

FIRST ANNUAL REGULATORY CONFERENCE

For the Global Regulatory Network

SOUTH AFRICA – UPDATES AND ISSUES

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KEY EVENTS AND ACTIVITIES IN 2002 THROUGH JUNE 2003 (I)

- April 2002 – Formalisation of the government restructuring project under DPE
- Corporatisation of Eskom - ringfencing
- Cabinet approved the adoption of a multi-market and clustering of generation
- Commissioning of consultants on the market design and presentation of detailed market design
- Establishment of EDI Holdings and promulgation of EDI Restructuring Bill
- Poverty Tariff – draft proposals for implementation

KEY EVENTS AND ACTIVITIES IN 2002 THROUGH JUNE 2003 (II)

- Development/revision of regulatory methodologies/tools
 - First National IRP
 - ROR Methodology
 - Wholesale Electricity Pricing System fine-tuned
 - Draft Policy on Negotiated Pricing Agreements
- Draft White paper on Renewable Energy and the Promotion of Clean Technologies promulgated giving an indication of government targets
- Cabinet approved rationalisation of energy regulators
- Memorandum of Agreement between the NER and the Competition Commission signed
- Launch AFUR and SAURA

KEY ANTICIPATED ISSUES AND ACTIVITIES FOR THE NEXT YEAR (I)

- Rationalisation of energy regulators – combining electricity, gas and pipelines end of 2003/04
- Approval of Electricity Regulation Bill
- Approval of implementation plan for market design envisage
 - Conversion of Eskom Power Pool into subsidiary and NER governance
 - Finalisation of regulatory framework and fine-tuning of instruments by mid-2004
 - Establishment of Transco

KEY ANTICIPATED ISSUES AND ACTIVITIES FOR THE NEXT YEAR (II)

- Approval of Energy Bill
- Full implementation of Wholesale Electricity Pricing System (WEPS)
- Implementation of Grid Code from 01 January 2004
- Approval and implementation of policy on negotiated pricing agreements
- Refinement of the IPP policy

STATUS OF INTRODUCTION OF COMPETITION AND RELATED ISSUES (I)

- Research/Planning phase
- A number of ESI working groups have been formed to look at generation clustering issues, transmission, trading platforms (MMM), regulatory frameworks, overall impact of restructuring as well as stakeholder liaison
- ESI process led by the DPE as the shareholder in Eskom, together with DME and Treasury
- Approval of implementation of detailed market design important milestone
- EDI working groups will start working on implementation issues in last two quarters of 2003

STATUS OF INTRODUCTION OF COMPETITION AND RELATED ISSUES (II)

- Although NER is awaiting decisions from government, have spearheaded the process through implementation of NIRP, grid code and WEPS which are precursors to competition
- Topical issue at the moment is the impact on administered prices on inflation – concerns that competition will result in high prices
- Move from ROR to IBR
- Establishment of the REDs once legislation is finalised
- Regulatory framework for the REDs
 - Tariffs
 - Licenses, etc