

# EDITORIAL: Energy market is opening up, let's make it work for all

Private sector takes advantage of liberalisation of licensing regime to build its own generation capacity

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Economists have noted a huge spike in SA's imports of solar cells and panels since the beginning of the year. Eskom's statisticians recently estimated that there was up to 4,411MW of rooftop solar in June, a figure that has more than quadrupled since early last year.

These are installations by households and businesses that are below the radar of Eskom or the regulators because they don't have to be formally registered. But if all

this new small scale solar capacity is indeed out there, it's already equivalent to 70% of the total renewable energy generation capacity that's formally come onto the grid in the more than a decade since the government opened the first bid window for its renewable energy independent power producer programme.

With no more bid windows pending, the private sector is taking advantage of the liberalisation of the licensing regime to go ahead and build its own new generation capacity. For example, Nedbank reports that it has a R13bn book of own generation that companies' boards have approved and are ready to build. Added to that, the bank guesses its clients have invested close to R1bn in solar rooftop capacity.

Other banks will have large books too. There's certainly no lack of appetite in the private sector to invest in new renewable energy installations, large and small. And to the extent that these projects don't need to go through bureaucratic hurdles or connect directly to Eskom's constrained transmission grid, they are just going ahead.

That is clearly one of the factors that is helping to support what little growth there has been in the economy in recent quarters, despite unprecedented levels of load-shedding. Both the economic resilience and the investment is to be welcomed.

However, as Neva Seidman Makgetla argued in her column on these pages last week, the downside of this kind of private provision is that it increases inequality – between the energy haves and the have nots. There's increasing concern too about the revenue loss it means for Eskom and municipalities, which have traditionally funded other services from electricity revenue: policymakers have been far too slow to recognise the looming crisis or plan for it.


They've also been too slow to clear the way for industrial scale new generation projects to go ahead and build. It's these industrial scale projects, rather than small scale solar, that will make the real difference to the load-shedding outlook for all. But the government's own bid windows have stalled. And even private own generation projects, of which there is a huge pipeline, have been slowed by numerous bureaucratic hurdles.

The biggest issue is SA's transmission grid, which is running out of capacity to connect new renewable energy projects. A study by researchers at Stellenbosch University and the Blended Finance Taskforce estimates that more than 60% of new renewable energy generation may be unable to connect to the grid without significant investment to strengthen, upgrade and extend the grid.

It estimates up to R373bn of investment will be needed over the next decade if SA is to achieve energy security by the early 2030s and meet its “green” targets. There is plenty of private money waiting to be deployed. The public sector needs to get its act together, and fast.

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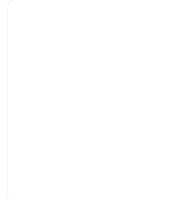
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