Why two IPP coal power plants got red cards

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Picture: ROBERT TSHABALALA

Research by the University of Cape Town's Energy Research Centre warns against commissioning two independent power producer (IPP) coal plants as they will cost R20bn.

The two coal power plants — Thabametsi, a 557MW plant, and Khanyisa a 307MW plant — fall under the first round of preferred bidders of the coal-baseload independent power producer procurement programme, which started in 2012.

Construction of the two stations has not started, but projections are that they will be ready to go commercial by 2021.

A report based on the centre's research says that the two coal IPPs are no longer needed, given that SA has surplus electricity and demand for it is declining.

In addition, the report states that in the long term the coal power plants are neither clean nor cheap compared with other sources of electricity such as wind and solar power.

Centre researcher Jesse Burton, who authored the report, said coal plants were expensive and polluted the environment.

Carbon emissions

Although the new coal plants would replace some of Eskom's older power stations, they would add about 200-million tonnes of carbon emissions over their lifespan.

The power purchase agreement with the coal plants is said to run for 30 years.

Chris Yelland, an analyst at EE Publishers, said the centre's report had to be taken seriously by Eskom, the Department of Energy and the team compiling the latest Integrated Resource Plan (IRP). He said the decision to commission the new coal plants was taken eight years ago, during the time when the 2010 IRP applied.

Since then, the economy had changed significantly and it would be irrational to make any big decisions such as the building of these two coal power plants without considering the latest IRP for energy.

"This is the same thing the judge said in the High Court in Cape Town with regard to the nuclear procurement. The judge said they can't proceed with the nuclear procurement based on an outdated IRP while the new IRP is currently in process.

"And they should rather wait for the new IRP to be published — and this applies to the new coal IPPs as well," Yelland said.

The technology costs for renewables have also changed in the last few years and, therefore, proceeding with the new coal plants, which would cost R20bn, needed to be re-evaluated, he said.

In terms of the R20bn cost, consumers would have to take up the cost because IPPs were a pass-through to Eskom, meaning the power utility would buy the power but be compensated via electricity tariffs, which it would get from consumers.

Eskom spokesman Khulu Phasiwe declined to comment, saying instead that all IPP programmes, whether for renewables or fossil fuels, were driven by the Department of Energy as the policy maker.

"Eskom gets involved in the final stages, where we connect the approved projects to the national grid," Phasiwe said.

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