

Finance model for energy projects in Africa needs to change

The business model for energy investment needs to change. There are far too many players that are comfortable with the same structures for investment, selling to an SOE (state-owned enterprise) with a government guarantee.



Penny Herbst, director: strategy, GreenCo

"What we really need at present is for investors to have a stake where their influence contributes to improving the electricity supply industry (ESI) as a whole. Both current investors familiar with the South African environment and those that wish to enter the market for the first time are awaiting the release of the revised IRP for their next move," says Penny Herbst, director strategy for Africa GreenCo.

She explains that Africa GreenCo has an innovative business model "where it will function as an intermediary buyer and seller of power from IPPs and in this role will aggregate financial and supply risks in a portfolio approach by, amongst others, using local and regional markets to transparently diversify its risks."

Municipalities part of ESI

With regards to the role of municipalities, Herbst, who is a former Eskom employee and 30-year veteran of the energy industry, says: "the municipalities are as much a part of the ESI as Eskom and as a matter of fact, in most large metros they add a margin in excess of 100% to Eskom's tariff. For example, Eskom charges the municipalities approximately R1/kWh and they in turn charge R2+/kWh to their customers. This is exorbitant and to make matters worse the charges associated with pre-paid exceed those of post-paid. Surely pre-paid customers are a better credit quality than those that are being billed in arrears. The question to be raised here is who is benefitting from pre-paid meters, if it is the private sector, is their remuneration commensurate with their risk?"

"What is clear though is that there is a myriad of players lying in wait to capitalise on the gap that has been created by the unfolding Eskom financial and reliability challenge. Can we as a country honestly say that the planning and pricing impact for this has been fully comprehended?"

Read the full interview [here](#)

Source: African Utility Week

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