



The South African Independent  
Power Producers Association  
Hurlingham Office Park  
Block A, Suite 10  
59 Woodlands Ave  
Hurlingham Manor, Sandton

**SUBJECT: Summary of NERSA’s “Regulatory Rules On Network Charges For Third-Party Transportation of Energy” dd March 2012**

**Introduction**

The Electricity Regulation Act (ERA) requires that the transmission, distribution, generation, and trading functions of electricity supply be separately licensed. Further, the transmission or distribution function shall provide non-discriminatory network access to all users of the transmission or distribution system. The pricing of connection and access by third-party generators to the networks must be resolved by these Regulations.

They establish guidelines for Independent Power Producers (IPPs) on the costs involved in network access and transportation of electricity. A wheeling agreement, where applicable, should be entered into by the generator and the Network Provider to regulate the connection to and use of the network system.

**Legal Basis of the regulators**

The ERA states that “the Regulator must regulate prices and tariffs.

- a) *A license condition determined relating to setting or approval of prices, charges and tariffs and the regulation of revenues.*
- b) *A licensee may not charge a customer any other tariff and make use of provisions in agreements other than that determined or approved by the Regulator as part of its licensing conditions “*

In addition, the *Electricity Pricing Policy* gives broad guidelines to NERSA or ‘the Energy Regulator’ in approving prices and tariffs for the electricity supply industry.

**Objectives of the Regulations**

The objectives of the User of system (UOS) charges are for promoting economic efficiency; promoting of non-discriminatory access; be cost reflectivity, transparency; revenue recovery by service providers, affordability; uniformity, simplicity and predictability.

**Geographic Differentiation**

Geographic and voltage differentiation unique to the Network Provider shall be applied to the location of the licensee.

### **Rural and Urban Reticulation Networks**

Cost of supply studies shall be undertaken which separate significant groups of customers that differ considerably in density from other customers.

### **General Use-of-System Charges Principles**

Charges for access to the system shall be collected from the users at their point of connection to the system. The costs for recovery of Transmission losses and procurement of ancillary services shall be charged out to loads and generators using the Transmission Use-Of-System (TUOS) charge. Distribution Service Providers shall recover the costs of losses using the Distribution Use-Of-system (DUOS) charge. The annual increase of UOS charges for loads shall be based on the transmission increase component of the average tariff increase announced by NERSA during licensee tariff increase applications

### **Network Charges**

Network charges are made up of Tariff charge payable per premise every month.

- a) *Transmission network charge for loads*
- b) *Transmission network charge for generators*
- c) *DUOS network charges component for loads*
- d) *Network Charges (DUOS Generators)*

### **Reliability Service Charge**

All loads and generators, including Medium Voltage (MV) connected generators, shall be charged for reliability services based on the total energy exported into of consumed from the network.

### **Service and Administration Charge**

These are independent of network operations or installed capacity and shall be raised from both loads and generators for recovery of costs associated with billing, meter reading and customer support.

### **Losses Charge**

The losses are incurred over electrical networks due to the characteristics of the physical equipment usually associated with dissipation. Such as:

- a) *TUOS losses charges*
- b) *DUOS Losses charges for loads*
- c) *DUOS Losses charges for generators*

### **Connection Charges**

These charges are allocated to the customer for the capital costs of new or additional capacity that is not covered by the monthly tariff. It is payable in addition to the tariff charges as an up-front payment or as a monthly connection charge where the distributor finances the connection charge. Such as:

- a) *Transmission connection charges*
- b) *Distribution connection charges for generators*

### **Wheeling Arrangement**

Wheeling of energy shall be allowed, subject to the generator receiving its approvals from NERSA to sell to a third-party and the signing of the network service provider's Connection and Use-of-System (CUOS) Agreement. Generators under 11k cannot wheel. Cross border wheeling should be treated in terms of SAPP rules. UOS charges for wheeled energy imports or exports should be raised at the relevant Transmission station where the imports or exports take place.

### **Bypass of Distribution Network Services**

Uneconomic bypass of distribution services shall be addressed on a case-by-case basis to be approved by NERSA.

### **Subsidy Contributions**

Eskom shall unbundle the subsidy into the Inclining Block Tariff (IBT) and Electrification and Rural components, and load users shall pay only the Electrification and Rural component. Generators shall be exempted from paying this subsidy.

### **Reconciliation of Accounts**

The total energy supplied to loads, irrespective of whether supplied by Eskom or non-Eskom generators, shall be used to determine energy-dependent UOS components.

Notes by: Matsila Muvhumbi, 8/12/2020