

# REFLECTIONS ON REFORM RAISING THE LICENSING THRESHOLD FOR EMBEDDED GENERATION 26 JUNE 2024

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# CONTENTS

1

**INTRODUCTION**

2

**REMOVAL OF THE LICENSING REQUIREMENT & ERA AMENDMENT**

3

**IMPACT OF THE REFORM**



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# POLICY ADJUSTMENTS

- The South African national electricity regulatory framework is governed by the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (ERA) and enforced by the National Energy Regulator (NERSA).
- ERA also provides for licenses and registration as the manner in which generation, transmission, distribution, reticulation, trading and the import and export of electricity are regulated.
- One of the objective of the ERA is to achieve the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in South Africa (section 2(a)).
- Another important objective is to facilitate investment in the electricity supply industry (section 2(c)).



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# LICENSING AND REGISTRATION FACILITIES

- The ERA prohibits the operation of any generation, transmission or distribution facility without a license issued by NERSA (section 7(1)(a)).
- Section 7(2) of the ERA, however, provides that a person involved in an activity specified in Schedule 2 need not apply for or hold a license issued by NERSA
- In terms of section 36(4) of the ERA, the Minister may, after consultation with NERSA and any person who may be affected thereby, amend Schedule 2 by notice in the Gazette



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# IMPACT OF LICENSING THRESHOLD INTERVENTION

- Schedule II to the ERA provided for licensing exemption for embedded generation projects with a capacity of up to 1 MW.
- On 10 June 2021 amendments to Schedule 2 of the ERA announced in terms of which embedded generation projects with a capacity of up to 100 MW would be exempted
- On 12 August 2021, DMRE gazetted the Amended Schedule 2: Licensing Exemption and Registration. Applicants for 1 – 100MW embedded electricity generation projects announced.
- Complete lift later announced by President
- On 15 December 2022 the DMRE gazetted further amendments to Schedule 2 of the ERA which completely removed the licensing threshold for embedded generation.

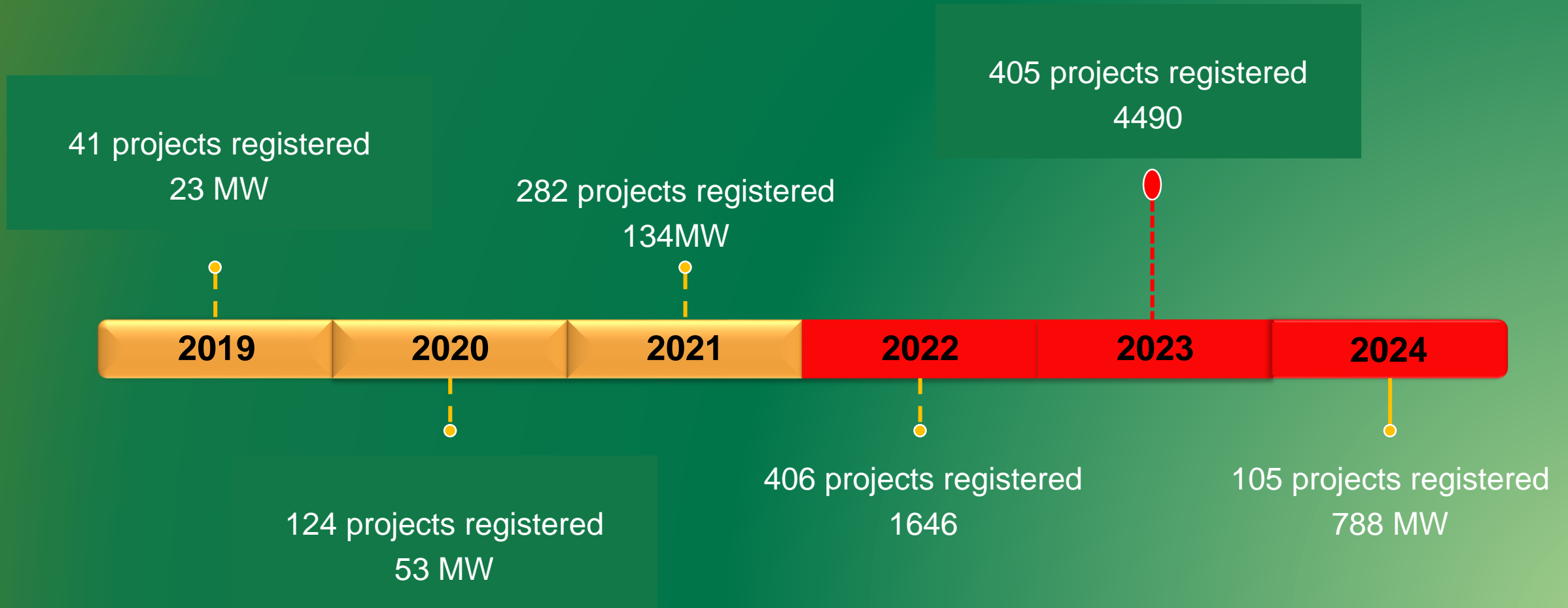


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# REGISTERED PROJECTS TO DATE



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# OPERATION VULINDLELA PHASE TWO

- ESI restructuring underway
- Need to locate the work within the context of a “high pursuit of South Africa’s modernisation” job creation..other sectors
- Related infrastructure requires attention...speed is everything (Tx & Dx)
- Constitutional powers of local Govt... lessons on hardwiring certain functions in the Constitution
- Demand side management
- Just transition: Co existence of man and the environment...Just transition with SA characteristics.....consideration of our political economy...Not a copy and paste exercise (Energy trilema in SA - a lot still concerned with access)
- Previous partial restructuring – what led to its failure (Unify systems?– Constitution)



## CONCLUDING STATEMENTS

- Impact of this policy adjustment evident ▲
- Amended ERA posed to support the ESI green shoots
- More work ahead of us....market structure, impact on price, impact on access will be critical success factors
- Side linkages with productive energy intensive sectors
- Goldfields, Anglo American, Sibanye Stillwater, Harmony Gold, Seriti Green
- Monitor jobless growth and jobless growth in particular



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# Thank you



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