

Eskom looks set to drag feet on signing PPAs - SAREC

According to the SA Renewable Energy Council (SAREC), signs are already emerging that Eskom will drag its feet wherever possible to resist signing outstanding power purchase agreements with renewable producers.



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In a state of the nation address heavily focused on economic growth and transformation, President Jacob Zuma stated last week that “Eskom will [sign the outstanding power purchase agreements \(PPAs\)](#) for renewable energy in line with the procured rounds”. He had earlier acknowledged the importance of renewable power in South Africa’s energy mix.

Finalise budget quotes

Before power purchase agreements can be signed, Eskom must first finalise budget quotes for each independent power producer (IPP), this being Eskom’s quoted cost to connect the new plant to the national grid. All such budget quotes had expired during the long delay as Eskom refused to move forward with the process.

“Despite the president’s injunction, Eskom has yet to issue a single IPP with an updated budget quote. Eskom managers’ report that the Eskom board and interim CEO have yet to approve the formal issuance of these quoted,” said Brenda Martin, chair of SAREC.

She continued, adding, “Of even more concern, are emerging reports that budget quotes may only be approved if the cost of connection is significantly increased (in one case, doubled) compared to the original quotes and, of even greater concern, on condition that renewable tariffs are capped at 62c/kWh.”

Eskom is not a policymaker

As a national utility, Eskom is not a policymaker and has no legal authority to negotiate tariffs with preferred bidders. SAREC’s legal opinion from senior counsel has already indicated that ministerial determinations are binding on Eskom and the utility has no discretion to impose further conditions on preferred bidders or to negotiate tariffs following a completed competitive tender process.

“Eskom’s duty is to timeously and clearly follow the president’s directive and move rapidly to sign the outstanding power purchase agreements. South Africa cannot afford to suspend the entry of R58bn into the economy and the creation of 13,000 much-needed jobs,” concluded Martin.

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