



EUROPEAN UNION
DELEGATION TO THE REPUBLIC OF SOUTH AFRICA
AMBASSADOR

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Subject: Comment on the Concurrence with the Ministerial Determination on the Procurement of New Generation Capacity from Renewables (Wind & PV), Storage, Gas, and Coal Technologies (Consultation Paper 2)

Following my previous correspondence on the Consultation Paper 1, sent on 14 April 2020, I would like now to submit, on behalf of the European Union Delegation to South Africa, further inputs and comments on the consultation paper 2, trusting that these can be further discussed and taken into account.

The determination in subject and speed at which the procurement of 11 813MW of new generation capacity is able to proceed are of critical importance to South Africa's improved energy security. We reiterate the availability of the European Union to engage in a dialogue with NERSA and the Department of Mineral Resources and Energy (DMRE) in working towards the fast-tracking of additional procurement and energy security in South Africa.

Below we outline our key comments together with key recommendations for your consideration in the procurement of 11 813 MW of new generation capacity to contribute towards energy security sourced from the 2019 IRP allocations (Table 5), where:

- a. 6 800 MW is from Renewables (Wind and PV) for the years 2022 to 2024;
- b. 513 MW is from Storage for the year 2022;
- c. 3 000 MW is from Gas for the years 2024 to 2027; and
- d. 1 500 MW is from Coal for the years 2023 to 2027.

Key Comments:

This submission and the previous one dated 14 April are made in the interests of sharing insights which could support ensuring security of energy supply for all South Africans and in contributing to the improvement of inclusive, employment creating and low-carbon economic growth in South Africa. The submission is intended to offer constructive suggestions as to how

this could best be achieved, and to form a basis on which to continue and broaden the dialogue with NERSA going forward.

The EU Delegation further notes the wide scope of questions posed in the Consultation Paper and wonders what the rationale is behind them¹. We consider that certain questions posed may not necessarily require responses for NERSA to arrive at its decision to concur with the Determination or not. We trust that these specific questions will thus not have a bearing on NERSA's decision, but are rather posed for the Regulator to gain a broader understanding of public opinion.

On Timeframes and Urgency

The EU Delegation recognises and welcomed Minister Mantashe announcing and publishing the Section 34 Ministerial Determinations following President Ramaphosa's direction provided under the State of the Nation Address in February 2020.

The EU Delegation would like to reiterate the important role NERSA plays in the concurrence process, as confirmed by the South African courts. Any determination not concurred with by the Regulator will hold no legal effect or consequence.

The urgent need for additional generation capacity is apparent to South African citizens and foreign investors alike. The EU Delegation would encourage the Regulator to bear in mind the impacts of further delaying or slowly moving ahead with the process, in coming to its final decision.

The Regulator's concurrence process should proceed at speed to the next phase of centralised procurement, even under the current COVID-19 situation, in order to allow for the procurement of new generation capacity to begin without unnecessary delay and in line with the IRP 2019. This has direct impact on employment creation, job security and economic growth in South Africa.

It should be noted and bearing in mind delays caused as a result of the COVID-19 pandemic, the EU Delegation encourages the Regulator to play its part in ensuring the procurement process for renewable energy, storage and gas needs to commence in 2020 in order to have any chance of meeting the target dates stipulated in the IRP.

On the Procurement Process

South Africa's Renewable Energy Independent Power Producer Programme (REIPPPP) has been recognised as an example of one of the most successful public-private partnerships not only in Africa, but the world.

¹ Related to Renewable Energy Sources specifically questions: vii, viii.
Related to Gas, specifically questions: iii, iv, xii, ix.
Related to Storage, specifically questions: vi, vii.
Related to Coal, specifically questions: iii, iv, viii.

The EU Delegation would encourage the Regulator to proceed with a process similar to the REIPPPP.

IPP's would be recommended as preferred builders of the new generation capacity, as this would amongst other considerations remove construction, financial and operational risks from Eskom; there are a number of well-developed projects that could be brought to financial close; and IPPs have proven to be a successful method through which to leverage private-sector investments.

Key Recommendations:

The key driving consideration in this process should be to identify the most rapid means of meeting the policy objective of addressing South Africa's energy security, whilst not hampering other initiatives that would contribute thereto, or other longer-term initiatives for large-scale procurement.

It is understood that the Regulator should continue to be guided by the IRP 2019, in its consideration of concurrence with the Ministerial Determination.

In concluding, it is the opinion of the EU Delegation that NERSA should concur with a centralised procurement programme to be put in place as soon as administratively feasible to allow the continued procurement of utility scale projects in line with the IRP.

Yours sincerely,



Riina KIONKA

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