"FA 15"

GENERTION LICENSING AND REGISTRATION FREQUENTLY ASKED QUESTIONS

Purpose

The following Frequently Asked Questions and answers are intended to assist industry stakeholders and potential investors in understanding the legal requirements, regulatory processes and technical compliance issues related to electricity generation registration and licensing.

REGISTRATION
Q1. What is the minimum and maximum size of plant that can be registered? Ans: Generally, generation facilities up to 1MW can be registered. The full list of generation facilities that qualifies for registration is found on the Gazetted Licensing Exemption and Registration Notice, 41237 (No. 41237 of 10 November 2017) ("Notice"). This Notice can be found on NERSA website.
Q2. What are the requirements for registration? Ans: The following requirements must be met by any applicant for registration: ➢ Consent/ approval by the network service provider or distribution/ transmission licence holder is the facility is going to connect to the national grid; ➢ Consent/ approval by the distribution licence if the facility is going to supply a customer within such a licensee licensed supply area; ➢ Submission of the connection/ wheeling or use of system agreement; ➢ Completion of the Application Form; ➢ Payment of the registration fee (currently R200 per application, account number and payment reference number will be given to applications that meet all requirements); ➢ The supply agreement between the generation facility and a customer to be supplied; ➢ If the application is made by an agent, the letter of authority must be submitted.
Q3. What should I do if the distributor refuses to grant me connection consent? Ans. The distributor is not allowed to unreasonable deny connection consent. The applicant may lodge a dispute with NERSA should he feel that connection consent was unreasonable granted. The dispute lodging form may be obtained from NERSA website.
Q4. How long does registration take place from the time of submitting all the information. Ans. Unlike licensing, the registration evaluation and approval may be completed within 60 days after receipt of all the information that can enable NERSA to evaluate the application.
Q5. Where can I get the Registration Application Form? Ans. The Registration Application form may be downloaded from NERSA website.
Q6. Do I need to apply for registration for every facility that I have?
Ans. Yes, the Registration is done per facility and every facility should have a grid metering point. In other words, you may not split a 2MW plant at the same site and register it as two 1MW plants.
LICENSING
Q1. What is the minimum size of a plant that should be licensed? Ans. You must complete a generation licence application form and submit all the required documentation listed in the application form.
Q2. Where can I get a generation licence application from? Ans. You can download the application form on the NERSA's website.
Q3. What constraints, if any, will a generating licence impose on a private company in selling electricity to third parties? Ans. Power Purchase Agreement (PPA) should be in place with a purchaser of the power from the IPP.

Q4. Are generating licences freely transferable together with the underlying generating assets?
Ans. No. New owners have to apply for a new licence.

Q5. What is the maximum period of time for which a generating licence will be valid?
Ans. The minimum period allowed for in the act is 15 years, and the maximum is not specified at present but will be influenced by, for example, the expected life of the plant, the availability of fuel over the longer term, and the need to have an economically sound business plan to finance such a plant.

Q6. What are the considerations in renewing a generating licence that may have expired?
Ans. The remaining life of the plant, efficiency of the plant, pollution emitted from the plant compared to new technology, and requirements for capacity on the system during the medium term future are amongst the factors that will be considered.

Q8. Under what conditions may NERSA revoke a generating licence?
Ans. If the licence holder of a power station is in contravention of the licensing conditions as stipulated in its licence or upon application by the applicant. For revocation based on contravention of the licence conditions, NERSA has to apply to the High Court for an order to revoke the licence.

Q9. How long does it typically take for a generating licence to be awarded as measured from when the initial application is lodged with NERSA?
Ans. The legal requirement is for NERSA to complete the licensing application within 120 days from the date of receipt of all required information.

Q10. What are the fees payable for the application for and maintenance of a generating licence?
Ans. The licence application fee payable by applicants will be published and regularly updated by NERSA on the NERSA's web site. At present no fee is required. However, a generation licence fee is payable per kWh generated for licensed generators, and this fee is used to fund the regulatory cost in the Electricity Supply Industry. This fee is published annually by the Minister of Energy.

Q11. What is the minimum and maximum capacity that is required to be licensed?
Ans. Generation facilities that are above 1MW are required to be licensed, and there is no maximum cap. The only exception if for demonstration projects and cogeneration projects which are required to be registered even if they are more than 1MW. The facilities that are 0 MW – 1MW are required to be registered. The requirements of registration are detailed below under Registration Requirements.

Q12. What are the requirements for generation licensing?

- Ans. Section 10 of the ERA sets out the parameters of what should be provided when a licence application is made. The following should be provided and is central to the consideration of the application:
  - Technical information of the project. This should give the technology used, technical feasibility studies, connection to the grid arrangements, single line diagrams of the network connection as well as single line diagrams of the generation station, fuel to be used and the concluded fuel supply/ wheeling agreements where applicable.
  - Financial information including financial model showing the project financial feasibility. All assumptions made in coming up with the financial model must be stated clearly. Other financial information required are capital cost of the project, operational and fixed costs, internal rate of return, project financing (equity and debt), cost of debt and debt period etc.
  - A signed Power Purchase Agreement (PPA) showing the agreed tariff should be part of financial agreements.
  - Economic information. The applicant should state the economic benefits of the project to the local community and South Africa as a whole. Economic indicators such as shareholding, jobs created during construction and operation, as well as skill levels required. Where possible, indirect jobs may also be stated if they can be quantified.
  - Record of Decisions (RoD) for Environmental Authorisations and permits received.
  - Legal. All the information supplied should comply with the Laws of South Africa.
  - Evidence of compliance with the Integrated Resource Plan (IRP). If the proposed plant in not in the IRP, reasons for deviation should be submitted to NERSA for approval by the Minister in accordance with Section 10(2)g of the Act. The Minister has however given blanket approval for more than 1MW to 10MW projects. There is however an annual cap of 500MW and the available annual capacity is allocated on an first come

basis. The Ministerial approval granted is only for purposes of deviation from the IRP and not for regulatory process.

- Economic information. The applicant should state the economic benefits of the project to the local community and South Africa as a whole. Economic indicators such as shareholding, jobs created during construction and operation, as well as skill levels required. Where possible, indirect jobs may also be stated if they can be quantified.
- Record of Decisions (RoD) for Environmental Authorisations and permits received from any authority which has jurisdiction over the operation of the facility.
- Legal. All the information supplied should comply with the laws of the Republic of South Africa.

13. Does the application process involve public participation process?

Ans: Unless exceptional circumstances exist, procedural requirement provided for in the National Energy Regulator Act, 2004 read with Promotion of Administrative Justice Act, 2000 shall be followed. Applications must be duly advertised in one national newspaper and local/ community newspaper where the facility will be located. Unless exceptional circumstances exists to warrant the deviation from conducting public hearings, the application will be subjected to the public hearing process.

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Eskom aiming to unlock 1 000 MW through Mpumalanga land lease bidding process

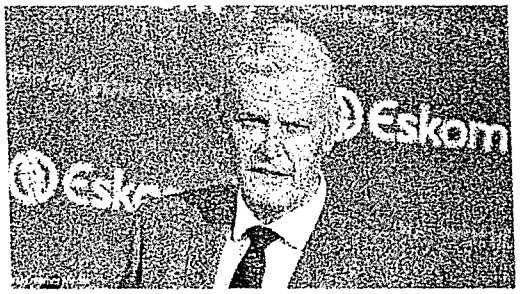

Photo by Creamer Media's Donna Slater

12TH APRIL 2022

BY: TERENCE CREAMER
CREAMER MEDIA EDITOR

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State-owned electricity utility Eskom has initiated a bidding process for the leasing of generation land in Mpumalanga to

MW.

Speaking following the resumption of load-shedding on April 11, De Ruyter said the request for proposals (RFP) documentation had been issued on April 8, with a closing date for submissions of April 29.

The land release, he added, was part of Eskom's response to the current shortage of generation capacity, which, until addressed, placed the country at an ongoing risk of rotational power cuts. The generation shortfall is estimated to be between 4 000 MW and 6 000 MW.

It was also aligned with a recent reform allowing sub-100 MW private generation projects to proceed without a licence, including projects that will sell electricity to non-related third parties and used the grid to wheel power. Eskom expects the reform to yield about 4 000 MW in the coming few years.

The land being made available through the RFP was adjacent to Eskom's power stations in Mpumalanga and where there was "sufficient grid connection capacity" to connect potential wind and solar projects.

Grid connection capacity has emerged as a key constraint, [illegible] pacity having been all but exhausted in the Northern,

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"This is the first-of-its-kind-type of process that we are running [and] we anticipate that we will get some 1 000 MW as a consequence of this process," De Ruyter said, indicating that the first new capacity could be introduced in about 18 to 24 months.

Eskom estimates the potential generation capacity for the different land parcels being made available to be 0.45MW/ha and confirms that high-level grid access capacity studies have been conducted for the different sites, which surround Majuba and Tutuka.

De Ruyter also confirmed that the first battery energy storage system (BESS) contracts had been awarded at the end of March for 199 MW/832 MWh of capacity across eight sites.

The R5-billion BESS investments are being supported with finance provided by the World Bank and the projects have been licensed by the National Energy Regulator of South Africa.

"We are really looking forward to those projects proceeding and that will also help us significantly with grid stability going forward."

De Ruyter said that the enquiry for Phase 2 of the BESS roll-out would also proceed, together with efforts to build additional pumped hydro storage.

Both storage solutions, he added, would play an ever-increasing role in the electricity supply industry as a complement to higher levels of variable renewable energy.

PROCUREMENT PROGRESS?

De Ruyter also welcomed the progress being made by the Department of Mineral Resources and Energy (DMRE) and the IPP Office in procuring new capacity, including through the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and the much-delayed Risk Mitigation Independent Power Producer Procurement nme (RMIPPPP).

2023/24, should they reach financial close at the end of April as scheduled.

There are concerns, however, that some of the BW5 projects may not be in a position to close on time, owing to pricing and supply-chain difficulties that have arisen since the projects were bid and which have intensified recently as a result of Russia's invasion of Ukraine, which has increased demand for renewables components elsewhere, and recent Covid lockdowns in China.

De Ruyter said he could not comment on whether all the projects would close but reinforced the critical importance of introducing new capacity as soon as possible, particularly in light of the unreliability of undermaintained coal fleet.

Eskom would provide its winter system outlook in the coming weeks but is already warning that there will be bouts of load-shedding. Under a worst-case scenario, there could be as much as 100 days of load-shedding over the period.

De Ruyter, therefore, also welcomed the recent release of the BW6 RFP for another 2 600 MW of wind and solar PV, which he said could, all going to plan, begin coming online in 2024/25.

There were, however, still "some documentary and legal issues" to be resolved before Eskom could sign power purchase agreements for the controversial RMIPPPP projects, for which De Ruyter expected a resolution within six weeks.

Financial close for the 'emergency' projects had already been delayed three times and the six-week timeframe outlined by De Ruyter fell outside of the revised end-April deadline announced recently by the IPP Office.

When approached by *Engineering News* to confirm the new deadline, the IPP Office said that the department was "engaging legal counsel and all stakeholders to fully [illegible]and the implications of [a recent] judgment and will

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mineral resources
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Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

Media response: **Comment on financial close of RMI4P**

Journalist: Chris Yelland

Media house: EE Business Intelligence

Deadline: 31 March 2022

Dear DMRE colleagues

As instructed by Mr Nathi Shabangu, I am directing this query to mediadesk@energy.gov.za for an urgent reply:

Please can you advise if any of the 14 preferred bidders of the DMRE IPP Office emergency RMIPPP programme will achieve financial close by the extended deadline of 31 March 2022 announced by the DMRE minister?

Will there be a further extension for financial close, or how does the DMRE / IPP Office intend to proceed with the emergency RMIPPP programme?

DMRE RESPONSE:

POSTPONEMENT OF SIGNING OF POWER PURCHASE AGREEMENTS UNDER THE RISK MITIGATION INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME (RMIPPPP)

During the Debate to the 2022 State of the Nation Address, the Minister of Mineral Resources and Energy, Mr Gwede Mantashe (MP), committed the Department to concluding the Power Purchase Agreements (PPAs) for Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP).

The preferred bidders were scheduled to sign the PPAs with Eskom, the Department, and their lenders on Thursday, 31 March 2022. However, this had to be postponed due to outstanding matters and conditions to be addressed in respect of the (PPAs) with Eskom, and the need to provide the Preferred Bidders and their lenders adequate time to undertake due diligence reviews of the project agreements.

Consultations with the Buyer (Eskom) are underway. A new date for the signing of PPAs will be communicated to the affected parties in due course. Members of the media will be invited to cover the signing ceremony.

Background

The RMIPPPP bid window was released to the market in August 2020, following the promulgation of the Ministerial Determination of 2 000MW, with concurrence from NERSA. The main objective of the bid window is to meet the supply gap indicated in the Integrated Resource Plan (IRP2019), and reduce the extensive utilisation of expensive diesel-based peaking electrical generators in the medium to long-term. The 11 Preferred Bidder projects, totalling 1995.76 MW, offer a combination of technologies and facilities at the same or different geographical locations across South Africa.

Regards
DMRE Media Desk
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Issued by the Department of Mineral Resources and Energy