

**MINISTRY OF ENERGY**

REPUBLIC OF SOUTH AFRICA

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 **Memorandum from the Parliamentary Office**

**509. Mr G Mackay (DA) to ask the Minister of Energy:**

Whether any framework agreements were signed between Eskom and (a) her department, (b) the Department of Public Enterprises, (c) the independent power producer (IPP) office and (d) individual IPPs to procure independent power producer projects; if not, (i) why not and (ii) what are the relevant details; if so, will she provide Mr G Mackay with copies of each framework agreement? NW566E

**Reply**

1. ,(b), (c), (i)

Yes, during November 2012, the Ministers of Finance, Energy and Public Enterprises entered into a Government Support Framework Agreement (GSFA) with Eskom as the buyer of electricity produced by IPPs. The GSFA contains the framework within which the Government shall make support available to Eskom in an event it cannot meet its obligation under the Power Purchase Agreement with the IPP. The Independent Power Producers Office is represented by the Department of Energy in the agreement. Such financial assistance is regarded as financial guarantee to Eskom.

In addition, the Regulatory Framework under Nersa allows the IPP cost incurred by Eskom to be a pass through to the electricity end-user with Eskom as the conduit and with no financial implications on Eskom. Any IPP procurement is added to the list from time to time in accordance with the procurement framework outlined under Section 34 of the Electricity Regulation Act.

The following project agreements have been signed with IPPs to date as part of the IPP procurement process:

A Power Purchase Agreement (PPA) that is signed between Eskom and the individual IPPs at the time of financial close. The PPA is a commercial that determines contractual obligations in terms of power delivery by the IPPs (as Seller) and payments by Eskom (as Buyer). To date, 64 IPP projects have signed Power Purchase Agreements, totaling a contractual obligation by IPPs to deliver 4 001 MW of electricity to the grid.

An Implementation Agreement (IA) is signed between the Department of Energy and the individual IPPs at financial close. The IA determines contractual obligations by the Seller in relation to socio-economic and enterprise development commitments over the life-time of the project as well as the Government support to Eskom in an event of default by Eskom.

(ii) The PPA and IA with each IPP are confidential as they contain pricing information that could be used by competitors in future IPP bidding rounds. Nonetheless, we have enclosed the GSF Agreement a prototype PPA/IA.