

## Media Statement

**01 September 2017**

Deputy Minister, Thembu Majola

Acting DG, Tseliso Maqubela

Acting DDG, Jacob Mbele,

Senior officials from all stakeholders behind this outcome

Ladies and Gentlemen

Media houses represented

In May this year we established a technical team to help us resolve the impasse on the signing of the Power Purchase Agreements between Independent Power Producers for Bid Window 3.5 and Bid Window 4 and Eskom.

We must acknowledge that the matter remains complex and there are no easy solutions to it. However, it is our commitment as government to try to find a balanced solution in the interest of all parties involved.

Ladies and gentlemen, the technical team met and provided a report of its work this past Wednesday. In that meeting myself and my colleague in Cabinet, Minister Brown, were present and were supported by representatives from DOE, DPE, NT, ESKOM and the IPP Office.

It was brought to our attention that Eskom has excess generation capacity of electricity and based on the current demand patterns the situation is projected to remain this way until 2021. Eskom has submitted a tariff application which is under consideration by the Regulator. The Constitutional Court judgement with regard to the Regulatory Clearance Account (RCA) in favour of Nersa has also now paved the way for NERSA to implement tariff adjustments in line with the approved RCA.

We further acknowledged that South Africa's Renewable Energy Power Producer Procurement Programme is world renowned and our model has been adopted by many countries including developed countries. While the programme has been a success, there are many lessons we have learnt and there are many areas of improvement to be looked at.

We had to look at all the matters raised by the team and the recommendations. After lengthy deliberations we came to a conclusion on the following actions;

- a. That the PPA for Bid Window 3.5 and 4 will be signed by the end of October 2017
- b. DoE through the IPP office to engage with all affected parties for Bid Window 3.5 and 4 to re-negotiate not above 77c per kilowatt hour. This assist greatly in assist in reducing the requirements for additional government guarantees that would impact negatively in the current economic climate and constraints in the fiscus.
- c. Eskom to ensure that all contracts are in place for signing on 28 October 2017
- d. That I as the Minister of Energy meet with all IPPs participants in all Bid Windows, to discuss issues of concerns from IPP and for government to give feedback on concerns before the date of signing.
- e. With regard to the review of the pace and scale of rollout under the circumstances of overcapacity up to 2021; the Departments agree that majority of the projects in Bid Window 3.5 and 4 will be commissioned closer to 2021 and will therefore have minimal contribution to the overcapacity up to 2021.
- f. With regard to the review of the level of participation by the historically disadvantaged, there is work underway in this regard that will inform the implementation of the programme
- g. All future programmes to be put on hold until a proper review is done and to allow the IEP and IRP to be concluded that will give us indication of the capacity we need.

It is worth noting that, while taking this decision and communicating our stance as government, we are cognisant of the interdict by the Coal Sector and the Section 77 notice filed by COSATU at Nedlac. We are hoping that all parties will consider this position.

#### In Conclusion;

- It must be noted that there are other issues that have been raised with us and will need to be addressed with the IPPs.
- Of importance is lack of transformation particularly regarding local ownership of some of these projects. This has to be reconsidered and adequately addressed. Allocations of projects and the ownership structure must be in line with South African transformation policies
- Furthermore, the issue of loan conditions given to black South African participants need to be reviewed as well.
- Lastly there is a need to restructure the community trust dividends

We further reiterate our position that transformation of the Energy Sector is long overdue and we can't compromise on it any longer.

We hope that all parties will understand that it was not easy to arrive at this position as a lot of compromise had to be made.

We hope all parties affected will positively receive this news and cooperate with us as government to build a Sustainable Energy Sector.

THANK YOU