

# Small power's green light gets brighter

Efforts are under way to make it easier for firms, farms and households to sell electricity to the grid

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**S**outh Africans eager to generate their own electricity and sell it back to the grid are now one step closer after Energy Minister Jeff Radebe ordered national energy regulator Nersa to issue licences to small-scale power producers.

Radebe reportedly confirmed this week, at the African Utility Week and Powergen Africa conference in Cape Town, that he had initiated the process to help ease the country's power constraints, even though South Africa's latest energy roadmap, the Integrated Resource Plan, has not been given the green light yet. And the issues of fees and levies are still being debated.

*Business Day* reported that Radebe had written to Nersa, instructing it to get the ball rolling on small projects generating between one and 10 megawatts (MW). This means farmers, industries and mining operations can now apply to start feeding back into the grid.

In April last year, Nersa withdrew draft rules for small-scale embedded generation (SSEG) after a public outcry about the need to register solar panels even when not connected to the grid. Last week, Nersa published a consultation paper on licences for producers of less than 1 MW for

comment. This will provide clarity on how households could sell their excess electricity back to the grid.

But the power switch is worrying for cash-strapped municipalities. They have been slow to take up SSEG programmes because they rely on electricity revenues to subsidise other services and only a handful currently allow producers to feed electricity back to the grid.

The consultation paper exempts various categories of power producers from registering – for example, off-grid generators. Households or businesses supplying less than 1MW to the grid would have to register, but would not need a licence to do so.

Although Radebe's measures will address the bureaucracy that SSEG projects have become mired in, power producers, including those generating 1MW or less, will still have to contend with fees and levies. All municipalities offering such programmes compel producers to register and pay various fees.

Cash-strapped municipalities are also grappling with how they will fund feed-in tariffs to pay the small-scale generators who, in the past, were often the best ratepayers.

According to the South African Local Government Association, 34 municipalities allowed SSEG programmes. Eighteen are in the Western Cape and only 18 nationally had official feed-in tariffs.



**Generation:** Small-scale power producers, such as private homes using solar panels, can sell the electricity to 34 municipalities so far, but at measly tariffs. Photo: David Harrison

One municipality offering feed-in tariffs is Stellenbosch. But, while doing research for her master's thesis, Geeta Morar found that levies such as grid connection fees of R140 prevented households from making money.

In Johannesburg, power producers complained that the city's "measly" feed-in tariff of R42.79c per kilowatt hour (/kWh), was not enough to compel them to register through the "onerous bureaucratic process".

But the City of Cape Town's SSEG programme, one of the first in the country, is growing in stature.

Constantia residents Leigh de Decker and Mark Bleloch were among the first to sign up with the city and in Decker's case, it buys back power from her household's renewable installation at R0.73c/kWh.

"It is a no-brainer," she said. SSEG participants get a discount on the power they buy from the city when they do draw electricity from the grid, such as during the evenings or when the weather is bad. In winter, De Decker's household generates

about 60% of what they need and have to buy electricity from the city. She pays R1.20 for the first 600kWh and R2.22 after that.

If a household generates more electricity than it consumes, it get credits from the city. De Decker said the credits they generated from feeding power into the grid have helped to pay back their investment in renewable power.

But households that feed back into the grid pay a higher service fee to be connected to the grid – just over R400 a month, as opposed to the normal R120, but will drop to R230 after July.

SSEG registration with the city is free but compulsory.

De Decker said the uptake by households has been slower in Cape Town than initially anticipated because the city had not pushed incentives for them to do so. Businesses, on the other hand, are offered better incentives, including liberal tax write-offs.

Phindile Maxiti, Cape Town's mayoral committee member for

energy and climate change, said the programme there was an increased uptake of the technology. About 500 SSEG systems have been approved, and many more are in the pipeline.

The city's feed-in tariff was one of the higher tariffs in the country, he said. No registration fee or any type of proposed levy is planned. "Our tariff structure is in place."

Eskom and Nersa agree that fees are needed when connecting to the grid. An Eskom spokesperson said Nersa has approved a registration fee that applicants must pay to the regulator. Eskom believed Nersa's registration fee and related processes would make the grid connection regulations much easier to apply.

Eskom said Nersa was responsible for registration and licensing all power generators.

If Eskom customers install a power generation system, they have to follow the Eskom grid connection process, starting with an application for a connection and use of the distribution system, the spokesperson explained. These incur fees.