
GENERAL NOTICES • ALGEMENE KENNISGEWINGS

PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA

NOTICE 87 OF 2019

NATASHA MAZZONE, MP

INDEPENDENT SYSTEM AND MARKET OPERATOR BILL

NOTICE OF INTENTION TO INTRODUCE THE INDEPENDENT SYSTEM AND MARKET OPERATOR BILL, 2019, A PRIVATE MEMBER'S BILL, INTO PARLIAMENT AND INVITATION FOR PUBLIC COMMENT THEREON

Ms Natasha Mazzone, MP acting in accordance with section 73(2) of the Constitution of the Republic of South Africa, 1996, intends to introduce the Independent System and Market Operator Bill, 2019 in Parliament during the first half of 2019. An explanatory summary of the Bill is hereby published in accordance with Rule 276(1)(c) of the Rules of the National Assembly (9th Edition).

It cannot be denied that Eskom has effectively become a zombie enterprise that is both overinflated and riddled with corruption. It currently serves as both the main generator and the central purchaser and distributor of electricity. It actively marginalises independent power producers (IPPs) to maintain the stranglehold that it has over energy production to the expense of end-users, who have to endure hours of load-shedding as a result. It has become an archaic entity suffering from institutionalised maladministration so severe that it threatens every aspect of South African life.

This Bill seeks to create the Independent System and Market Operator (ISMO) as the entity responsible for system operation and the purchase of electricity from electricity generators. ISMO will function as electricity wholesaler, selling electricity to distributors and large customers at a wholesale tariff. This Bill will further eliminate Eskom's effective monopoly on the production of electricity by splitting the entity into two parts, Eskom, which will continue to function as an electricity generator, and ISMO, which will take ownership and control over the national electricity grid and serve as the central buyer and distributor of electricity from all electricity generators. It also seeks to allow metropolitan municipalities to purchase electricity directly from IPPs in certain circumstances.

To avoid conflict of interest, ISMO will be independent of activities related to electricity generation to ensure equal treatment of all generators. To further entrench its independence, ISMO will function

as a public-private partnership and will not simply be another state-owned company. The entity will be governed by a Board, consisting of members appointed by both the Minister and shareholders. The Board will be required to represent a sufficient spread of skills, knowledge, expertise and experience to enable ISMO to function efficiently and effectively. The necessary provisions will be included to ensure that ISMO:

- is financially viable;
- will manage the systems entrusted to it in an efficient manner;
- will act as a trader of electricity in line with the policies of national government;
- will prepare appropriate and guiding input for the planning of electricity supply and its transmission;
- is responsible and achieves the establishment, practice and maintenance of an integrated power system; and,
- will ensure both efficient and effective dispatch within this integrated system.

ISMO will have the following core functions and capabilities:

1. ISMO will be required to purchase power from the generators, including IPPs through power purchase agreements. ISMO will then sell this power to distributors and large customers at a wholesale tariff.
2. ISMO will be expected to include in the wholesale tariff its operational cost in accordance with the approval of the Regulator. The Regulator will regulate the wholesale tariff in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (ERA). Wholesale trading refers to the buying of power from generators at different prices and selling it to large customers and distributors at a wholesale tariff.
3. ISMO will also be responsible for the system operation function through dispatch. ISMO will dispatch all the generation plants into the national grid except for self-dispatched plants, including but not limited to, wind- and solar plants.

The Bill acknowledges that planning for new generating capacity is the responsibility of the national Government. However, ISMO will be required from time to time to assist with certain planning activities as requested by the Minister. Some of the listed activities will require a licence to be issued under the ERA, and to this end, ISMO will be required to acquire such licences within six months of its operation.

Metropolitan municipalities that have shown a track record of good governance in their finances and the management of their electricity reticulation will be allowed to enter into agreements with electricity generators directly, without having to go through ISMO as wholesale middleman. ISMO will not only ensure that the monopoly that Eskom currently enjoys is broken down, but that the market is opened up to all power producers, with the end-user ultimately enjoying the greatest benefit.

The Bill will be available on the website of the Democratic Alliance (<https://www.da.org.za/>) once it has been certified by the Chief Parliamentary Legal Adviser or a parliamentary legal advisor designated by him or her as required by Rule 279(4) of the Rules of the National Assembly (9th Edition). It may also, after introduction, be obtained from:

The Democratic Alliance

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Interested persons are invited to submit written representations on the proposed content of the draft bill to the Speaker of the National Assembly within 30 days of the publication of this notice. Representations can be delivered to the Speaker, New Assembly Building, Parliament Street, Cape Town; mailed to the Speaker, P O Box 15, Cape Town 8000 or e-mailed to bmbete@parliament.gov.za and copied to mariusv@da.org.za.