

GENERATION LICENSING AND REGISTRATION FREQUENTLY ASKED QUESTIONS

Purpose

The following Frequently Asked Questions and answers are intended to assist industry stakeholders and potential investors in understanding the legal requirements, regulatory processes and technical compliance issues related to electricity generation registration and licensing.

REGISTRATION
<p>Q1. What is the minimum and maximum size of plant that can be registered? Ans: Generally, generation facilities up to 1MW can be registered. The full list of generation facilities that qualifies for registration is found on the Gazetted Licensing Exemption and Registration Notice, 41237 (No. 41237 of 10 November 2017) ("Notice"). This Notice can be found on NERSA website.</p>
<p>Q2. What are the requirements for registration? Ans: The following requirements must be met by any applicant for registration:</p> <ul style="list-style-type: none"> ➤ Consent/ approval by the network service provider or distribution/ transmission licence holder is the facility is going to connect to the national grid; ➤ Consent/ approval by the distribution licence if the facility is going to supply a customer within such a licensee licensed supply area; ➤ Submission of the connection/ wheeling or use of system agreement; ➤ Completion of the Application Form; ➤ Payment of the registration fee (currently R200 per application, account number and payment reference number will be given to applications that meet all requirements); ➤ The supply agreement between the generation facility and a customer to be supplied; ➤ If the application is made by an agent, the letter of authority must be submitted.
<p>Q3. What should I do if the distributor refuses to grant me connection consent? Ans. The distributor is not allowed to unreasonably deny connection consent. The applicant may lodge a dispute with NERSA should he feel that connection consent was unreasonably granted. The dispute lodging form may be obtained from NERSA website.</p>
<p>Q4. How long does registration take place from the time of submitting all the information. Ans. Unlike licensing, the registration evaluation and approval may be completed within 60 days after receipt of all the information that can enable NERSA to evaluate the application.</p>
<p>Q5. Where can I get the Registration Application Form? Ans. The Registration Application form may be downloaded from NERSA website.</p>
<p>Q6. Do I need to apply for registration for every facility that I have? Ans. Yes, the Registration is done per facility and every facility should have a grid metering point. In other words, you may not split a 2MW plant at the same site and register it as two 1MW plants.</p>
LICENSING
<p>Q1. What is the minimum size of a plant that should be licensed? Ans. You must complete a generation licence application form and submit all the required documentation listed in the application form.</p>
<p>Q2. Where can I get a generation licence application form? Ans. You can download the application form on the NERSA's website.</p>
<p>Q3. What constraints, if any, will a generating licence impose on a private company in selling electricity to third parties? Ans. Power Purchase Agreement (PPA) should be in place with a purchaser of the power from the IPP.</p>

<p>Q4. Are generating licences freely transferable together with the underlying generating assets? Ans. No. New owners have to apply for a new licence.</p>
<p>Q5. What is the maximum period of time for which a generating licence will be valid? Ans. The minimum period allowed for in the act is 15 years, and the maximum is not specified at present but will be influenced by, for example, the expected life of the plant, the availability of fuel over the longer term, and the need to have an economically sound business plan to finance such a plant.</p>
<p>Q6. What are the considerations in renewing a generating licence that may have expired? Ans. The remaining life of the plant, efficiency of the plant, pollution emitted from the plant compared to new technology, and requirements for capacity on the system during the medium term future are amongst the factors that will be considered.</p>
<p>Q8. Under what conditions may NERSA revoke a generating licence? Ans. If the licence holder of a power station is in contravention of the licensing conditions as stipulated in its licence or upon application by the applicant. For revocation based on contravention of the licence conditions, NERSA has to apply to the High Court for an order to revoke the licence.</p>
<p>Q9. How long does it typically take for a generating licence to be awarded as measured from when the initial application is lodged with NERSA? Ans. The legal requirement is for NERSA to complete the licensing application within 120 days from the date of receipt of all required information.</p>
<p>Q10. What are the fees payable for the application for and maintenance of a generating licence? Ans. The licence application fee payable by applicants will be published and regularly updated by NERSA on the NERSA's web site. At present no fee is required. However, a generation licence fee is payable per kWh generated for licensed generators, and this fee is used to fund the regulatory cost in the Electricity Supply Industry. This fee is published annually by the Minister of Energy.</p>
<p>Q11. What is the minimum and maximum capacity that is required to be licensed? Ans. Generation facilities that are above 1MW are required to be licensed, and there is no maximum cap. The only exception is for demonstration projects and cogeneration projects which are required to be registered even if they are more than 1MW. The facilities that are 0 MW – 1MW are required to be registered. The requirements of registration are detailed below under Registration Requirements.</p>
<p>Q12. What are the requirements for generation licensing? • Ans. Section 10 of the ERA sets out the parameters of what should be provided when a licence application is made. The following should be provided and is central to the consideration of the application:</p> <ul style="list-style-type: none"> ➤ Technical information of the project. This should give the technology used, technical feasibility studies, connection to the grid arrangements, single line diagrams of the network connection as well as single line diagrams of the generation station, fuel to be used and the concluded fuel supply/ wheeling agreements where applicable. ➤ Financial information including financial model showing the project financial feasibility. All assumptions made in coming up with the financial model must be stated clearly. Other financial information required are capital cost of the project, operational and fixed costs, internal rate of return, project financing (equity and debt), cost of debt and debt period etc. ➤ A signed Power Purchase Agreement (PPA) showing the agreed tariff should be part of financial agreements. ➤ Economic information. The applicant should state the economic benefits of the project to the local community and South Africa as a whole. Economic indicators such as shareholding, jobs created during construction and operation, as well as skill levels required. Where possible, indirect jobs may also be stated if they can be quantified. ➤ Record of Decisions (RoD) for Environmental Authorisations and permits received. ➤ Legal. All the information supplied should comply with the Laws of South Africa. ➤ Evidence of compliance with the Integrated Resource Plan (IRP). If the proposed plant is not in the IRP, reasons for deviation should be submitted to NERSA for approval by the Minister in accordance with Section 10(2)g of the Act. The Minister has however given blanket approval for more than 1MW to 10MW projects. There is however an annual cap of 500MW and the available annual capacity is allocated on a first come

basis. The Ministerial approval granted is only for purposes of deviation from the IRP and not for regulatory process.

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- Record of Decisions (RoD) for Environmental Authorisations and permits received from any authority which has jurisdiction over the operation of the facility.
- Legal. All the information supplied should comply with the laws of the Republic of South Africa.

13. Does the application process involve public participation process?

Ans: Unless exceptional circumstances exist, procedural requirement provided for in the National Energy Regulator Act, 2004 read with Promotion of Administrative Justice Act, 2000 shall be followed. Applications must be duly advertised in one national newspaper and local/ community newspaper where the facility will be located. Unless exceptional circumstances exists to warrant the deviation from conducting public hearings, the application will be subjected to the public hearing process.