

# 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

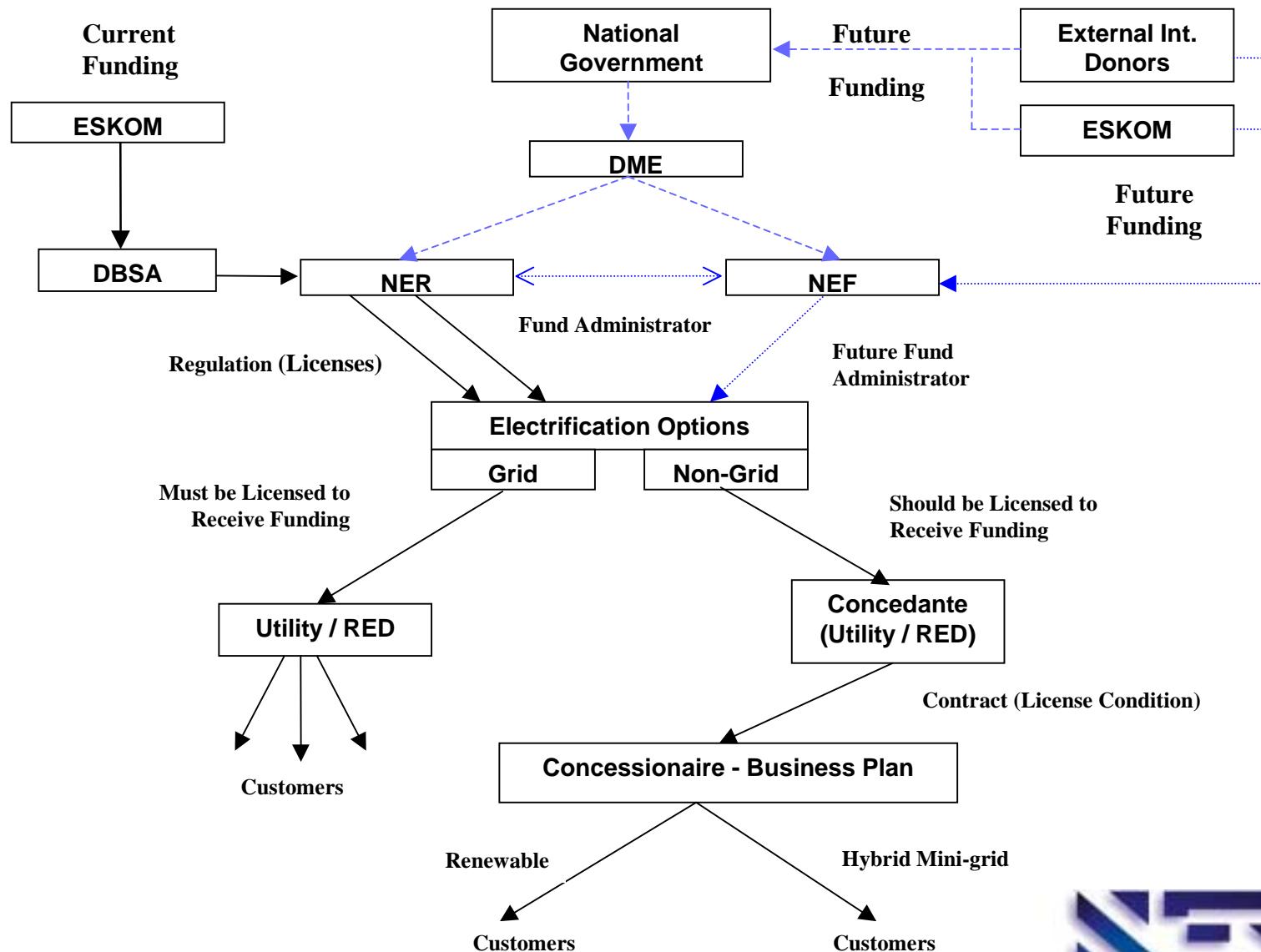
# BACKGROUND TO NON-GRID REGULATORY FRAMEWORK

- **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.**



NATIONAL ELECTRICITY REGULATOR

# ELECTRIFICATION FUNDING PROCESS



NATIONAL ELECTRICITY REGULATOR

# 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



NATIONAL ELECTRICITY REGULATOR

# 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



NATIONAL ELECTRICITY REGULATOR

# 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



NATIONAL ELECTRICITY REGULATOR

# 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.



NATIONAL ELECTRICITY REGULATOR

**THANK YOU!**  
**END**