

Eskom plans to cut back on IPPs, citing Covid-19

Eskom is claiming a force majeure in its proposal to curtail operational wind farms citing reduced demand due to the Covid-19 lockdown.



Ntombifuthi Ntuli, CEO of Sawea

This comes as a surprise to the South African Wind Energy Association, especially after the official notice from Government on 25 March 2020, classifying electricity production, supply and maintenance as essential services, and a letter from Eskom's Single Buyer Office sent a letter to all operating independent power producers (IPPs) to confirm that the categorisation of essential services applies to facilities currently in operation.



Operational wind farms an essential service

1 Apr 2020



"It is concerning that wind energy power producers have not been given an opportunity to engage on this matter with Eskom, despite both Eskom and Government confirming that operational IPP's are in fact an essential service, just five days ago. The industry will be approaching Eskom with a view to finding a constructive resolution that does not prejudice the country nor the power producers," says Ntombifuthi Ntuli, CEO of Sawea.

It is the opinion of energy specialists that should power curtailment be required, the wind sector is able to curtail on short notice and in precise increments. However, according to the agreements in place, energy producers must be paid a deemed energy fee in line with the philosophy that all power that would have been generated is paid for.

Seeking legal counsel

The industry is seeking legal counsel on whether the reduced electricity demand as a result of Covid-19 does in fact constitute force majeure, as declared by Eskom, as some experts deem reduced demand as a normal system event, which would therefore not imply a force majeure event. Additionally, experts raise the point that South Africa is in actual fact not currently facing a structural oversupply and the fact that Eskom is still struggling to keep the system stable, despite shift in demand patterns.

“Eskom has indicated in their letter to IPPs that they will make provision for the extension of the power purchase agreement period to make up for the curtailment period, however, we are concerned about the immediate impact this will have on shareholders, particularly, BBBEE partners and community trusts, who have loans to repay,” says Ntuli.

The country's 22 operational wind farms have a combined installed capacity of 1,980 MW

For more, visit: <https://www.bizcommunity.com>