



**ANNOUNCEMENT BY PRESIDENT CYRIL RAMAPHOSA  
ON AMENDMENT TO SCHEDULE TWO  
OF THE ELECTRICITY REGULATION ACT**

**10 JUNE 2021**

Good afternoon,

We are holding this briefing today in a time of great hope and great difficulty.

Difficulty, because we are in the midst of the worst economic crisis in our country's recent history, which has seen a dramatic increase in unemployment and hunger and a significant decline in economic growth.

Hope, because we are already starting to see the results of our efforts to recover and to rebuild.

In the GDP figures released by Statistics South Africa this week, in the encouraging signs of a revival in many sectors of our economy, and in rising business confidence, we are seeing the green shoots that emerge after a devastating fire.

We are witnessing, as I predicted in the State of the Nation Address only a few months ago, the rebirth of our resilient protea.

The economic impact of the coronavirus pandemic has been severe, not only for South Africa, but for the global economy.

As a country, however, our challenges predate the pandemic. We have experienced low economic growth and high levels of unemployment for many years, due to the structural constraints that hold our economy back.

There is no doubt that the prospect of a continued energy shortfall and further load shedding presents a massive risk to our economy. That is why we have identified the achievement of energy security as one of the priority interventions in our Economic Reconstruction and Recovery Plan.

Our ability to address the energy crisis swiftly and comprehensively will determine the pace of our economic recovery. Resolving the energy supply shortfall and reducing the risk of load shedding is our single most important objective in reviving economic growth.

In the past weeks and months, we have made some important progress in addressing the energy crisis under the leadership of the Minister of Mineral Resources and Energy.

This includes the announcement of 11 successful bidders for the Risk Mitigation Power Procurement Programme and the opening of Bid Window 5 of the renewable energy programme to procure 2 600 MW of new generation capacity from wind and solar PV projects.

Eskom is working hard to improve the performance of its existing fleet of power stations, reduce its debt burden and complete its restructuring process.

While these steps are positive and necessary, they are not enough to address the immediate and significant energy shortfall that threatens our economic recovery.

We know that to confront the energy challenge will require bold and urgent action now. Incremental measures will not be sufficient to meet the scale of this challenge.

We also know that in responding to any crisis, we must remain agile and willing to adapt our interventions to match the circumstances that we face. The interventions that we planned yesterday may not be sufficient to meet our needs today.

For this reason, we are today announcing a significant new step in further reforming our electricity sector towards achieving a stable and secure supply of energy.

Following an extensive public consultation process and a significant amount of technical work undertaken by the Department of Mineral Resources and Energy, we will be amending Schedule 2 of the Electricity Regulation Act to increase the NERSA licensing threshold for embedded generation projects from 1 MW to 100 MW.

This intervention reflects our determination to take the necessary action to achieve energy security and reduce the impact of load shedding on businesses and households across the country.

It is evidence of our intention to tackle this economic crisis head-on, by implementing major economic reforms that will transform our economy.

It also demonstrates our commitment as government to listen carefully to experts, to engage closely with our social partners, and to take on board new ideas to address our long-standing challenges.

This measure will be crucial in developing a response to the energy crisis that is ambitious enough, bold enough and urgent enough.

The amended regulations will exempt generation projects up to 100 MW in size from the NERSA licensing requirement, whether or not they are connected to the grid. This will remove a significant obstacle to investment in embedded generation projects.

Generators will also be allowed to wheel electricity through the transmission grid, subject to wheeling charges and connection agreements with Eskom and relevant municipalities.

However, generation projects will still need to obtain a grid connection permit to ensure that they meet all of the requirements for grid compliance. This will ensure that we are able to bring online as much new capacity as possible without compromising the integrity or stability of our energy system.

Generation projects will also need to have their registration approved by the regulator to verify that they have met these requirements and to receive authorisation to operate.

Municipalities will have discretion to approve grid connection applications in their networks, based on an assessment of the impact on their grid.

They will also have to undertake an Environmental Impact Assessment and all other requirements of existing legislation.

This will ensure that while we enable as much new generation capacity as possible to come online, we also ensure the orderly development of the energy system.

This reform is expected to unlock significant investment in new generation capacity in the short and medium term, enabling companies to build their own generation facilities to supply their energy needs.

This in turn will increase the available supply of energy and reduce the burden on Eskom, allowing Eskom to proceed with its intensive maintenance programme and reduce its reliance on expensive gas and diesel turbines.

The final version of the amendment to Schedule 2 will be published by the Department of Mineral Resources and Energy within the next 60 days or sooner.

We are faced with the significant challenge of achieving a swift and lasting economic recovery, following many years of economic decline.

This government has the task of building a new economy in the wake of a global pandemic, and of placing our country on a strong footing for the next decade and beyond.

While the challenges we face are steep, our starting point must be to acknowledge the severity of the crisis.

If we recognise the challenge, if we understand its root causes, we can fund and implement solutions.

We are a country that is blessed with tremendous resources and resourcefulness. We have a bright future ahead of us.

Today's announcement takes us one significant step further towards that future.

I would like to thank the Minister and his team for working tirelessly to secure our energy supply and to forge a modern, forward-looking and sustainable energy system for our country.

I would also like to thank the Operation Vulindlela team headed by the Deputy Minister of Finance and the staff who have worked on this in National Treasury and in my office.

I thank you.