

# RENEWABLE ENERGY FEED-IN TARIFF BILL

## 1. PREAMBLE

**Considering** the urgent need to reduce greenhouse gas emissions in order to prevent dangerous climate change;

**Noting** the increasing, large scale contribution that producing electricity from renewable energy sources can make to reduce such emissions, at the same time as helping to meet our energy needs and having other beneficial environmental, social and economic effects;

**Noting** particularly the importance of a secure and diversified energy supply;

**Noting** the South African Grid Code requirements for the connection of renewable technologies to the grid.

**Noting** the restriction placed on private power produced because of the Single Buyers market Model in South Africa

**Aware** of the benefits in these respects that well-designed renewable energy feed-in tariff laws have brought to other countries and regions.

Be it enacted by the Parliament of the Republic of South Africa as follows:

## 2. THE SCOPE OF THE BILL

The scope of the Bill is to provide for:

- the setting of targets for the amount of electricity consumed from renewable energy;
- encouraging the deployment of technologies for renewable power generation
- the technologies and plants whose operators/owners will benefit from obligations in respect of transparent, objective and non-discriminatory connection to the grid, and of payment of a tariff for the electricity produced, guaranteed for a minimum period
- progress reports on the operation.
- The guaranteeing of favourable tariffs for the purchase of feed-in power into the national transmission grid;
- the provision of the governance of the power lines connected to the national transmission in relation to feed-in;
- the increasing of the amount of renewable energy contribution to South Africa, diversification of the domestic energy mix from renewable sources, and
- the technologies and plants whose producers will benefit from obligations in respect of transparent, objective and non-discriminatory connection to the grid, and of payment of a tariff price for the electricity produced, guaranteed for a minimum period

## 3. PURPOSE OF THE BILL

The Purpose of the Bill is to promote the production and use of electricity from renewable energy in order to:

- Mitigate urgently the causes of climate change
- Reduce local and regional air, soil and water pollution
- Protect the environment and human health
- Contribute to the achievement of sustainable development
- Help poverty eradication
- Create new jobs and improve economic and social well-being in rural and isolated areas
- Secure and diversify the energy supply
- Reduce long-term price volatility of fossil fuels
- Contribute to the development of the renewable energy technology industry.

#### 4. DEFINITIONS

The meanings of the following energy terms apply as explained below unless an indicated is stated that it means otherwise:

- **Consumer** means a user of electricity, whether purchasing electricity or not.
- **Feed-in tariff** means the mechanism by which guaranteed tariffs, as negotiated with the regulator, at which power producers can sell their renewable power to the electricity power network.
- **Distribution** means the conveyance of electricity, excluding reticulation services, through a distribution power system, and "distribute" and "distributing" have corresponding meanings.
- **Eskom** means the national utility established in terms of Eskom Act No 40 of 1987 as amended.
- **Generation** means the production of electricity by any means, and "generate" and "generating" have corresponding meanings.
- **Licensee** means the holder of a licence granted or deemed to be granted by the regulator under the National Energy Regulation Act 2004.
- **Minister** means the Minister of Minerals and Energy.
- **National utility** means the parastatal (Eskom) responsible for the generation and ownership of the national grid.
- **Regulator** means the Energy Regulator referred to in the National Energy Regulator Act 2004
- **Reticulation services** means the distribution of electricity to consumers at a voltage of or below 132 kv, by or on behalf of a municipality within its area of

jurisdiction, through a distribution power system owned or ultimately to be owned by the municipality.

- **Renewable energy** means renewable non-fossil, non-nuclear energy, excluding large hydropower.
- **Supply** means the generation, transmission, distribution, reticulation and trading of electricity, whether licensed or registered in terms of this Act or exempted in terms of Schedule II thereto, or not.
- **Trading** means the wholesaling or retailing of electricity as a commercial activity, whether for the account of the person buying or selling that electricity, or on behalf of somebody else
- **Transmission** means the conveyance of electricity through a transmission power system, and
- **Transmission grid** means a transmission power system which transports electricity from generation to distribution points operating at above 132Kilovolts.

## 5. TARGETS

5.1. By 2010 the amount of electricity produced from renewable energy technologies shall be no less than 10 percent of total electricity consumption in South Africa.

5.2. By 2015 the amount of electricity generated from renewable energy technologies shall be no less than 15 percent of total electricity consumption in South Africa.

5.3. By 2020 the amount of electricity generated from renewable shall be no less than 20 percent of total electricity consumption in South Africa.

5.4. The relevant ministry such as the Ministry of Minerals and Energy shall exercise their powers and duties to achieve such targets.

## 6. ELIGIBLE TECHNOLOGIES AND PLANTS

6.1. Each of the following non exhaustive list of technologies are eligible for the purpose of a feed-in tariff law in South Africa:

- (a) Small hydropower <10MW;
- (b) Solar PV
- (c) Solar thermal – electricity generators
- (d) Wind turbines
- (e) Wave and tidal

6.3. An eligible plant shall meet the safety and technical standards set down by the National Energy Regulator of South Africa and the South African Bureau of Standards for connecting to, and for supplying electricity into, the grid.

## 7. GRID CONNECTION, REINFORCEMENT AND COSTS

negotiation between the parties and include equal participation

### 7.2. Costing

- Producers will pay for the costs of the equipment needed to connect their plant physically to the nearest point of the electricity distribution grid; and
- Grid operators will pay any costs for reinforcement of the network, including reasonable network extensions to accommodate future installations, costs which are passed to the final consumer by including them in the system charges.

## 8. PRIORITY PURCHASE OBLIGATION

The buyer shall purchase according to the power purchase agreement and the relevant feed in tariff, and the grid operator shall transmit, as a priority the electricity produced from eligible plant. The buyer shall not refuse to purchase, and the grid operator shall not refuse to transmit, such electricity on the grounds of insufficient grid capacity.

## 9. TARIFF PAYABLE FOR A GUARANTEED PERIOD

9.1. The buyer shall pay the eligible producer the tariff for the relevant period.

9.2. The tariff shall be:

(a) the amount shall be a multiple of the agreed regulatory tariff [t] – negotiated during the multi year pricing negotiations per KWh of electricity produced from each eligible plant;

(b) for the relevant period in respect of that eligible plant, as set out in the Table below:

Eligible Technology	Eligible Plant	Tariff	Guaranteed Period
Small hydropower	<10MW	3*t	20years
Wind power	all	4*t	25
Wave and tidal	all	4*t	25
Biomass		4*t	15
Biogass		4*t	15

Geo-thermal	Electricity producing	4*t	25
Solar PV:		5*t	25years

9.3. The tariff shall be adjusted tri-annually by the multi year pricing negotiations , commencing in December 2008.

## 10. PROGRESS REPORTS

10.1. Department of Minerals and Energy shall publish a progress report on the operation of this Act:

- (a) before two years have elapsed from the date it comes into force; and
- (b) thereafter, at intervals of not less than [two] years and not more than [four] years.

(2) A progress report shall include assessment of:

- (a) growth rates and average production costs of the Eligible Technologies;
- (b) progress towards the achievement of targets;
- (c) economic, social and environmental benefits of the Act (such as the amount of investment and export trade, the number of jobs created and the amount of carbon dioxide emissions avoided);
- (d) additional costs for the consumer;
- (e) ecological effects of the use of renewable energy sources on nature and landscapes; and
- (f) whether in all the circumstances tariff adjustments are necessary.

Notes: The White Paper on Renewable Energy of 2003 has set a target of 10 000GWh of energy to be produced from renewable energy sources (mainly from biomass, wind, solar and small-scale hydro) by 2013.