



**SPEECH DELIVERED BY DDG JACOB MBELE ON BEHALF OF
MINISTER OF ENERGY, MR JEFF RADEBE, MP
AT THE AMEU 26th TECHNICAL CONVENTION
9 OCTOBER 2018**

President of AMEU

MMCs, Councillors, City Managers

AMEU Immediate Past President and all Past Presidents

AMEU Executive Council

All Executives

Delegates

Distinguished Guests

Ladies and Gentleman, All protocol observed

Good Morning

It is indeed a great pleasure and honour for me on behalf of Minister of Energy, Jeff Radebe, to address this 26th Technical Convention of the

Association of Municipal Electricity Utilities set against a guiding theme of ***“the impact of energy revolution of power utilities in Africa”***.

Energy, and specifically electricity, is a catalyst to other basic services. It unlocks access to better health care; improved education; and general economic opportunities.

The National Development Plan identifies the need for South Africa to invest in a strong network of economic infrastructure designed to support the country’s medium and long-term economic and social objectives. Energy infrastructure is a critical component that underpins economic activity and growth across the country; it needs to be robust and extensive enough to meet industrial, commercial and household needs.

Ladies and Gentlemen, the government has since 1994 made significant progress in providing access to electricity. Access to electricity stood at 36% in 1994. Since then and through the Government Integrated National Electrification Programme (INEP) of the Department of Energy, electricity access has increased to over 87% of households. The INEP programme, as it is known to many of you, is implemented by transferring annually allocated funds to licensed municipal distributors and Eskom to undertake the electrification. The Department spends over R5 billion per annum in this regard which is around 85% percent of the Department of Energy’s annual budget allocation. While the progress is commendable, increasing under expenditure by municipalities under the current fiscal constraint environment is a concern. The programme has over the last financial years seen budget reductions which are likely to continue if municipalities do not execute projects and spend their electrification budgets as planned.

The Department is also rolling out the non-grid electrification solution through solar home systems. While initially communities rejected this type of solution, its acceptance is slowly increasing.

Increasing grid expansion, strengthening and connection costs as well as falling solar panel and battery prices provide an opportunity to scale up on non-grid solutions for rural areas as well as informal settlements. Incorporation of these solar home systems into the municipal service basket is critical for the sustainability of service to rural households as well as municipal electricity business models.

Ladies and Gentlemen, at the risk of stating the obvious, the electricity generation and distribution landscape in South Africa is changing and at a rapid pace compared to the period before 2010. The electricity generation sector is evolving. Innovation, technology advancements and associated technology cost decline make it possible for end users to now generate their own electricity. This is a significant shift from the traditional vertically integrated power generation, transmission and distribution model. In the case of South Africa, increasing electricity prices are compounding the energy industry evolution. Substitutes such as Liquid Petroleum Gas are now viable alternatives for cooking and heating. Electricity demand is, therefore, no longer completely captive to the national grid or licensed distributor.

Ladies and gentlemen, following the year 2008 load shedding, greater focus was placed on electricity generation in the country. Progress in this area is out there for all to see. We are currently in the process of finalising the revision of the Integrated Resource Plan promulgated in year 2011.

From the revision undertaken, the following stands out:

- To date an additional 18 000 megawatts of new generation capacity in the form of coal, pumped storage and renewable energy has been committed to, with most of the capacity already connected to the grid and the rest to be realised between now and the year 2022.
- The electricity demand on the grid continues to decline on an annual basis and we are currently sitting at volumes similar to those seen before the year 2007.
- Electricity demand is no longer totally captive to the national grid. Consumers have options in the form of distributed generation.
- Eskom existing generation plant availability is not at expected levels of 80 percent and above.
- That the pace and scale of new capacity developments needed up to year 2030 must be curtailed compared to what was projected in the IRP 2010.
- There is significant change in the energy mix post 2030 which is mainly driven by the decommissioning of old coal power plants that reach their end of life. Detailed studies and engagements will have to be undertaken to better inform the energy mix or path post 2030.

Ladies and Gentlemen, the purpose of the IRP is to provide the country with an indication of new generation capacity required to meet the projected electricity demand. Let me emphasise that the IRP roll out is carried out through Ministerial Determinations in line with Section 34 of the Electricity Regulation Act and New Generation Regulations. The IRP is, therefore, not intended to ration capacity to be procured. It is only through Ministerial Determination and in concurrence with NERSA that procurer and buyer of capacity in the IRP are assigned.

The Department has noted that changing landscape as described earlier and is, therefore, considering enhancements of the electricity procurement regime to ensure sustainable energy supply and security.

You will probably all agree with me that we have made significant progress in ensuring security of supply in the generation space.

Ladies and Gentlemen, while we are all preoccupied with the generation space, electricity distribution is falling behind. I don't have to tell you this; the electricity distribution in South Africa is facing many challenges that require our focus and collaboration. While load shedding has ceased, many electricity consumers and businesses continue to experience unplanned electricity outages. The challenges facing the distribution sector are many and require our urgent attention and increased focus if we are to embrace the energy revolution. For the distribution sector to embrace the energy revolution and transform the business models, the sector will first have to go back to the basics.

Unreliable networks due to insufficient investment in maintenance and refurbishment are a big area of concern for us as it affects security of supply and therefore the economy.

A study conducted by the Department of Energy in 2014 indicated that the backlog in municipal electricity infrastructure is estimated at around R35 billion. This figure doubles if one includes areas under Eskom distribution license and continues to increase.

The Department of Energy is working with the Development Bank of Southern Africa (DBSA) to look at options available to fund the maintenance and refurbishment backlog in municipal electricity infrastructure. We are hoping to engage with you through the Department of Cooperative Governance and Traditional Affairs (CoGTA) on our

proposal within the next two months or so once we have finalised the proposal.

Ladies and Gentlemen, electricity infrastructure vandalism is on the increase and is costly for both utilities and consumers. Vandalism of infrastructure affects business and, therefore, the economy which is equivalent to economic sabotage. Technology interventions as deployed by many of you can only be effective if supported by harsher penalties for those found to be behind this vandalism and theft. The law must not only deal with vandals but, must also deal with those who buy and trade in stolen electricity equipment such as power cables.

Increasing number of court cases involving businesses interdicting Eskom from cutting supply to defaulting municipalities is also of concern to the Department and government as a whole. Increasing default by consumers to municipalities and Eskom as well as increasing default or debt by municipalities to Eskom is a concern as it threatens the sustainability of the entire electricity industry. Yes, these issues are receiving attention at National level as led by the Minister of CoGTA. From our side as a policy Department, we hope that the study to review the electricity industry and the electricity pricing policy will provide guidance to begin to address some of the structural and pricing challenges.

Ladies and gentlemen, the energy revolution is driven by the need to decarbonise and the sector is fast becoming decentralised and digitalised. It is globally accepted that electricity is the sector that can be decarbonised most rapidly. Ours is to ensure that the revolution is orderly and does not increase the overall cost of electricity supply to the consumer. Within the revolution we recognise that the transition from the current to the new is a process and not an event.

In this regard the Department of Energy has begun to adjust our policies and regulations to embrace the energy revolution. We have amended Schedule 2 of the Electricity Regulation Act to improve the management and regulation of distributed generation by licensed distributors and NERSA respectively. The amendments to Schedule 2 clarified the regulatory regime applicable to activities which require exemption from licensing by NERSA. Exemption from licensing allows NERSA to register certain categories of distributed generation installations. The changes also compel these installations to enter into some sort of connection agreement with their licensed distributor which will provide visibility for network planning and operations.

The draft IRP 2018 also makes provision for distributed generation of between 1MW and 10MW which was not there in the IRP 2010.

We must take a system approach to the transition in order not to impose additional costs to the consumer. A lot of work lies ahead for us. With intermittent distributed generation, changes to how we operate and balance the system require that we constantly update our system grid code as well as relook at our tariffs to ensure costs are apportioned appropriately and fairly.

In conclusion Ladies and Gentlemen, if the distribution sector is to embrace the energy revolution and remain viable; the sector needs to get its house in order; the sector needs to go back to basics. The sector must be customer centric and service orientated, the sector must maintain current infrastructure, the sector needs uniform and cost reflective tariffs, the sector must invest and modernise infrastructure to embrace digital technology.

Once more on behalf of the Minister of Energy, Jeff Radebe, I wish you a successful day of knowledge sharing and deliberations.

Thank you!