Progress on the Energy Action Plan

BUSA subcommittee

1 August 2024

NECOM
NATIONAL ENERGY CRISIS COMMITTEE

What we have achieved so far

5 Key Objectives of the Energy Action Plan

1. Fix Eskom and improve availability of existing supply
2. Enable and accelerate private investment in generation capacity
3. Accelerate procurement of new capacity from renewables, gas and battery storage
4. Unleash business & households to invest in rooftop solar
5. Fundamentally transform the electricity sector to achieve long-term energy security

1 Fix Eskom and improve availability of existing supply

1

Improve the performance and reliability of existing power stations

Eskom has **implemented the Generation Recovery Plan to improve plant performance.** Planned maintenance increased to more than 8 000 MW over summer 2023/24 to enable improved performance going forward. **EAF reached over 70% on 13 May 2024,** while UCLF has been reduced to below 12 000 MW

2

Remaining units at Kusile and Medupi brought online

Kusile Units 1 to 3 have been returned to service. Unit 5 was synchronised to the grid in December 2023, with commercial operation expected in June 2024. **Medupi Unit 4 and Kusile Unit 6 are expected to return by September 2024.**

3

Implement measures to reduce demand on the grid

The **Distribution Demand Management Programme** was launched on 13 April 2023, with a budget approved for three years. The programme follows a **performance contracting approach,** with an incentive of R3 million/ MW provided for achieved demand reduction during specified periods with just over **500 MWs** are in the pipeline.

4

Finalise Eskom debt relief package to enable investment in necessary maintenance and transmission network

The Eskom Debt Relief Act was passed in June 2023. The package includes debt relief measures **covering R254 billion of Eskom debt** (including R168 billion in capital and R86 billion in interest) over the next three years, with strict conditions to safeguard public funds.

2 Enable and accelerate private investment in generation capacity

1 — 2 — 3 — 4 — 5

1. Remove the licensing threshold for embedded generation projects

The licensing threshold was removed in December 2022. The pipeline of private sector projects has since grown to over **130 projects with more than 22 500 MW of capacity**, which will begin to connect to the grid in 2024. A growing number of these projects is over 100 MW in size, supporting the decision to remove the threshold in

2. Establish a one-stop shop for energy projects to accelerate new capacity

The **Energy One-stop Shop was established in June 2023** and is actively facilitating energy projects, including fast-tracking approvals from various departments. Work is now underway to implement an electronic "single window" approach.

3. Reduce timeframes for grid connection

Progress has been made in **clearing the backlog of cost estimate letters and budget quotes.** However, long processing times remains a significant challenge for both public and private projects, and is holding up progress in adding new capacity to the grid. This is a key challenge to be addressed going forward.

4. Unlock grid capacity

Eskom has published the updated **Generation Connection Capacity Assessment (GCCA) 2025.** This indicates that there is 19.94 GW of available grid capacity across Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, North West and the Free State. An additional 3.4 GW of grid capacity has been unlocked in the Cape region through **curtailment.** NTCSA has identified 25 Additional transformer projects which

5. Develop a national wheeling framework

The National Wheeling Framework has been finalised and was submitted to NERSA in December 2023. **The framework sets out principles for non-discriminatory rights of access to wheel electricity** and the charges to be raised, and it will enable a standardised approach to wheeling across the country once approved by the regulator.

3 Accelerate procurement of new capacity from renewables, gas and battery storage

1

Issue a standard offer for additional energy available from existing private generators

The Eskom Standard Offer Programme has been implemented with a **total of 1 136.5 MW approved to date, exceeding the target of 1 000 MW.**

2

Import additional power from countries in the region

Eskom released a request for proposal (RFP) **for the Cross-border Standard Offer Programme (CBSOP)** in October 2023, which will procure a maximum of 1 000 MW in additional power from neighbouring countries such as Mozambique for a period of three years.

3

Complete Eskom battery storage programme (BESS Phase 1 and 2)

The first project from Eskom's Battery Energy Storage System (BESS) programme has been connected to the grid and will provide 100 MWh of storage capacity. Seven other projects are in construction as part of Phase 1 of the programme, which will together provide a total of 833 MWh of capacity.

4

Ensure commercial close of remaining projects from previous bid windows

Seven preferred bidders for the Risk Mitigation Independent Power Procurement Programme (RMIPPPP) have completed construction or reached legal close to date. **Eleven preferred bidders for Bid Window 5** have reached commercial close and entered construction, **while two of the six preferred bidders**

5

Accelerate release of further bid windows for battery storage, wind, solar and gas

RFPs have been issued for Bid Window 7, Battery Energy Storage Independent Power Procurement Programme (BESIPPPP) 2 and 3 and the Gas Independent Power Producers Procurement Programme (IPPPP), **for a combined 8 231 MW of new capacity.**

4 Unleash business & households to invest in rooftop solar

1

Accelerate uptake of rooftop solar

Installed rooftop solar capacity in South Africa has grown exponentially, **to over 5 000 MW**, through **expanded tax incentives** introduced from March 2023 and the Bounce-back Loan Guarantee Scheme, as well as net-billing systems implemented by Eskom and some municipalities.

2

Develop a Net-Billing Framework

The Net-Billing Framework was **developed by NECOM and submitted to NERSA** in March 2023. Once approved, it will ensure that all municipalities have net-billing systems in place to enable surplus power to be fed into the grid from rooftop solar. Municipalities are responding to NECOM's request that they implement the draft framework in the interim.

5 Fundamentally transform the electricity sector to achieve long-term energy security

1

Establish the National Transmission Company of South Africa as an independent transmission system operator

An independent board has been appointed for the NTCSA, and NERSA has approved the licenses needed for the company to operate.

All suspensive conditions were met by 29 March 2024 for the implementation of the merger agreement, and the NTCSA will commence trading in July 2024.

2

Establish a competitive market for electricity

The Electricity Regulation Amendment (ERA) Bill has been passed in the NCOP and will be sent to the President for assent. The Bill will establish a competitive electricity market for the first time. It outlines the powers and functions of the Transmission System Operator. Eskom has begun to develop a market code that will be submitted to the regulator for approval once the Bill is enacted.

Review of NECOM Operating Model

Overview of feedback from NECOM participants

- A consensus that NECOM has been highly beneficial in clearing blockages, increasing pace of implementation and creating effective coordination
- Overwhelming view that NECOM needs to continue - can shift from crisis management and sharpen our focus on longer-term challenges, including in distribution and transmission as well as market reform
    - Initiate EDI reform dialogue and position paper
    - Strengthen NERSA interface, particularly as market reforms advance, with increasing requirement for regulatory changes
    - Address emerging challenges, including grid capacity and stability
- On the structures of NECOM, there is support for “retiring” some workstreams, and repackaging work between workstreams to better manage dependencies and a sharper focus on key objectives

“NECOM helped to sweep water uphill”

“NECOM has coordinate us. Before, we never had the opportunity to sit around the

“The relationships built have been vitally important - this has transformed how we have worked”

Priority Focus Areas

Broadly, in terms of new or expanded focus areas:

Market reforms:

- With load shedding subsiding, NECOM to give more bandwidth to market reforms
- Distribution needs focused attention to avoid a growing crisis, including a renewed effort for EDI reform - create a platform for industry dialogue and development of a position paper

New Generation:

- The implementation model for future bid windows needs to be carefully considered, with grid capacity constraints urgently addressed
- Private investment in generation needs greater focus and coordination to address obstacles and accelerate rollout
- Creating sustainable systems for Rooftop PV feed-in to the grid is critical, as is the inclusion of mid to low income communities
- Urgent need to expedite wheeling to ensure new electricity generation reaches consumers

Transmission

- Stronger coordination required to accelerate the rollout of the Transmission Development Plan

Proposed changes to NECOM structure

NECOM meeting of political principals:

- The President's meeting with Ministers and other chief executives: it is proposed that a routine is instituted
- Minister of Electricity and Energy: to lead routine Inter-Ministerial meetings and strengthen the engagements between the Ministry and the NECOM Secretariat

DGs meeting

- This meeting is streamlined for the future work programme to involve core DGs, and other DGs will be invited as and when their participation is required
    - Lead by the DG of the Presidency, with core DGs being Electricity and Energy, National Treasury; Planning, Monitoring and Evaluation; Trade, Industry and Competition; Forestry, Fisheries and the Environment; and SAPS
    - Also including NERSA, Eskom CEO and all workstream chairs

Workstreams

- Workstreams are reduced from 10 to 7
- An interface is established with NERSA, through which all workstream issues relevant to NERSA can be addressed
- WS7 becomes a research network, with the Secretariat creating direct linkages with workstreams

Next slide provides an overview of the Workstreams and other platforms

Proposed workstream structure

NECOM Secretariat

WS1: Improving Plant Performance

Support for reliability plan
Independent monitoring and oversight

WS2: Accelerate new generation

Coordinate public procurement
Optimise private Gx
Incl enablers: wheeling, grid access & EOSS

WS3: Coordinating market reform

Coordinate market reform process
Implementation of ERA Bill, including market code and operator

WS4: Strengthening and expanding the transmission network

Support for the Transmission Development Plan
Coordination of regulatory approvals

WS5: Reforming the Electricity Distribution Industry (EDI)

Coordination and convening on EDI reform

WS6: Safety and Security

Securing energy infrastructure
Addressing fraud and corruption in Eskom

WS7: Communications

Communicating progress
Driving NECOM communication campaign

NERSA: Engagement platform

Engage NERSA on regulatory issues of WSs - a single point of coordination

NECOM research network

Thank you