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SOUTH AFRICA ENERGY ROUNDUP

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ESKOM CORPORATE AND FINANCES

Emfuleni municipality reaches agreement to settle debt owed to Eskom

State-owned power utility Eskom met with senior officials of the Gauteng Department of Cooperative Governance and Traditional Affairs (CoGTA) and executive mayors in March to resolve issues regarding the debt owed by municipalities to the group. The meeting was convened by Gauteng Human Settlements, Urban Planning and CoGTA MEC Lebogang Maile following legal action taken by Eskom to attach assets of the Emfuleni local municipality to recover R2.3-billion from the municipality. According to Maile, the meeting signalled "the beginning of much-needed coordination between government and various organs of State" to ensure a systematic, holistic approach in resolving issues that might hinder delivery of service to communities. Subsequently, Eskom and the municipality have agreed to work closely to promote a culture of paying for services on time, starting with municipalities and moving down to communities. This will afford Eskom an opportunity to meet its own obligations with its lenders.

Eskom graft probe widens into contracts with global partners

Eskom contracts with five international companies will be scrutinised by State investigators as part of a widening probe into graft at the debt-laden State-owned utility. The probe will review agreements with North American engineering services firms WSP Global and Black & Veatch, as well as agreements with Alstom of France, Switzerland's ABB and Italian firm Teneo, Eskom has said. Documents submitted by Eskom to Parliament's Standing Committee on Public Accounts have detailed the contracts. The contracts were all repeatedly modified, with the value increasing above their initial approved cost. WSP's agreement – signed by a company later bought by the Canadian firm – cost Eskom more than 60 times the original fee. Black & Veatch's is more than 130 times the initial estimate, according to Eskom.

No immediate power tariff impact, but first court ruling portends material future hikes

The Eskom tariff increase for 2020/21 tabled before lawmakers in March provides no scope for any further hikes this year, beyond those already sanctioned for April 1 by the National Energy Regulator of South Africa (Nersa) in previous price determinations and regulatory clearing account (RCA) rulings. The tariff will, therefore, increase by 8.76% this year, marginally above the 8.1% sanctioned under the fourth multiyear price determination (MYPD4) hikes announced in early 2019, owing to the partial liquidation of RCA adjustments sanctioned by Nersa following two separate MYPD3-related RCA applications by Eskom. The adjustments will increase the Eskom tariff to 116c/kWh from 106c/kWh. The tariff will not be affected this year by either the recent adverse court ruling against the regulator pertaining to its mishandling of Eskom's 2018/19 application, or by any possible upward adjustment that could flow as a result of recently concluded RCA public hearings covering that same financial year. Even prior to the March 10 ruling, in which Judge Jody Kollapen reviewed and set aside Nersa's 2018/19 determination, it became clear that neither it, nor the RCA application, could have an immediate impact on the tariff, owing to the requirement that Eskom's tariff be tabled in Parliament on or before March 15. In the event, the hike was officially tabled on March 12. Nevertheless, the court ruling, which is one of three live legal challenges by Eskom against Nersa determinations, is more than likely to have material implications for future tariff increases.

Zimbabwe pays last of debt to Eskom

Zimbabwe has paid off all its debt to South African power utility Eskom and is now in a position to negotiate for a new deal, the country's Minister of Energy, Fortune Chasi, has said. Eskom in the past threatened to cut off electricity supplies to Zimbabwe after its debt reached $33-million. In August 2019, a deal was reached for partial payments of $890 000 a week towards the settlement of the debt.

ESKOM GENERATION

Eskom postpones 'philosophy maintenance' as it shuts units in response to drop in demand

State-owned electricity producer Eskom has reported that demand dropped by more than 6 000 MW on the afternoon of March 26 as businesses shut in anticipation of the start of the nationwide Covid-19 lockdown. The utility also indicated that a further reduction in demand was anticipated for the 21-day period and that it, therefore, did not expect to implement load-shedding during the lockdown. The message was in line with Mineral Resources and Energy Minister Gwede Mantashe's statement of March 25, in which he indicated that the risk of load-shedding would be low during the lockdown, owing to the fall in demand from energy-intensive firms. To protect the integrity of the system during the lockdown, Eskom is taking some generation units off the grid.

Greenpeace against granting of MES compliance postponement to Eskom

South African National Air Quality Officer Dr Thuli Khumalo's decision on State-owned power utility Eskom's application for a postponement from complying with the Minimum Emission Standards (MES) at the end of March could have implications as far reaching as the country's water security, Greenpeace Africa has said. The environmental organisation has called on Khumalo to reject Eskom's application for postponement from compliance with the MES and to set a decisive precedent against polluters in South Africa, which continue to undermine society's right to a clean environment. Eskom has since 2018 applied for suspension or alternative limits of the MES for several of its coal-fired power stations. The organisation has said Eskom uses the same volume of water in one second that a single person uses in a year – based on access to a minimum of 25 ℓ a day of water.

INDEPENDENT POWER PRODUCERS

Bank forecasting 'exponential growth' for small-scale power market

A leading South African bank is forecasting "exponential growth" for the country's small-scale embedded generation (SSEG) market in the coming few years, having already committed to funding project pipelines worth more than R1-billion, mostly in the form of rooftop solar. Nedbank CIB energy finance principal Duncan Abel says the market has already expanded materially from close to zero only five years ago, in spite of ongoing regulatory uncertainty. Liberalisation of the grid, wheeling and battery storage will further fuel rapid growth. The growth in SSEG has been underpinned by a sharp fall in the cost of solar photovoltaic technology in particular, as well as a desire among South African companies for tariff certainty in a context of ongoing, above inflation, Eskom hikes and load-shedding. In addition, many SSEG deployments, particularly those being undertaken by multinationals operating in South Africa, are increasingly motivated by internal decarbonisation targets and commitments to the United Nations Sustainable Development Goals.

Exxaro driving rigorous renewable-energy strategy

South Africa's electricity generation crisis has created major opportunities for companies, businesses and individuals to start generating their own power, coal mining company Exxaro CEO Mxolisi Mgojo has said. "What is becoming very critical now is how we actually fast-track the enabling of self-generation to happen, because we know that for the coming 18 months to two years, we're going to be confronted by continuous load-shedding, until such time as the maintenance programme has been done effectively, and Medupi and Kusile are sorted out. Like many other mining companies, we are looking at how we can plug part of that gap by providing our own ability to generate power for ourselves, and over and above that we see the area of renewable energy being a very critical area going into the future, hence our decision to buy the remaining 50% of Cennergi. All the conditions precedent have been met and at the end of this month [March], we'll close that transaction formally, which means we'll own 100% of the renewable-energy company," he has said.

Juwi achieves a million injury-free hours at Bokamoso site

Juwi Renewable Energies achieved a record one-million lost-time-incident- (LTI-) free hours at the end of February. The renewable-energy company is building the 78 MW Bokamoso Solar Park, near Leeudoringstad, in the North West. The achievement is equivalent to 125 people working on a remote site for 1 000 days without incident or harm to anyone. The Bokamoso Solar Park is part of Round 4 of the Renewable Energy Independent Power Producer Procurement Programme.

ENERGY PLANNING AND REGULATIONS

IRP to be reviewed frequently, says DMRE

The Department of Mineral Resources and Energy (DMRE) has started with its work to implement the Integrated Resources Plan 2019 (IRP 2019) and has said that the plan will be updated regularly. DMRE deputy director-general Jacob Mbele told the Africa Energy Indaba in March that the plan had to be reviewed frequently to ensure that assumptions that underpinned the plan were not out of date. The IRP 2019 provides for additional capacity of 2 000 MW of emergency power, 1 500 MW from coal, 2 500 MW from hydropower, 6 000 MW from photovoltaic, 14 400 MW from wind, 2 088 MW from energy storage and 3 000 MW from gas.

Lawyers question whether Nersa's concurrence timeline reflects power-shortfall urgency

Project finance and energy specialists from a leading domestic law firm have questioned whether the timetable outlined by the National Energy Regulator of South Africa (Nersa) for providing its concurrence with two Ministerial determinations for new power generation "truly reflects the urgency of the need for solutions to South Africa's electricity generation shortfall". In a note to clients, a team of Webber Wentzel attorneys, led by partners Jason van der Poel and Alexandra Felekis, have expressed the view that the law provides dispensation for Nersa "to attenuate the public consultation process" on the basis of the country's prevailing electricity supply emergency. The note was released after Nersa published two consultation papers on March 18, which initiated the long-awaited process for providing concurrence with Ministerial determinations submitted to the regulator by Mineral Resources and Energy Minister Gwede Mantashe in line with Section 34 of the Electricity Regulation Act. Both determinations were signed by Mantashe on February 18.

Mantashe sustains 1 MW licence-exemption cap despite calls for higher threshold

Mineral Resources and Energy Minister Gwede Mantashe Gazetted an amended version of Schedule 2 of the Electricity Regulation Act on March 26, which the Department of Mineral Resources and Energy (DMRE) has said further clarifies the requirements for generation for own use for facilities of under 1 MW. The schedule outlines the circumstances for exempting certain categories of generation facilities and resellers from the requirement of holding a generation licence. The DMRE has said provision has been made in the 2019 edition of the Integrated Resource Plan (IRP) for distributed generation and that generation for own use of more than 1 MW, thus, removes the need for a Ministerial approval for deviation from the IRP before the National Energy Regulator of South Africa (Nersa) could process a generation licence application. The Gazette notice lists those activities that are exempt from the requirement to apply for and hold a licence, but also distinguishes between those facilities that must register with Nersa and those that do not need to register at all. There was disappointment with the fact that the 1 MW threshold was maintained for those facilities that would be exempted from licensing, with industry commentators having argued previously that the cap should be raised to 10 MW in light of South Africa's power crisis.

OTHER

CBI invites research proposals to advance lead battery tech in energy storage

The Consortium for Battery Innovation (CBI) has launched a request for research proposals to support battery technology innovation in energy storage systems. The consortium is seeking research bids focused on facilitating the latest understanding in energy storage applications, such as microgrids for renewable energy, load following for electrical grids and demand response for commercial and industrial applications. The International Renewable Energy Agency predicts that 150 GW of energy storage, using batteries, will be needed by 2030 if renewable-energy targets are to be reached.

Lesedi keen to retain nuclear skills built up over years in South Africa

South African engineering, procurement, construction and maintenance company Lesedi is keen to use its nuclear expertise and skills in South Africa and other African countries and is also looking to expand its focus to Saudi Arabia and Abu Dhabi. Lesedi has diversified its business and is active in multiple energy generation segments in the mining industry, as well as the oil and gas, power generation and renewable-energy environments, but wants to retain its nuclear skills, built up over years in operating the Koeberg nuclear power station, in the Western Cape. "For new nuclear to come on line after 2030, we should start the process as soon as possible, to retain critical nuclear skills and to contribute to energy stability, industrialisation and economic growth in South Africa," Lesedi business development executive Shane Pereira has said. He points out that Lesedi continues to pursue international nuclear opportunities, so that it retains critical nuclear skills.

SANEDI says 12L tax incentive is paying off

The South African National Energy Development Institute (SANEDI) has said that government's 12L Tax Incentive has delivered more than 24 TWh in energy savings since November 2013. This equates to a total gross rebate of nearly R20-billion to South African taxpayers. SANEDI has said that there has also been a reduction of 24.4 megatons of carbon dioxide, which also indicates the success of the Section 12L Tax Incentive, in its aim of creating a local economy that is based on energy efficient practices. The total terawatt-hour savings have increased from 5.2 TWh in 2015 – before the rebate was increased from 45c/kWh to 95c/kWh – to 24.7 TWh this year.

The regulations for Section 12L set out the process and methodology for claiming an allowance for energy savings; a baseline, or benchmarking, model and reports must then be compiled and submitted to SANEDI for approval.

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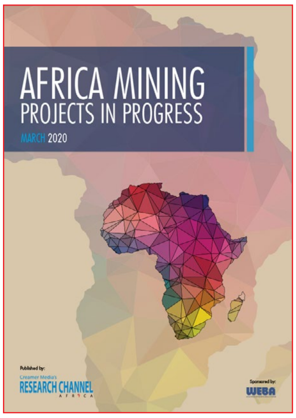

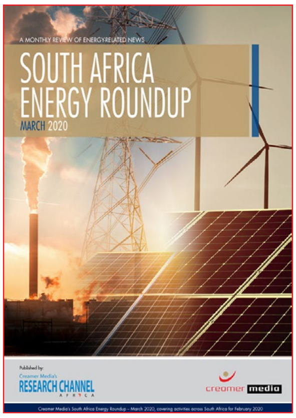

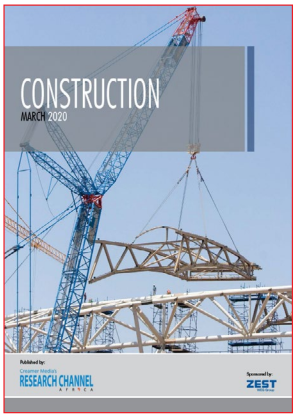

This report has been compiled by Creamer Media's Research Unit, based in Johannesburg, South Africa. It forms part of a monthly series that is available for purchase, as well as free of charge to subscribers to Creamer Media's Research Channel Africa and Mining Weekly Research. The information has been drawn from sources believed to be reliable, but no warranty is made on the accuracy of such information. The report covers activities across South Africa for March 2020.

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