Comments on the Integrated Resource Plan 2016 Draft

South African Integrated Resource Plan 2016 public hearing

CSIR Energy Centre

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Agenda

Expertise of Commentators

Comments on IRP Assumptions

IRP Results and Least-cost Scenario

Proposal / Next Steps

Commentators have significant expertise to give feedback on IRP & its implementation, from planning, system operation and grid perspective

Dr Tobias Bischof-Niemz

- Head of CSIR's Energy Centre
- Member of Ministerial Advisory Council on Energy (MACE)
- Member of IRP2010/IRP2013 teams at Eskom, energy planning in Europe for large utilities

Robbie van Heerden

- Senior Specialist: Energy Systems at the CSIR's Energy Centre
- Former General Manager and long-time head of System Operations at Eskom

Crescent Mushwana

- Research Group Leader: Energy Systems at the CSIR's Energy Centre
- Former Chief Engineer at Eskom strategic transmission grid planning

Jarrad Wright

- Principal Engineer: Energy Planning at the CSIR's Energy Centre
- Energy Commissioner in the National Planning Commission
- Former Africa manager of PLEXOS (software package used for the IRP)

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Same software package as per the IRP was used to determine the least-cost expansion path of the South African power system to 2050

The Integrated Resource Plan (IRP) is the expansion plan for the South African power system until 2050

The IRP 2016 has a significant self-imposed limitation: The amount of wind and solar PV capacity that the model is allowed to build per year is limited, which is not technically/economically justified in the plan

The CSIR has therefore conducted a study to re-optimise the South African power mix until 2050

- First and most important deviation from IRP2016: no new-build limits on renewables (wind/solar PV)
- Additional deviation: relative costing for solar PV and wind aligned with latest relative IPP tariff results

Two scenarios from the draft IRP 2016 are compared with the re-optimisation

- "Draft IRP 2016 Base Case" – new coal, new nuclear
- "Draft IRP 2016 Carbon Budget" – significant new nuclear
- "CSIR Re-Optimised" – least-cost without constraints

An hourly capacity expansion and dispatch model (incl. unit commitment) using PLEXOS was run for all scenarios to test for technical adequacy → same software platform as IRP

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Sources: CSIR analysis

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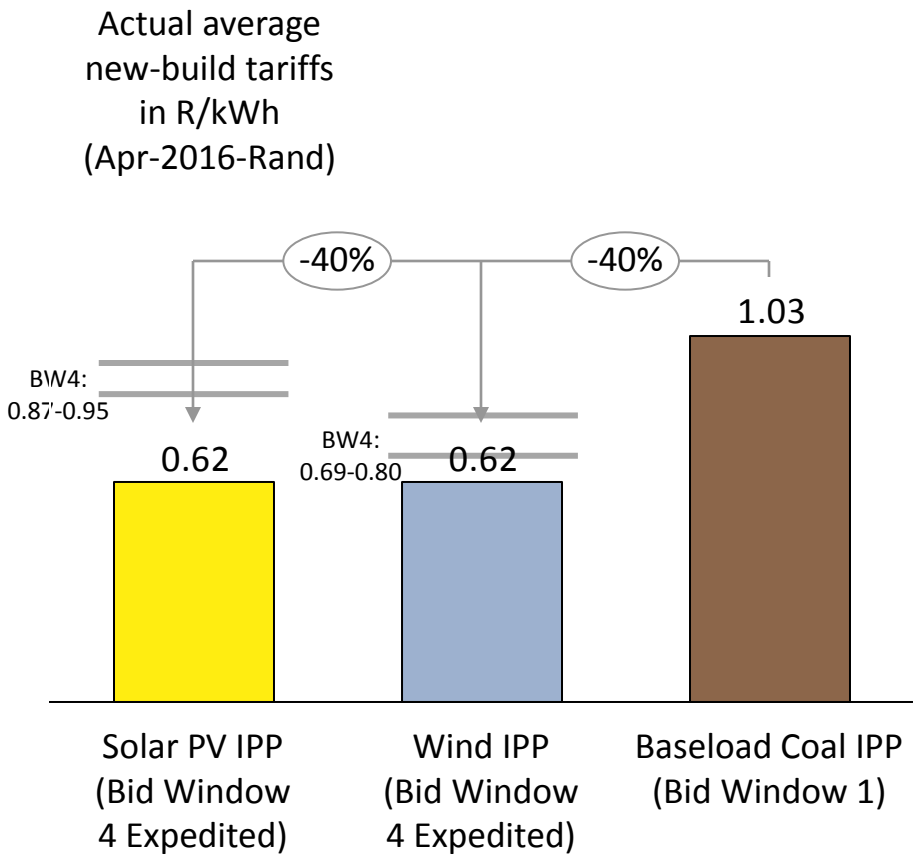
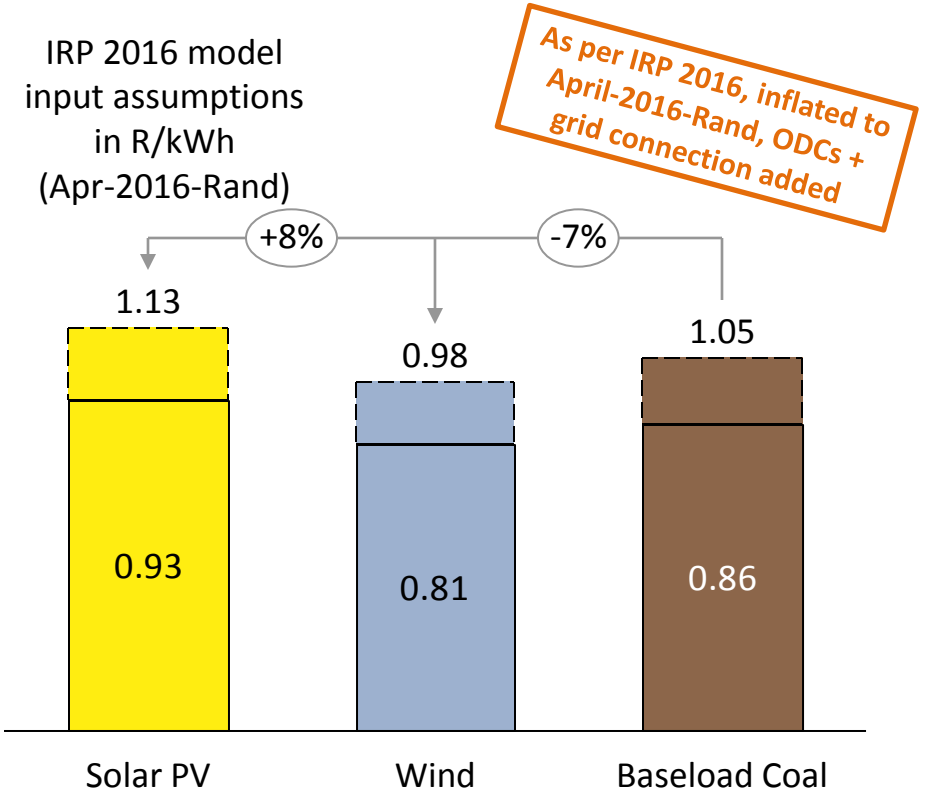
Actual tariffs for new solar PV and wind are 40% cheaper than new baseload coal, whereas IRP 2016 assumes similar LCOE for all three

Actual tariffs from RE IPP and Coal IPP Procurement Programme



IRP 2016 cost input assumptions



Sources: South African Department of Energy IPP Office's publications on results of IPP Bid Windows; IRP 2016 Draft; StatsSA on CPI; CSIR analysis

IRP 2016: Annual new-build limits for solar PV and wind are constant in absolute terms but decrease relative to the size of the power system

Draft IRP 2016 Base Case

The imposed new-build limits for solar PV and wind mean that the IRP model is not allowed in any given year to add more Solar PV and Wind capacity to the system than these limits

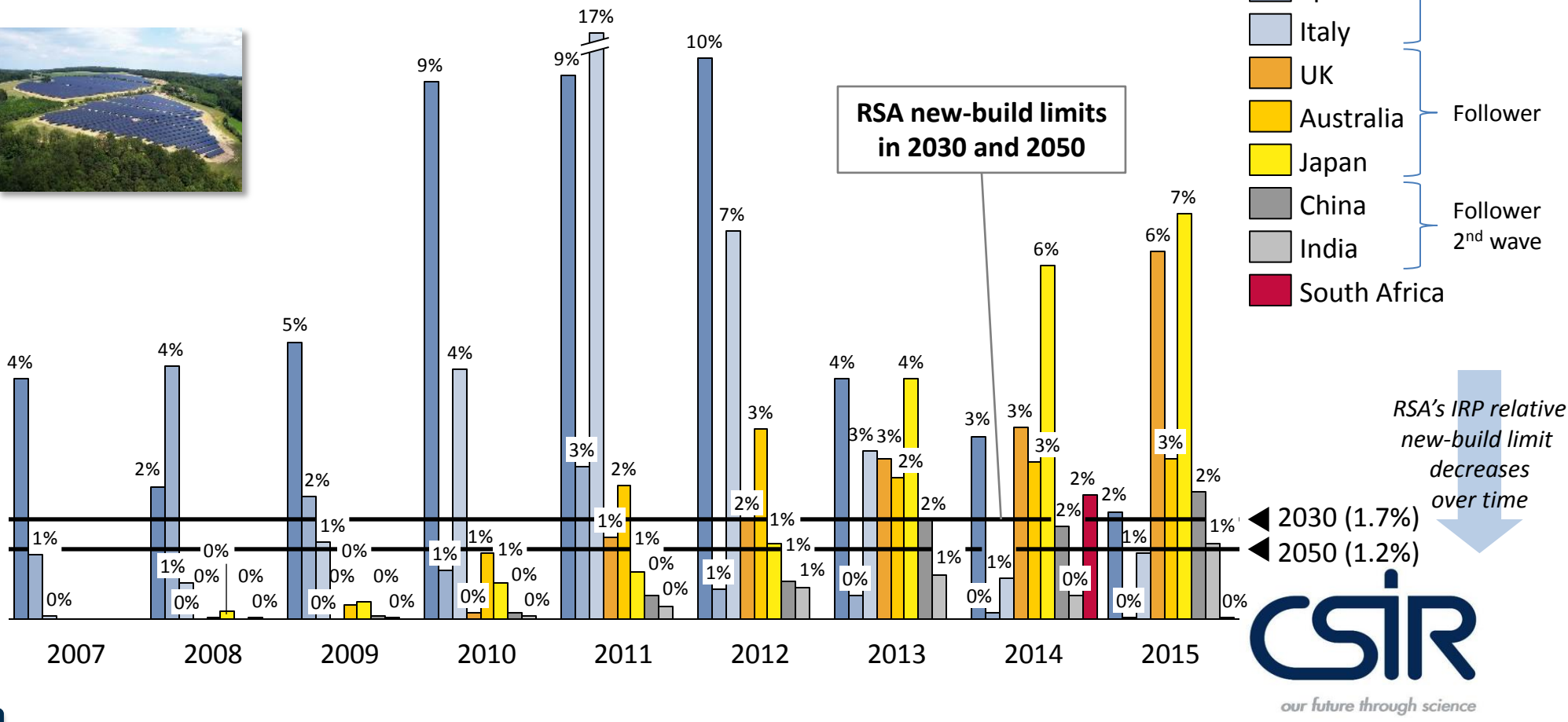
No such limits are applied for any other technology. No technical justification is provided for these limits. No explanation is given why these limits are constant over a 30-year period while the power system grows.

Year	System Peak Load in MW	New-build limit Solar PV in MW/yr	Relative new-build limit Solar PV	New-build imit Wind in MW/yr	Relative new-build limit Wind
2020	44 916	1 000	2.2%	1 600	3.6%
2025	51 015	1 000	2.0%	1 600	3.1%
2030	57 274	1 000	1.7%	1 600	2.8%
2035	64 169	1 000	1.6%	1 600	2.5%
2040	70 777	1 000	1.4%	1 600	2.3%
2045	78 263	1 000	1.3%	1 600	2.0%
2050	85 804	1 000	1.2%	1 600	1.9%

Note: Relative new-build limit = New-build limit / system peak load
Sources: IRP 2016 Draft; CSIR analysis

Today: Both leading and follower countries install much more new solar PV capacity per year than what South Africa's limit is in 2030

Annual new solar PV capacity relative to system peak load



Sources: SolarPowerEurope; CIGRE; websites of System Operators; IRP 2016 Draft; CSIR analysis

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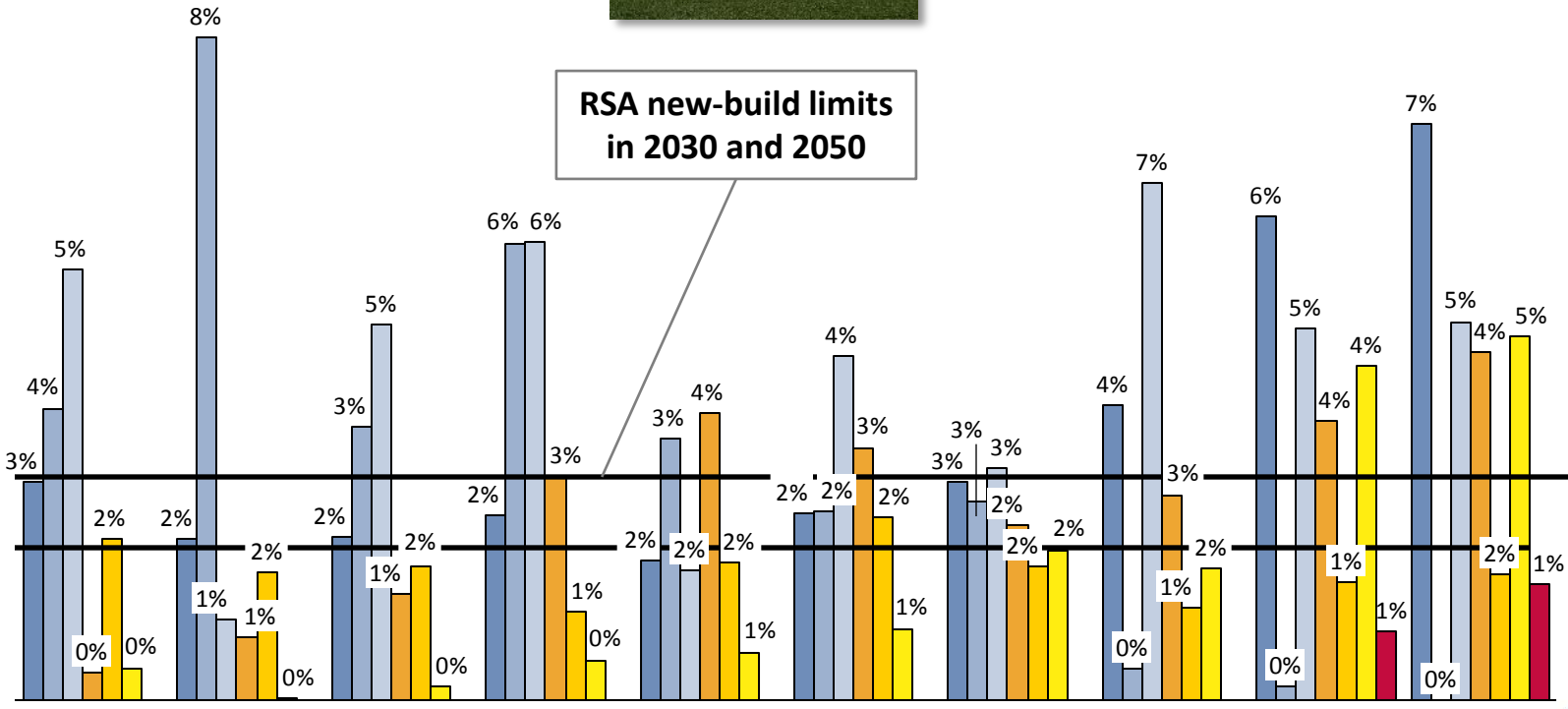
Today: Both leading and follower countries install much more new wind capacity per year than what South Africa's limit is in 2050

Annual new wind capacity relative to system peak load



Sources: GWEC; CIGRE; websites of System Operators; IRP 2016 Draft; CSIR analysis

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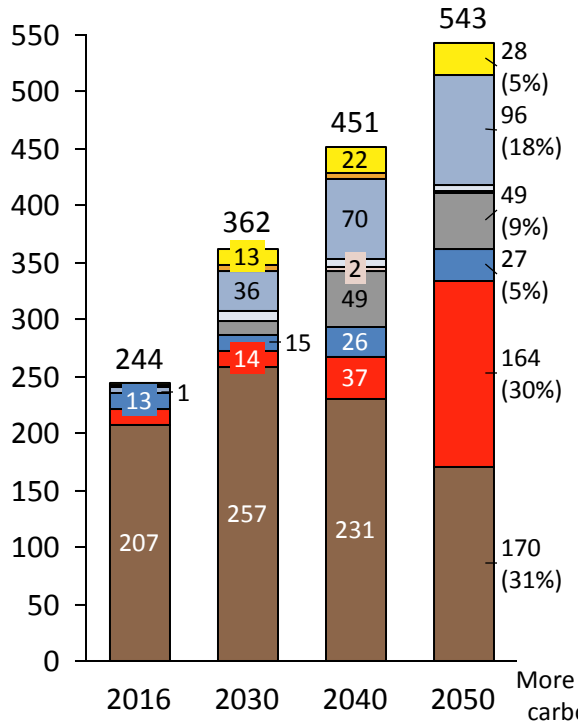
Least-cost "CSIR Re-Optimised" case is largely based on wind and PV

As per Draft IRP 2016

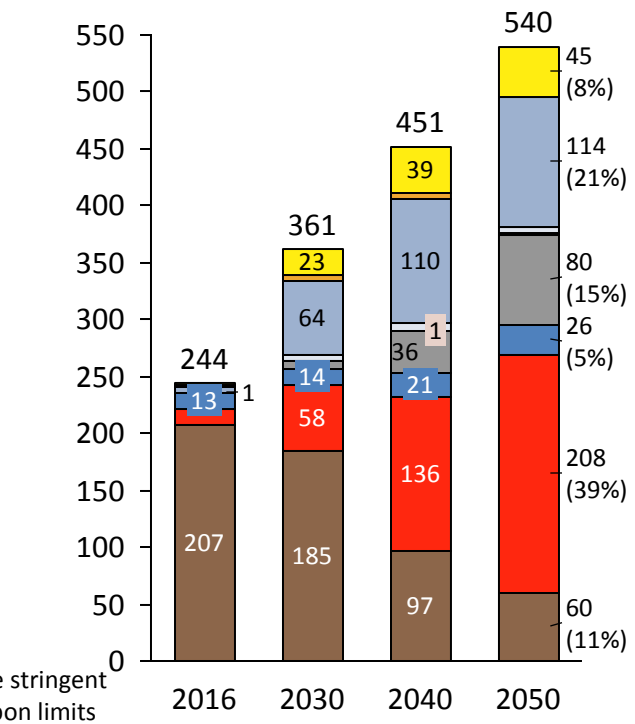
Draft IRP 2016 Base Case

Total electricity produced in TWh/yr



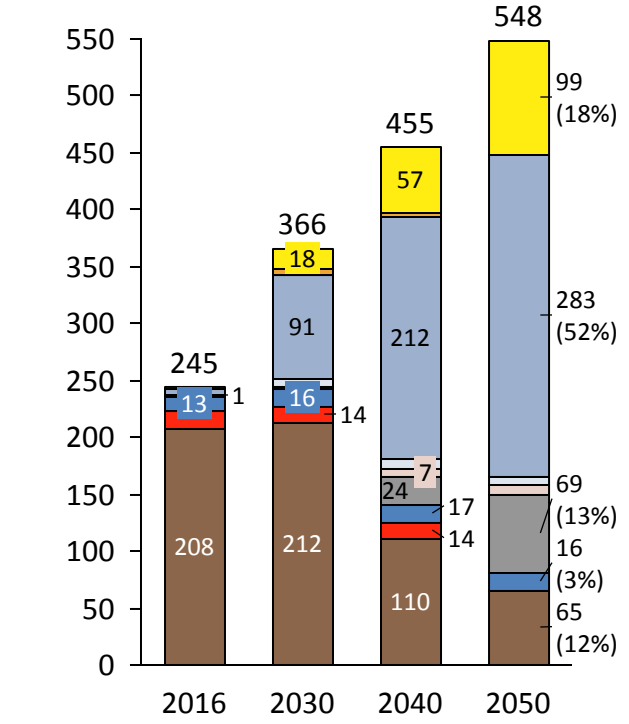
Draft IRP 2016 Carbon Budget

Total electricity produced in TWh/yr



CSIR Re-Optimised

Total electricity produced in TWh/yr



More stringent carbon limits

No RE limits

Solar PV | Wind | Gas (CCGT) | Nuclear
CSP | Peaking | Hydro+PS | Coal

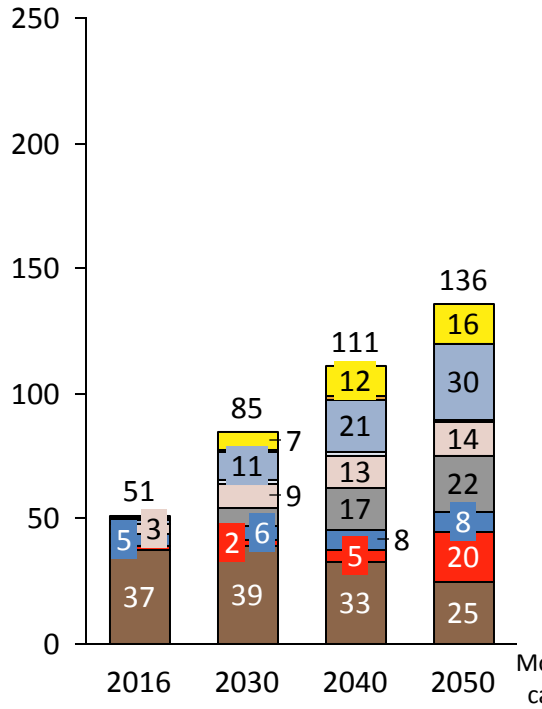
Sources: CSIR analysis

In the CSIR Re-Optimised case, 100 GW of wind & 60 GW of PV by 2050

As per Draft IRP 2016

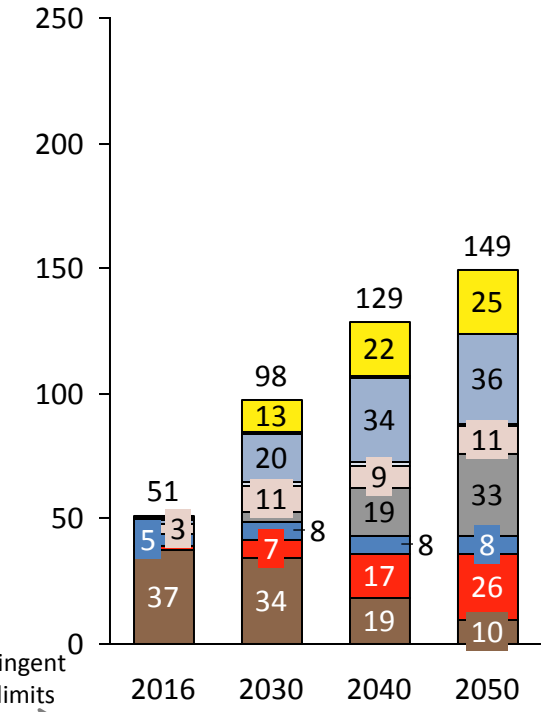
Draft IRP 2016 Base Case

Total installed net capacity in GW



Draft IRP 2016 Carbon Budget

Total installed net capacity in GW



CSIR Re-Optimised

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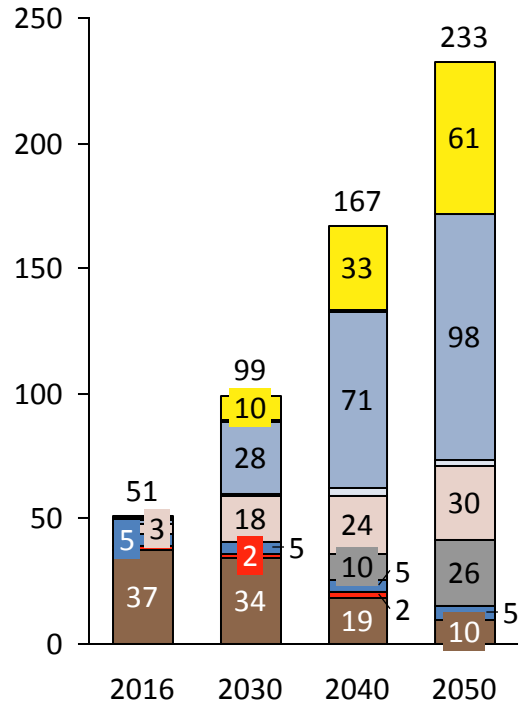

More stringent carbon limits

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Sources: CSIR analysis

CSIR Re-Optimised case without renewables limits is R90 billion/yr cheaper than both IRP 2016 Base Case & IRP 2016 Carbon Budget case

Year 2050

Draft IRP 2016 Base Case	Draft IRP 2016 Carbon Budget	CSIR Re-Optimised
 27%	 34%	 72%
 R580 billion/yr	 R580 billion/yr	 R490 billion/yr
 200 Mt/yr	 90 Mt/yr	 90 Mt/yr
 40 bn l/yr	 16 bn l/yr	 16 bn l/yr

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Recommendation:
The IRP Base Case should be least-cost, free of any artificial constraints

Solar PV, wind and flexibility is the cheapest new-build mix for the South African power system and it is the cost-optimal expansion to aim for a >70% renewable energy share by 2050

This "CSIR Re-Optimised" mix is R90 billion per year cheaper by 2050 than current Draft IRP Base Case

Also, CSIR Re-Optimised mix reduces CO2 emissions by 65% (-130 Mt/yr) compared to Draft IRP Base Case

Avoiding CO2 emissions and least-cost is not a trade-off anymore – South Africa can de-carbonise its electricity sector at negative carbon-avoidance cost

Recommendation: The IRP Base Case should be least-cost, free of any artificial constraints

- New-build limits for renewables should be lifted, relative costs of wind/PV updated, and the unconstrained re-run should form the Base Case of the IRP 2016
- Any cost increase due to deviations from the least-cost Base Case should be reported on

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Note: Wind and solar PV would have to be 60% more expensive than assumed before the IRP Base Case and the CSIR Re-Optimised case break even
Sources: CSIR analysis

Re a leboha

Ha Khensa

Enkosi

Siyathokoza

Thank you

Re a leboga

Ro livhuha

Dankie

Siyabonga

Note: „Thank you“ in all official languages of the Republic of South Africa