

# Eskom challenged on power purchasing

One of the renewable energy associations has officially complained about Eskom's apparent refusal to enter into power purchasing agreements with preferred bidders.

The South African Wind Energy Association (SAWEA) has approached the Energy Regulator of South Africa (NERSA) over the utility's failure to comply with ministerial determinations.



## Contravening government mandate

"SAWEA believes that Eskom is acting in direct contravention with the government's policy to diversify the country's energy mix," says Johan van den Berg, CEO of the SAWEA.

The complaint details Eskom's refusal to comply with the Electricity Regulation Act, ministerial determinations and Eskom's own transmission licence conditions. "Eskom's current stance is incompatible with government policy, the law of the land, and its own licence conditions, he adds.

## Eskom pushing its own agenda

The industry believes that Eskom, which is by far the largest generator in the country, is abusing its position as the operator of the national grid in order to favour its own investment in new power plants.

Unease over Eskom's motives leads SAWEA to believe that the state-owned utility is pushing its own agenda and opposing government's energy policy. SAWEA considers recent statements issued by Eskom to be misleading and not in the best interest of the country.

Decisions on new power generation are the sole preserve of the minister of energy, who has issued a series of determinations designed to stimulate competition, diversify the energy mix, and reduce the country's carbon emissions.

## **Renewables milestones**

Since 2011, the renewable energy independent power producer procurement programme (REIPPPP) has awarded 6,590 MW of renewable energy capacity to 102 independent power producers, of which at least 44 are already operational. In all the programme will attract new private sector investment worth R194bn in predominantly rural areas.

Successive capacity bidding rounds have seen tariffs fall to the point that renewables are now the cheapest form of electricity generation available to the country. Independent research by the CSIR has confirmed that wind and solar PV energy are, without a doubt, the lowest cost generation option for South Africa's future.

## **Boosting social development**

The REIPPPP will also lead to significant investments in social development in the communities surrounding these projects. Approximately R19,3bn will be ploughed into social development and a further R6bn will go into enterprise development over the 20-year lives of the projects. Local communities will earn a further R29,2bn through their direct shareholding in the projects.

Renewable programmes are also stimulating local manufacturing and creating sustainable jobs. By March 2016 over R30bn had been spent on local content and a further R65,7bn is expected to be spent by projects that have yet to commence construction. Twelve new industrial facilities have been established as a direct result of the programme. Since 2013, the construction and operation of renewable energy projects has already created 111,835 job years for South African citizens.

## **Presidential support**

Cabinet recently recognised these accounts when it issued a statement reaffirming support for the REIPPPP. The office of the president has further stated that "all the independent power producer programmes, and any other determinations made by the minister of energy, are and remain government policy and are supported by the presidency".

"Given these facts, Eskom's refusal to sign any further power purchase agreements with renewable energy producers is quite inexplicable and clearly falls foul of the law," concludes van den Berg.

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