Energy reform not an easy and quick road

By Kulani Siweya

9 Dec 2021

The farming sector has been one of the key role players in pleading with government to lift the threshold of private power generation. In June we saw the president of the country make an announcement to this effect and, prior to this, the sector has experienced great frustrations that persist.

Source: Walter Sturn via Unsplash

It is no secret that agriculture in South Africa is highly irrigation reliant and energy-intensive, particularly horticulture, dairy, poultry, grains, and agro-processing, amongst others.

Aside from load shedding, prominent agribusiness and farmers have consistently voiced their concern about the ability to do business and farming activities in rural municipalities due to poor service delivery – which includes unreliable and unstable electricity supply. For example, outside of load shedding, when there's an outage, it may impact on irrigation schedules of farmers and these constant outages also affect cooling facilities.

To put into perspective, the sector spends approximately up to R146bn on intermediate goods and services, of which electricity accounts for more than R7bn of the cost. With the lack of stable electricity supply, there's a risk to food security and food prices over time, since over 25% of the country's food is produced by irrigation reliant and energy-intensive industries.

Furthermore, this leads to losses that run into millions industry-wide, attributed to the fact that some of the products are highly perishable and in certain instances, maintenance of cold chains and cold temperature regime are legal requirements and form part of international bilateral agreements – a compromise on these standards threatens the sectors competitivity.

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The president has spoken, commitments have been made that the amendment of legislation will be gazetted. Does this mean all will fall into place? Is this the end of unstable and unreliable electricity supply? The short answer to that is: unfortunately not. The longer version takes more into consideration.

1. From the time of the announcement, a 60-day commitment was made that the amendment would be gazetted, essentially meaning that nothing is "approved" until then. The gazetting itself may make certain undesired exclusions.

2. The National Energy Regulator of South Africa (Nersa) still needs to develop the process on how the registration of a 100 MW project will happen.

3. From an Eskom point view, an independent producer still needs to obtain approval from the power utility to embed generation of up to 100 MW on the Eskom system. This alone can take anything between 12-16 months. Once this approval has been obtained, the producer will only then need to approach Nersa for a certificate.

4. On a municipal level, municipalities are currently able to deal with process on a small scale of up to 5 MW. Further capacitation would need to happen, this could mean further training, which will eat into time.

5. Lastly, current regulations allow agricultural customers to build and bank self-generation systems not exceeding 1 MW. This is a lost opportunity, given that the sector can directly play a part in self-generation owing to the vast land that's available to set up these plants that will alleviate pressure from Eskom and more importantly private capital is also available.

While it must be applauded that steps are being taken to reform the energy space in South Africa, one needs to caution that it is not an easy and quick road, especially for the agricultural sector that has its own hurdles to negotiate even within this reforming regime.

ABOUT THE AUTHOR

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