

**REVIEWED DRAFT NOTIFIED MAXIMUM
DEMAND (NMD) AND INCORPORATION OF
MAXIMUM EXPORT CAPACITY (MEC) RULES**

CONSULTATION PAPER

PUBLISHED ON 8 FEBRUARY 2019

1. SUBJECT

Publication of the draft reviewed Notified Maximum Demand (NMD) and/ or Maximum Export Capacity (MEC) rules.

2. PURPOSE

The purpose of this publication is to request stakeholders and affected parties to submit comments on the draft reviewed NMD and/ or MEC rules.

3. INTRODUCTION AND BACKGROUND

The notified maximum demand is the contracted maximum demand, expressed in kVA and based on a 30-minute integrating period per point of delivery (POD), agreed to in writing between Eskom and the customer, based on the requirements of the customer and the capacity of the network reserved for that customer's use under normal system conditions in all time periods. Consumers of electricity (loads) apply for NMD.

The maximum export capacity is the maximum contracted export capacity, expressed in kW and based on a 30-minute integrating period per point of connection (PoC) agreed to in writing between Eskom and the customer, based on the requirements of the customer and the capacity of the network reserved for that customer's use under normal system conditions at all time periods. Generators apply for MEC.

NERSA received a number of complaints from municipalities on the NMD and MEC rules. Subsequently, NERSA published a consultation paper on the NMD and MEC rules, which had been approved in 2015, on the NERSA website with an invitation to stakeholders to submit written comments by 21 September 2018. On 28 September 2018, NERSA conducted a public hearing in the Gauteng Province to afford stakeholders the opportunity to present their submissions prior to the finalisation of the rules in line with the Promotion of Administrative Justice Act, 2000 (Act No.3 of 2000).

On 28 November 2018 the Energy Regulator decided that the draft revised NMD and the MEC rules must be consulted upon with relevant stakeholders. It is for this reason that a second consultation process is being undertaken by NERSA on these rules.

4. LIST OF CLAUSES THAT HAVE BEEN AMENDED

The stakeholders are requested to consider and comment on the listed clauses listed below which have been revised by NERSA.

4.1 Notification of Demand for Loads and Generators

Stakeholders are of the view that the current NMD/MEC rules were solely created for Eskom, therefore these rules should be revised to address all licensees. This will enable all the licensees to implement these rules to their customers for exceeding the NMD and / or MEC.

Stakeholder Comment #1

Stakeholders are invited to comment on whether these rules can be implemented by all the licensees.

4.2 Customers that request a change in NMD and/ or MEC

Clause 5.4.4 of the reviewed NMD/MEC rules states that the quotation for the change in NMD and/ or MEC should be enhanced to ensure that licensees provide their customers with a detailed quotation process. The reasonableness of the quotation should be aligned to the South African Grid Code – The Network Code version 9.0, in Clause 2 (2).

Stakeholder Comment # 2

Stakeholders are invited to comment on whether the details required for the quotation process are adequate when the customers apply for a change in NMD and / or MEC.

The methodology used for calculating connection charges indicated in Clause 5.4.5 should be in line with the South African Grid Code – Transmission Tariff Code version 9.0. The payment of these connection charges will also be dependent on the agreement between the licensee and the customer.

Stakeholder Comment #3

Stakeholders are invited to comment on the methodology used for calculating connection charges.

4.3 Customers that request an increase in NMD and/ or MEC

The rules on the increases in NMD and / or MEC have been reviewed as detailed in Clause 5.5 of the reviewed rules.

Stakeholder Comment #4

Stakeholders are invited to comment on the review of this clause in the reviewed rules.

Eskom does not allow customers that are in arrears to upgrade their NMD and / or MEC. Clause 5.5.3, of the reviewed rules provides that the licensee should allow their customers to upgrade their NMD and or /MEC, subject to the development of payment arrangements or agreements with their customers.

Stakeholder Comment #6

Stakeholders are invited to comment on the provision that customers that want to upgrade their NMD and / or MEC should be allowed to do so, even though they are in arrears.

4.4 Charges applicable for Loads

Clause 6.2.2(c) of the reviewed rules details the methodology used to penalise the customers that exceed their contracted NMD. The rule has been amended to ensure that the methodology does not disadvantage customers (by putting them in a “debt trap” situation) due to the continuous exceedance of their NMD.

a) The amended formula for calculating the penalty for the exceeded contracted NMD

Table 1: Comparison of the old and the draft formula for the calculation of the NMD penalty

Current Methodology for the calculation of the NMD penalty	Reviewed Draft Methodology for the calculation of the NMD penalty
On the third event or for any other subsequent event where the NMD is exceeded, a penalty ¹ will be charged for the Monthly Utilised Capacity (MUC) exceeding the NMD, and for every subsequent exceedance within the rolling 12 months (starting from the first event), the customer will be charged an	On the third event or for any other subsequent event where the NMD is exceeded, a penalty will be charged for the MUC exceeding the NMD when it occurs. This means that the NMD penalty will be charged only when the exceedance occurs based on the portion of the demand exceeding the NMD and

¹ The term “penalty” is used in alignment with the schedule of standard prices and referred to rather as the network capacity excess charge.

<p>incremental increasing charge for the MUC exceeding the NMD at :</p> <ol style="list-style-type: none"> 1 x NCC for the first event, 2 x NCC for the second event, 3 x NCC for the third event, and so forth, until the NMD is correctly re-notified by the customer in writing. <p>This means that for any event where the NMD is exceeded, a penalty should be charged, based on the portion of the demand exceeding the NMD, the R/kVA network capacity charge (NCC), and a factor depending on the event number.</p>	<p>the R/kVA network capacity charge (NCC). The formula is depicted below.</p> <p>Excess network access charge = Amount by which the MUC exceeds NMD (in kVA) x the applicable tariff Network capacity charges for loads(R/kVA), where the value of the event number shall –</p> <ol style="list-style-type: none"> a) Be equal to 1 for the billing period for which the MUC exceeds the NMD by the 5% deadband after the second exceedance ; and b) If a new NMD is agreed; the AUC will be reset
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Stakeholder Comment #7
Stakeholders are invited to comment on the reviewed NMD methodology used to calculate the NMD penalty.

5. TIMELINES FOR THE APPROVAL PROCESS OF THE REVIEWED NMD AND MEC RULES APPLICATION

The Reviewed Draft NMD and MEC rules will be analysed according to the timelines below:

Action	Timeframe
1. Publish the draft reviewed NMD and/ or MEC for stakeholder comments on the NERSA website	8 February 2019
2. Closing date for stakeholder comments	28 February 2019
3. Energy Regulator decision on the reviewed NMD and MEC rules	25 March 2019
4. Communication of ER decision to all licensees and key Government departments	25 March 2019
5. Publish NERSA decision	25 March 2019

Comments on the consultation paper should be addressed to: **Ms Tabisa Nkopo at the National Energy Regulator of South Africa, Kulawula House, 526 Madiba Street (formerly Vermeulen Street), Arcadia, Pretoria or be sent via email to: NMD@nersa.org.za**. The deadline for the submission of comments is 28 February 2019.

After consolidating all the comments from stakeholders, NERSA will hold a public hearing on key issues highlighted in the consultation paper. NERSA wishes to state that the success of this process will depend on robust stakeholder participation.