

Cape town electricity market

Cape Town is spearheading efforts to combat the nation's energy shortages through electricity wheeling, with Mayor Geordin Hill-Lewis announcing that 15 commercial electricity suppliers will soon begin wheeling through the City's grid.

This development will follow the City Council's approval, which is expected later this month. The mayoral committee recently authorised third parties to enter the electricity market and use Cape Town's robust grid infrastructure.

“Wheeling allows people to buy electricity from each other using existing grid infrastructure. The future is now, as Cape Town gears up for the first electron to be wheeled between our pilot project participants this July,” explained Mayor Hill-Lewis.

“Cape Town's electricity landscape is rapidly liberalising off the back of our end load-shedding plans, with 700 MW of independent power under procurement, innovative Cash for Power and Power Heroes programmes, and now the sale of electricity wheeled between market participants,” he said.

The City invited applications to participate in the wheeling pilot last year, and fifteen participants (representing 25 generators and 40 customers) have now been confirmed and are about to begin wheeling.

“The City is getting on top of the complexity of wheeling, which requires new skills, regulatory and policy changes, billing development and bilateral agreements. Our programme will allow electricity to be wheeled over both the municipal and Eskom distribution networks in Cape Town,” said Councillor Beverley van Reenen, mayoral committee member for energy.

Councillor van Reenen explained that sales will be governed by bilateral power purchase agreements in a market environment rather than a regulated environment because the price of the energy is set between the parties rather than by the city, Eskom or the National Energy Regulator of South Africa (NERSA).

Cape Town also has the necessary legal framework in place for wheeling, with the City's Electricity Supply By-Law allowing for retail electricity wheeling through the network. Wheeling will take place at voltages of 11 kV and higher.

Cape Town is to source electricity from independent producers, the first South African city to do so and a sign of increased frustration with the government's inability to reform the blackout-prone state-owned Eskom monopoly.

Geordin Hill-Lewis, the mayor of South Africa's second-largest city, told the Financial Times that his administration wanted to set an "aggressive" pace as it procures at least 300 megawatts of renewable energy from independent producers in the next 40 months. This is a fraction of the 2,000MW used in the peak winter period.

"We have set quite a hard timeline because these are brand new deals for South Africa," Hill-Lewis said. "The way to do it is not to tiptoe through it for the next 10 years -- it is to be really aggressive. And there is a whole lot of grey areas that will be resolved in being aggressive."

Rolling blackouts, known as load-shedding, have crippled South Africa's economy in recent years. Eskom, whose ageing coal plants generates nearly all of South Africa's power, has said it needs 4,000MW to 6,000MW of additional capacity to shore up supply. But even an "emergency" programme for the utility has faltered -- the government is proceeding with only 800MW of an original 2000MW emergency procurement. Gwede Mantashe, the energy minister, opened the door to independent municipal generation in 2020, but many have been deterred by red tape.

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