

OPERATION VULINDLELA

Supporting
the Implementation
of Priority Structural Reforms



PROGRESS UPDATE

2023/24 Q1 Report



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

OPERATION VULINDLELA

PROGRESS UPDATE

2023/24 | Q1 REPORT

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INTRODUCTION

Since the establishment of Operation Vulindlela in October 2020, government has made meaningful strides in implementing structural reforms to stabilise South Africa's energy supply, establish a competitive logistics network, reduce the cost and improve the quality of digital communications and reform the visa regime to enable businesses to attract the skills they need to grow, and to make it easier for tourists to experience a world-class African destination.

Operation Vulindlela (OV), which is a joint initiative of the Presidency and National Treasury, is focused on accelerating the implementation of 35 priority reforms which have been identified for their potential impact on economic growth and job creation. New reforms which have been identified since OV was initiated include creating an enabling environment for hemp and cannabis; developing a strategy for the devolution of passenger rail; putting in place an enabling regime for State-Owned Enterprises to procure efficiently; and eliminating the backlog in title deeds for subsidised housing. The progress dashboard below provides an assessment of the current status of each of these reforms.

As of the first quarter of 2023, eleven reforms (or approximately one third) have been completed. A further 14 reforms are on track or progressing well. This report demonstrates that over half of the OV reforms are now either completed or on track to be completed within the next 12 months, with work ongoing to ensure the delivery of all priority reforms.

OVERVIEW OF PROGRESS

There has been notable progress in several areas since the previous quarter: the number of completed reforms has risen from three to eleven. Newly finalised reforms include the re-engineering of the water-use license application process; regulatory changes to enable municipalities to procure power from independent power producers; streamlining the process for wayleave approvals; and the gazetting of the rapid deployment policy and policy direction. The long-anticipated release of the work visa review and accompanying implementation plan has been an especially important step.

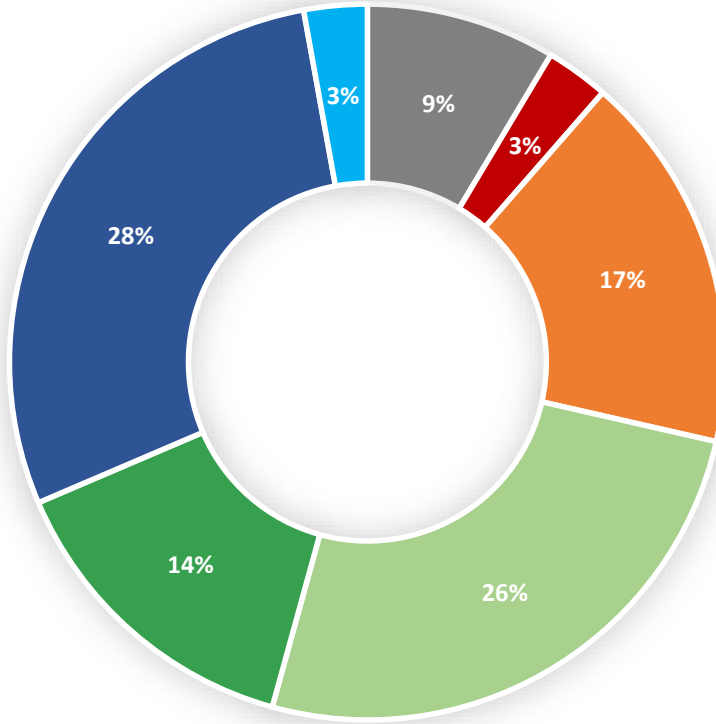
Among the fourteen reforms which remain on track or progressing well, key milestones have been achieved. Among these is the approval granted by Cabinet for the Electricity Regulation Act to be tabled in Parliament and for the gazetting of a final date for the switch-off of analogue transmission.

The number of reforms facing challenges decreased from nine to six as the procurement of new generation capacity received new impetus through the National Energy Crisis Committee (NECOM) and key steps were taken to complete the migration from analogue to digital signal, finalise the Rapid Deployment Policy and Policy Direction, expedite the issuance of title deeds for subsidized housing, review and adjust the fuel price formula and create a modern and efficient mining rights system.

Remedial actions are underway to address those areas where reforms are currently off track or have regressed. Notably, the President has directed the establishment of a National Logistics Crisis Committee (NLCC) to ensure a dedicated focus on addressing challenges in the rail network and ports. The NLCC will oversee implementation of a Freight Logistics Roadmap which is being developed by Operation Vulindlela in coordination with the Department of Transport and the Department of Public Enterprises, and which is due to be completed by June 2023.

The figures below present a detailed summary of the current progress dashboard, indicating changes since the previous quarter.

OV DASHBOARD



9% **3 ACTIVITIES**
No data/reform not yet started

3% **1 ACTIVITY**
Reform facing critical challenges, likely not to be achieved

17% **6 ACTIVITIES**
Reform facing significant challenges, intervention required

26% **9 ACTIVITIES**
Reform delayed/off track, but work underway

14% **5 ACTIVITIES**
Reform progress on track

28% **10 ACTIVITIES**
Reform completed, no further work required

3% **1 ACTIVITY**
Reform completed, further work required

DETAILED PROGRESS STATUS

ACTIVITY STATUS	NO. OF ACTIVITIES	REFORMS
	3	<ul style="list-style-type: none"> Strengthen regulation of price and service standards in the water sector Expand visa waivers and explore visa recognition system Develop a fit-for-purpose procurement regime for state-owned entities
	1	<ul style="list-style-type: none"> Improve Energy Availability Factor (EAF) to over 70%
	6	<ul style="list-style-type: none"> Address institutional inefficiencies in municipal electricity distribution Address institutional inefficiencies in municipal water distribution Improve efficiency of ports Implement third-party access to freight rail network Create an enabling legal and regulatory environment for hemp and cannabis Expedite the issuance of title deeds for subsidised housing
	9	<ul style="list-style-type: none"> Implement the energy action plan Procure new generation capacity in terms of IRP 2019 Create a modern and efficient mining rights system Establish Transport Economic Regulator through Economic Regulation of Transport Bill Finalise the revised raw water pricing strategy Review and adjust the fuel price formula Establish a National Water Resource Infrastructure Agency Complete migration from digital to analogue signal Develop a strategy for the devolution of passenger rail to local authorities
	5	<ul style="list-style-type: none"> Finalise the amendment to the Electricity Regulation Act to establish a competitive electricity market Complete restructuring of Eskom Reinstate the Blue Drop, Green Drop and No Drop water quality monitoring system Streamline and improve water-use license application process Enhance the role of Private Sector Participation in the Water Sector
	10	<ul style="list-style-type: none"> Publish revised Critical Skills List Finalise the White Paper on National Rail Policy Raise licensing threshold for embedded generation Complete spectrum auction Finalise Rapid Deployment Policy and Policy Direction Implement e-Visa system in fourteen countries, including China, India, Kenya and Nigeria Enable municipalities to procure power from independent power producers Streamline process for wayleave approvals Review policy framework and processes for work visas Clear backlog of water use license applications
	1	<ul style="list-style-type: none"> Corporatise the Transnet National Ports Authority (TNPA)



KEY ACHIEVEMENTS IN Q1 2023

- **Electricity Regulation Amendment Bill:** The ERA Bill, which aims to establish a competitive market in the electricity sector and will support the unbundling of Eskom, was approved by Cabinet and has been tabled in Parliament.
- **Digital migration:** Cabinet has approved a final date for analogue switch-off, which will be gazetted by the Minister of Communications and Digital Technologies. Five out of nine provinces have already been switched off, and set-top boxes have been provided to the majority of households who registered for the subsidy.
- The **Rapid Deployment Policy and Policy Direction** was approved by Cabinet on 27 March and gazetted on 3 April 2023. This is a significant milestone for reforms in the telecommunications sector, as it will accelerate the rollout of infrastructure such as towers and fibre.
- **Streamlining wayleave approvals:** The standard draft bylaw for wayleave approvals, which Operation Vulindlela developed jointly with the Department of Communications and Digital Technologies (DCDT) and the Department of Cooperative Governance and Traditional Affairs (COGTA), was gazetted on 24 February 2023. This bylaw standardises and simplifies the process for obtaining permissions for telecommunications infrastructure.
- **Titling reform:** A joint steering committee has been established with the National Department of Human Settlements to oversee reforms aimed at addressing the backlog of title deeds for subsidised housing and making the titling system more efficient and accessible. A terms of reference have been adopted and an action plan is being developed.
- **Modernisation of the mining rights system:** The Department of Mineral Resources and Energy (DMRE) issued an RFP for a new cadastre system on 27 March 2023, which will modernise South Africa’s mining rights system and unlock latent investment.

DETAILED PROGRESS UPDATE

ELECTRICITY REFORMS

Operation Vulindlela is working through the National Energy Crisis Committee (NECOM) to ensure full implementation of the Energy Action Plan announced by President Ramaphosa in July 2022. The plan outlines a clear path to reducing the severity and frequency of load shedding in the short term, and achieving energy security in the long term through a fundamental reform of the electricity sector.



Initiatives

1. Fix Eskom and improve the availability of existing supply
2. Enable and accelerate private investment in generation capacity
3. Accelerate procurement of new capacity from renewables, gas and battery storage
4. Unleash businesses and households to invest in rooftop solar
5. Fundamentally transform the electricity sector to achieve long-term energy security

Key achievements in implementing the Energy Action Plan to date include:

- **Amending Schedule 2 of the Electricity Regulation Act to remove the licensing requirement for generation projects of any size.** More than 10 000 MW of new generation capacity and over R200 billion of private sector investment.
- **Accelerating procurement of new generation capacity.** Three projects from the risk mitigation programme have entered construction, with a further five hybrid projects expected to reach financial close during this quarter. Project agreements have been signed for 19 of the 25 preferred bidders from Bid Window 5 amounting to approximately 1800 MW, of which 784 MW is already in construction. Six preferred bidders have been announced under Bid Window 6, amounting to 1000 MW of new capacity.
- **Releasing the Request for Proposals for battery storage.** A further RFP was published on 7 March 2023 to procure 513 MW of battery storage, with bid submissions due in July 2023. This will increase available capacity while strengthening the transmission network.
- **Facilitating the procurement of independent power by municipalities.** Following the amendment of the Regulations on New Generation Capacity to allow municipalities to procure power independently, the National Treasury has issued a Municipal Finance Management Act (MFMA) circular which provides guidance to municipalities in this regard.
- **Driving progress on the unbundling of Eskom into separate entities for generation, transmission and distribution.** Significant progress has been made towards the establishment of the National Transmission Company of South Africa (NTCSA) as an independent subsidiary of Eskom. The NTCSA has applied to Nersa for transmission, electricity trading, and electricity import and export licenses on which a decision is expected shortly. The appointment of a board for the NTCSA is being finalized in parallel to the license application to ensure that the new entity can be operationalized as soon as possible.
- **Addressing Eskom's debt burden.** The 2023 Budget introduced R254 billion in debt relief to Eskom, subject to strict conditions. This will relieve pressure on the utility's balance sheet, enabling it to conduct necessary maintenance and supporting the restructuring of the electricity market.
- **Achieving long-term energy security and transforming the energy sector.** The Electricity Regulation Amendment Bill was approved by Cabinet in March 2023 for submission to Parliament. This Bill will establish a competitive electricity market, enabling multiple generators to compete on a level playing field.
- **Publishing a new Ministerial determination for the procurement of over 14000 MW of new generation capacity from wind, solar PV and battery storage.** This determination, which has received concurrence from Nersa, will enable further bid windows to be released for wind, solar PV and battery storage.
- **Launching a Standard Offer Programme for Eskom to purchase available power.** Eskom signed the first PPA under the standard offer programme with City Power in March 2023, for a total of 100 MW of additional power from Kelvin Power in Johannesburg. A further 293 MW is in the contracting phase, while an additional 500 MW has been identified from multiple providers.
- **Providing land to facilitate the construction of new generation capacity.** Eskom has signed agreements for the commercial use and lease of its land with four Independent Power Producers (IPPs). This will facilitate the development of up to 2 000 MW of generation capacity in areas that have sufficient grid capacity already in place.
- **Introducing tax incentives to support small scale embedded generation.** For businesses, an expanded tax incentive of 125% of the cost of renewable energy assets used for electricity generation brought into use during a period of two years from 1 March 2023 has been implemented. For individuals, a tax rebate for solar PV panels of 25% of the cost for a limited period and capped at R15 000 per individual has been implemented.

- **Launching the Enhanced Demand Management Programme.** This programme, implemented by Eskom, uses a performance contracting model with an incentive rate of R3 million per MW provided for achieved demand reduction during specified periods. It was launched at a Demand Management Indaba on 24 April 2023.

CURRENT AND FUTURE FOCUS AREAS

- **Ensure that additional projects from existing bid windows proceed to close:** This includes the remaining projects from Bid Window 5 and 6 which are on track to reach financial close, as well as five hybrid projects from the risk mitigation programme which will reach legal close by May 2023.
- **Release further bid windows for solar PV, wind, gas and battery storage:** Work is advanced on the release of an RFP for Bid Window 7, through which 5000 MW of wind and solar PV will be procured, and further RFPs for 1200 MW of battery storage and 3000 MW of gas.
- **Develop special legislation to reduce or remove red tape for energy projects:** This will include measures to accelerate solar, wind and battery storage projects as well as transmission infrastructure.
- **Establish a One Stop Shop for energy projects:** The One Stop Shop, which will provide a single entry point for all energy-related applications, will be launched on 30 May 2023.
- **Operationalize the National Transmission Company:** This includes the appointment of an independent board and finalization of outstanding license applications.
- **Strengthen the capacity of the grid:** A dedicated work stream of NECOM has been established to accelerate implementation of the Transmission Development Plan and unlock additional grid capacity.

FREIGHT LOGISTICS REFORMS

PORTS AND RAIL

The poor performance of South Africa's freight logistics system has resulted in a decline in exports, weighing on South Africa's current account balance which recorded a deficit of 0.5 per cent of GDP in 2022. Implementation of economic reforms is key to reversing the current trend in performance. Achieving a turnaround in the ports and rail network will have a positive impact on output, exports and ultimately economic growth. Interventions to improve operational performance, encourage private sector participation and enable increased competition and investment are required to arrest the sector's decline.

Progress has been made in the following areas to address challenges in the freight logistics system:

- Transnet Freight Rail (TFR) has completed accounting separation of their operations and rail infrastructure units. This is a crucial step towards functional separation and the establishment of an independent Infrastructure Manager, which will enable transparent and accurate pricing of slots on the freight rail network and create a level playing field between public and private rail operators.
- Partnerships with private terminal operators at the Durban Pier 2 Container Terminal and Ngqura Container Terminal are expected to be in place by June 2023, following a process initiated by Transnet in August 2022.

- Transnet has established a multi-stakeholder Task Team to address congestion at the Durban Port, which saw the procurement of new equipment and refurbishment of current equipment, and introduction of a truck booking system. TNPA has also finalised construction of the Bayhead Bypass Road, which will further ease congestion at the port.

CURRENT AND FUTURE FOCUS AREAS

President Ramaphosa has directed the establishment of a National Logistics Crisis Committee (NLCC), which will be chaired by the President and supported at a technical level by Operation Vulindlela. The NLCC will be responsible for coordinating implementation of a Freight Logistics Roadmap, which is being developed between Operation Vulindlela, the Department of Transport and the Department of Public Enterprises.

The following key steps are being prioritized over the next period:

- **Appoint a permanent board for the National Ports Authority:** This will replace the current interim board and complete the process to corporatize the TNPA.
- **Secure passage of the Economic Regulation of Transport Bill in the National Assembly:** This is a critical step towards reform of the freight logistics system, in establishing a transport economic regulator that will oversee third party access to the rail network.
- **Establish an Infrastructure Manager (IM) within Transnet:** Work is underway to establish the IM by October 2023, alongside publication of a Network Statement and standard access agreement for the freight rail network. The IM who will be responsible for the allocation of train paths and management of the freight rail network, including third party access by private rail operators.
- **Develop a devolution strategy for passenger rail:** This is in alignment with the Integrated Urban Development Framework, through which municipalities will be capacitated to devolve operational subsidies for urban commuter rail.
- **Finalise the Freight Logistics Roadmap:** The roadmap will outline a sequence set of actions to translate the National Rail Policy and other legislative and policy commitments into reality, arrest the decline of rail and ports infrastructure and provide clear guidance on the implementation of medium to long term structural interventions including restructuring of Transnet and the role of the private sector.

DEVOLUTION OF PASSENGER RAIL

In keeping with its commitment to devolve passenger rail functions, the Department of Transport has convened a national steering committee to engage with all relevant stakeholders and develop a devolution strategy. The steering committee consists of representatives from the department, from local and provincial government, SALGA, PRASA and the Gautrain Management Agency (GMA), with the goal of finalising a *Devolution Strategy for Urban Commuter Rail*. Following engagement with the steering committee. The target date for completion of the Devolution Strategy is March 2024.

WATER REFORMS

Reforms in the water sector include a range of interventions to address issues with water pricing, enable greater investment in water infrastructure and maintenance, improve water licensing and ensure more efficient municipal water service delivery. During the last quarter, progress on these reforms has included:

- Public consultation on the National Water Infrastructure Agency Bill has been concluded, and the draft Bill is now undergoing discussion in NEDLAC before its submission to Cabinet for approval.

- Similarly, the Raw Water Pricing Strategy has concluded public consultation and the Department of Water and Sanitation (DWS) is finalising the revised strategy for concurrence from both the Minister of Water and Sanitation and the Minister of Finance.
- The number of water use license applications processed within the revised timeframe of 90 days has increased to 70% from 35% in the first quarter of 2022, and DWS is targeting a further improvement to 80% of all applications.
- As part of its efforts to strengthen regulation in the water sector, DWS has appointed a Water Regulatory Commission which will serve a three-year term.
- The Operation Vulindlela team is working with the Cities Support Programme to design an intervention strategy for the improvement of water service delivery by local municipalities. This will complement the Department of Water and Sanitation's Water Services Improvement Programme.
- The establishment of the Water Partnerships Office (WPO) in the Development Bank of South Africa (DBSA) will advance private sector participation in the water sector. Working in partnership with the National Treasury PPP unit, the WPO will support the development of private sector initiatives in water, in areas such as water re-use, interventions to address non-revenue water, improving wastewater treatment, desalination projects and new sanitation projects that can improve rural service delivery.

CURRENT AND FUTURE FOCUS AREAS

- **Finalise the NWRIA Bill and the revised Raw Water Pricing Strategy:** The finalisation of the Bill and the publication of the pricing strategy will together represent a significant step forward in institutional reform of the sector. During the next quarter, DWS will undertake an independent legal and financial review of the implications of the Bill for TCTA's existing loans, requested by its current lenders. Thereafter, the Bill will be submitted to Cabinet for approval and then tabled in Parliament.
- **Complete the turnaround of the water use license application (WULA) system:** While the backlog of water use license applications has been cleared, implementation of the WULA turnaround plan is continuing to reach the department's target of processing 80% of applications within 90 days.
- **Publish the Blue Drop and No Drop reports:** This follows the publication of the Green Drop report last year, as part of the revival of the water quality monitoring system. The data contained in these assessments will enable stronger interventions where municipal water service authorities fail to meet national minimum norms and standards.

DIGITAL COMMUNICATIONS REFORMS

Operation Vulindlela's digital communications reforms were aimed at reducing the cost and improving the quality of communication. The auction of high demand spectrum, completed in March 2022, is expected to facilitate these gains. Beyond pricing benefits, the auction of spectrum will enable the expansion of newer technologies (5G, IoT); improved quality of service and support universal coverage. Migration from analogue transmission to digital transmission is necessary for the conclusion of the spectrum auction process. Currently, the Department of Communications and Digital Technologies (DCDT) has switched off five provinces. Concluding this process will enable the transfer of the remaining spectrum to mobile operators.

For the reporting quarter, two additional reforms in the sector were finalised. On the 24th of February 2023, the Minister of Cooperative Governance and Traditional Affairs published the Standard By-laws for the Deployment of Electronic Communications Facilities. The guidelines are available for municipalities to adopt and are aimed at streamlining the municipal process for the approval of wayleaves to support infrastructure deployment. In addition, on 31 March 2023, the National Policy on Rapid Deployment of Electronic Communications Infrastructure was gazetted. The policy provides a clear framework for the rollout of

telecommunications infrastructure, which will facilitate deployment across the country with greater speed and reduced cost. These interventions are significant as previously, operators had to face lengthy processes to obtain rights of way to deploy infrastructure, which at a municipal level, varied across municipalities and public entities. The delays in deploying necessary infrastructure imposed indirect costs for operators, including in some instances direct costs in the form of litigation. The regulations will standardise the processes, which will also ensure their implementation is accelerated.

CURRENT AND FUTURE FOCUS AREAS

- **Complete analogue switch-off (ASO):** The revised ASO deadline will be announced by the DCDT, which follows an enhanced consultative process, increased installation of set-top boxes and consideration of input from affected stakeholders.
- **Introduce a secondary market for spectrum trading:** The DCDT has directed ICASA to develop standards the trading, sharing, and sub-letting of spectrum. ICASA has initiated work to develop a regulatory framework for enabling implementation of dynamic spectrum sharing, which will facilitate the development of a secondary market and has invited public input into the proposal.

REFORMS TO THE VISA REGIME

A visa regime that is capable of attracting skills and promoting tourism is critical for economic growth. This is because skilled immigrants and entrepreneurs facilitate investment, create jobs, and improve the productivity and dynamism of the economy. Similarly, the tourism sector is labour-intensive and supports tens of thousands of SMMEs. Encouraging its growth is therefore essential for creating jobs, drawing on South Africa's unique advantages as a tourism destination. It is for these reasons that Operation Vulindlela has been supporting reforms to the visa regime, working closely with the Department of Home Affairs (DHA).

Key milestones in the reform of the visa system include:

- Publishing the revised Critical Skills List and updating it regularly to take into account rapidly changing skills needs.
- Implementing and upgrading the eVisa system to facilitate the growth of the tourism sector, and expanding the system to serve an additional 20 countries, bringing the total number of countries where the eVisa is available to 34.
- Completing a comprehensive review of the work visa system led by Mavuso Msimang, a former Director-General of Home Affairs, to facilitate skilled immigration.

CURRENT AND FUTURE FOCUS AREAS

Following the completion of the work visa review, the Department of Home Affairs has published a detailed implementation plan to take forward the recommendations contained in the review. The department will soon publish revised Immigration Regulations to implement the following reforms:

- **Introduce a trusted employer scheme:** This will provide a simplified process for qualifying companies, including large investors, regional head offices and firms in strategic sectors, to obtain work visas for skilled personnel.
- **Streamline application requirements to ease the administrative burden of visa applications:** The Minister of Home Affairs has issued a waiver removing the requirement for a radiological exam and amending the requirement for a police clearance certificate to apply to the five years before entry into

South Africa. These and other changes to reduce the administrative burden of the visa application process and bring it in line with global best practice will be incorporated into revised regulations.

- **Establish a points-based system:** A points-based system will incorporate both the Critical Skills Visa and the General Work Visa, and will provide additional pathways for visa applicants based on a minimum income threshold and qualification threshold. This will introduce greater predictability, flexibility, and transparency into the visa system.
- **Create new visa categories:** New visa categories are being introduced for remote workers and start-ups. The remote worker visa will allow applicants to reside in South Africa for a period of twelve months if they meet a minimum income threshold and other requirements.
- **Extend the e-Visa system to cover new visa categories:** The eVisa system is being extended to include other categories such as study, business and intra-company transfer visas.

Additionally, Operation Vulindlela will commence work with the DHA to explore the introduction of a visa recognition system which would allow holders of a visa from selected third-party countries to enter South Africa, creating an enabling legal and regulatory environment for hemp and cannabis.

CREATING AN ENABLING LEGAL AND REGULATORY ENVIRONMENT FOR HEMP AND CANNABIS

In July 2019 Cabinet took a decision to implement a hemp and cannabis sector development plan to commercialise the sector noting the sector's potential to increase economic growth, create jobs and alleviate poverty – particularly in rural communities that are home to South Africa's traditional farmers. The Department of Agriculture, Land Reform and Rural Development is the lead department in the development of a master plan for the sector, as a key component of government's industrial strategy. Operation Vulindlela is supporting the Department of Agriculture, Land Reform and Rural Development (DALRRD) in this process and continues to engage widely with stakeholders from government, business and community across the sector.

CURRENT AND FUTURE FOCUS AREAS

- The DTIC has commissioned research on a situational analysis, value, and demand economic analysis; and analysis of a possible funding framework and mechanisms to support investment and inclusive growth in the sector. This work is underway.
- OV has appointed a legal team to provide legal support for short term regulatory reform; develop a foundational policy framework for the hemp and cannabis sector and overarching, whole plant all purposes hemp and cannabis legislation.
- OV is working with various departments to ensure the implementation of interim measures to enable hemp and cannabis cultivation, following engagements with the departments and institutions responsible for the existing regulatory framework. These measures are intended to fast-track enabling economic activity in the near term, until such time as an overarching, all-purpose, whole plant, Hemp and Cannabis Bill is developed.

EXPEDITING THE ISSUANCE OF TITLE DEEDS FOR SUBSIDISED HOUSING

Operation Vulindlela initiated a reform programme to strengthen titling in South Africa through title regularisation, formalisation and preservation. Title regularisation is needed to tackle the primary transfer backlog, as it exists for an estimated 1.1 million subsidised properties developed by the state; title formalisation is necessary to bring back into the formal system properties that have transacted off-register – these would include deceased estates as well as informal transactions; and title preservation will ensure the creation of an affordable, accessible formal system that makes it as easy as possible to preserve title going forward. The programme seeks to leverage the significant investment in housing made by the state since 1994.

OV established a steering committee comprising National Treasury, the Department of Human Settlements, the Office of the Chief Registrar of Deeds, the Department of Agriculture, Land Reform and Rural Development, the Department of Justice and Constitutional Development and the Department of Planning, Monitoring and Evaluation. The steering committee aims to create a sound body of evidence to demonstrate the scale and nature of property registration problems, identify specific interventions that are required to create a functioning formal system, and to produce a cross-cutting implementation plan to address the title deeds backlog and reform the titling system.

While this reform is at an early stage, work is underway through the titling steering committee to address the backlog of title deeds.

WHAT TO LOOK OUT FOR IN Q2 2023

- Gazetting of a final date for analogue switch-off to complete **digital migration**, following Cabinet approval. This will complete the initial priority reforms in the digital telecommunications sector.
- Introduction of the **Electricity Regulation Act Amendment Bill** to Parliament to establish a competitive market in the electricity sector.
- Introduction of the **National Water Resource Infrastructure Agency (NWRIA) Bill** to Parliament. The Bill proposes the setting up of an NWRIA to be responsible for the planning, financing and development of the water infrastructure for the country.
- Appointment of an independent board for the National Transmission Company and approval of licenses to advance the **restructuring of Eskom**.
- Release of **revised Immigration Regulations** to take forward the recommendations of the work visa review.
- Finalisation of the **raw water pricing strategy** to ensure cost recovery and efficiency to support continued service delivery.
- **Establishment of private sector partnerships** at the Ports of Durban and Ngqura to improve efficiency and competitiveness.

ASSESSING IMPACT

PRIVATE INVESTMENT IN ELECTRICITY GENERATION

The lifting of the licensing threshold for embedded generation projects from 1 MW to 100 MW in August 2021, and the subsequent removal of the licensing threshold as a key intervention of the Energy Action Plan in December 2022, has resulted in a massive surge of private investment in electricity generation which continues to outstrip expectations. Operation Vulindlela has established the Embedded Generation Task Team in collaboration with the Minerals Council and the Energy Intensive User Group to accelerate embedded generation projects. The Task Team, which involves all relevant departments and state entities, has three aims:

- Enabling departments and state entities to directly assist project developers with unblocking regulatory challenges
- Improving knowledge sharing and streamlining of the regulatory process overall
- Tracking applications and providing ad hoc support to expedite authorisations

IMPROVEMENTS TO THE REGULATORY PROCESS

In the Q2 quarterly report, an initial process flow for embedded generation projects was presented. This illustrated that the energy regulatory process was cumbersome due to lengthy timeframes that are exacerbated by the sequential nature of the process. Much progress has since been made to rationalize and streamline the process and work is underway to enable further improvement. Timeframes for various authorisations have since been shortened and departments are transforming their internal processes to be able to meet these timeframes. As an example, the NERSA registration process previously required a signed Power Purchase Agreement, which requirement has now been removed. This was a significant hurdle for project developers and necessitated a lengthier regulatory process as the registration process could not run in parallel with other approvals. Table 1, below, illustrates where timeframes have been reduced.

Table 1: Streamlining regulatory processes

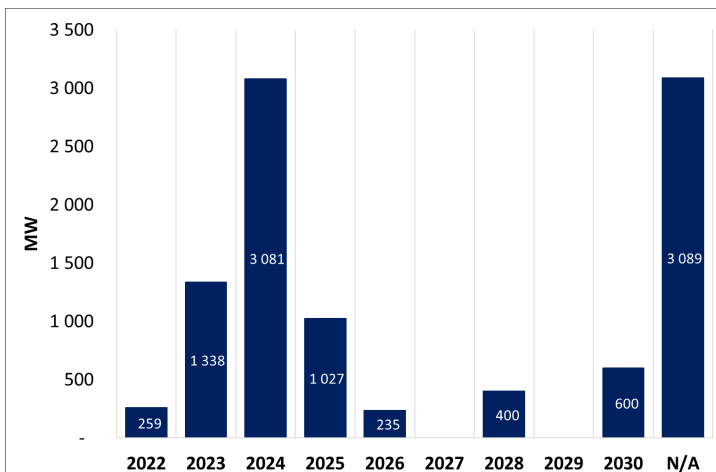
DEPARTMENT	REGULATORY APPROVAL	PREVIOUS TIMEFRAME	REVISED TIMEFRAME
Environmental Consent			
DFFE	Scoping and Environmental Impact Assessment (EIA) Basic Assessment (BA) Atmospheric Emissions Licence (AEL)	150 days and 90 days appeal period 107 days and 90 days appeal period	Process underway to exempt solar PV and battery storage in areas of low and medium sensitivity Embedded generation projects classified as Strategic Integrated Project (SIPs), reducing timeframe to 57 days
DWS	General Authorisations (GA) Water Use License (WUL)	Over 300 days for WUL and GA	Notice gazetted to require only a GA for wind, solar PV and battery storage projects with 90 days timeframe for water use license applications

DEPARTMENT	REGULATORY APPROVAL	PREVIOUS TIMEFRAME	REVISED TIMEFRAME
Grid Connection			
ESKOM	Cost Estimate Letter	90 days	50 days
ESKOM	Budget Quotation	6 months	4 months
NERSA	Registration	3 months	19 days
Land Access			
DALRRD	Subdivision of Agricultural Land Act consent of land use authorisation	90 days	30 days
DMRE	Section 53 approval	No specific timeframes	60 days
DPWI	Any servitudes or options registered or to be registered in favour of the Project Company and/or Eskom over the project sites	No specific timeframes	94 days

REGULATORY REFORM IMPACT ON THE EMBEDDED GENERATION MARKET

The combination of removing the licensing threshold for embedded generation projects and streamlining project approvals means that projects are able to add capacity to the grid more quickly. The pipeline of projects tracked by the Embedded Generation Task Team has grown from around 4000 MW in March 2022 to 108 projects with a combined capacity of just over 10000 MW, with an expected investment requirement of more than R200 billion. All 108 projects are in active development.

Figure 1: Commercial operation dates for Embedded Generation Task Team project pipeline



**Based on Commercial Operation Date*

Figures 2 and 3 below depict the notable increase in NERSA registrations and the number of projects that are in the Eskom BQ phase. While some of the projects in EG Task Team pipeline have been registered with NERSA and initiated Eskom grid connection, there is substantially more capacity reported by NERSA and Eskom. This is because the EG Task Team list contains project commitments made through the Minerals Council of South Africa, Energy Intensive User Group (EIUG), and self-reported data provided by projects with a size of 10 MW or more. The EG Task Team project database therefore represents a subset of the total number of projects in the NERSA and Eskom data.

Additionally, some projects on the Task Team list may not have registered with NERSA or obtained Budget Quotations from Eskom yet as they are early in their project development phase. This is because projects

are expected to complete all their various project approvals first, apply to Eskom for a Budget Quotation, and once completed, register with NERSA. Thus, the large number of projects that are in the BQ phase point to an expected increase in the Nersa registrations in the months ahead.

Figure 2: Projects registered with Nersa

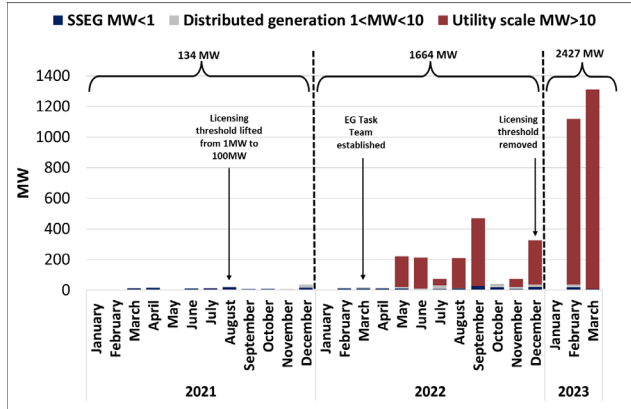
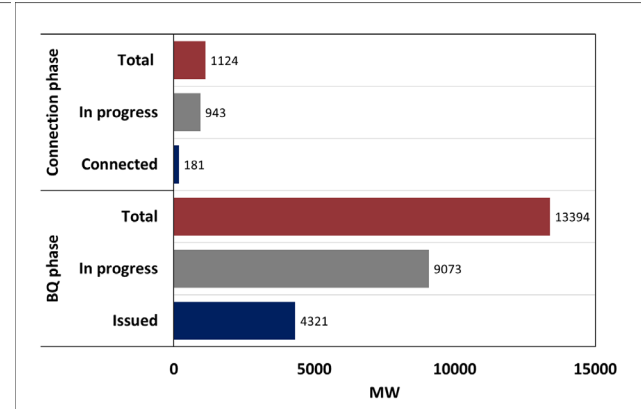


Figure 3: Projects in the Eskom BQ process



Source: Nersa and Eskom

HIGHLIGHTS FROM PROJECT DEVELOPERS

The Embedded Generation Task Team has engaged with multiple project developers over the course of 2022, to assist with regulatory bottlenecks, track and expedite project approvals in order to add capacity to the grid.

One of the first project developers that presented their projects to the Embedded Generation Task Team began construction in September 2022. SOLA Group, a 100% South African-owned independent power producer, is developing the first large-scale utility projects for private consumers for Tronox Mineral Sands totaling 200 MW. These are the first projects of this scale to reach Financial Close in South Africa that are based on private bilateral trade.

“The Project has extensive engagement with the Embedded Generation Task Team under Operation Vulindlela, without which this project would have taken significantly longer. The involvement of the Task team assisted in focusing government stakeholders to engage constructively on addressing permitting and regulatory as efficiently as possible, enabling an accelerated process to reach Financial Close and get more Megawatts on the grid.”

– SOLA Group, 2023

Sturdee Energy, an African independent power producer, was another of the project developers to receive support from the Embedded Generation Task Team. Sturdee Energy developed three projects totalling 27 MW to provide power to PPC Cement SA. The project’s permitting process has since almost reached completion.

“With the assistance of the Embedded Generation Task Team, the project’s permitting status has practically reached completion. The Task Team has assisted Sturdee Energy to secure long-lead and critical path permits in expedited timelines, meaning before either confirmed statutory or expected industry practice timelines. A good example is the projects’ section 53 permits which the Task Team push behind the scenes. In addition, the engagement with the Task Team acting as capacity building sessions with the renewable energy industry to better understand what is currently going on within regulatory framework and what the driving factors are. The networks built during the working sessions have actively assisted the Sturdee Energy team during the development of its other renewable energy projects- therefore the

process has had a positive knock-on effect not just on the aforementioned projects, but future projects, by leading the way on navigating the renewable energy regulatory field.”

– Sturdee Energy, 2023