

## **1. SUBJECT**

Publication of Eskom's Notified Maximum Demand (NMD) for review and incorporation of Maximum Export Capacity (MEC) rules

## **2. PURPOSE**

The purpose of this publication is to request stakeholders and affected parties to submit comments on existing Eskom's Notified Maximum Demand (NMD) and the incorporation of Maximum Export Capacity (MEC) rules

## **3. INTRODUCTION AND BACKGROUND**

Due to a number of complaints received from municipalities, the Energy Regulator would like to consult affected parties with a view of possible revision of these rules. Some of the complaints received from municipalities included:-

- The fact that exceeding of the NMD by more than the 5% deadband is charged for in the month of exceedance and for 11 other months makes the measure punitive and exorbitant.
- Furthermore in the event that Eskom customers exceed the NMD by more than the 5% deadband for more than 2 consecutive months in the subsequent months it is charged for every exceedance within the rolling 12 months. The charge is calculated as follows the capacity exceeded (kVA) multiplied by the rate (R/kVA) multiplied by the number of events. The excess charge is therefore as though the customers accumulates excess capacity whereas in fact the customer may be guilty for exceeding by the same capacity (kVA) every month. NMD excess charges (penalties) therefore hugely increase the municipalities debt owed to Eskom
- While customers that exceed their NMD are allowed to increase the NMD they can only do so as it is subjected to renegotiation of the power supply agreement. The renegotiation of the agreement is however subjected to a connection charge for additional dedicated cost and sharing in additional upstream cost.
- Application of the NMD rules is rigid and municipalities are finding it difficult to change the NMD. For example, the municipality may be aware that it is underutilising or exceeding the NMD and requests to convert to appropriate NMD are onerous in that the account of the municipality must be up to date etc.

- In terms of the existing NMD rules customers will not be charged for exceedance of NMD that are within the 5% dead band, however according to clause 2.2.2 (b) it will be charged penalty for three or more events within the dead band.
- In terms of the existing NMD rules customers are not charged for the first two incidences of exceedance of NMD by more than 5% (dead band), however according to clause 2.2.2 (c) it will be charged penalty for the first and all subsequent incidents outside the dead band.

Eskom submitted its NMD and MEC rules for consideration by the Energy Regulator on Thursday, 10 July 2015. In its submission, NERSA is requested to approve the revision of the Eskom notified maximum demand (NMD) rules to include the maximum capacity (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 original document. There are no proposed changes in terms of the application of the rules for load customers. However stakeholder may comment on any section of the rules.

The updated NMD and MEC rules provide for the following changes:

- Revision of the NMD rules to introduce principles applicable to the generators;
- Inclusion of a new section dealing with MEC rules applicable to generator; and
- Inclusion of clauses that cater for customers who are both a consumer and a generator.

#### **4. ANALYSIS OF THE NOTIFIED MAXIMUM DEMAND AND MAXIMUM CAPACITY RULES**

The Eskom NMD and MEC rules application will be analysed according to the timelines below:

<b>Action</b>	<b>Timeframe</b>
1. Publish Eskom's application on NERSA website for stakeholder comments	21 August 2015
2. Closing date for stakeholder comments	21 September 2015
3. Public Hearing on Eskom's NMD and MEC rules application	19 October 2015
4. Energy Regulator decision on Eskom's NMD and MEC rules application	26 November 2015

The NMD and MEC rules documents are available on the NERSA website [www.nersa.org.za](http://www.nersa.org.za) Written comments can be forwarded [NMDrules@nersa.org.za](mailto:NMDrules@nersa.org.za) or hand-delivered to Kulawula House, 526 Madiba Street, Arcadia, Pretoria or posted to P.O Box 40343, Arcadia, 0083, Pretoria, South Africa. The closing date for the comments is the 21 September 2015 at 16H00.

For more information and queries on the above please contact Ms Lehuma Masike at the National Energy Regulator of South Africa, Kulawula House, 526 Madiba Street, Arcadia, Pretoria

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**The End**