

Electricity can be improved

The investment into energy models need to change if countries harboured hopes of improving electricity supply.

This is according to Penny Herbst, director of strategy for Africa GreenCo ahead of the 19th edition of African Utility Week and Powergen Africa, which takes place in Cape Town from May 14-16. The event is expected to attract more than 10 000 energy and water professionals this year.

Herbst, who is set to moderate a conference session on "Financing renewable energy projects", said: "Honestly, I think the business model for energy investment needs to change.

"There are far too many players that are comfortable with the same structures for investment, selling to an SOE (state-owned enterprise) with a government guarantee. What we really need at present is for investors to have a stake where their influence contributes to improving the Electricity Supply Industry (ESI) as a whole.

"Both current investors familiar with the South African environment and those who wish to enter the market for the first time are awaiting the release of the revised IRP for their next move."

Herbst said that Africa GreenCo has an innovative business model "where it will function as an intermediary buyer and seller of power from IPPs and in this role will aggregate financial and supply risks in a portfolio approach by, among others, using local and regional markets to transparently diversify its risks".

With regards to the role of municipalities, Herbst – a former Eskom employee and 30-year veteran of the energy industry – said: "The municipalities are as much a part of the ESI as Eskom and, as a matter of fact, in most large metros they add a margin in excess of 100% to Eskom's tariff, eg Eskom charges the municipalities approximately R1/kWh and they in turn charge R2 /kWh to their customers.

"This is exorbitant. And to make matters worse, the charges associated with pre-paid exceed those of post-paid. Surely pre-paid customers are a better credit quality than those that are being billed in arrears.

"The question to be raised here is who is benefiting from prepaid meters. If it is the private sector, is their remuneration commensurate with their risk?

"What is clear, though, is that there is a myriad of players lying in wait to capitalise on the gap that has been created by the unfolding Eskom financial and reliability challenge." – ANA



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Penny Herbst
Director of strategy for African GreenCo