

# QUICK BRIEF 2023



14 June 2023

## Recommendations from the PCC on South Africa's Electricity System

South Africa is facing an electricity crisis. Access to affordable, reliable electricity and enabling electricity security as well as environmental and social sustainability, should be a national priority.

The **Presidential Climate Commission (PCC)** published a recent report on 23 May 2023 titled ***“Recommendations from the PCC on South Africa's Electricity System”*** to support electricity planning efforts in the country. A detailed technical report, and stakeholder perspectives report, have also been released to accompany the recommendations and support policy development.

The recommendations published in the **report** will assist policymakers with integrating the Just Transition and carbon budget considerations into electricity planning, and provide inputs into the review of the South African Integrated Resource Plan (IRP).

The **National Business Initiative (NBI)** welcomes the PCC's recommendations on South Africa's electricity system. The report affirms the need for a net-zero aligned power system that can anchor an inclusive, competitive and resilient economy.

This important report has a high degree of alignment with our work on the Just Transition and Climate Pathways for decarbonising the South African economy to net zero by 2050. The **NBI**, with the **Boston Consulting Group (BCG)**

and **Business Unity South Africa (BUSA)**, have co-created this important work together with stakeholders. The NBI's Just Transition Pathways work details the most cost effective and sustainable way to decarbonise South Africa's economy, including the South African Power Sector specifically. Read the full series of reports [here](#).

Key sections, extracted directly from the **PCC's report**<sup>[1]</sup> are included below:

## 1. “ TRANSMISSION AND DISTRIBUTION SYSTEM AND SPATIAL PLANNING

- Given the importance of electricity for development, electricity planning should be anchored on least cost pathways.
  - A least cost energy model would be made up of investment in variable renewable energy (wind and solar), storage (batteries and pumped hydro) and peaking support. None of the models build new coal or nuclear or have gas at high utilisations.
- PCC expects a policy adjusted IRP to promote approximately 50 to 60 GW of variable renewable energy by 2030, supported by co-located storage, and between 3 and 5 GW of peaking support (for example gas, running at low utilisations)
- The IRP would be enhanced by focussing on transparent spatial planning centred on grid access point:
  - This will provide additional necessary detail and guide procurement, provide additional steer for the required investment in skills and institutional development, enhance energy security, and inform road and port infrastructure upgrading.
  - Provide a clear indication of where short-term investment in the grid could maximise grid access and where long-term grid investment should lie.
- Transparent communication of these plans, supported by robust Just Transition implementation, will go a long way to support building trust in resolving load shedding and building a sustainable electricity future.
- **The IRP should therefore take a spatial, grid-focussed approach, in a manner that creates a public and transparent detailed resource plan to end load shedding and establish a holistic, centralised planning process.**

## 2. PRICING REFORM AND LOCAL GOVERNMENT BUSINESS MODELS

- **There is a need for pricing reform throughout the electricity value chain and a study on electricity pricing reform in South Africa, and how it can support a Just Energy Transition, is recommended.**
  - Providing technical and financial support to municipalities to implement electricity reforms is core to successful power reform and local government service delivery and financial sustainability.
  - Electricity access and energy poverty should be included in the pricing reform study, considering the benefits and practicalities that should be taken to overhaul and increase Free Basic Electricity and ensure that any price increases are not carried by the poor.
- PCC support government's ongoing efforts in respect of the restructuring of the electricity supply industry, the unbundling of Eskom into generation, transmission and distribution subsidiary companies, the

<sup>[1]</sup> PCC (2023): Recommendations from the PCC on South Africa's Electricity System, Available [online](#), Accessed: 2 June 2023

establishment of an Independent System Operator and an Independent Market Operator, the establishment of electricity markets and the establishment of a diversified, competitive generation sector. The PPC propose that these efforts need to be accelerated.

- **The long-term recommendation is clear. South Africa should adopt a least cost electricity pathway and seek opportunities to close coal faster, predicated on achieving energy security.**
  - ***This means rapid and large-scale investment in renewables, storage, balancing power and peaking support.***
  - ***Given the need to connect ever-increasing amounts of renewable energy, sometimes far from the user base, investment in upgrading and expanding the grid is essential.***

### 3. ENSURING A JUST ENERGY TRANSITION

- **All stakeholder groups strongly held that current emergency and long-term electricity planning must be aligned with the Just Transition Framework**
  1. Support for those most impacted by load shedding, particularly SMMEs and indigent households
  2. Invest in human resource and skills development
  3. Support green industrial development, economic diversification and localisation of key transition value chains, particularly in regions that are at-risk (e.g. Mpumalanga)
  4. Provide and enhance social protection measures.
- Stakeholder engagements participants arguing for an increased focus on several aligned areas:
  - To create additional jobs government should incentivise green industrial development, economic diversification and the localisation of key transition value chains, particularly in regions that are at-risk.
  - Investing in human resource and skills development is an immediate priority.
  - Integrated government planning needs to support those most impacted by load shedding, particularly SMMEs and indigent households, as well as provide and enhance social protection measures, particularly for those workers and communities impacted by the transition.

Traditional social protection measures (e.g. grants, unemployment insurance, etc.) for workers who, for whatever reason, cannot transition to alternative low carbon livelihoods. It also includes the provision of universal access to basic services (e.g. clean energy, water, sanitation, transport, education, healthcare, etc.)

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The PCC’s **Stakeholder Perspectives Report** details the unfiltered perspectives of the stakeholders consulted in preparing the PCC recommendations on electricity planning.

The PCC’s **Technical Report** holds the summary of our technical research work that informed the consultations and recommendations report

**For more information on the NBI’s Just Transition Pathways work, please contact Reitumetse Molotsoane (Head: Environment & Society): [ReitumetseM@nbi.org.za](mailto:ReitumetseM@nbi.org.za)**

[1] PCC (2023): Recommendations from the PCC on South Africa’s Electricity System, Available [online](#), Accessed: 2 June 2023



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