



ENERGY INTENSIVE USERS
GROUP

**Comments on the
IRP 2010**

Introduction

EIUG is an association of large energy intensive consumers in South Africa

Membership currently consists of 38 of the largest energy consumers that together consume about 40% of the country's total electricity sales

We congratulate DoE on the quality of the work done and the consultative process undertaken

EIUG Focus

- Our country's key competitive advantage is its mining, minerals, manufacturing and beneficiation industries
- Recognised in the 'New Growth Path'
 - Key sector to unlock employment potential
- Rolling out this New Growth Path will require available, reliable, base-load and internationally competitive power
- For our industries to remain competitive, and to ensure affordable electricity to our people, we must:
 - Find the right balance between lowest-cost energy sources and technologies available; while
 - Supporting renewable energy sources (biomass, biogas, wind, solar etc); and
 - Implementing mandatory energy efficiency programmes to mitigate adverse climate change effects

IRP 2010 Recommendation

With some reservations (following slides) we believe the “Revised Balanced Scenario” represents a fair and acceptable balance considering the divergence in stakeholder expectations and key constraints and risks incl:

- Affordability/Funding availability
- Reducing carbon emissions
- New technology uncertainties such costs, lead time to build etc.
- Water usage
- Job creation
- Security of supply

General Comments on IRP

- The quantity of wind power is very ambitious
 - Potential to create new jobs must be carefully assessed
 - The first tranche of wind was stimulated by a very generous REFIT tariff which is not sustainable
 - New wind projects should compete on an equal basis with other generating types

General Comments on IRP

- Piloting solar power [CSP] is supported but the quantity of solar is very ambitious
 - The plan calls for 100 MW per year for 4 years, and this is considered a stretch target
 - The 1000 MW as proposed for the solar park is too ambitious
- Carbon Dioxide abatement policy is too aggressive and may not be affordable
 - The RSA Carbon dioxide abatement strategy covers a period of 50 years

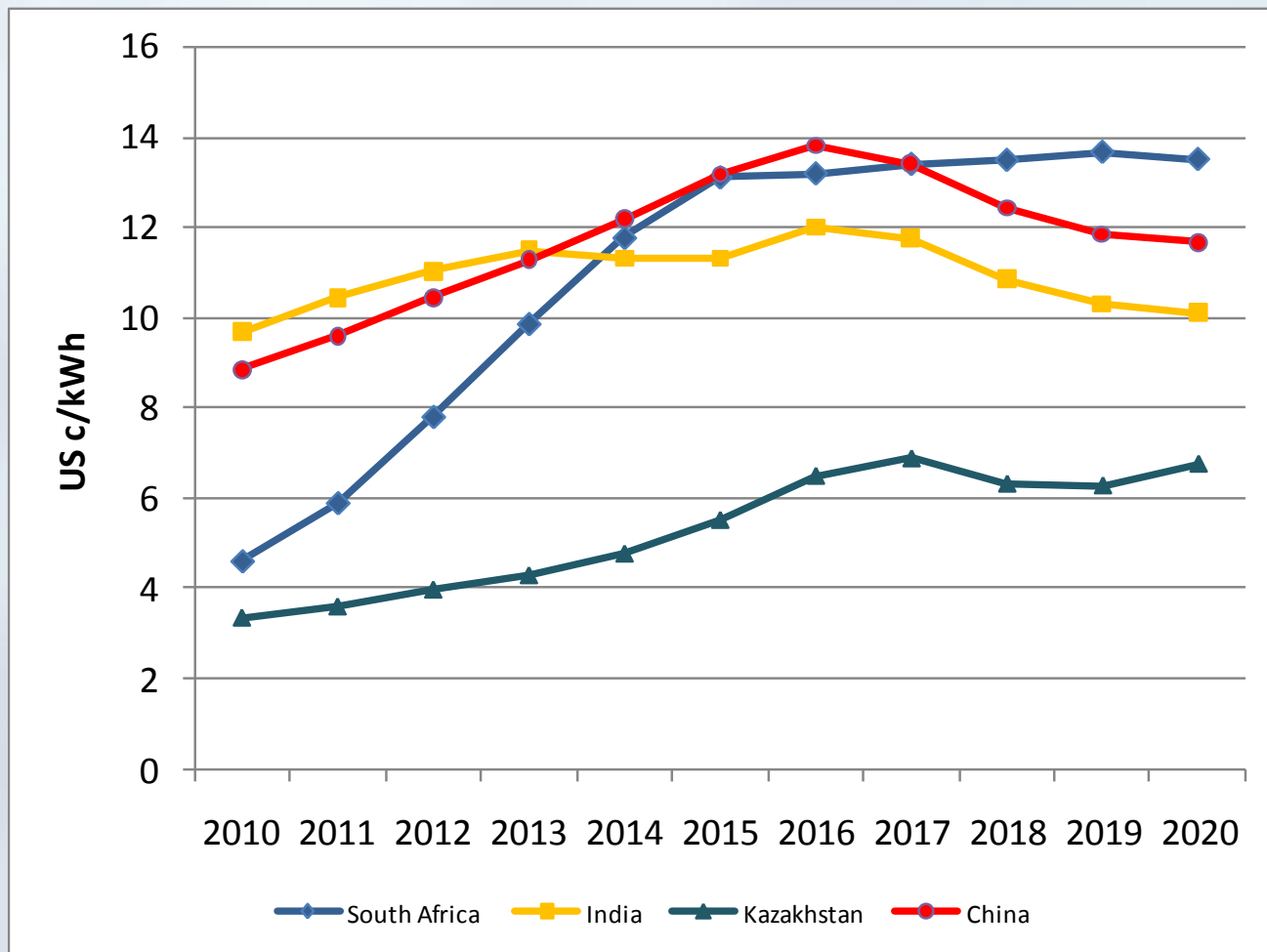
Least cost to the consumer

- Recommendations:
 - Maximise coal power imported from the region (Botswana and Mozambique)
 - Maximise hydro imports from the region
 - Future allowance for competitive IPP power
 - Encouragement of own generation (including captive plants) should be maximised and not limited!

The Long Term Price Cone

- This needs to be reduced by:
 - Managing and reducing the new build cost
 - Alternate funding including sale of assets
 - Accelerating the pace of IPPs (incl. captive plants)
 - Decreasing Eskom's operating expense inflation

Eroding Competitiveness?



Source: XTA Commissioned Frost and Sullivan Model