This is how the government is tackling the transmission crisis

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By Lindsey Schutters

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South Africa's power grid is in crisis. The country has big dreams for renewable energy, but the current transmission grid can't keep up with the pace. According to the Just Energy Transition Implementation Plan 2023-2027 that was greenlit by cabinet ahead of COP28, the country needs 1,500km of new lines every year for a decade.

Source: Brett Sayles/Pexels

Our optimal spots for harvesting sun and wind power are, however in the Northern and Eastern Capes, but getting that power to where it's needed is costly. Eskom's done some heavy lifting, stringing up over 4,300km of lines and beefing up the grid with 19GVA of muscle, but it's still not enough to light up the country's decarbonisation dreams or squash loadshedding.

Eskom's Transmission Development Plan (TDP) indicates a funding shortfall of approximately R250bn. This investment would enable the addition of 14,000 km of new power lines by 2032 and the installation of significant new transformation capacity.

When the pledges were made and the JET IP 2023–2027 was compiled, it was assumed that Eskom would be in a position to enter into loan agreements to access some of these bilateral concessional funds for transmission investments. The Eskom debt relief conditions have subsequently halted this option, restricting expenditure to and acquisition costs, equipment procurement, and environmental approvals.

In his medium-term budget speech, Minister of Finance Enoch Godongwana tabled measure to enforce Eskom's compliance to the Treasury's debt relief conditions, adding to the challenges the power utility faces in its TDP.

Debt relief restrictions

The company's capital expenditure is limited to transmission and distribution, with the only generation-related expenditure being tied to minimum emissions standards, flue-gas desulphurisation, and essential maintenance. The initiation of new greenfield generation projects is off the table.

The sale of non-core assets, including the Eskom Finance Corporation and property sales, will not be funnelled back into the company's capital and operating needs. Instead, all proceeds will be directed towards the debt-relief arrangement.

From 1 April 2023 until the end of the debt-relief period, Eskom is prohibited from taking on new borrowing unless it receives written permission from the Minister of Finance.

Eskom's positive equity balances in derivative contracts, such as swaps and hedges, cannot be used to structure new debt or loan agreements without the National Treasury's approval. These balances are also barred from being used as "margin financing" for another derivative contract or derivative overlays.

The debt relief can only be used to settle debt and interest payments. Furthermore, Eskom is prohibited from implementing remuneration adjustments that could negatively impact its overall financial position and sustainability.

Lifeline was not enough

The insufficient Eskom lifeline highlights the urgent need to explore alternative financing sources and project execution models, including private investment a prospect that has garnered interest and confirmation of willingness from private investors, development finance institutions, and multilateral development banks.

"The Just Energy Transition (JET) Investment Plan 2023-2027 focuses on investment in electricity infrastructure, new energy vehicles, green hydrogen, skills development and municipal electricity distribution," explained President Cyril Ramphosa when he returned from COP28.

In light of the pressing need to scale up transmission infrastructure investment in the short term, and the length of time it will take to procure IPTs, the following roadmap was set out:

	LEVEL 1: Eskom/NTCSA TDP enhancement	LEVEL 2: Piloting IPT and other private financing models	LEVEL 3: Long-term system to manage private investment in transmission
2023-2024	Eskom and NT assess Eskom/NTCSA capacity to scale and execute a larger TDP using JET IP concessional finance, subject to an exemption and sovereign guarantee approved Ministry of Finance and Eskom/NTCSA negotiate with IPG lenders to conclude optimal terms	Eskom and a suitable institution[17] agree on three pilots for IPTs An IPT procurement office[18]	Private transmission Investment policy prepared by the mandated ministries for approval by Cabinet and submission by the Shareholder Minister to the NTCSA Board
2024-2025	The chosen IPG concessional loans approved by Minister Eskom/NTCSA scales up transmission investment and purchase of transformers for key sites to unlock REIPPPP	Market engagement for the preparation of pilot procurements; conclude bid packages and open bid windows	Design of a regulatory framework or NTCSA policy for the procurement of IPTs and other private financing models
2025-2026	TDP execution at higher scale	Pilots procurement process and bids adjudication Lessons learnt inform the long-term system design	Establishment of the relevant procurement office, and preparation of procurement programme
2026-2027	TDP execution at higher scale	Three IPTs reach financial close and commence operations Lessons learnt inform the long-term system design	Procurement programme commences

These mechanisms could offer a way forward, balancing ownership, funding structures, and socio-economic benefits, while navigating the legal and regulatory landscape that will shape policy and implementation strategies.

ABOUT LINDSEY SCHUTTERS

Lindsey is the editor for ICT, Construction&Engineering and Energy&Mining at Bizcommunity

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