

**REVIEW OF THE APPROVED NOTIFIED MAXIMUM DEMAND  
(NMD) AND INCORPORATION OF MAXIMUM EXPORT  
CAPACITY (MEC) RULES**

**CONSULTATION PAPER**

**PUBLISHED ON 21 AUGUST 2018**

## **1. SUBJECT**

The publication of Eskom's Notified Maximum Demand (NMD) for review and the incorporation of the Maximum Export Capacity (MEC) rules.

## **2. PURPOSE**

The purpose of this publication is to request stakeholders and affected parties to submit comments on the existing NMD and the incorporation of the MEC rules.

## **3. INTRODUCTION AND BACKGROUND**

NERSA has been receiving a number of complaints from municipalities on the NMD and MEC rules. There has also been an understanding that these rules were solely made for Eskom. Furthermore there have been new developments in the energy industry that have an impact on these rules. Some of the developments are as follows:

- a) Small-Scale Embedded Generation;
- b) Municipal Eskom Debt;
- c) Eskom's Rationalisation of the Municipal Tariffs; and
- d) Cost of Supply.

Due to these dynamics, the Energy Regulator would like to consult affected parties in view of the possible revision of the 2015 Eskom NMD rules, which include the MEC rules. The current NMD rules, as approved in 2009, have been revised to provide for generator connections and in general to provide greater clarity on certain aspects of the previously approved rules.

## **4. LIST OF STAKEHOLDER COMMENTS**

NERSA has drafted some comments to request inputs from stakeholders. Hence the stakeholders are requested to consider and comment on the published document, and on other issues that are related to these rules.

A number of municipalities have inappropriate NMDs and need to be assisted to make accurate projections. Some of these municipalities owe Eskom, however Eskom's policy does not allow for an increase in the NMD unless all outstanding debt has been paid.

**Stakeholder Comment #1**

***Stakeholders are invited to comment on whether customers that exceed or upgrade the NMD/MEC should be allowed to review their contracted NMD/MEC with Eskom even when their accounts are in arrears.***

A change in the NMD and/or MEC by a customer is a request for a modification of the size of the supply and an amendment to the electricity supply agreement and/or connection and use-of-system agreement.

**Stakeholder Comment #2**

***Stakeholders are invited to comment on how far in advance customers should inform Eskom of the change of the NMD/MEC, and the indicative timeframe within which Eskom should consider the evaluation of the request for the change in NMD and/or MEC.***

A request for a change in the NMD and/or MEC must be made in writing to Eskom, after which Eskom will evaluate the request and prepare a quotation, which will include the connection charges payable.

**Stakeholder Comment #3**

***Stakeholders are invited to comment on the time that Eskom should take when preparing the quote for the request to change the NMD and/or MEC.***

Eskom will continue to charge customers for any exceedances registered prior to the date of Eskom making the additional capacity available to the customer(s).

**Stakeholder Comment #4**

***Stakeholders are invited to comment on whether Eskom should continue to charge customers that exceed the contracted NMD even though they have applied for an upgrade from Eskom, or in cases where Eskom has delayed the upgrade.***

Temporary NMD and/or MEC increases will not be granted to address normal operational requirements or seasonal demand variations or any other requirement of a cyclical or repetitive nature.

**Stakeholder Comment #5**

***Stakeholders are invited to comment on whether Eskom should allow temporary NMD and/or MEC increases for seasonal variations, especially for renewable energy based on generation that is affected by seasonal patterns.***

To effect the change in NMD and/or MEC, the quotation will have to be accepted by the customer, the connection charges will have to be paid and a new supply agreement or an amended agreement will have to be concluded between Eskom and the customer.

**Stakeholder Comment #6**

***Stakeholders are invited to comment on the quotes proposed by Eskom, the connection charges and on whether it is necessary for a new supply agreement or an amended agreement to be concluded between Eskom and the customer.***

According to Eskom, the Annual Utilised Capacity (AUC) is the highest of the maximum recorded demand, outside of the allowable 5% deadband, exceeding the NMD or the contracted NMD and will apply for the current month and the next 11 months. As a result, if the customer exceeds the AUC or NMD by up to 5% for more than two events in the most recent 12-month billing period, a penalty will be effected.

**Stakeholder Comment #7**

***Stakeholders are invited to comment on whether customers should be allowed to exceed the 5% deadband throughout the 12 months instead of twice as required by Eskom in order to minimise the impact of the penalty imposed by Eskom.***

The penalty for the exceedance of the NMD is calculated as follows:  $(NCC^1 * \text{exceedance} * \text{number of events})$ . The calculation of the penalty is not limited to the month in which it was exceeded, but is levied over the rolling 12 months.

**Stakeholder Comment #8**

***Stakeholders are invited to comment on whether NERSA should review the NMD methodology used to calculate the NMD penalty.***

Where customers qualify to receive the benefit of diversity across multiple points of delivery, the customer is required to notify Eskom of the maximum capacity to be provided at each individual Point of Delivery (POD) under normal operating and loading conditions, that is, before load shifting takes place from one POD to another.

**Stakeholder Comment #9**

***Stakeholders are invited to comment on under which circumstances the benefit of diversity should be allowed.***

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<sup>1</sup> Network Capacity Charge

Where multiple PODs receive the benefit of diversity, the Network Capacity Charge (NCC) per POD will be payable and based on the individual POD's NMD, provided that the simultaneous maximum demand of all PODs receiving diversity benefit does not exceed the sum of the NMDs of the same PODs. Where the Simultaneous Maximum Demand (SMD) exceeds the sum of the NMDs, this will be treated as an NMD exceedance. The calculation of the exceedance will be  $\text{POD apportioned NMD} = \text{Total SMD} \times \text{POD NMD} \div \text{Total NMD}$ .

**Stakeholder Comment #10**

***Stakeholders are invited to comment on whether NERSA should review the methodology used by Eskom to calculate all PODs receiving a diversity benefit that exceeds the sum of the NMDs of the same PODs.***

MEC is the contracted maximum export capacity, expressed in kilowatt (kW) and based on a 30-minute integrating period per 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 during all time periods.

**Stakeholder Comment #11**

***Stakeholders are invited to comment on whether Eskom should clarify the meaning of 'customer' in the above definition, as well as on whether the definition includes Independent Power Producers (IPPs).***

NERSA acknowledges the need to review the NMD and MEC rules, since there have been new developments in the energy industry that have an impact on these rules.

**Stakeholder Comment #12**

***Stakeholders are invited to comment on the impact of NMD and MEC rules on the new developments in the energy industry.***

## 5. TIMELINES FOR THE APPROVAL PROCESS OF THE REVIEW OF THE APPROVED NMD AND MEC RULES

The NMD and MEC rules application will be analysed according to the timelines as tabled below.

Action	Timeframe
1. Publish the NMD and MEC rules for stakeholder comments on the NERSA website	August 2018
2. Closing date for stakeholder comments	September 2018
3. Public Hearing on the NMD and MEC rules application	September 2018
4. Energy Regulator decision on the NMD and MEC rules	October 2018
5. Communication of decision to Eskom and key Government departments	October 2018
6. Publish NERSA decision	October 2018

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, and Pretoria or be sent via email to: [NMDrules@nersa.org.za](mailto:NMDrules@nersa.org.za). The deadline for the submission of comments is 21 September 2018.**

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.