



Presentation to Portfolio Committee on Energy

Independent System and Market Operator Bill Public Hearings

15 and 16 May 2012



SALGA
South African Local Government Association

INTRODUCTORY COMMENTS

- SALGA welcomes and supports the long awaited establishment of the Independent System and Market Operator (ISMO).
- SALGA comments will concentrate on few main issues relating to:
 1. Definition of Customers (of ISMO)
 2. Role clarity with regard to the functions of the ISMO
 3. The Board
 - Nature of the Board
 - S15(1) - Disqualification
 - S 16(a) Fiduciary duties
- Implementation arrangements

DEFINITION OF CUSTOMERS

- The Bill defines the customers and suppliers of ISMO to be the same - this needs to be rectified.
- More importantly, with respect to customers, the definition provided in the bill is unhelpful because it is too open ended
 - “to whom ISMO may sell electricity”
- Propose that the definition should seek to clarify the customer niche of the ISMO as **electricity distributors**, as licensed by NERSA, and **KICSACs**
- This is inline with the statement made by DoE that it is not attempting to restructure the EDI through this bill

ROLE CLARITY

- SALGA supports the proposed role of the ISMO in respect of planning
- It is important that the IRP remains a government responsibility that should be developed in a consultative manner given that it is about making country choices in respect of the energy mix
- The making of these choices should indeed not be “corporatized”
- In as far as major parts of section 4(2) are concerned, there is no clear distinction and separation of roles between the ISMO and
 - The **NERSA, Transmission Entity, and Distribution Entities**

ROLE CLARITY

- **NERSA** – see clause 4(2) (m),
- **Transmission Entity** - see clause 4(2) (h), (i), (t)
- **Distribution Entities** - see clause 4(2) (i)
- This combined with the open ended definition of ISMO customers creates a confused role specification for the ISMO system operation and expansion role
 - Is the ISMO going to relate to electricity distributors and KICSACs through a separate Transmission Entity which is currently Eskom?
or
 - Is it going to take over transmission responsibility (which is what seems to be the implied option in terms of clauses 4(2) (h), (i), (t) of the bill)
 - There is a need for the bill to be explicit on this matter

NATURE OF THE BOARD

- SALGA supports a primarily competency based Board
- However the Bill should also guide that the manner of selection should be such that the board members should have diverse stakeholder backgrounds rather than just race and geographic diversity
- This is particularly important when considering the role of ISMO in respect of the development of the IRP
- In terms of s15(1)(a), SALGA needs clarity as to the reasons for specifically excluding public representatives
- Clause 16(a) is very loose and may be open to ridiculous interpretations – needs to be tightened

IMPLEMENTATION ARRANGEMENTS

- SALGA supports the recommendation of a phased in approach to the introduction of the ISMO.
- One of the key areas that needs to be watched carefully during implementation should be the impact on electricity pricing
 - The consumer should not pay twice for the System and Market Operator capacity
 - A significant part of this already exists and embedded in Eskom – paid for by the consumers and taxpayers
- While these matters cannot be dealt with in the Bill, there is a need for focused parliamentary oversight over the implementation
- To this end SALGA recommends that, on finalization of the legislation, the Department be required to present an Implementation Framework to the Portfolio Committee as the separation of some functions from legacy institutions can be complex and therefore, needs a robust and well understood and widely supported Implementation Framework



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THANK YOU