

Green energy boost looming

Self-generation law gazetted but issues need clarification

By HILARY JOFFE

● Mineral resources & energy minister Gwede Mantashe has at last gazetted the legislation needed to open the way for private companies to generate their own electricity up to 100MW without a licence, unleashing a wave of private investment in new generation projects that should help to keep SA's lights on – and speed up SA's transition to greener energy.

But while the energy industry has warmly welcomed the new rules, they don't go as far as was hoped to open up the market for private generation, and there are concerns that key aspects are unclear and could dampen prospects for investment in new private capacity. In particular, it is not clear whether new private generators will be able to generate just for a single end customer, or for multiple customers, which would allow them to take advantage of economies of scale to supply even relatively small mining, industrial or commercial customers – and would open up the electricity market to a much wider pool of investment.

The market is also watching to see if the electricity regulator will follow up with measures to ensure that private generators can swiftly and easily register projects – as they will still be required to do – and transport or “wheel” their power across national or municipal grids where necessary.

The amendments to section 2 of the Electricity Regulation Act were published two months and two days after President Cyril Ramaphosa surprised the market in June with a promise to lift the ceiling below which companies wanting to generate their own electricity do not have to apply for a licence from 10MW to 100MW, double the level



AIR OF APOCALYPSE

An elderly resident is in despair as a wildfire approaches her house on the island of Evia, Greece, last Sunday. A UN panel on climate change said in a report this week that global warming was close to being out of control, and that deadly heat waves, hurricanes and other weather extremes would become more severe. Picture: Konstantinos Tsakalidis/Bloomberg

organised business had been calling for.

Opening up the market to so-called “embedded generation” is one of the key structural economic reforms Ramaphosa had long promised. Consultancy Meridian Economics estimated that increasing the exemption to 50MW could unlock an estimated 5,000MW

of new generation capacity over the next four to five years, which would go a long way to addressing SA's energy shortage, and could result in R75bn-R85bn of investment.

Companies wanting to generate power are likely to invest mainly in renewable energy, particularly wind and solar, and the

amendment came as the National Business Initiative and Business Unity SA called for urgent action to facilitate early investment in renewable energy, to support SA's transition to net zero carbon emissions by 2050.

Mantashe's announcement also came after a unit at Eskom's new Medupi power sta-

tion exploded during maintenance work, worsening the utility's capacity woes.

Eskom itself on Friday welcomed the amendment, saying it was a progressive step which over time would “greatly assist in the

To Page 4 →

Branson sale props up empire

● Richard Branson has sold about \$300m worth of Virgin Galactic stock, tapping his biggest asset again to prop up his business empire during the pandemic.

The billionaire sold almost 10.5 million shares, about 4% of the space-travel company, through a company he controls, leaving him with an 18% stake, according to a regulatory filing. The proceeds will support Branson's travel and leisure businesses, and help develop new and existing ventures, a Virgin Group representative said. Branson remains Virgin Galactic's biggest shareholder.

The sale marks Branson's first since his test flight to space last month on a Virgin Galactic plane. In April, he sold about \$15 million in stock to support his other businesses, which raised more than \$300m during the first half of 2020 after the outbreak of Covid-19.

Virgin Atlantic Airways, the airline majority owned by Branson's group, is considering a public offering after receiving a £1.2-billion (about R24.6bn) rescue package last year that included about £200m from Branson. Virgin Galactic is planning to launch tourism trips next year, adding space travel to Branson's track record that ranges from record labels to soft drinks. Branson has a net worth of about \$6.5bn (about R96bn), according to the Bloomberg billionaires index.

Virgin Galactic's stock has tumbled about 56% from a February peak, partly due to the company planning a dilutive capital raise. Still, the shares have more than doubled since the firm began trading publicly after merging in 2019 with a special-purpose acquisition company. — Bloomberg

Green energy on the horizon as law kicks in

→ From Page 1

effort to provide reliable and sufficient electricity for the economy while creating space for Eskom to conduct much-needed repairs on its infrastructure". Customer-funded capacity, alongside independent power producers, would help to address the gap between supply and demand and reduce the risk of load-shedding over time, Eskom said.

The Energy Intensive Users Group (EIUG), which represents mining and industrial customers that use 40% of Eskom's power, welcomed the step as providing certainty companies could invest in generation projects.

A positive aspect of the amendment is that the company wanting to generate power does not necessarily have to own the facility but can source it from alternative providers, said RMB strategist Elena Ilkova.

"This is a huge step forward," said UCT Graduate School of Business professor Anton Eberhard, who said the licence exemption had been extended beyond just self genera-

tion to allow projects that could sell power to someone else and the reforms would accelerate investment in power.

However, the amendment is complicated and parts of it very poorly drafted, with confusion particularly on whether these projects will be allowed to sell to multiple customers.

EIUG CEO Fanele Mondi said the emphasis on the "end use customer" suggested there could only be a single offtaker, which was a disappointment. "We would have loved the amendment to be clear on a multiplicity of customers, because to scale up projects we would need to have that."

Eberhard said, however, that several legal views on the interpretation of the section 2 amendment indicated multiple customers would be allowed.

Many companies might generate power in locations other than their own mines, factories, buildings or cloud servers – to take



Gwede Mantashe

advantage of the solar resource in the Northern Cape, for example – so they will need to transport the power over the grid.

Mondi said a crucial issue was the wheeling framework and wheeling charges companies would have to pay if they had to transport their power. EIUG would be taking this up with the National Energy Regulator of SA, he said.

African Rainbow Energy and Power (AREP) CEO Brian Dames said the amendment "means a lot for our business – these reforms allow us access to the private sector as a customer, over and above the [government's] renewable independent power producer programme". AREP, which last week announced a R6.5bn joint fund with Absa that is invested in renewable energy projects, has a stake in SOLA, a Cape-based company focusing on self-generation projects, including one for Amazon in Cape Town using solar power in the Northern Cape.