

**20 ENERGY  
18 SUMMIT**



SOUTH AFRICAN LOCAL  
GOVERNMENT ASSOCIATION

**SALGA**

*Inspiring service delivery*

“Defining the **Energy Future** of Local Government”

# ENERGY SUMMIT DECLARATION



Sandton Convention Centre  
Johannesburg, Gauteng  
**7-9 March 2018**

We, the delegates drawn from municipalities, national and provincial government, together with international guests, technology partners, academic institutions, business and stakeholders within the local government sector, gathered here at the SALGA Energy Summit, held at the Sandton Convention Centre from 7 to 9 March 2018, under the theme **“Defining the Energy Future of Local Government”** and inspired by the spirit of a new dawn:-

### **Reaffirm**

Our commitment and our call for greater collective climate action to implement the 2030 Agenda for Sustainable Development Goals, the Paris Agreement on Climate Change and our National Development Plan.

### **Mindful**

Of the positive impact that the sustainable electricity industry will have in the livelihoods and health of the people of the Republic, and also to the economy by attracting investments, creating jobs and business opportunities locally. The sustainable electricity industry also means debt free municipalities and Eskom which in turn increases the reliability of quality of supply and increased access to reliable basic services.

### **Welcoming**

That all the stakeholders agree that our country needs financially viable, socially responsive and environmentally friendly municipalities and state owned entities, and to achieve this there is a need to review the current traditional business model and quickly adapt to the changes and developments in the sector locally and across the globe. This also includes having an enabling, adaptive and flexible policy and regulatory environment in the sector.

### **Recognise that**



- The electricity sector world wide is undergoing fundamental change; the Sustainable Energy Transition (SET);
- The traditional model of the electricity sector has come under increasing pressure from the number of global “mega-trends”, including (i) increasing electrification, which often cannot be met with the current infrastructure; (ii) more decentralised and democratic systems with electricity generation from small and medium generators; and (iii) **digitization** with integration of information and telecommunications (IT) networks where electricity systems become “smart” and allowed for consumers to become more actively involved in the electricity sector;
- Poor households require subsidised electricity and energy services and local government is committed to providing these;
- Outdated revenue models that rely on the sale of electricity from Eskom rather than the use of the grid are further discouraging municipalities from responding to increasing demands for decentralisation and are threatening the financial sustainability of municipalities;
- The current arrangements and impasse in the sector such as the Eskom debt, municipal debt, and lack of service agreements between municipalities and Eskom have had negative impacts on the collaborative relationships necessary for the transition;
- The current regulatory environment is inhibiting instead of enabling the transition, where neither the energy transition nor the role of local government are acknowledged within the current IRP; or Ministerial Determinations for new energy generation;
- The restrictive power generation licensing regime of NERSA where even embedded and distributed generators under 10MW need licences and then only if a provision has been made in the IRP failing which a special Ministerial deviation is required;
- Without local government the transition cannot be achieved since local government not only accounts for 40% of electricity demand but also has executive authority for electricity distribution in terms of the constitution. Municipalities can and must be part of the solutions.



## **Acknowledge that**

- The electricity supply and distribution industry in its current form is no longer viable for local government, national government, state-owned institutions and society as a whole;
- Embracing the transition is no longer a choice but a necessity if our energy sector is to survive;
- A shift towards more decentralised and variable solutions is desirable and will alter conventional energy production, distribution and consumption;
- Multiple innovative local power solutions are being developed by producers and consumers but are frustrated by regulatory barriers
- Transformation of the industry must be inclusive, drive economic growth, social development as well as innovation.

## **Agree that**

- We have to adopt and embrace the transition if we want to ensure reliable, clean, environmentally sound, sustainable, affordable, and secure energy for all;
- Now is the time for change. Change must be proactive where the entire electricity value chain needs to be transformed under a new vision for the electricity distribution sector;
- Whatever the arrangements of the upstream generation and transition sector, local government must be able to access the most economical, socially and environmentally acceptable bulk electricity supply;
- Customer own supply (commercial, industrial and household), if properly managed can be an important asset both to customers and to the electricity distributor, as this allows for load balancing and optimum use of own supply;
- Renewable energy must be scaled-up and energy efficiency must be increased
- The municipal business needs to be optimised and municipal operations must become more efficient through energy efficiency, adequate maintenance and revenue management



strategies. In particular, municipal electricity tariffs should be regulated by cost of supply and tariffs must be rationalised and unbundled (separating wires and energy charges);

- New electricity distribution models are needed to implement the transition and to reduce dependency on the sale of kWh of electricity, electricity service authorities should transition towards recognising and costing the value of the grid;
- To achieve sustainable energy services, the customers - **all** customers - must be at the centre of the solutions. Innovation and technology advancement must be used to provide sustainable and affordable energy services to all;
- The IRP must incorporate the fundamental transition which will take place within local government distribution jurisdictions, and change the face of electricity services within the period of the IRP. Municipalities are encouraged to develop local energy plans and such plans should be coordinated with the IRP;
- Municipalities cannot keep relying on the sale of kWh for their revenue : the funding model of local government has to be reviewed. Municipalities also need to find innovative solutions to ensure new sources of municipal revenue (linked to energy), including selling services related to the use of the electricity grid (electricity transport (or wheeling) for third party).

### **Call on**

- The sector to initiate the review of the electricity industry;
- National government to engage on procurement and generation of electricity by municipalities and to consult local government as a first step to the new IRP, and to also respond positively and constructively to the extensive local government submissions to the IRP process;
- The Minister of Energy to respond positively to requests for Ministerial Determinations for local government to procure its own power;
- The Minister of Energy with the cooperation of NERSA to gazette a new regulation exempting power projects under 10MW from



the requirement of licensing so that the local, distributed and embedded power markets can grow to its potential;

- The entire distribution sector to recognise the constitutional authority of local government as the electricity service authority for distribution across the country (wall to wall municipalities), which includes its authority to appoint and enter into service delivery agreements with service providers;
- National government, Government Agencies, State-Owned Entities, Private Sector, NGOs and civil society, development partners and associations to work together with SALGA to put into action the recommendations coming out of this Summit.

### **Local government commits to**

- Supporting the Department of Energy in providing leadership to the sector to develop the necessary policy and legislative frameworks to embrace and accelerate the energy transition in South Africa;
- Changing their processes, by-laws and tariffs to allow for decentralised generation (small scale embedded generation) in a manner which is safe and adequately covers the cost of using the electricity grid;
- Driving efficiency in municipal electricity operation and developing strategies to increase revenue collection;
- Working together and creating partnerships with customers, business, labour, civil society and investors to address the challenges in the energy sector and to support municipalities to find sustainable ways to meet their social, economic and material needs;
- Provide and access the necessary capacity to ensure the required strategic direction and support to municipalities to scale up the transition;
- Promote and share existing and new innovative solutions towards a more efficient, affordable and sustainable energy systems.



## **WE THEREFORE RESOLVE THAT:**

- The SALGA National Leadership seek an audience with the President of the Republic of South Africa to sensitise him about the imperative of urgently assisting in resolution of the Energy Policy complex;
- the President of South Africa appoints an Energy Reform Commission to review the current structure, evaluate the reform work done to date, define a more sustainable structure and implement the structural changes required;
- that in conjunction with CoGTA & SALGA, a team of experts be appointed to provide the required strategic direction and support to municipalities;
- to ensure that the electricity supply industry reform becomes a reality, municipal service delivery improves as well as becomes financially sustainable, the outcomes of this Energy Summit be captured in a detailed action plan;
- SALGA ensures that such an action plan is developed, implemented;
- To establish a multi-sector and multi-stakeholder Energy Transition Leadership structure, led by SALGA President, the Minister of CoGTA, the Minister of Energy, the Minister of Finance and the Minister of Public Enterprises, to lead the implementation and monitoring of the action plan.

**WE MANDATE** the SALGA National Executive Committee to give effect to the strategic imperatives and ensure the implementation of the Summit resolutions, including those annexed hereto.

**As leaders and delegates drawn from across the length and breadth of our beloved country, united in our diversity and inspired by the Spirit of “Thuma Mina”, undersign this DECLARATION to inspire the positive change, innovation and bold action our people expect and deserve and to work tirelessly to inspire service delivery and creating a sustainable energy future.**

