



**MINISTRY OF ENERGY**  
**REPUBLIC OF SOUTH AFRICA**

PRIVATE BAG x 96, PRETORIA, 0001, Tel (012) 406 7658

PRIVATE BAG x 9111, CAPE TOWN, 8000 (021) 469 6412, Fax (021) 465 5980

Enquiries: [Malusi.ndlovu@energy.gov.za](mailto:Malusi.ndlovu@energy.gov.za)

**Memorandum from the Parliamentary Office**

**245. Mr M M Dlamini (EFF) to ask the Minister of Energy:**

Mr M M Dlamini (EFF) to ask the Minister of Energy:(1) (a) What amount does Eskom pay Independent Power Producers (IPPs) compared to coal production for electricity production and (b) what is the Eskom retail price compared to the price Eskom pays to IPPs and coal; (2) (a) for how long are contracts signed with each IPP, (b) what is Eskom BBEEE policy for Independent Power Producers and (c) are all IPPs BBEEE compliant?

**Reply**

**(1)(a)**

The average price payable under the Renewable Energy (RE) IPP Programme, covering the production coming only from the RE projects signed in 2011, ending 30 September 2016 was 218 c/kWh, whereas for the RE projects announced in 2015, the production cost averages 62 c/kWh.

Eskom aggregate cost of coal produced electricity in 2016 is s 44.1 c/kWh. Kindly note that in order to make a like for like comparison, the Eskom marginal cost of production of coal generated power (determined by Medupi and Kusile) is not known as yet, but is believed to be in excess of 100 c/kWh.

**(1)(b)**

The average Eskom winter tariff is 105.1 c / kWh and the summer tariff is 73.5 c / kWh. The average annual Eskom tariff is 81.4 c / kWh, and it will escalate according to the tariff increase application to be submitted to NERSA (Eskom has applied for further tariff increases in the period from 2016 onwards and it is not as yet clear where this will end). In order to compare Eskom's production costs to the production costs under the coal IPP Programme, the two coal IPPs will sell the electricity at 80,955 c/kWh and 79,71c/kWh respectively, without any tariff increases (the only escalation will be for inflation) for the next 30 years. We expect Eskom's aggregate tariff to increase even higher than for IPPs within the next 3 years.

**(2)(a)**

Renewable Energy IPP contracts have a term of 20 years.

**2(b)**

The B-BBEE policy as promulgated under the BBEEE Act applies to IPPs as well.

**2(c)**

All IPPs are BBEEE compliant.