource Plan 2019 (IRP 2019) had been finalised and were serving before the National Energy Regulator of South Africa (Nersa) to secure the regulator's concurrence. "Section 34 Determinations to implement the IRP 2019 are finalised and await concurrence of Nersa. This will also enable opening of bid windows for the renewable-energy power procurement and support further

investment in the sector." The Minister provided no timeframes for the receipt of Nersa's concurrence, nor did he indicate whether such concurrence could arise, as has been reported, only after a public comment period. He emphasised, however, that the Department of Mineral Resources and Energy would be guided strictly by the IRP 2019 in its procurement programmes. Besides the emergency programme, the IRP 2019 outlines that South Africa will procure 14 400 MW of new wind, 6 000 MW of new solar photovoltaic, 2 088 MW of energy storage, 2 500 MW of imported hydro, 3 000 MW of gas and 1 500 MW of new coal by 2030.

OTHER

DMRE plans to resume solar water heater programme

The Department of Mineral Resources and Energy (DMRE) is finalising an internal audit on a bidding process to allow for the finalisation of contractual arrangements with appointed service providers for the department's National Solar Water Heater Programme. Following the conclusion of the audit, the installation of solar water heaters is set to resume. The DMRE has not installed any solar water heaters in the 2019/20 financial year.

Implats evaluating 200 MW solar power plant in Zimbabwe

Zimbabwe platinum group metals mining company Implats is in the midst of a feasibility study to evaluate the construction of a 200 MW solar power plant, Impala Platinum (Implats) CEO Nico Muller has said. The proposed solar project will supply not only the required 80 MW of power at Implats, but also the 30 MW the company uses at the Mimosa mine, in Zimbabwe. In addition, it will feed power into Zimbabwe's national power grid as part of a broader in-country strategy.



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