

Just Energy Transition - The Role of NERSA



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Contents

1. Introduction
2. What is Just Energy Transition (JET)?
3. The Role of NERSA
4. The Role of NERSA in relation to JET
5. NERSA Future/Planned Interventions
6. Conclusion

1. Introduction

- a. Energy supply and consumption form the backbone of any economy and South Africa (SA) is no different.
- b. It enables economic growth, job creation and social upliftment.
- c. As a result of the current heavy reliance on fossil fuels, various communities have been vulnerable to negative externalities.

2. What is Just Energy Transition?

- a. JET is a transition towards a low carbon and equitable energy system which is better for people and the planet
- b. The ‘Just’ component of the transition requires legislation and policy to be in place to protect workers in legacy energy systems where jobs stand to be at risk.
- c. “Transition”, directly implies a gradual change towards low carbon energy production technologies
- d. Resources are required that will enable the transition to a low carbon economy to be in a manner that is socially just and sensitive to the potential impact on jobs and local economies.

2. What is Just Energy Transition? (contd)

- e. Considering SA's vulnerability to climate change there is a need for SA to transition from the current fossil-dominated system to a less coal-intensive mix.
- f. JET seeks to drive energy production to a position where there is an equitable and transparent system with more incorporation of renewable energy (RE).

3. The role of NERSA

- a. NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
- b. NERSA is not a policy maker but an implementer of legislation, policies and frameworks, and it is expected to execute its mandate proactively in anticipation of and in response to the changes in the regulated industries within the ambit of what is provided in its governing legislation, policies and regulatory frameworks/tools.

4. The role of NERSA in relation to JET

- a. The role of NERSA has evolved through policies and procedures passed by the policy maker to facilitate JET and hence NERSA seeks to promote efficient distribution and pricing of electricity, natural gas and transportation of petroleum products.

- b. The Energy Regulator must therefore, in executing its mandate, ensure that all regulated entities embrace JET by gradually investing in JET production technologies

4. The role of NERSA in relation to **JET** (contd)

- c. In facilitating the inclusion of clean sources of energy, NERSA's objectives are now inclusive of the following:
- ✓ facilitation of electricity generation through the gas to power projects;
 - ✓ expansion of the natural gas sector through investing in activities such as the hydrogen economy;
 - ✓ facilitation of more piped gas and LNG imports into South Africa; and
 - ✓ promotion of small-scale LNG projects around Virginia in the Free State Province

4. The role of NERSA in relation to JET (contd)

- d. NERSA has thus far concurred with the Section 34 Determination in various technologies as stipulated in the Electricity Regulation Act, of 2006, which allows for the Minister, in consultation with the Regulator to:
- ✓ determine that new generation capacity from Nuclear is needed to ensure the continued uninterrupted supply of electricity;
 - ✓ determine the types of energy sources including their percentages from which electricity must be generated;
 - ✓ determine that electricity thus produced may only be sold to the persons or in the manner set out in in a determination; and
 - ✓ determine that electricity thus produced must be purchased₉ by the persons set out in a determination.

4. The role of NERSA in relation to JET (contd)

Table 1: Section 34s that the Regulator has concurred to from IRP 2019

No.	Technology	Volume (MW)	Date of Regulator Decision	Developer of Capacity
1	Risk Mitigation Capacity	2 000	14 May 2020	IPPs
2	Renewable (PV & Wind)	6 800	29 July 2020	IPPs
	Storage	513		
	Gas & Diesel	3 000		
	Coal	1 500		
3	Nuclear	2 500	27 October 2021	Eskom
4	Battery Storage and PV	404	25 February 2022	Eskom
5	STPPP determination	202	25 November 2021	Eskom
Total		16 919		

5. The role of NERSA in relation to JET (contd)

- e. To date, the DMRE has procured 9 021 MW from 137 RE IPP projects, through (8) windows (BWs).
 - ✓ These BWs were: BW1, BW2, BW3, BW4, BW5, including BW 3.5 on the concentrated solar technology with thermal storage, and two BWs of small-scale renewable energy projects.
- f. Over the years, REI4P projects have been connected to the grid in a phased-in approach, based on their scheduled commercial operation dates.
- g. By the end of June 2022, the total grid installed capacity of projects was 6 006MW. Of this installed capacity, 5 971MW is in commercial operation. This capacity is from 87 REI4P power plants.

6. Conclusion

- a. Due to the evolving nature of the sectors that NERSA regulates, NERSA seeks to continuously improve its regulatory tools, align them to international best practices with full recognition of South Africa's energy needs, and in support of the JET agenda.
- b. Incentivising innovation and efficiency, its critical in NERSA's regulatory processes as, this is intended to facilitate infrastructure development as well as offset innovation risk where returns take a while to materialise.
- c. NERSA continuously pursues a holistic approach in facilitating an efficient supply and demand of energy, and an increase generation of energy from cleaner sources.
- d. NERSA will continue to improve its regulatory processes to ensure efficient processing of registration & licence applications; revenue (pricing/tariff) applications; enforcement of licence conditions and settling of disputes and complaints.
- e. There is a need to finalise the review of NERSA's governing ¹²legislation for it to increase and effectively execute its regulatory mandate.

Thank you

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