South African Photovoltaic Industry Association

SAPVIA- Distributed Generation WG Agenda

Date: 25 March 2025
Time: 11:30-12:30
Chairperson: Oliver Johnston

Declaration of Interest and Prevention of Anti-Competitive Behaviour

Participants of all SAPVIA meetings agree not to engage in or discuss the following topics:

- **Price-Fixing** - current or future prices, pricing strategies, or price changes.
- **Market Division** - allocation of customers, suppliers, territories, or market shares. dividing markets by geographic areas or product lines.
- **Collusive Tendering** - bid-rigging, including agreements on who will submit bids or the terms of bids, information about tender processes or strategies.
- **Production and Supply Control** - agreements to limit or control production, supply, or distribution of products or services, capacity, production quotas, or inventory levels.
- **Boycotts**- agreements to boycott or refuse to deal with specific customers, suppliers, or competitors, collective actions against any market participant.
- **Information Sharing** - competitively sensitive information, including sales volumes, market shares, costs, marketing strategies, future business plans, research and development projects, or investment strategies.
- **Exclusionary Practices** - strategies to exclude competitors from the market or to create barriers to entry, exclusive dealing, tying arrangements, or predatory pricing.
- **Anti-Competitive Agreements**- discussions that could lead to anti-competitive agreements, whether formal or informal, conversations that could be interpreted as attempts to coordinate competitive behaviour.

Facilitator:	Oliver Johnston (OJ)	***Attendees:*** Claude Peters (CP) Dermott Murphy(DM) DeVilliers Botha (DB) Fortune Nosi(FN) Hennie Hanekom (HH) Jeandre van Zyl (JZ) Jigisha Mandalia (JM) Mandisa Mkhize (MM) Mike Blen(MB) Tanya Jooste (TJ) Dr Rethabile Melamu (RM) Sinethemba Mnguni (SM) Zimkita Bilibana (ZB)
Note taker:	Thabang Molai (TM)	

Agenda

1.	**Opening**	**Chairperson**
	Welcome and Introduction The meeting commenced with a welcome from the chairperson, who noted that several members were attending a solar conference and therefore unable to join the call. Despite considering postponement, it was deemed worthwhile touching base after two months and realign on key action points. **Agenda** The agenda was adopted with no amendments. **Minutes** The minutes of the previous meeting were accepted as a true reflection of the meeting proceedings.	
2.	**Workstreams**	
	2.1 Embedded Projects • CP reported that there are currently no significant updates from his side. • Emphasized the importance of maintaining a narrow focus but with in-depth exploration of each topic.	**Claude P - Lead** Agreepa M Avesh P Boitumelo M Hennie H Jeandre Z

	• **SSEG:** • CP highlighted potential crossover with the technical workstream, particularly regarding Small-Scale Embedded Generation (SSEG). • Noted the need to streamline technical application processes across municipalities, given significant regulatory inconsistencies. • **PPA Funding Models:** • CP raised concerns about negative perceptions of PPA funding models, including recent coverage in Farmers Weekly. • Stressed the need for end-user education on PPAs. • Engaged with banks and funding institutions to collaborate on a guidance paper for users on PPA considerations.	Mandisa M Martin K Tanya J Jacques B
	2.2 Wheeled Projects **2.2.1 Eskom Bi-lateral and Virtual Wheeling** • A meeting with Eskom regarding virtual wheeling was planned but postponed due to unavailability of the lead Eskom representative Mutenda, who is on leave until the first week of April. • The group emphasized the importance of rescheduling this meeting once Mutenda returns to obtain updates on the virtual wheeling developments. • The most significant recent development in the wheeling space is the Retail Tariff Plan (RTP) approval and its impact on wheeling rebates. • Eskom's updated RTP has reduced the rebates offered for wheeled power, especially: • Solar rebate: Decreased to approximately 19%. • Wind rebate: Reduced further to around 15%. • These adjustments are based on Eskom's latest 2024/25 tariff book figures. • Eskom has removed the ancillary services rebate of 9.23 c/kWh, previously included in the reconciliation of wheeled energy. • This removal represents a substantial portion of the reduction in value to off-takers and is considered a major change impacting wheeling project economics.	**Oliver J - Lead** Avesh P Awie B Basetsana M Jacques B Jigisha M Mandisa M Levi T Jeandre Z Julian D Fortune N Dermott M Wessel W Mike B

	2.2.2 Municipal Wheeling Framework • OJ reported that discussions with Ekurhuleni Municipality are ongoing. The Teraco deal was approved previously in what seems to have been an ad hoc process, but there is currently a pause on new wheeling deals pending NERSA's approval of Ekurhuleni's formal wheeling structure. • JZ: • Noted that he has been actively following up with Ekurhuleni post-Teraco approval. • Ekurhuleni claims the Teraco deal was signed in 2021, although this is disputed due to the lack of a framework at the time. • The municipality has indicated that they are only proceeding with wheeling agreements signed before 2022. • NERSA's reluctance to approve the framework is partly due to Ekurhuleni's financial standing with Eskom. • This leads to broader questions around amending Electricity Supply Agreements (ESAs) in financially distressed municipalities. • Voiced skepticism regarding the practicality of virtual wheeling in its current proposed form, especially if a municipality is not in good financial standing. • Emphasized the need to address outstanding legal and commercial questions around security deposits, ESA amendments, and MFMA compliance. • Noted that under the Municipal Finance Management Act (MFMA), municipalities do not need to go to tender if procuring cheaper electricity. • This potentially opens a legal argument against resistance to wheeling, as it limits market competition. • OJ: • Proposed raising these matters in the next meeting with Eskom and ensuring alignment among all stakeholders involved. • Agreed to leverage SAPVIA and possibly NECOM relationships to help unlock progress on municipal wheeling. • Shared feedback from the October call with Eskom's Virtual Wheeling Team.	

	• Eskom has developed a structured framework to assess municipal good standing, which seems robust and well-considered. • While the actual documentation wasn't shared, the framework appears to be a positive step towards transparency and fairness in Eskom's municipal engagements. • JZ: • Noted that even financially compliant municipalities, like Stellenbosch, have faced disproportionate security deposit demands (e.g., R1.9 billion), raising concerns about consistency and fairness. • Stellenbosch has maintained seven years of clean audits, yet still faces barriers, indicating systemic issues in Eskom's risk and credit approach. • DB: • Relayed sentiments from other industry players suggesting that current frameworks may be protecting monopolies over enabling open access and competition. • It was noted that Frank Spencer serves on the NECOM Wheeling Working Group, and it was recommended that he be drawn into these discussions to better align SAPVIA's participation and advocacy efforts. • Virtual wheeling is seen by some as bypassing municipalities, raising questions around uncompetitive behaviour. • The Municipal Finance Management Act (MFMA) compels municipalities to procure services at the best possible value, which in many cases would come from local embedded generation or private wheeling agreements, rather than Eskom's increasingly costly tariffs. • As Eskom tariffs continue to rise, municipalities will face legal and economic pressure to source energy from more affordable, alternative suppliers. • It was agreed that these issues should be brought forward in upcoming engagements with Eskom. • OJ: • SAPVIA and its members should continue to monitor and engage with NECOM structures to ensure the voice of the industry is heard on these critical matters.	

	• Ekurhuleni Municipality has expressed reluctance to support inter-municipal Wheeling, citing limited grid capacity on their distribution network. • The municipality has opted instead to reserve this capacity for its own IPP procurement programme, which aims to purchase renewables at a low rate (e.g., R0.80/kWh) and resell at higher tariffs (e.g., R1.50/kWh), effectively maximizing revenue margins. • Under Wheeling arrangements, municipalities act as pass-through entities, earning minimal margin—hence their preference for direct procurement*. • This strategy was noted to be contrary to legal obligations, specifically around non-discriminatory access to the grid. • Ekurhuleni's approach appears to prioritise municipal financial interests over fair market access, raising potential grounds for legal or regulatory challenge.	
	2.3 Regulations and Policy **NERSA's Net Billing Rules and Regulatory Implications** • DB: • Provided feedback on NERSA's newly released draft Net Billing Rules. • The draft rules contradict the City of Cape Town's principles, particularly regarding offsetting excess generation. • NERSA proposes that generation can only be offset against the actual site's consumption, capping any excess. • In contrast, Cape Town allows excess generation to be offset against other municipal services and offers cash-for-power schemes, providing greater flexibility and incentives. • A task team led by Prof. Anton Eberhard (Power Futures Lab) is engaging with NERSA to align national policy more closely with proven municipal frameworks like Cape Town's. • This initiative aims to influence revisions and ensure that prosumers (customers who both consume and produce electricity) are supported through fair and enabling rules.	**Jigisha M - Lead** DeVilliers B Oliver J Jeandre Z Wessel W

	• Even once NERSA finalizes the Net Billing Rules, municipalities still need to develop and implement their own SSEG/EG frameworks to give effect to them. • The NERSA rules establish overarching principles, but municipal-level buy-in and regulatory alignment are still required for practical implementation. **Curtailment Rules** • JM: • NERSA Curtailment Rules are still pending approval and are scheduled for discussion at the Energy Regulator meeting on 27 March 2025. • A key debate is around whether private IPPs should be compensated for curtailment, similar to the REIPPPP model, to level the playing field. • However, NERSA is concerned about potential cost pass-throughs to consumers, particularly in the context of recent MYPD6 tariff increases. • This concern is causing delays in approval. • It is unclear whether parallel discussions are happening between Eskom, NERSA, or other industry stakeholders. No background engagements have been confirmed as of now. • OJ asked if curtailment rules are specific to REIPPP or general for private projects and wheeling • JM clarified that curtailment rules are region-specific, particularly in constrained areas. Eskom will determine allocation rules after NERSA's approval. • OJ mentioned a survey summarizing RTP tariff impacts, including: • Time-of-use adjustments with morning and evening peaks • Impacts on MegaFlex, WEPS, and Wheeling rebates • Biggest impacts seen on Wheeling side with significant reduction in rebate. • OJ offered to share the survey with the group for reference. • DB asked if the reduction in the wheeling rebate made wheeling slightly less attractive due to the grid operator manipulating tariffs. • OJ confirmed that the effective rebates for solar PV are about 19% lower due to the changes.	

	• OJ explained that the base costs for consumers have gone up, while the rebates have decreased, making it challenging for some companies to justify the changes. • DB noted that the changes might be hurting competition and expressed optimism that Eskom would split into two, not three, as generation and distribution still sit together. • OJ highlighted the risk of grid operators manipulating tariffs, influencing the business case for buying wheeled power, and concluded that while the changes might be defendable, they need to be rational in the long term to avoid contestation. • JM noted that the changes are part of a transitionary phase towards a wholesale market and more cost-reflective tariffs. **IRP** • JM: • The IRP is currently under review by NEDLAC after a second round of consultations was conducted late in 2023. • No further public consultation is anticipated before Ministerial adjustments and Cabinet approval. • Although the original target date for finalization was end-April, it's unclear whether this deadline will be met. • To date, no updated IRP document has been publicly released — only a presentation was shared late last year. • The Department appears to have used Eskom's NCL (Network Capacity Allocation) application data to better estimate near-term capacity additions. • OJ noted a follow-up is needed with De Wet (DT) to understand SAPVIA's engagement with NEDLAC on the IRP.	
	2.4 Technical **Grid Code Compliance/Assets/Access** • DM: • The group intends to prioritize grid code compliance, particularly: • Addressing the distinction between embedded generation and large generators connected to substations.	**Dermot M - Lead** Basetsana M Hennie H Jigisha M Julian D

	• Assessing compliance based on project size and use case (e.g., grid-feeding, curtailed with reverse power blocking). • Exploring implications when batteries are added to existing systems. • DM acknowledged some overlap with the SSEG workstream (as mentioned earlier by Claude) but emphasized the technical team's focus will remain on regulatory and practical aspects of grid compliance. • DM is engaging with another organization representing both embedded generation and IPP (REIPPPP-style) projects to discuss shared challenges around grid code compliance and plans to meet with their regulatory specialist to exchange insights and potentially learn from their policy structures. • DM extended an invitation to interested members of the group to join the upcoming external meetings, noting the preference for a focused group but openness to relevant participation. **NECOM Feedback** • DB: • The task team has convened for five weekly meetings and the initial proposal focused on behind-the-meter, zero-export systems. • The intent was to streamline project registration under current constraints. • During discussions, particularly the third meeting, City of Cape Town and Eskom questioned the zero-export limitation. • It was agreed that the scope should include grid-connected generation systems up to 5 MW, including Category B systems. • The team now seeks to enable broader embedded generation with sensible criteria. • The team acknowledged the gap in South Africa's grid code for embedded generation systems. • Recognized that writing a new grid code could take years and would require long-term champions. • Given NECOM's short-term emergency mandate (deadline: June 2025), the task team will instead focus on identifying and proposing short-term amendments or "tweaks" to the current grid code.	

	• Ensuring these changes are safe, sensible, and enable easier grid connection. • The team is shifting to biweekly meetings to finalize recommendations by June 2025. • Planning to present input to the Grid Code Advisory Committee highlighting the need for a middle-tier grid code for embedded generators. • Exploring ways to allow alternative professionals to sign off Category B systems, addressing municipal capacity constraints. • A joint definitions document (e.g., on PUC, POC, POS, PGC, etc.) is being compiled by City of Cape Town and other stakeholders, to provide clarity and standardization across the sector.	
3.	**Closure** With a vote of thanks, the Chairperson formally closed the meeting. ***Next meeting: 13 May 2025***	**Chairperson**

Action Items

No:	Actions	By Whom
1.	Schedule sub-committee meetings.	**PG**
2.	Reschedule Meeting with Eskom (Mutenda) regarding virtual wheeling.	**OJ**
3.	Follow up with De Wet regarding the engagement around the Integrated Resource Plan (IRP) and its current status with Nedlac.	**ZB**
4.	Follow Up with De Wet on SAPVIA's Official Response (Eskom Rebate).	**ZB**
5.	Share the survey's findings on the impacts of the RTP tariff with the working group.	**OJ**