

Legal advice boosts IPPs case against Eskom

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Independent power producers (IPPs), who are waiting for Eskom to sign power purchase agreements (PPA), are entitled to approach the courts to force Eskom to sign these agreements, the South African Renewable Energy Council (SAREC) said on Wednesday, 18 January.



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SAREC, which represents 37 IPPs, said that according to the legal advice it sought, Eskom was bound by the determination of the minister of energy to conclude signing the PPA.

It said Eskom also had no right to set new conditions following the published outcome of a highly competitive tender process.

Eskom said it was stalling on signing any further power purchase agreements because IPPs were costing Eskom billions.

In 2015, the Council for Scientific and Industrial Research (CSIR) released a report saying that IPPs had saved Eskom about R5bn from burning diesel at a time when there was load-shedding and the country needed more electricity, which Eskom could not adequately supply.

However, since last year Eskom has had surplus electricity. Based on the same calculations as those of the CSIR, Eskom

calculated that although total financial benefits of wind and solar were R3.2bn, this was offset by the renewable energy tariff cost of R12.2bn which had resulted in a net loss of R9bn to the economy.

Matshela Koko, Eskom interim CEO, confirmed IPPs were worsening Eskom's already deteriorating liquidity.

He said he would only sign them if they came up at R0.62kWh. He said only about 13 IPPs were R0.62kWh and those Eskom would sign.

"We will then implement renewables at a pace that Eskom can afford, certainly under my watch because Eskom is not going to collapse under my watch because somebody thinks it is favourable to sign IPPs," Koko said.

Eskom spokesman Khulu Phasiwe said the IPPs would only be signed at a pace Eskom could afford.

South African Photovoltaic Industry Association (SAPVIA) also welcomed the acknowledgement by the deputy president Cyril Ramaphosa at the World Economic Forum in Davos yesterday, of the role the IPP procurement programme played in bringing the price and cost of energy in SA down.

SAPVIA said that although the renewable energy sector would assist in bringing tangible socioeconomic benefits to South Africans, currently the sector was "under threat from the reckless behaviour of Eskom and its flagrant disregard to support SA's stated energy policy, confirmed by the president and the minister of energy in recent months".

Source: Business Day

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