

Kelvin Power Station – Information Summary



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Description and Location

Kelvin Power Station is the only large privately owned coal-fired power plant in South Africa operating under an IPP regime.

Located in eastern Johannesburg, in an industrial area near Kempton Park, Kelvin Power Station forms a crucial part of the power supply to the City of Johannesburg Metropolitan Municipality (the "City"), historically supplying between 10-14% of the City's power requirements. This supply arrangement is governed by a 20 year Power Purchase Agreement ("PPA") entered into in 2001 between Kelvin Power (Pty) Ltd and City Power Johannesburg (Pty) Ltd ("City Power"), an entity wholly owned by the City.



Currently Kelvin Power Station consists of two stations (Kelvin A and Kelvin B) with a combined nameplate capacity of 600MW.

"A" Station utilizes eleven 1950's chain grate boilers and 6x30MW steam turbine generators and is currently on an extended maintenance program. "B" Station comprises seven pulverized coal fired boilers and 7x60MW steam turbine generators installed in the early 1960's.

As a natural consequence of the age of the plant, Kelvin Power Station's capacity has degraded over time.

It is however pleasing that in 2014, as a result of the recent intensive program of maintenance instituted by the current owners, that output has been improved from prior years and stabilized at a seasonal weighted average of 214 MW for August 2014 YTD.

The plant operates with re-circulating cooling water, and cooling is provided by way of hyperbolic cooling towers. Ash is currently disposed of in ash dams located next to the plant.

Kelvin Power Station holds all regulatory licenses and permits necessary for its continued operation.

Commercial Aspects

Kelvin Holdings (Pty) Ltd (which in turn owns Kelvin Power (Pty) Ltd) is jointly controlled by Nedbank Capital Limited and Investec Bank Limited (the “Banks”), both having advanced funding to the company. The Banks became custodians of the plant as a result of previous owners loan security obligations.

The 20 year PPA with City Power (with seven years remaining) is underpinned by a payment guarantee from the City. As is customary for plants of this nature, it makes provision for a two-part tariff comprising an availability charge and an energy charge. Declaration of available capacity is incentivized during three winter months so as to promote security of supply for the City.

Coal is sourced from a variety of local suppliers on an “as required” basis and ample supply is available. Currently coal is supplied by road but rail based supply is, and has been, available. Kelvin has a rail siding and is entitled to its continued use in terms of a servitude held by the City and a concession. Water supply is also from the City in terms of a long-term concession agreement.

Kelvin Power Station is registered with the Department of Energy of South Africa’s baseload IPP procurement program as a potential supplier.

The Opportunity

An acquisition of Kelvin Power Station offers the investor an opportunity to acquire an operation on an established site at a unique point in the grid.

Underpinned by the PPA with the City, short-term cash flows are available.

Refurbishing the plant, thereby extending its useful life is an option to be explored and opportunities for long-term offtake exist with the City, the Department of Energy via its baseload IPP program, industrial offtakers and the utilities of neighboring territories.