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Dear MM

REPRESENTATION ON THE KWADUKUZA MUNICIPALITY ENERGY POLICY

The iLembe Chamber appreciates the opportunity to comment, provide feedback and express businesses perspective on the KwaDukuza Municipality Energy Policy – the importance of which is significant considering where South Africa finds itself, with some of the solutions to the electrical crisis being delegated to local government and the private sector.

The business community appreciates the importance of sustainable energy practices, and recognises the efforts made by the municipality through the draft policy to address environmental concerns, while striving for economic growth and development.

1. **Public Consultation**
   The iLembe Chamber, on behalf of the KwaDukuza business community, would like to express its appreciation for involving the business community in the policy development process.
   The draft policy highlights the dependency on collaboration between local government and the business community to ensure the successful implementation of energy initiatives. As highlighted in paragraph 14 of the draft policy, the Chamber is looking forward to the comments submitted being addressed, consolidated and detail provided on how the submission was considered.

2. Acknowledgment of aims

With reference to the aims of the draft policy, as gathered from paragraphs 2. Preamble, 5. Introduction, and 7. Scope of the policy, the stated commitment to promoting renewable energy practices, in support of diversified economic prosperity, among others, are acknowledged.

Despite the all-inclusive aims of the draft energy policy, most of the document is dedicated to setting out the requirements, application, and authorisation processes for small and medium-scale embedded generation, such as solar photovoltaic systems. These actions appear to be based on the premise, confirmed in paragraph 2. Preamble, that the aim of the diversification of KDM's energy policy is for the municipality to "remain financially sustainable", start developing alternative revenue streams, and a counter to declining revenue due to households and businesses opting to go off-grid.

- It is generally acknowledged and accepted that the biggest risk to KDM's electrical retail revenue generation model is not the "gradual loss of consumers due to households and businesses opting to go off-grid" (as stated on page 5).
  The biggest risk to KDM's revenue model is non-technical energy losses/non-revenue electricity amounting to 25% of all electricity purchased by KDM from Eskom in 2022/23, a total of 172-million kilowatt hours of power, equalling a loss of R262-million. The national target for non-technical losses is between 8 and 12%.
  It is recommended that the Mayor's proposed Energy Loss Strategy, rather than the Energy Policy, would be more effective in dealing with the concerns around this impact on the municipality's financial viability.

- It is recommended that processes associated with small and medium-scale embedded generation be incorporated in a separate procedures manual, rather than this higher-level and strategic energy policy.
  In line with para 8.1, the AMEU SALGA SSEG Resource Pack readily provides templates for municipalities to establish sound SSEG permitting procedures. The Resource Pack currently contains:
  - Technical requirements for Embedded Generation
  - Application Form
  - Commissioning Report
  - Customer Service Contract and
  - Decommissioning Report.

It is suggested that in the South African context, best practice in local government energy policies is being necessitated and accelerated by the severity of load-shedding. As stated in the iBCI Year-End 2023, Eskom's power generating woes resulted in only 13 loadshedding free days in 2023. Current levels of loadshedding are severely disruptive to our local economy, its future growth, and the broader well-being of KwaDukuza residents.

- It is therefore suggested that the overall aim of the KDM Energy Policy should be the establishment of a resilient energy system that can provide reliable, affordable, and carbon-neutral/renewable/sustainable energy (whichever energy target is decided on).

- This context suggests appropriate interventions that will:
  - in the short term, mitigate the impact of loadshedding,
  - in the medium term, lead to the implementation of practices that will deliver a well-managed, modernised, and financially sustainable electricity directorate, with advanced operational and asset management practices, and, if the necessity is seen, effective means of curbing non-technical electrical losses,
  - in the long term, promote the use of carbon-neutral/renewable/sustainable energy sources, and foster sustainable practices that will benefit businesses, the local economy, and the environment.

3. Identification of opportunities

The need to mitigate the impact of loadshedding, coupled with the absolute necessity to propel local economic growth presents opportunities for collaboration, creativity, and innovation.

A reliance on Eskom's generation and transmission capacity will be futile, and it also creates the opportunity for KDM to transition its "energy supply to one that is lower cost, more reliable, and renewable" (page 6).

It is suggested that the KDM Energy Policy focus and create a commitment around the following demand and supply side opportunities.

- Mitigation of loadshedding

  As mentioned above, the primary consideration of a local energy policy in the current South African context should be the identification of opportunities to mitigate the impact of loadshedding.
  - Introduction of feed-in scheme and tariffs

    KDM has an opportunity to benefit from the local investment in renewable energy sources, specifically solar-photovoltaic systems, by introducing feed-in tariffs as a policy tool. Feed-in tariffs will enable KDM to buy excess energy from small-scale producers such as residential households, commercial and industrial consumers, as well as SSEG and MSEG customers. An investment to improve financial and technical systems will be required, but will have the benefit of reducing a dependency on Eskom, improving KDM's energy mix, and accelerate the investment in renewable energy. Para 8.4 of the draft policy, briefly dealing with the installation of bi-directional meters, alludes to this opportunity.

    Para 8.6, SSEG and MSEG Tariffs, confirms KDM's commitment and you are urged to conclude the understanding of the "entire dynamics of reverse feed to existing infrastructure" as a matter of urgency.

  - In line with established best practice, the KDM policy should incorporate the introduction of incentives, such as tax breaks, rebates, and attractive tariff structures, to fast-tracked the installation of rooftop solar PV systems, and other SSEG and MSEG solutions.

Objective 4 of the Government's Energy Action Plan will encourage municipalities to enable customers to feed electricity from rooftop solar installations – para 6, page 8.

- Load curtailment
  It is proposed that the KDM Energy Policy should accommodate a commitment to intelligent and smart load management practices, that will avoid the disruption of regular rotational loadshedding. The Eskom termed "load curtailment" is a load management feature in the Isithebe Industrial Estate, and should be considered, at least, for the commercial nodes throughout KDM.
  Practices such as remote shedding of non-critical loads, specifically water heaters (geysers), should also be encouraged through policy intent.

- Protection of utility and service provision
  It would be appropriate for KDM to make a policy statement around its intent to at least explore the feasibility of installing battery storage systems at critical utility services to protect these services from load-shedding. Also in support of the iLembe District Municipality, e.g. sewer and water pump stations, filtration systems, etc.

- Local energy generation
  - Private sector embedded generation
    It is suggested that the draft Energy Policy encourages, and empowers, businesses, residents, and communities to generate their own electricity, with distributed energy resources being integrated into KDM's distribution network to supplement and complement the centralised power supply.

  Paragraph 10 of the draft documents refers to IPPs, but mainly highlights the qualification criteria and protocols.
  - The opportunity exists to commit in the Energy Policy, within a specified medium-term timeframe, to PPAs with IPPs that are embedded in the KDM distribution network.
  - In reference to Para 10 and observation around the building of renewable energy power stations, KDM is urged to commit to explore to exhaustion the potential of existing, local generation opportunities, e.g. the co-gen potential of Gledhow Sugar Mill and SAPPI (among others), geo-thermal and waste-to-energy generation plants. The local economic benefits of this approach are significant, and obvious.
  - It is suggested that the energy policy contain a commitment around the reliability and tariff competitiveness (including wheeling charges) of any PPA, especially in comparison with Eskom.
  - The current absence of an accurate *cost of supply tariff methodology* from NERSA remains relevant in this regard.
    (https://wylie.co.za/Articles/Read/1371/Municipal%20tariff%20methodology%20declared%20unlawful%20#:~:text=The%20Court%20held%20that%20the,tariffs%20is%20unlawful%20and%20invalid)

Clarity is also required on whether NERSA's *cost of supply tariff methodology* will apply to local municipality PPAs and IPPs, and whether the electrical tariff oversight remains with NERSA retain.

4. Potential challenges and concerns

- Feedback provided to the Chamber reflected on the structure and content contained in the draft Energy Policy, with a common observation that the policy is more of a research paper, which offers limited guidance and approaches on strategic opportunities and concerns.
  Guidance on innovative approaches and best practices are readily available, also from comparable secondary cities in South Africa.
  In support of the competitiveness and investor appeal of KwaDukuza, we trust that the content of this submission is perceived as constructive and will assist with the structure of further reiterations of the policy and related documents.

- KDM is urged, in the development of its Energy Policy and related documents, to be sensitive to the further impact on business – business is already carrying the burden of the impact of loadshedding, and the capital outlay of back-up generating and storage systems. Further demands through for example compliance costs, regulatory burdens, and/or potential disruptions to business operations will have a dire local economic impact.

- 5. Introduction: "Other priorities related to the energy sector is supporting infrastructure for non-motorised transport which are important for providing choices related to modes of transport and mobility while addressing matters linked to greenhouse gas emissions."
  Clarity on the definition of non-motorised transport has been omitted. It is assumed that it relates to cycling paths, cycle lanes, and pedestrian walkways?
  Should this understanding be accurate, it is suggested that these types of advanced interventions, although admirable, might be a bridge too far considering the policy aims detailed above, and immediate priorities.

5. Further recommendations
   - Although para 13, headed Climate change matters linked to reduction of greenhouse gas emissions, references various KDM programmes and policies, it is suggested that the links between the Energy Policy and other KDM plans, policies and by-laws are expanded - specifically how the policy will support the realisation of the provisions of the KwaDukuza IDP, and aid local economic development, specifically the investment incentive policy. Links to town planning and building control will support and enable property owners and developers to optimise the energy performance of buildings, among others through investments in energy efficiency, energy management systems, and energy demand reduction.

   - Although para 11, Energy efficiency and demand side management, briefly mentions changing patterns of energy consumption, it is suggested that measures that will give

effect to policy intentions be informed by a detailed evaluation of the existing state of the KDM electrical system, and an assessment of the energy needs of businesses (the remit of the iLembe Chamber).
This detailed evaluation might require a review of the contractual supply arrangements between Eskom and KDM, aimed at limiting any adverse financial impact.

- Charges, tariffs, and incentives are central to energy policy documents, and detail in support of the policy intentions are critical.
  Considering the findings of the iLembe Chamber's comparative study into KwaDukuza's commercial property sector's competitiveness (https://www.ilembechamber.co.za/wp-content/uploads/2023/02/The-Competitiveness-of-the-KwaDukuza-Commercial-Property-Sector-2022-compressed.pdf) speed and clarity in this regard should also contribute to improving the competitiveness of our region.

6. Specific comments
   - Para 4.4: Should this heading and paragraph read MW, instead of kilowatts?

   - Para 17.2: Please review, it appears that SSEGs and MSEGs are confused.

   - Para 17.3: There is no definition of LSEG, please provide clarity on both the abbreviation and definition.

   - Para 17.4. Grid Impact Study
     "With the relaxing of the licensing requirements for embedded generators (EGs) up to 100MW, for own use, municipalities throughout South Africa have been inundated with applications from clients wanting to install their own EG. This has resulted in many municipalities being overwhelmed since they are still in the process of setting up application and approval processes for EGs. Further to this, many municipalities do not have sufficient technical resources to adequately evaluate the impact these EGs will have on their network."
     Does this shortage of technical resources also apply to KDM, and how is it envisaged to impact, and hamper, the implementation of either the policy, or by-laws? Has KDM got measures in place to mitigate this risk?

The iLembe Chamber would like to reemphasise its support in the implementation of a flexible, fit-for-purpose energy policy that encourages private sector participation in energy supply, and ensures that the cost of providing and maintaining electricity infrastructure is fairly distributed across users.

It is worth noting that the iLembe Chamber's submission is not attempting to accommodate the intricacies of individual users, or communities of users.
In this regard, it is the Chamber's privilege to attach the submission received from the Simbithi Eco-Estate Home Owners Association (SEEHOA) in response to the Chamber's request for comments.

Thank you for considering of our input on this critical matter. The Chamber is looking forward to continuing our collaboration with KDM in the build a more resilient, prosperous, and environmentally sustainable business community.

Kind regards

Cobus Oelofse
Chief Executive Officer

CC iLembe Chamber President
iLembe Chamber Executive Committee Members