



Eskom response to the Draft Integrated Resource Plan 2010 Revision 2

IRP Public Hearing

3rd December 2010

- Purpose is to highlight certain key issues – the detail is in Eskom submission
- Eskom supports the more transparent, inclusive process to develop the Integrated Resource Plan (IRP).
- It provides a basis for dialogue on a matter of crucial importance
- It is important to get it right
- Cannot adopt a one dimensional solution – an effective solution will need to represent an appropriate balance between equally important objectives

- Eskom supports the balanced approach adopted in the draft IRP, increasing the diversity of fuel sources, renewable technologies and the nuclear programme.
- The trade-offs inherent in the balanced approach have been adequately addressed, combining national objectives to combat climate change, develop local industry, reduce water consumption with the need for a lower cost of electricity.
- Additional regional options could have been considered
- Implementation and governance remains a challenge

- A decision-making framework is required to support the implementation of the IRP, including the allocation decision for potential projects.
 - The New Generation Regulations require a feasibility study to be conducted on potential projects, culminating in the determination of responsibility for the new build (either Eskom or independent power producer (IPP)).
 - There is still some uncertainty regarding this process and how long it will take to complete, putting some of the timelines for the programmes at risk.
 - Funding for this feasibility study is also not resolved.
 - In particular more clarity is required on who will develop back-up options (mitigation for risks associated with liquefied natural gas (LNG), imports, renewables).

- The governance framework for future IRP iterations needs to be finalised.
 - The current governance framework is temporary. It would be preferable to have a permanent body with broad representation.
 - This should be instituted as soon as possible to provide time for improvements required for the next iteration of the IRP.

- The funding for additional water infrastructure and regional transmission projects is an outstanding issue.
 - Regional hydro will require significant investment (and commitment) in transmission.
 - There is an outstanding issue on water infrastructure in the Waterberg (in particular) and a commitment to investment required for future options in the area.

- The expected price trajectory may be under-stated, based on the following:
 - Capital costs for the nuclear projects could be too low. Eskom expects capital costs in the range of \$4500-\$5500/kW.
 - Future LNG and diesel fuel costs may increase beyond assumed value in IRP.
 - The rate of return expected by IPPs could be higher (more than 12,5% real).
- Clarity is also required as to how the projected price path will relate to the approval to be provided by Nersa

- The proposed LNG infrastructure is a specific concern.
 - Eskom believes the cost of LNG to be in the range of R78-110/GJ (mostly higher than the R80/GJ included in the IRP).
 - The proposed combined cycle gas turbine (CCGT) capacity translates to a small LNG import terminal. Eskom suggests a larger CCGT programme or multi-user terminal be developed to attract potential suppliers.
 - Existing diesel infrastructure may struggle with additional open cycle gas turbine (OCGT) load. Eskom suggests further analysis by the Department of Energy liquid fuels department.

- The draft IRP 2010 provides clarity on a number of issues, and provides direction regarding the electricity generation mix
- We have the opportunity to make choices about our future as a country – we should do so
- The focus should then fall on implementation and risk mitigation
- A mechanism for continual review should be implemented as soon as possible.

Thank you