

ENERGY COUNCIL OF SOUTH AFRICA

Proposed governance and process for business participation in Necom

June 2023



Government and Business have agreed to a collaborative approach on key issues, including solving the energy crisis



A collaborative approach to achieve inclusive growth, inspire confidence and create jobs

6 June 2023



Priority	Work underway	Ongoing challenges
End load shedding and achieve energy security	- Energy Action Plan announced by the President in July 2022, with five priority interventions. - National Energy Crisis Committee (NECOM) established to coordinate the plan, overseen by the Minister in the Presidency for Electricity.	- Stage 6 load shedding costing the economy > R1 billion per day and causing significant job losses. - Continued volatility in the performance of Eskom's existing fleet. - Delays in procurement of new generation capacity.
Improve the efficiency of the freight logistics system	- National Rail Policy adopted by Cabinet in April 2022. - Freight Logistics Roadmap being developed by Operation Vulindlela, DOT, DPE and National Treasury. - National Logistics Crisis Committee (NLCC) being established to coordinate implementation of the roadmap.	5% of GDP lost economic growth due to rail underperformance in 2022 - Losses of ~R50 billion to minerals sector alone in 2022. - Continued decline in volumes transported threatening economic growth and Transnet's sustainability.
Reduce violent crime and protect economic infrastructure	- Economic Infrastructure Task Teams (EITTs) established to address cable theft and other crimes. - Energy Safety and Security Priority Committee established to investigate criminal activity in Eskom. - Ongoing collaboration between NPA and Hawks to take forward state capture investigations.	- Rising crime rates caused in part by deteriorating justice system performance - Commercial crime rose by 19.9% y/y in Jan-Mar 2023 - Impact on societal and investor confidence (Business Confidence Index score of 38/100)

Regular progress reporting to the President and key Ministers must be maintained

Proposed structures for coordination and accountability

Meeting every six weeks to brief the President and Ministers on progress and escalate key decisions which cannot be resolved at JSOC

Fortnightly meeting to assess progress, determine priorities and provide strategic direction at a senior level

Working interface for day-to-day collaboration on joint activities – agreeing priorities and driving delivery

Meeting with President, Ministers and business leaders

Joint Strategic Operations Committee (JSOC)

Secretariat

DG in the Presidency (chair)

- DG of Mineral Resources and Energy
 - DG of Public Enterprises
 - DG of Transport
 - DG of State Security
 - National Commissioner of Police
 - GCEs of Eskom and Transnet

**Operation Vulindlela
NATJOINTS**

B4SA Steerco:

- Martin Kingston
- Adrian Gore
- Busi Mavuso
- Cas Coovadia
- Lisa Klein

**CEO sponsors
Senior executives**

Communications (cross-cutting)

National Energy Crisis Committee

NECOM secretariat

Business platform

National Logistics Crisis Committee

NLCC secretariat

Business platform

Joint Initiative on Crime and Corruption

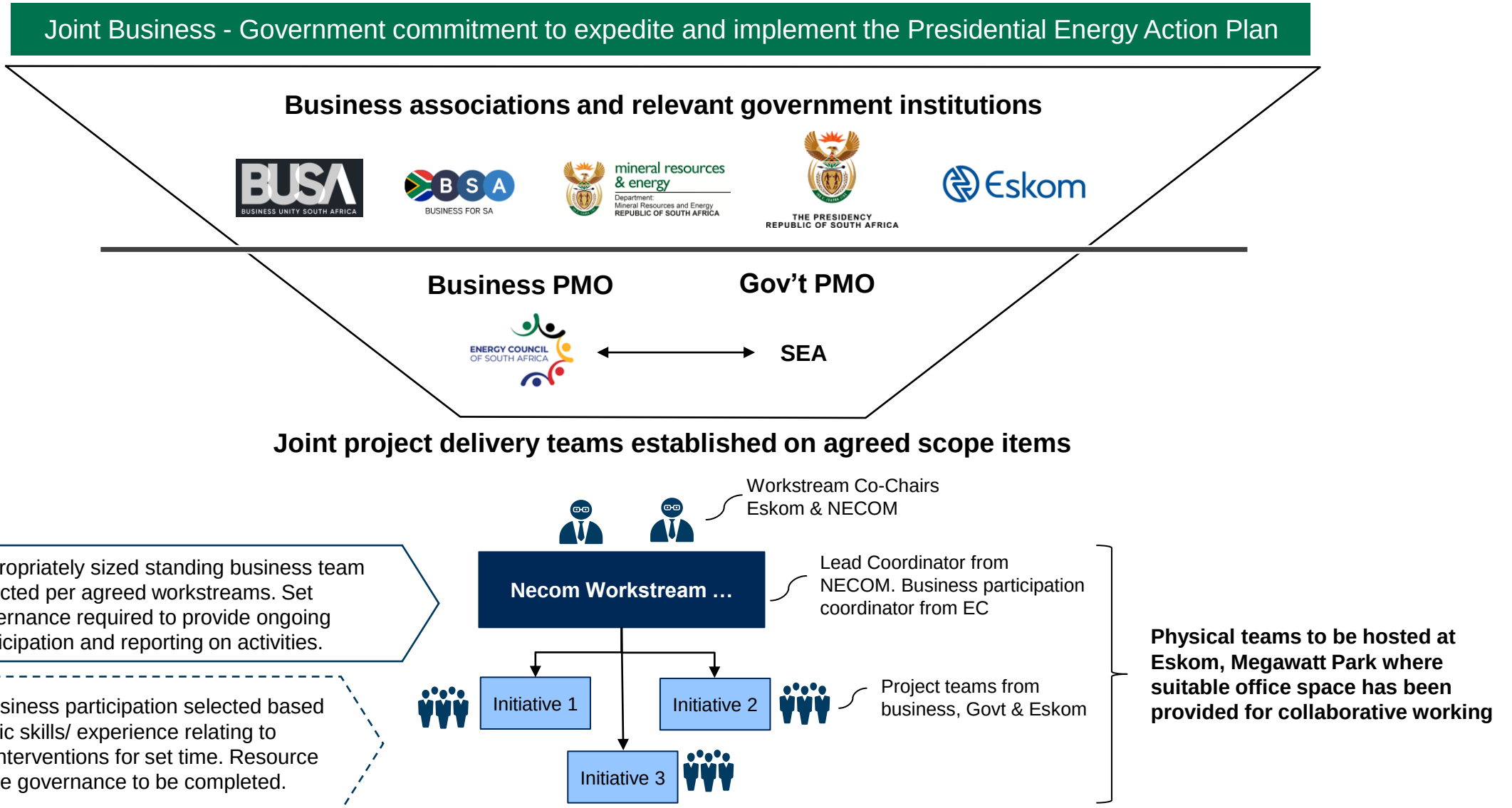
NATJOINTS

Business platform

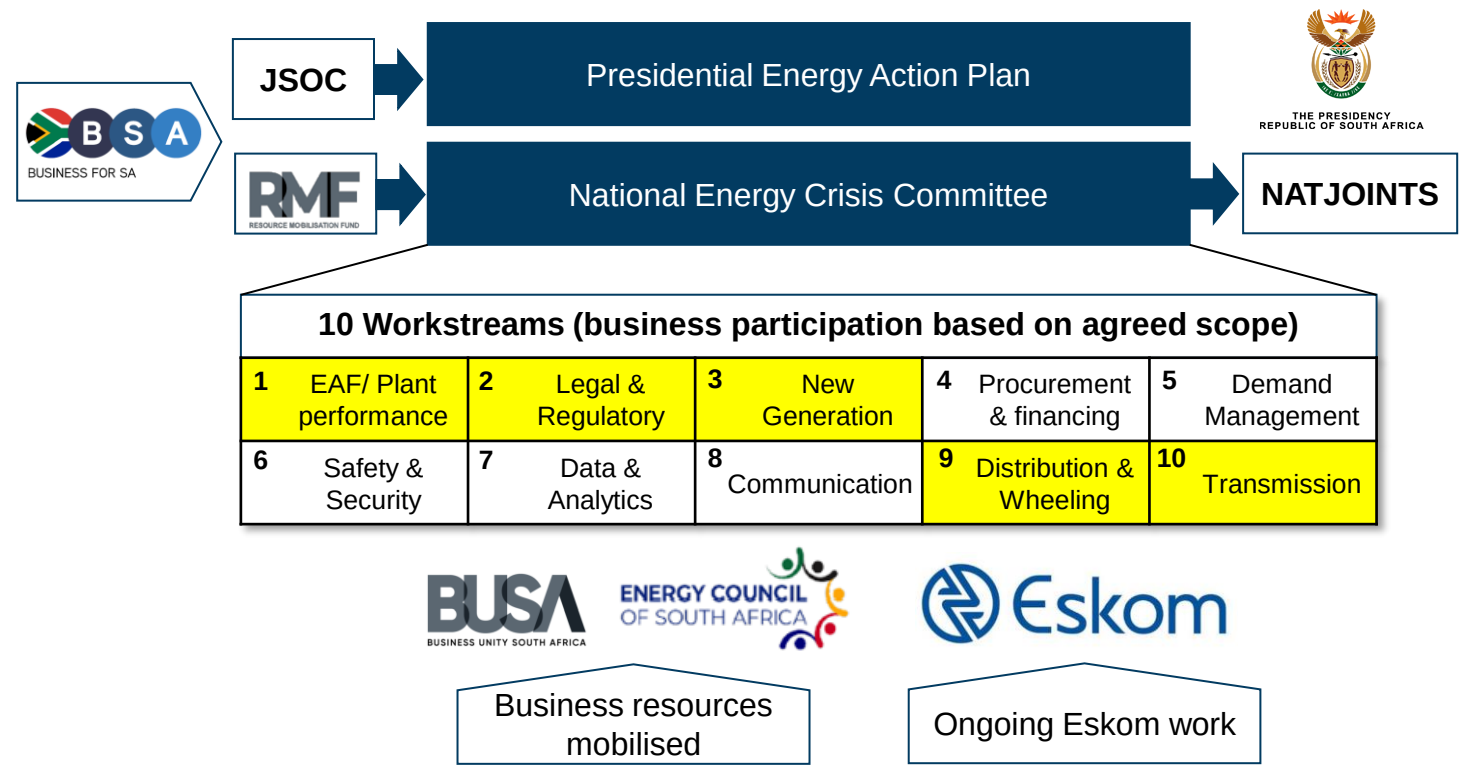
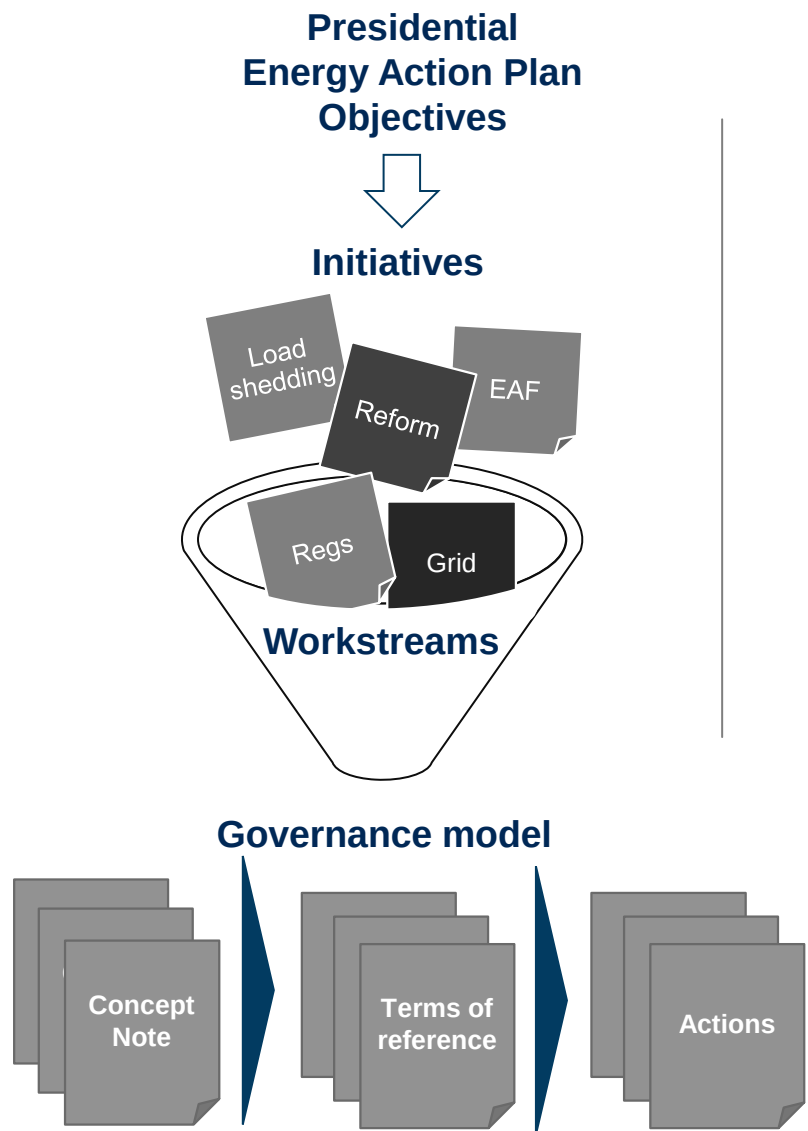
NECOM has been agreed as a joint working platform between Government; Eskom and Business to realise the expedited implementation of the Presidential Energy Action Plan.

- The Energy Council of South Africa will lead the coordination of business participation, ensuring efficient working and transparency on the role of Business.
- Business participation will follow a defined governance process for defined scopes of work.
- Project Management capacity will be provided to ensure consistent communication and reporting is maintained.
- Approved business working teams will be located at Megawatt Park to facilitate joint working and relations with Eskom.

Establishment of business teams will follow a transparent governance process



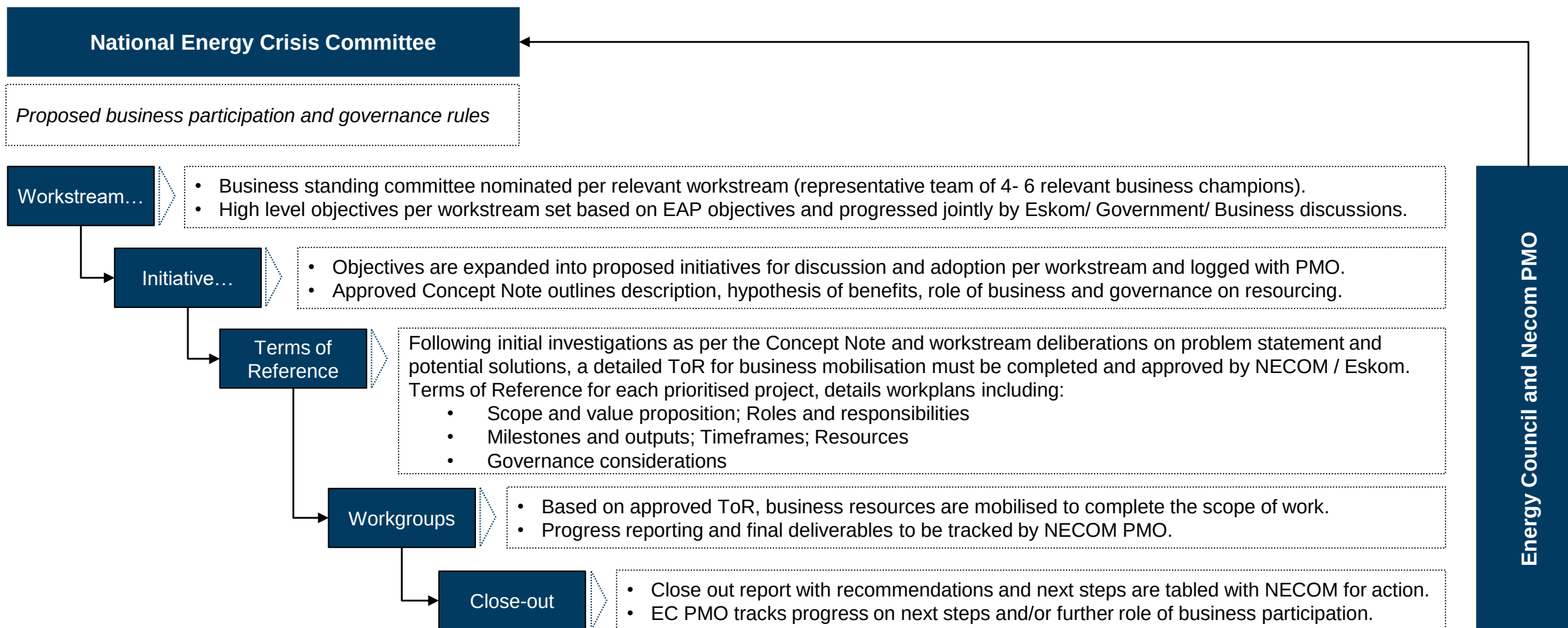
Coordination of business participation in NECOM workstreams



Note: Business will not participate in any procurement, financing or security related scopes of work.

High Priority focus areas

Governance model set out for business participation in NECOM



Initiatives identified for joint consideration and action through NECOM

No.	Initiative	Description	Concept Note (drafted / adopted)
1	Workstream 1	EAf and Power Station Performance	
1.1	Projects		
1.1.1	OCGT	OCGT Diesel supply chain: Supply and logistics optimisation	Adopted
1.1.2	Kusile Temp Duct	Kusile duct replacement programme review. Civils design review and project implementation plan review.	Drafted
1.1.3	Matla:	Conduct a technical review and provide recommendations on the following Eskom technical challenges: Coal Washing; Ash Handling; Slurry Removal; Emissions Scrubbing	Drafting in progress
1.1.4	Kriel:	Conduct a technical review and assessment: Cooling to recover load loss	Drafting in progress
1.1.5	Majuba	Provide technical assessment: Bag filters maintenance/replacement	Drafting in progress
1.1.6	Kendal:	Conduct a technical review and provide recommendations on the following Eskom technical challenges: Mills Maintenance; Dust & Ash handling; Air heaters; demin water availability	Drafting in progress
1.2	Programmes		
1.2.1	Technical & Management Resource Coaching and support programme	1 year programme on mentoring and training to assist management/power station managers (Matla, Kriel, Majuba and Kendal).	Drafting in progress

Note: Workstream 1.

Initiatives have been classified as projects vs programmes. Projects defined largely as focused technical issue identified by Eskom with set start and end date. Programmes defined as 12 month coaching and leadership support for specific power station cluster as outlined.

Initial projects on diesel supply optimisation and Kusile duct replacement review are already in implementation. Concept notes for these have been completed with appropriate resources identified with CV's, NDA's and Conflict of Interest disclosures completed and on file

Further preparation work is underway with target groups of business who have volunteered support.

Initial Businesses participation includes the following organisations:

- Anglo American
- AMSA
- Sasol
- Steinweg Bridge
- SAPIA
- Vopak
- Pragma
- Aurex
- Sebenzana

Initiatives identified for joint consideration and action through NECOM cont.

No.	Initiative	Description	Concept Note (drafted / adopted)
2	Workstream 2	Regulatory and legal	
2.1	Energy One Stop Shop	Design and operationalise Energy One Stop Shop to continue the streamlining intervention established under Operation <u>Yulindlela</u>	(TBC)
2.2	Electricity Regulation Amendment Bill	Expedite the tabling and approval of ERA through Parliament	(TBC)
2.3	Streamline environmental approvals	Exempt solar PV and battery energy storage in areas of low sensitivity	(TBC)
3	Workstream 3	New Generation Capacity	
3.1	Private generation		
3.1.1	Private Wind and Solar PPA market development – Corporate, C&I, Agri. Wheeled power – 4GW/ annum	Develop standardised project documents, PPA. Track pipeline of private power generation development	
3.1.2	Private non-renewables generation: Co-gen; Gas to Power – 2- 3GW	Craft a position paper on market-led investment in dispatchable power. Present current barriers and value proposition.	
3.1.3	Small scale embedded or BTM generation 350MW/ annum	Craft a position paper on small scale embedded or BTM generation procurement programme. Present current barriers and value proposition.	
3.1.4	Storage	Develop and present a position paper on the value proposition of storage in the national energy mix. Provide procurement mechanisms to stimulate uptake of energy storage.	
3.2	Tariff unbundling and market signals		
3.2.1	Standard offer/ Feed-in-tariff/ Emergency Gen/ Load curtailment exemption	Review the current policies and regulations. Recommend and craft new regulations to stimulate investment into private generation procurement.	
3.2.2	Tax and other incentives	Investigate incentives to stimulate private investment in new generation capacity.	

Note: Workstream 2.

Necom has completed significant work on regulatory process improvement. Current focus for business support is on finalising the design architecture, capacitation and operationalisation of the One-Stop-Shop
Other key reform steps that are key to realising the EAP have been identified

Initial Businesses participation includes the following organisations:

- DTIC
- PwC

Note: Workstream 3.

Scope has been separated to exclude any public procurement i.e. IPPO related content

Significant opportunity to optimise and accelerate private sector backed investment direct investment has been outlined. Such investment is quick to market, is at private sector risk and does not burden the national balance sheet.
Further market and tariff reforms are required to consolidate work done to date, largely by Eskom but also by organic market growth.

No specific Business participation has been agreed to date but significant contributions have been made by multiple organisations to date.

Initiatives identified for joint consideration and action through NECOM cont.

No.	Initiative	Description	Concept Note (drafted / adopted)
9	Workstream 9	Distribution challenges and national wheeling	
9.1	National Wheeling Framework		
9.1.1	Regulatory Rules for Third Party Wheeling	NERSA to draft and release a national wheeling framework, with input from stakeholders	Pending
9.1.2	Eskom Virtual Wheeling Platform	Eskom to implement VWP pilot and then deploy	Pending
9.1.3	National Wheeling Colloquium	Legal review of wheeling constraints and mechanisms.	
9.2	Municipal readiness and reform		
9.2.1	Classification and strategy for sustainable Dx	Articulate clear value proposition for municipal utilities through energy transition	
9.2.2	Municipal debt / Security Deposits	Where wheeling from Eskom into municipalities: resolve Eskom requirement for security deposits and no municipal debt. Treasury debt relief.	Pending
9.2.3	Wheeling framework, standardisation, tariffs	Roll out municipal adoption of wheeling frameworks, standard agreements, CoS, tariffs	Pending
9.2.4	Digital systems / billing	Link to WS5 smart meter rollout	
9.2.5	Capability / adoption / implementation support	Intervention to ensure municipalities have the systems and human resources to implement. Intermediary market model to fill capacity and systems gap to enable speed and scale of new wheeling deals in municipalities.	Drafted
9.3	Market formation and trading		
9.3.1	Aggregated Local model and role of Districts	Enable market through increased generator / <u>offtaker</u> pool by working at District level.	
9.3.2	Wholesale market codes	Develop and adopt codes regarding wholesale electricity market.	
9.4	Distribution grid capacity		
9.4.1	Skills and expertise	Ensure that municipal network operators have the skills and expertise to manage and plan	
9.4.2	Dx grid strengthening and upgrade	Accelerate and fund new Dx grid capacity in municipalities	

Note: Workstream 9.

Significant work has been ongoing in the development of seamless national wheeling. Preliminary NECOM work has included consolidating the numerous efforts to create greater awareness and alignment.

NECOM focus to date has been on National Wheeling Framework and financial bottlenecks where wheeling into municipalities: Eskom security deposits and municipal debt.

Municipal utility reform is identified as an area that lags yet is increasingly becoming a critical bottleneck to further development. Design and implementation of a clear strategic value proposition through the energy transition is not evident for Municipal utilities and will be a challenging area to address.

No specific Business participation has been agreed to date but significant contributions have been made by multiple organisations to date.

Specific contributions include:

- Eskom
- Municipalities individually and through member bodies, SALGA, AMEU
- Private sector inputs: e.g. EnerJ, Energy Council members and subject matter experts
- Non-profit sector development: e.g. implementation through GreenCape, Sustainable Energy Africa with funding through GIZ, UKHC and provincial governments.
- Advisory: e.g. EY

Initiatives identified for joint consideration and action through NECOM cont.

No.	Initiative	Description	Concept Note (drafted / adopted)
10	Workstream 10	Expanding and strengthening Transmission	
10.1	Grid working framework		
10.1.1	Roadmap to enable investment in expanded Transmission capacity	Compile and align technical solutions, market mechanisms and interventions to enable them.	Drafted
10.2	Short-term optimised grid access		
10.2.1	Queueing and allocation rules	Rationalise grid access queueing rules to optimise rapid deployment of new generation across private and public procurement processes	Pending
10.2.2	Curtailment and dispatch patterns	Enable additional capacity integration by updating permissible curtailment	
10.2.3	Maximise utilisation of existing grid capacity	Measures to direct the market to integrating new generation capacity where existing grid capacity	
10.3	Accelerate grid expansion and support implementation of TDP		
10.3.1	Optimise TDP investment	Infrastructure breakpoints and TDP investment optimisation. Subs vs wires/ phasing/ private sector participation models.	

Note: Workstream 10.

Transmission workstream is recently formed and still being shaped. Preliminary NECOM work has included consolidating the numerous efforts to create greater awareness and alignment.

No specific Business participation has been agreed to date but significant contributions have been made by multiple organisations to date.

An untapped opportunity exists to define targeted interventions that enable business support in unlocking new transmission capacity. Energy Council members, subject matter experts, and Eskom have actively engaged on targeted intervention terms of reference.

Some of the specific contributions include:

- SAPVIA
- SAWEA

Note:

Workstream 5. Detailed action plans have been developed by Eskom, but limited requirement for further business participation has been identified at this stage. On-going discussions will be progressed to identify participation by business.

Workstream 8. Ongoing discussions on business role in developing a constructive energy narrative, including communication and response to a national blackout scenario

Energy Council PMO capability: tracking and reporting

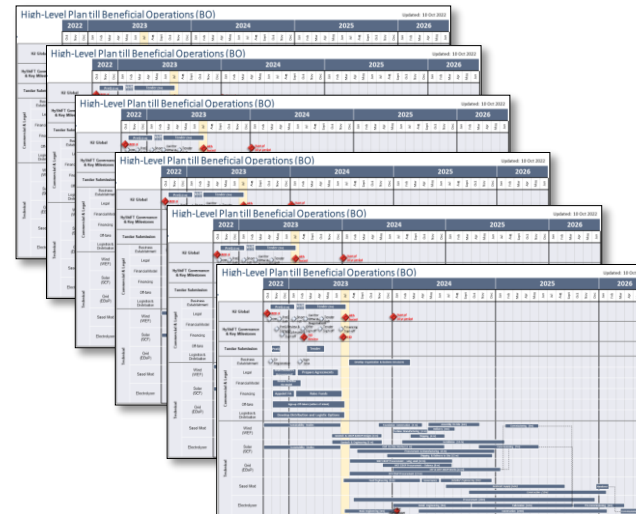
Dashboarding

Each project team per workstream will have a **weekly reporting dashboard** that tracks the execution progress and performance; including a view on key activities, issues and risks that arise during implementation



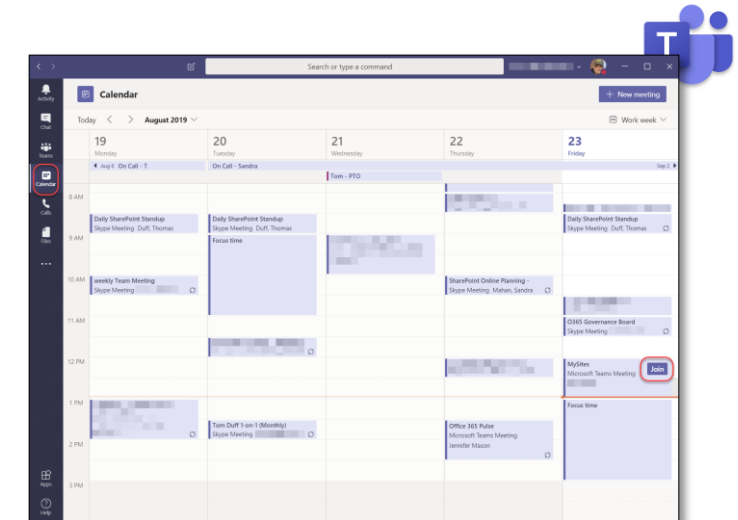
Work plans

Roadmaps / Gantt charts will be developed for each project, indicating milestones, activities, timelines, responsible persons and deliverables of the specific project



Shared calendar

A **shared calendar** will be availed on the Energy Council Microsoft Teams directory that provides a view on the key meetings occurring in the workstreams. The calendar will include links to meetings, available for members to join



Proposed ongoing communication plan for business participation in Necom

Communication objectives:

1. Balancing multiple Stakeholder participation whilst recognising structure and governance of the Presidency and NECOM.
2. Ensure regular, transparent and robust progress reporting on the ongoing role and actions of business.
3. Protect appropriate levels of information that may be restricted/confidential/commercially sensitive.
4. Shift energy narrative with broader society to create confidence that the energy crisis is being dealt with.
5. Ensure objectivity and transparency are maintained on the role of business participation in government.

Communication Channels:

Interactive forums for direct feedback and Q&A	Reporting through Presidency & B4SA	Other – Newsletters, social media etc.
Monthly technical overview meeting • Broad open session • General participation • Present progress in dashboard format • Field questions Focused interactive technical forums • Specific to workstream • Registered participation • Focused on tech issues • Two-way interaction	Joint report every week shared with: • B4SA Steerco • Presidency • Minister of Electricity Report to include dashboard from each Workstream.	Entities participating in NECOM responsible for their newsletters, social media etc. All to align on constructive, objective and confident narrative.

Communication process to engage business participation

TIMELINE	15/06	WEEK 19/06	WEEK 26/06		WEEK 03/07
Proposed milestones for establishment	Milestone #1: Communicate initial pack to business	Milestone #2: Introductory workshop	Milestone #3: Nomination of members to serve in the Necom workstream committees	Milestone #4: Announce nominated workstream committee members	Milestone #5: Kick-off workstream committee meetings
	The NECOM structured was established as part of the Presidential Energy Action Plan, and the CEO forum on behalf of business committed to engage in six energy workstreams alongside government and Eskom.	Business is invited to an introductory NECOM workstream workshop.	Business is requested to indicate the preferred workstream to participate in as well as resources, experience and availability.	Finalise nominated Workstream Committee Members. Sub-workgroups on specific issues will follow.	Proposed dates for the Workstream Committee's 1st meetings (week of 10/07/2023)
	The Energy Council together with NECOM secretariat to coordinate participation, processes and governance on behalf of business.	On-line workshop scheduled for the 21or 23 June 2023. Please RSVP through the link that is in the email received communication.	Nominated members will be required to sign the NDA and Disclosure Business standing committee to consist of 4 - 6 members	Monthly communication between NECOM workstreams and the rest of business will follow	

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