

NMD and MEC RULES

INTRODUCTION

The NMD and MEC rules are applicable to consumers of electricity (loads) supplied by Eskom where demand is measured and charged on a R/kVA basis and generators that are connected to and deliver energy to the transmission and distribution system.

Where there is consumption and delivery of energy at the same point of delivery (POD), the NMD and the MEC rules will apply in terms of section 3 of these rules.

The NMD and MEC rules form part of Eskom's schedule of standard tariffs and customer contracts. This revision of the rules replaces revision 02 of NMD rules dated February 2009.

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1 NOTIFICATION OF DEMAND FOR LOADS AND GENERATORS

1.1 Initial selection of NMD and/or MEC

1.1.1 Customers will apply for the following from Eskom:

1.1.2 The notified maximum demand (NMD) is the contracted notified 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.

1.1.3 The maximum export capacity (MEC) is the contracted maximum 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 in all time periods. Generators apply for MEC.

1.1.4 The NMD and/or MEC should, however, never be exceeded unless agreed to between Eskom and the customer.

1.1.4.1. Should the NMD be exceeded, excess network capacity charges for loads will be payable.

1.1.4.2. Should the MEC be exceeded, excess network capacity charges applicable for generators will be payable.

1.1.4.3. To avoid network capacity charges applicable for loads and/or generators excess MEC charges, a request should be submitted in writing to Eskom to have the NMD and/or MEC increased.

1.2 Notification of demand for customers with own generation, active load control, power factor correction equipment and the appropriate level of export capacity

1.2.1 Customers with on-site generation, active load control or power factor correction equipment must select an NMD level that includes–

1.1.4.1. The demand under normal operational requirements; and

1.1.4.2. A credible standby demand that caters for the load increase that would arise from any credible contingency including the loss or failure of any or all of the generation, load control or power factor control equipment.

Figure 1 below provides a graphic example of the NMD value for a customer that uses own generation to provide a portion of energy requirements.

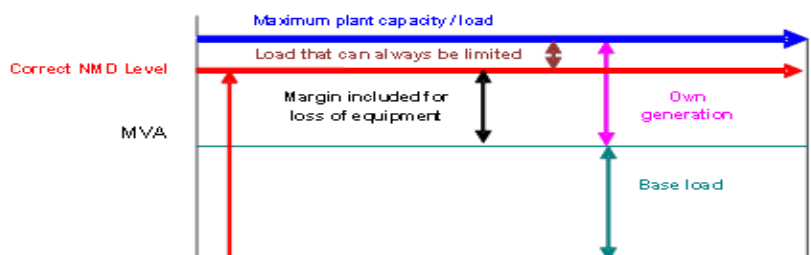


Figure 1: NMD determination for a customer using its own generation to satisfy a portion of its electricity requirements

1.2.2 The MEC for each PoC should take account of normal operational requirements while also minimising the risk of the MEC being exceeded under any credible contingency.

1.3 Notification of demand for load customers receiving the benefit of diversity

1.3.1 Where a customer has multiple points of supply connected to a point of delivery (POD), the NMD will be the sum of the maximum demands for all of the points of supply connected to the POD. The sum of the maximum demands may be determined vectorially.

1.3.2 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 POD under normal operating and loading conditions, that is, before load

shifting takes place from one POD to another. For example, due to abnormal network conditions or the operational requirements of the customer.

- 1.3.3 Customers who have been granted the benefit of diversity are permitted, in terms of the rules for diversity benefits, to exceed the NMDs as notified for the different PODs. Under no circumstances may the customer exceed the installed capacity at the different PODs, with due regard for the loads of other customers who may be supplied from the same network.
- 1.3.4 Eskom reserves the right to impose upper loading limits for each POD. The sum of the stated NMDs for all individual PODs receiving the benefit of diversity must be equal to or greater than the simultaneous maximum demand that will be jointly required at all of these PODs. The sum of these demands is determined by arithmetic summation.
- 1.3.5 Simultaneous maximum demand (*SMD*) is determined by measuring the actual demand of each POD, for each 30-minute integrating period, and adding together the value of the different PODs for each of the 30-minute periods in the month, i.e., the values for all PODs for the first period are added together to determine the sum of the demands for all PODs for that half-hour; the values for the second period are added together and so forth for all of the half-hourly periods in the month. The highest value of all of these 30-minute periods determines the *SMD*, which may never exceed the sum of the NMDs.
- 1.3.6 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 exceeds the sum of the NMDs, this will be treated as an NMD exceedance in accordance with the above-stated principles. Therefore, the *NCC* per POD will then be based on the greater of the NMD and apportioned NMD for that POD, where: $\text{POD apportioned NMD} = \frac{\text{Total SMD} \times \text{POD NMD}}{\text{Total NMD}}$.
- 1.3.7 The *NCC* per POD is based on the annual utilised capacity which is the greater of the NMD per POD and the apportioned NMD for the same POD during the current month and preceding 11 months.

1.4 Changes in NMD (Not UC) and/or MEC

- 1.4.1 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.
- 1.4.2 A change in NMD and/or MEC is always subject to the available capacity.
- 1.4.3 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. The connection charges will take into account the following:
 - a) Additional dedicated costs; and
 - b) Upstream sharing charges.
- 1.4.4 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.
- 1.4.5 The new NMD and/or MEC shall apply from the date that the additional capacity is made available by Eskom and the customer shall not be entitled to the additional capacity until the agreed date.

1.5 Increases in NMD and/or MEC

- 1.5.1 The timing of the increased NMD and/or will be subject to compliance with the requirements listed in Clause 1.4, and the availability of funding and capacity on the network.
- 1.5.2 Any exceedances registered prior to the date of Eskom making the additional capacity available to the customer(s) shall be treated as per Clause 1.8.
- 1.5.3 For temporary increases in NMD and/or MEC refer to Clause 1.6.

1.6 Temporary increases in NMD and/or MEC agreed to in advance

- 1.6.1 Temporary increases in NMD and/or MEC may be made available to customers to address specific, short-term needs such as the commissioning of a new plant or re-commissioning or refurbishment of an existing plant prior to returning it to full service.
- 1.6.2 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.
- 1.6.3 Temporary NMD and/or MEC increases shall be subject to the customer obtaining prior written agreement from Eskom, which agreement shall be subject to Clauses 1.6.1 and 1.6.2 and also conditional on the availability of the necessary network and generation capacity, on the increase being of a temporary nature and the payment of the applicable connection charges.
- 1.6.4 Temporary increases in NMD and/or MEC will be applicable only for the period agreed between Eskom and the customer and thereafter the contracted value will again apply.

1.7 Reductions in NMD and/or MEC

- 1.7.1 Where a customer requests a reduction in *NMD* and/or *MEC*, written notice of 12 months is required without motivation. However for NMD and/or MEC, if a customer can motivate a downgrade sooner for valid reasons, permission for a shorter notice period with a minimum of three months will not be unreasonably withheld.
- 1.7.2 A reduction in NMD and/or MEC below the highest measured demand in any time period for the most recent 12 billing periods will not be allowed, unless successfully motivated on the basis of:
 - a) Change in operations or closure of plant;
 - b) Customer installation of load management equipment;
 - c) Customer implementation of demand side management initiatives; or
 - d) Demand exemptions granted by Eskom.
- 1.7.3 The timing of the reduced NMD and/or MEC will be subject to compliance with the requirements listed in Clause 1.4 and the motivation as provided in Clause 1.7.1 being approved.
- 1.7.4 Once approved and provided there is no connection work required, the reduced NMD will take effect from the billing period following the expiry of the notice period. The reduced NMD and/or MEC will be applied from the first reading date following the notice period that Eskom agreed to.
- 1.7.5 A connection charge may be required where equipment must be removed.
- 1.7.6 For loads, the annual utilised capacity (UC) will be reset to the new lower value.
 - 1.7.6.1 For loads on rural tariffs, a reduction of the NMD in terms of 1.8 shall be subject to the notice period in the customers' electricity supply agreements.
 - 1.7.6.2 If, in the 12 months following any reduction of NMD under Clause 1.7.1, the reduced NMD is exceeded, the new demand level recorded will become the annual utilised capacity (UC) where the new demand exceeds the allowable 5% dead-band.
- 1.7.7 This will apply from the time of the reduction (i.e., it will be backdated with interest but only for those events exceeding the NMD) and the customer will be rebilled accordingly, including all excess charges stated in Clause 1.4. This shall not apply to temporary increases in negotiated demand.
- 1.7.8 Temporary reductions in NMD and/or will not be permitted.

1.8 Implications of exceeding the NMD and/or MEC

- 1.8.1 Customers are required to adhere to the agreed NMD and/or MEC and should not exceed it unless Eskom has agreed to the exceedance in writing and in advance.

1.8.2 An exceedance of the NMD and/or MEC is a breach of Eskom's electricity supply agreement and/or connection and use of system agreement. Eskom may request the customer in breach of contract to remain within the contractual NMD.

1.8.3 If the customer fails to heed the request in clause 1.8.2, remedies may be implemented by Eskom to correct such breach, including the right to negotiate agreements, the right to limit the capacity to the NMD and/or MEC value as well as raising excess NCC for loads and excess NCC charges for generators for the NMD and/or MEC exceeded.

1.8.3.1 Acceptance of payments in respect of any additional charges that arise from a customer's utilisation of network capacity in excess of the agreed NMD and/or MEC shall not constitute a commitment by Eskom to make additional network capacity available to that customer at any future date.

1.8.3.2 Eskom reserves the right to limit the capacity to the NMD and/or MEC value where the customer is in breach of Eskom's electricity supply agreement and/or connection and use of system agreement due to non-payment,

Where the capacity of the Eskom network is inadequate to make supply available at a higher level on a continuous basis, the new demand level will apply only for the billing period in which it was established, pending the upgrading of the local network and renegotiation of the NMD and/or MEC. Thereafter the NMD and/or MEC will be limited to the available capacity of the network, as determined by Eskom, by suitable load-limiting equipment installed by the customer. The customer will be liable for all associated costs if the actual demand is still exceeded.

1.9 Exemptions for exceedance of NMD and/or MEC

Eskom will consider exemptions for exceeding the annual UC, MEC and/or chargeable demand due to unforeseen demand overshoots (including faults) caused by a failure in normal operations and/or technical functioning of a customer's load, or as a result of *force majeure*. (Note: temporary increases agreed to in advance are covered in Clause 1.6.

1.9.1 Applications for exemptions

The customer is required to submit a fully motivated written application. If approved, an exemption will be provided on the terms and conditions set by Eskom. For loads, these exemptions will be recorded as events in the customer's history and will be considered when establishing a new AUC for the next 12-month period (in the case of loads).

1.9.2 Refusal to grant demand exemption/temporary increase in demand

- a) Where the customer's operation is responsible for the event leading to the NMD and/or MEC being exceeded, exemption will not be granted.
- b) Typical events causing a demand which will not receive exemption, include short-term fluctuations in demand, failure or subsequent return to service of any part of the customer's plant or load control systems, including power factor correction failure, failure of own generation equipment or human error, and operational decisions of the customer not agreed to in writing (including commissioning) and without any advance arrangement.

2 CHARGES APPLICABLE FOR LOADS

2.1 Determination of Annual and Monthly Utilised Capacity for loads

2.1.1 Each customer's Monthly Utilised Capacity and Annual Utilised Capacity will be determined at the end of each billing period.

2.1.2 The Monthly Utilised Capacity and Annual Utilised Capacity are used to determine the network capacity charges for loads.

2.1.3 The Monthly Utilised Capacity (*MUC*, expressed in kVA) is defined as the higher of:

2.1.3.1 The agreed (i.e., contractual) NMD; or

2.1.3.2 The maximum half-hourly demand (MD) measured in any time of use period during a single billing period (i.e., a month).

2.1.4 The Annual Utilised Capacity (*AUC*, expressed in kVA) is defined as the higher of:

2.1.4.1 The agreed (i.e. contractual) NMD; or

2.1.4.2 Subject to clause 2.1.5.1, the highest MUC recorded for the most recent 12 billing periods, which shall include the current billing period (i.e., a rolling 12-month period). The AUC shall be reset in the event of an NMD change, an increase in the UC above the AUC, a demand charge exemption clause 1.9 or a reduction in the UC after the 12 months.

2.1.5 Determination of the AUC during the billing process will be as follows:

2.1.5.1 If the MUC for the current billing period exceeds the NMD by more than 5% and is also greater than the previous AUC, the AUC will be reset to the MUC for the next 12 months value with immediate effect;

2.1.5.2 If the MUC has exceeded the NMD by up to 5% (**the dead band**) for no more than two of the most recent 12 billing periods, determination of the AUC will not take account of the first two exceedances in a rolling 12 months; and

2.1.5.3 If the MUC has exceeded the NMD within the dead band for three or more of the most recent 12 billing periods, and the MUC for the current billing period is greater than the previous AUC, the AUC will be reset to the current MUC value with immediate effect and this will apply for the next 12 billing periods.

2.1.6 Where a customer has been granted the benefit of diversity in terms of the applicable rules, the determination of MUC and AUC per this clause 1.8 shall apply in respect of the simultaneous maximum demand of the relevant PODs.

2.2 Excess network capacity charge for loads

2.2.1 The AUC shall be used to determine the excess network capacity charge for loads.

2.2.2 If the MD is higher than the NMD the following is applicable:

- a) The AUC will be reset as the higher of the actual recorded demand registered during that billing month or the previously set AUC, except for the first two events or any two events that are within 5% of the NMD, over the preceding rolling 12 months.
- b) If the AUC is within the dead band and is for the two events, refer to Clause 2.1.5.3. The excess NCC for loads for the month will be based on the actual maximum demand for that month; i.e., the MUC.
- c) From the third event of exceedance within the dead band or any other subsequent event where the NMD is exceeded by more than 5%, the AUC is reset as the higher of the actual recorded demand registered during that billing month or the previously set AUC. Note that the AUC will not be set to a lower value during the 12-month period. The NMD will also not be reset unless the customer officially requests an increase from Eskom in writing. This also applies to the exceedance limit of 5% above the NMD – it only changes when the NMD is formally reset.
- d) 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 and for every subsequent exceedance within the rolling 12 months (starting from the first event), the customer will be charged an incremental increasing charge for the MUC exceeding the NMD at 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. 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. The formula is depicted below.

Excess network access charge = Amount by which the MUC exceeds NMD (in kVA) x applicable tariff
Network capacity charges for loads(R/kVA) x event number (recorded every time the NMD is exceeded within a rolling 12 month period).

Where the value of the event number shall –

- a) Be equal to 1 for the billing period for which the MUC first exceeds the NMD; and
- b) Increase by 1 for each subsequent billing period (i.e. 2 on the second occasion, 3 on the third occasion and so forth) that the MUC exceeds the NMD, notwithstanding the AUC value applicable at the time.
- c) If a new NMD is agreed; the AUC will be reset

3 CHARGES APPLICABLE FOR GENERATORS

3.1 Determination of Monthly Maximum Export Capacity for generators

3.1.1 Each customer's Monthly Maximum Export Capacity will be determined at the end of each billing period.

3.1.2 The Monthly Maximum Export Capacity is used to determine the Network Capacity charges for generators.

3.1.3 The Monthly Maximum Export Capacity (MEC, expressed in kW) is defined as the higher of:

3.1.3.1 The agreed (i.e., contractual) MEC; or

3.1.3.2 The maximum half-hourly demand (MD) measured in any time of use period during a single billing period (i.e., a month).

3.1.4 Determination of the Monthly Maximum Export Capacity during the billing process will be as follows:

3.1.4.1 Eskom shall raise a network capacity charge for generators at the rates approved by NERSA from time to time.

3.1.4.2 While Medium voltage generators and transmission connected generator connected in the Cape and Karoo are not liable for network capacity charges, charges will be raised for maximum export capacity utilised in excess of the contractual MEC when either –

a) a customer is granted a temporary MEC increase in terms of clause 1.6; or

b) a customer exceeds the agreed MEC level as outlined in clause 1.8 and the charges applicable for the preceding or subsequent voltage or transmission zone for generators will be applicable.

3.2 Excess network charges for generators

3.2.1 The Monthly Maximum Export Capacity shall be used to determine the excess network capacity charge for generators.

3.2.2 Excess network charges shall not be levied on a generator for a particular billing period provided that there is evidence that the exceeded MEC is a direct result of one or more of the following:

a) An Eskom electricity supply event (e.g., supply interruption); and

b) *Force majeure* as defined in the connection and use of system agreement.

3.2.3 If the generator exceeds the MEC, except for the above reasons provided in clause 3.2.2 charges will be raised for the excess MEC at the network capacity charge for generators. The excess network capacity charge for generators shall be based on the network capacity charge applicable for generators.

3.2.3.1 While the MEC is exceeded and the losses charges are negative, the energy associated with the exceeded MEC will be ignored for the purpose of the calculation of the losses charges.

3.2.3.2 While the network capacity charges are zero or negative, the excess network capacity charges will be based on the next transmission zone or supply voltage where the network capacity charge is applicable.

3.2.4 The excess MEC will only be chargeable for the billing period in which the exceedance occurs.

4 APPLICATION OF NMD AND MEC RULES FOR CUSTOMERS THAT ARE BOTH A LOAD AND A GENERATOR CUSTOMER AT THE SAME POINT OF SUPPLY (OR METERING POINT)

This section is applicable to all customers that are both a load (consuming energy from the grid) and a generator (exporting or delivering energy to the grid) customer at the same point of supply or supply, such as co-generators or generators that require supply for its consumption needs.

4.1 General rules in terms of the NMD and MEC

All the rules as applicable for loads and generators in terms of section 1 of these rules shall apply.

4.2 Charges due to exceeding the NMD and MEC

- 4.2.1 The customer shall be required to individually notify the NMD and the MEC.
- 4.2.2 Any exceedance registered for customers that are both consuming and generating energy at the same point of supply shall be based on the measured actual demand registered for both consumption and generation at the point of supply.
- 4.2.3 The charges applicable for exceedance of NMD and MEC shall be based on clause 2.2 and 3.2 respectively.

5 DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Chargeable demand	The highest average demand as measured in kVA in a 30-minute integrating period, per point of delivery/premise during the chargeable time periods for the applicable tariff. The network demand charge is recovered on the chargeable demand.
Capital allowance	The capital allowance is the contribution to shared or dedicated assets paid through future tariff rates - i.e., average capital costs recovered over time through the tariff rates. The capital contribution payable for the cost of providing new equipment is offset by the capital allowance.
Dead band	
Dedicated equipment	Electricity assets installed for the sole usage of the point of connection, i.e., unlikely to be shared by other customers.
Demand market participation (DMP) product	An Eskom initiative through which customers (direct and indirect), contract to make capacity available for reduction upon instruction from the Eskom System Operator, in exchange for financial benefits.
Demand side management (DSM)	Technology or programme that encourages customers to modify their patterns of electricity usage including timing and level of consumption. This includes conservation, interruptibility and load shifting.
Event number	Is the event counted every time the NMD is exceeded (whether within or above the exceedance limit) based on a rolling 12 months (previous 11 months from current month).
Exceeded amount	Means any demand (in kVA) recorded exceeding/above the NMD.
Excess NCC charges	The demand exceeding the NMD (in kVA) multiplied by the event number multiplied by the applicable tariff's NCC charge. Note: Excess NCC is charged over and above the normal NCC charges that the customer is charged monthly based on the annual utilised capacity (AUC).
Force majeure incidents	Any act, event or circumstance which: (a) is beyond the reasonable control of the affected party; (b) is not the direct or indirect result of a breach or failure by the affected party to perform any of its obligations under this agreement; (c) was not foreseeable or, if foreseeable, could not have been avoided or overcome by the affected party and (d) prevents, hinders or delays the affected party in its performance of all (or part) of its obligations under this agreement. However, a <i>force majeure</i> incident does not include shortage of cash, any inability or failure to pay money, any inability to raise finance or any changes in price and market conditions.
Generator	Means generation units owned by the customer and that is connected either directly to Eskom's Distribution/Transmission) network via a substation or to the network of the customer.
Load	Means a consumer of electricity supplied by Eskom.
Maximum Export Capacity	Means the maximum capacity measured in 30-minute integrating periods at the point(s) of supply notified by the customer and accepted by Eskom for the transmission of electrical energy between the Facility and the Distribution System.
Distribution losses charge	(Previously known as the network charge rebate) Means the production-based (energy) incentive to generators. The rebate is based on the approved loss (load) factors, the amount of energy produced on a TOU and seasonally basis and the WEPS energy rate.
Non-simultaneous Maximum Demand	Highest averaged demand measured in kVA or kW during any integrating period within a designated billing period of an individual POD.
Notice period	The period required as per the electricity supply agreement for cancellation/changes to the contract.

Point(s) of Connection (POC)	Means the electrical node(s) on the Distribution System where the customer's assets are physically connected to Eskom's assets.
Probable contingency	The reasonable probability of an event taking place.
Single billing period	One month i.e., 30 days is a billing period.
Temporary or short term	A supply or capacity that is generally required for less than one year.
Upstream sharing charges	These are the national average connection charges raised, apart from the tariff rates, as a contribution to the sharing of upstream costs of networks (line and capacity).

ABBREVIATIONS

AUC	Annual Utilised Capacity
DSM	Demand Side Management
DMP	Demand Market Participation
CUoS	Connection and use of system agreement
DUoS	Distribution Use of System Charges
kVA	Kilo Volts Ampere
kW	Kilo Watt
MEC	Maximum Export Capacity
MUC	Monthly Utilised Capacity
NCC	Network Capacity Charge
NDC	Network Demand Charge
NMD	Notified Maximum Demand
MEC	Maximum Export Capacity
POC	Point of Connection
POD	Point of Delivery
SMD	Simultaneous Maximum Demand
UC	Utilised Capacity
TOU	Time-of-use
TUoS	Transmission Use of Systems Charges
WEPS	Wholesale Electricity Pricing System

For definitions not provided in this document, refer to the latest Schedule of Standard charges.

6 REVISIONS

Date and revision	Remarks
1 Jan 2005 Rev 00 version	<p>Rev 00 was implemented 1 January 2005. Rev 00 NMD rules states:</p> <p>2.5. Changes following NMD being exceeded</p> <p>2.5.1 A new contractual NMD is established equal to the metered demand in that billing period.</p> <p>2.5.2 This new demand is referred to as the utilised capacity (UC).</p>
August 2005 Rev 01 version	<p>Rev 01 of NMD rules was implemented in August 2005. Eskom proposed an amendment to rules.</p> <p>These rules replace the revision 00 rules with regard to the NMD being equal to the metered demand. The customer is required to pay the network access charge based on the utilised capacity which is the higher of the NMD and the actual measured demand.</p>
February 2009 Rev 02 version	<p>Eskom implemented the Rev 02 of NMD rules dated February 2009 in April 2009.</p> <p>These rules introduce additional charges for exceeding the demand. The rules clearly state the actual demand does not become the NMD and that the NMD is a contractual value agreed to between the parties.</p>
July 2015 Rev 03 version	<p>The NMD and MEC rules consist of five sections and are subdivided as follows:</p> <ul style="list-style-type: none"> a) Section 1 deals with the notification of demand for loads and generators. b) Section 2 deals with charges applicable to loads. c) Section 3 deals with charges applicable to generators. d) Section 4 deals with the application of NMD and MEC rules for customers that are both a load and a generator at the same point of supply (metering point). e) Section 5 deals with definitions and abbreviations. f) Section 6 deals with revisions <p>Section 3, 4 and 6 are new sections while the rest of the sections are revised to include generators without any other principle changes being made.</p>