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MEDIA STATEMENT

REASONS FOR DECISION ON NERSA CONCURRENCE WITH MINISTERIAL DETERMINATION ON THE PROCUREMENT OF NEW GENERATION CAPACITY

The National Energy Regulator of South Africa (NERSA) has published the Reasons for Decision document on the concurrence with the ministerial determination on the procurement of new generation capacity from various technologies.

The Energy Regulator has concurred as follows:

1. New generation capacity to be procured to contribute towards energy security:
 - 6 800 megawatts (MW) to be generated from renewable energy sources (photovoltaic [PV] and wind);
 - 513MW to be generated from storage;
 - 3 000MW to be generated from gas; and
 - 1 500MW should be generated from coal.
2. Electricity produced from the new generation capacity shall be procured through one or more tendering procedures that are fair, equitable, transparent, competitive and cost-effective; and shall constitute independent power producer (IPP) procurement programmes as contemplated in the regulations (procurement programmes).
3. The procurement programmes shall target connection to the grid for the new generation capacity as soon as reasonably possible in line with the timetable set out in the *Integrated Resource Plan* (IRP) 2019. Deviations from the timetable are permitted to the extent necessary, taking into account all relevant factors, including prevailing energy security risks, the time required for efficient procurement and the required construction timelines for such new generation capacity facility.
4. The electricity may only be sold to Eskom Holdings SOC Limited, as the entity designated as the buyer, and only in accordance with the power purchase agreements and other project agreements to be concluded in the course of the procurement programmes.

Regulator Members: Mr JRD Modise (Chairperson) Ms MMD Nkomo (Deputy Chairperson)
*Mr N Gumede *Ms N Maseti *Mr MW Mkhize Mr S Mokoena Ms Z Mpungose Mr FK Sibanda
*Full-Time Regulator Members

5. The procurer in respect of the procurement programmes will be the Department of Mineral Resources and Energy.
6. The role of the procurer will be to conduct the procurement programmes. This includes preparing any requests for proposals and/or related and associated documentation, negotiating the power purchase agreements, facilitating the conclusion of the other agreements and facilitating the satisfaction of any conditions precedent to financial close that are within its control.
7. The electricity must be purchased by Eskom Holdings SOC Limited.
8. The electricity must be purchased from independent power producers.

NERSA received the draft determination for the procurement of new generation capacity from the Minister in terms of section 34(1) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006). In line with the dictates of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), read with the Promotion of Administrative Justice Act, 2000 (Act No.3 of 2000), the draft determination was taken through public participation process, which involved notice and written comments. A variety of comments were received from stakeholders during the notice and comment period. All the comments were analysed and taken into account when finalising the concurrence. The Energy Regulator took the decision to concur with the draft determination on 29 July 2020.

The Reasons for Decision document is available on the NERSA website at www.nersa.org.za under Regulator Decisions.

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