

NON-GRID ELECTRICITY REGULATION: TOWARDS SUSTAINABLE RURAL DEVELOPMENT

**EU Synergy Workshop
CSIR - Pretoria**

14 February 2001

Wolsey Barnard



WHY NON-GRID ELECTRIFICATION?

- **Only 49% of Rural Areas electrified**
- **Vital component for rural development**
- **Stimulate rural economic development**
- **High cost of providing grid in rural areas**
- **Introduce Alternative Energy Solutions into the rural energy mix**

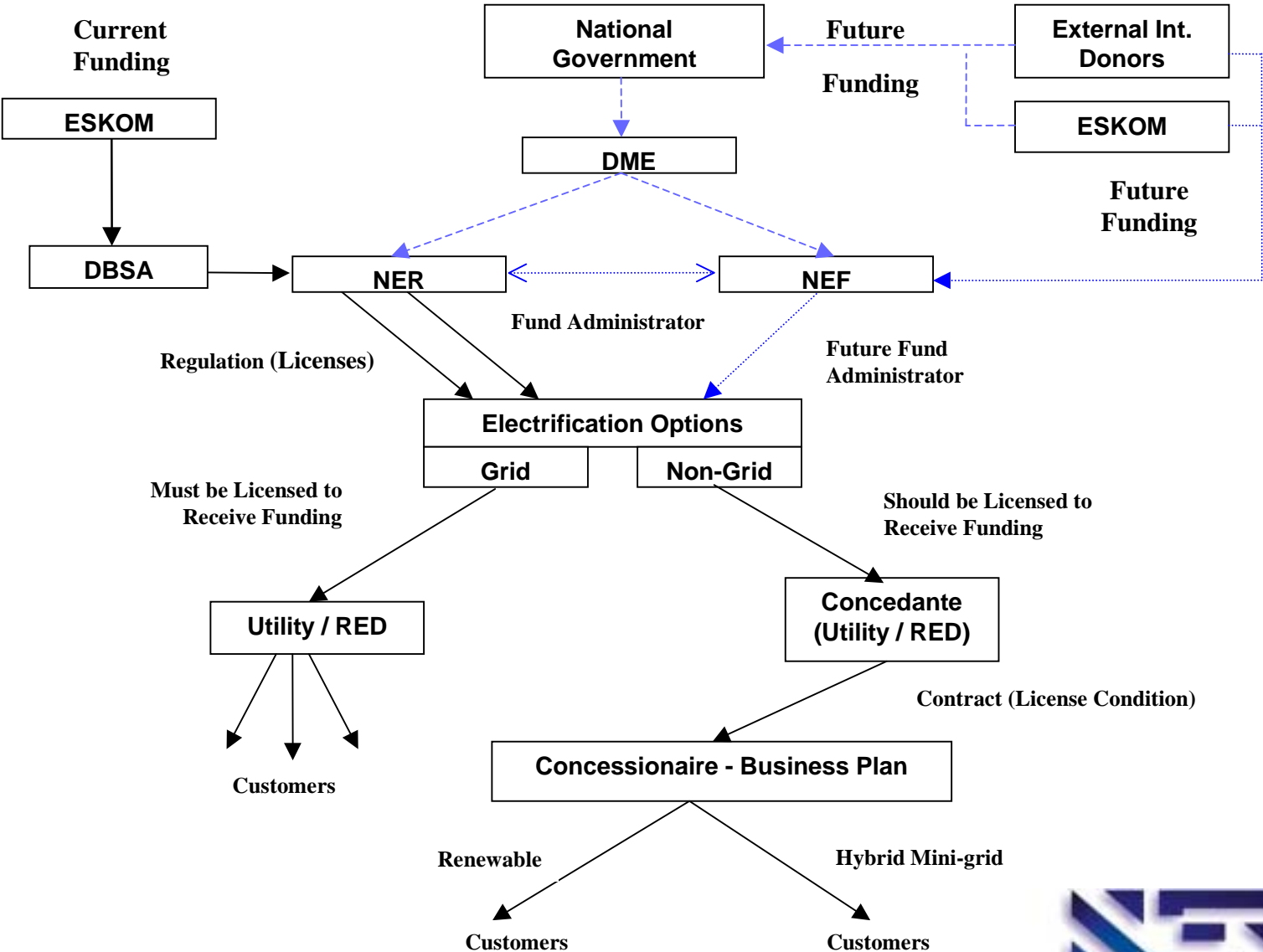


BACKGROUND TO NON-GRID REGULATORY FRAMEWORK

- **DME started with a process of granting concessions for non-grid areas;**
- **Concedante - Eskom or municipality;**
- **Concessionaires - Private implementers;**
- **NER receives mandate from Minister to developed a regulatory framework;**
- **Integrated with Rural Development initiative;**
- **Light handed regulation;**
- **License concedante - pre-condition for electrification subsidy funding.**



ELECTRIFICATION FUNDING PROCESS



WHY NON-GRID REGULATION?

- **Monopoly, no competing suppliers in rural areas**
- **Protection for customers as well as suppliers**
- **Provide consistent & transparent environment for investors' confidence**
- **Public sector subsidies**
- **Allows regulation to inform Government's Policy Objectives.**
- **Integrate into main stream ESI**



SCOPE OF REGULATION

- **Award of licences**

- Licence concedante (Eskom or municipalities);
- Licence geographical area(s);
- Distribution licence of concedante will consist of grid and non-grid sections;
- Licence conditions will include contracts and agreements between DME, concedante, concessionaire and customers.



SCOPE OF REGULATION (cont.)

- **Regulation of Prices**

- Price structure
- Price levels
- Evaluate periodically on basis of Business plans, in line with NER pricing and tariff policies

- **Dispute resolution**

- As per Electricity Act; and
- NER to handle Disputes as currently.



SCOPE OF REGULATION (cont.)

- **Regulation of Technical and Customer Service Standards**
 - NRS 052, NRS 047 and Relevant standards (Red Book)
 - Billing and Maintenance: Community involvement
- **Monitoring and Evaluation**
 - Compliance with Conditions & Terms of Concession agreements and contracts
 - Impact of Electrification subsidy
 - Inspections, Audits and submitting of information



DESIRED OUTCOMES

- **Create a favourable Environment for Private Sector Investments**
- **Protect the interests of Infant Industry**
- **Protect the Interests of Customers**
- **Strengthen Demand & Supply–Side for off-grid Renewables**
- **Generate Dynamic Returns on Investment in Off-Grid Electrification**



DESIRED OUTCOMES (cont.)

- **Diversify Portfolio of Investment opportunities for the Private Sector beyond electricity**
- **Phase towards Financial Sustainability**
- **Empowerment, Self Reliance, Equity**
- **Capture & document learning for replication**



Hybrid mini-grid developments

- NER and IDT requested by Minister to facilitate with the implementation of hybrid mini-grid systems;
- Institutional work team established;
- Seed funding for developmental projects obtained;
- Selection criteria adopted;
- Demonstration sites to be identified;
- Hybrid mini-grid systems to be used as a demonstration method to electrify rural areas as part of IRDS.



THANK YOU!
END



NATIONAL ELECTRICITY REGULATOR