

SAIPPA PUBLIC STATEMENT ON THE RECENT ALLEGED DECISION BY ESKOM BOARD OF DIRECTORS

The South African Independent Power Producers Association - SAIPPA has taken note of the recent statement about the decision taken by ESKOM regarding suspension of signing any further power purchase agreements until it has engaged the Departments of Energy and Public Enterprise with concerns.

While this comes as no surprise, the manner in which it has become public is rather disappointing. From the onset SAIPPA will appeal for a calm but sober and firm response not only from its members and the independent power production community but the public as well. It is actually disconcerting that the manner in which this matter was brought to public attention was rather sensational.

It would have been more appropriate for ESKOM to have taken the IPP community into confidence and engaged us, notwithstanding ESKOM and the government's prerogative to decide about the matter at hand.

What also perturbs is the assertion that ESKOM is not going to "reject" independent power producers. This gives an impression that ESKOM has certain powers outside or over and above the Ministers who, in keeping with government policy, have not openly endorsed but consistently implemented the programme of involving the private sector in power generation.

Frankly, this action exposes quite a number of unsettling issues in the electricity industry viz.:

- Policy, legislation, regulation and planning are lagging behind developments in the power market – a warning that has been steadfastly growing from the IPP circles. The impact of such an ever-growing risky situation is a matter of concern, notwithstanding the subtle nature in which this development takes place.
- It is also lamentable that the IRP has not been reviewed because this is one of the tools that would have enabled a value-added guide on a number of issues which would have addressed, whether directly or indirectly, the current concerns raised by ESKOM.
- While stakeholders and players, in this industry, do engage from time to time, the action taken by ESKOM further exposes that such engagements are either artificial, fragmented or terse to be meaningful. What is emerging, once again, is engagement through media while platforms and mechanisms to engage with one another exist.

- Any damage that such action may have on investor confidence will exacerbate the current precarious investor environment and most probably take time to be remedied too. Obviously we can ill-afford to be in such a situation given the current economic morass.

However, this is also a wake up call for the organised formation in the IPP industry to be as united and coherent as ever to ensure the government is more engaging and consistent in managing the unfolding independent power production industry as well as the changing power market.

While we need to be sensitive to maintenance of global confidence on the power market and also its impact on the economy as a whole, we also need to be primarily siezed with domestic confidence as a matter of priority! At face value the action taken by ESKOM is fraught with risks of further eroding the existing level of confidence.

SAIPPA strongly belives that while our country needs a dynamic and viable ESKOM, as state power utility of global stature, the irreversible emergence of independent power producers, in the power market, needs requisite attention and support as well. The action by ESKOM and implications thereof do not augur well.

All in all an appeal, coupled with hope, is made to ESKOM as well as the relevant Ministries – i.e. Energy and Public Enterprise – to be as inclusive as is possible in handling this matter by inviting organised formations in the independent power production industry as well as municipalities that also generate power to a platform that will address concerns raised by ESKOM as well as related matters.

It is only in such platforms that an effective and sustainable solution will be moulded.

Issued by Sisa Njikelana – Chairperson of the South African Independent Power Producers Association.

Friday 22nd July 2016