

## **Private sector investors can soon help fund Eskom grid**

The government will soon start allowing private sector investors to participate in funding new grid infrastructure such as power lines.

It is likely to allow for such investment through a programme similar to the Independent Power Producer (IPP) Procurement Programme, through which private companies can bid to build new power generation projects with government backing and secure offtake agreements with Eskom.

Expanding the transmission grid will significantly contribute to ending load-shedding and is crucial to bringing renewable projects online in those provinces that hold the best potential for solar and windpower generation.

According to electricity minister Kgosientsho Ramokgopa, there is an “insatiable appetite” to invest in expanding the grid, but the government still needs to resolve the governance framework for procurement.

Importantly, the investment “architecture” will have to ensure the state, through the national transmission company, retains full ownership of the grid, Ramokgopa told journalists on Tuesday.

He said the aim is to put together something similar to the Renewable Energy IPP Programme (REIPPP) so new grid infrastructure can be procured “with speed by accessing the liquidity in the private sector without relinquishing state-ownership of the grid”.

The private sector participation model would probably not be restricted to participation through financing only but would be based on a build, operate, transfer model, which would see any new assets eventually transferred to the original procuring entity (Eskom, through the national transmission company).

### **Davos**

Ramokgopa formed part of the SA delegation to the World Economic Forum’s annual meeting in Davos, Switzerland, earlier in January. He said they used the platform to engage with potential financiers and had several bilateral discussions with possible funders. He would not go into detail about which countries and/or entities the SA team met at Davos.

Subsequently, the department has also had “talks” with heads of missions for EU member countries in SA to discuss possible funding for expanding the transmission network.

There is funding available, he said, through the Just Energy Transition Partnership with a group of developed countries, to help finance grid expansion.

“[Eskom’s] challenges on the transmission side are almost equivalent to those on the generation side. If it is not addressed immediately, it will be even more catastrophic [than the generation crisis SA is now dealing with],” he said.

SA needs an estimated R390bn to strengthen its transmission capacity and connect new energy projects such as solar and wind generation plants to the grid. This is required to fund Eskom’s current transmission development plan, which outlines the need for the installation of more than 14,000km of new high-voltage power lines by 2032.

Over the past 10 years, Eskom has built a mere 4,300km of transmission lines but it plans to build 1,400km over the next three years at a cost of about R70bn.

The utility has adequate funds to achieve its three-year goal, but Ramokgopa said SA needs to move quicker to deliver new grid infrastructure so that more megawatts can be connected sooner. Given Eskom's weak balance sheet, the only way to roll out new grid infrastructure faster is by allowing private sector participation.

### **Biggest risks**

A shortage of available grid capacity in those provinces that have the most potential for solar and wind power generation — the Western, Eastern and Northern Cape — has emerged as one of the biggest risks to the Energy Action Plan, which aims to end load-shedding in the shortest possible time.

Ramokgopa referred to bid window 6 of the REIPPP, which failed because of a lack of grid capacity. The government was initially able to procure only 860MW out of an anticipated 5,200MW of new generation capacity.

He said bid window 7, which went out to market in December to procure 1,800MW of solar and 3,200MW of onshore wind power, will again “encounter significant challenges on the transmission side”.

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