

Critical Peak Pricing (CPP) - Pilot Tariff

Fact Sheet

Option 1

16 Hours
per day

for 25 critical peak days

Maximum of 400 hours per customer per year

or

Option 2

8 Hours
per day

for 50 critical peak days

Maximum of 400 hours per customer per year



Introduction



Eskom is introducing a new critical peak pricing pilot tariff to incentivise customers to save money and electricity by reducing their electricity usage during system constrained times.

In an effort to keep electricity costs down, encourage demand response during system constrained times and improve customer decision-making, Eskom, similar to other leading electricity utilities around the world, is taking a new approach - viewing customers as potential active partners in the electricity industry.

The new Critical Peak Pricing (CPP) pilot aims to partner with qualifying large customers by incentivising them to save and reduce their electricity usage during a limited number of system critical hours (to avoid the higher critical prices), whilst having lower than standard tariff prices to encourage electricity consumption for the rest of the year when the system is not constrained.

The Critical Peak Pricing pilot tariff empowers customers to become active participants in demand response by providing mutual benefits for both the customer and Eskom.

Critical Peak Pricing is a tariff that has been used internationally and has proven to provide system demand reduction when it is most needed.

What are critical peak days?



Critical peak days are determined by Eskom, and these are times when the national electricity network is severely constrained. During such constrained hours, emergency measures are usually taken to avoid loadshedding, for example, the use of very expensive diesel-powered generation.

Eskom will limit the critical peak hours to only 400 hours per year (which is less than 5% of the year), so that the higher prices to the customer can also be limited. The prices for the rest of the year will be lowered (i.e. for more than 95% of the year).

Two tariff options will be offered for the pilot. Customers who participate in this pilot, can choose either **one** of these tariff options.

The two pilot options are:

1. 16 hours per day from (6:00 to 22:00) for 25 critical peak days, up to a maximum of 400 hours per year
- or
2. 8 hours per day from 06:00 to 14:00 for 50 critical peak days, up to a maximum of 400 hours per year.

How does the critical peak day tariff work?

3

During system constrained times, Eskom will send the customer a notification a day ahead to advise of upcoming system critical peak hours. The customer will also be notified that the price of energy consumed during system critical peak hours will be higher than the standard tariff rates. This will provide customers with a price signal to respond by either reducing their consumption or paying the higher critical peak rates. In the non-constrained hours, the price is lower than the standard tariff rates.

Customers can benefit from this pilot tariff by saving when they reduce consumption during critical peak hours, in which case their average annual price will be lower than the standard tariff.

If the customer continues to consume electricity as normal and does not make any consumption changes, then the annual costs of electricity should not be more expensive than the existing standard tariff (for the average customer that does not respond to the CPP notification).

Customers will be given 24 hours' notice before the implementation of critical peak hours, so that planning can be done for the reduction of electricity usage.

Customers are strongly advised to reduce their electricity consumption during critical peak hours.

What does the CPP pilot tariff look like?

4

The CPP pilot tariff for Megaflex, Megaflex Gen, Miniflex, Ruraflex and Ruraflex Gen tariffs are the same as the standard tariff structures, with changes only to the peak and standard period energy rates. Except for the change in the peak and standard period energy rates, all other non-energy components of the standard tariff will remain unchanged - the network, service, admin, reliability, levies and energy demand charges will remain the same as the standard tariff charges. The off-peak rates on both the critical peak pricing pilot tariff and the standard tariff will also remain unchanged.

The illustrative example below shows how the standard tariff energy rates for Megaflex and Miniflex (for Transmission zone $\leq 300\text{km}$) is split into the critical peak and non-critical energy charges.

		Example of the active energy charge [c/kWh] on standard 2020/21 Megaflex and Miniflex tariff					
Transmission Zone	Voltage	High demand season [Jun - Aug]			Low demand season [Sep - May]		
		Peak	Standard	Off Peak	Peak	Standard	Off Peak
$\leq 300\text{km}$	< 500V	362.73	110.36	60.26	118.78	81.96	52.25
	$\geq 500\text{V}$ & <66kV	357.04	108.16	58.74	116.45	80.17	50.86
	$\geq 66\text{kV}$ & $\leq 132\text{kV}$	345.73	104.73	56.88	112.79	77.61	49.26
	> 132 kV*	325.84	98.70	53.61	106.32	73.15	46.42



		Active energy charge [c/kWh] NON-CRITICAL rates for 340 days						Active energy charge [c/kWh] CRITICAL PEAK rates for 25 days							
Transmission Zone	Voltage	High demand season [Jun - Aug]			Low demand season [Sep - May]			Transmission Zone	Voltage	High demand season [Jun - Aug]			Low demand season [Sep - May]		
		Peak	Standard	Off Peak	Peak	Standard	Off Peak			Peak	Standard	Off Peak	Peak	Standard	Off Peak
$\leq 300\text{km}$	< 500V	319.21	97.12	60.26	104.53	72.13	52.25	$\leq 300\text{km}$	< 500V	469.21	247.12	60.26	254.53	222.13	52.25
	$\geq 500\text{V}$ & <66kV	314.20	95.18	58.74	102.48	70.55	50.86		$\geq 500\text{V}$ & <66kV	464.20	245.18	58.74	252.48	220.55	50.86
	$\geq 66\text{kV}$ & $\leq 132\text{kV}$	304.25	92.16	56.88	99.26	68.30	49.26		$\geq 66\text{kV}$ & $\leq 132\text{kV}$	454.25	242.16	56.88	249.26	218.30	49.26
	> 132 kV	286.74	86.86	53.61	93.56	64.37	46.42		> 132 kV	436.74	236.86	53.61	243.56	214.37	46.42

To view the comprehensive 2020/21 pilot tariff rates, [click here](#)



Customer benefits of the CPP pilot tariff:

5

1. The CPP pilot tariff has been designed to incentivise customers to reduce their total annual electricity bill, by shifting or reducing their electricity usage during system critical peak times.
2. Customers who do reduce or shift their electricity consumption during critical peak hours benefit from the lower energy charges for 95% of the year by avoiding the higher critical peak energy charges.
3. Customers can further benefit from this pilot tariff by being informed upfront and in advance of their tariff charges and are empowered to make informed decisions based on their operations.
4. Customers can grow their business by maximizing their usage during non-critical hours to take advantage of the lower energy rates - especially during these challenging economic times.

Who can participate?

6

The CPP pilot tariff will initially be offered on a voluntary basis, to all Eskom supplied (non-municipal) rural or urban large power customers on the following time-of-use tariffs: Megaflex, Megaflex Gen, Miniflex, Ruraflex and Ruraflex Gen - who have half hourly time-of-use meters installed and who qualify for this pilot tariff.

Large power customers opting to participate in this pilot will not be charged tariff conversion fees.

Customers choosing not to participate in this pilot will remain on their existing tariff.

The customer will be required to participate in the CPP pilot for at least 12 months (as is the existing policy for any standard tariff conversion).

The customer will be required to remain within the contracted notified maximum demand (NMD). Any exceedance of the demand due to the comeback load caused by the critical peak day event/s will be evaluated by Eskom on a case-by-case basis – however there is no commitment from Eskom to permit such exceedance of the NMD.

On converting to the CPP pilot tariff all provisions of the customer's Electricity Supply Agreement shall continue and remain in full force and effect, except for the changes set out and agreed to in the Supplementary Agreement relating to the CPP pilot tariff.

Customers cannot receive double benefits from Eskom for the same energy reduced at the same time, therefore the customer cannot be on any other Eskom demand response programme. The customer may only choose one demand response programme to participate in during this pilot.

Customers currently contracted to any other Eskom demand response programme will be excluded from participating in this pilot. Customers who are not currently contracted to any Eskom demand response programme will need to choose only one demand response option to participate in during this pilot.

Customers participating in this pilot will not be excluded from any load shedding.

The pilot programme will be capped at 500MW of customer load reduction, and will be reviewed thereafter.

Applications will be evaluated and ranked according to the following criteria:

- * size and percentage of demand reduction
- * size and percentage of comeback load
- * customer growth in non-critical times i.e. consuming more energy than normal due to the lower prices
- * time taken to implement consumption reduction (i.e. time to market)
- * The CPP option chosen by the customer (in order to have flexible options that best meet the system requirements).

If a customer chooses to participate in the CPP pilot, the customer must have an updated, valid and signed Electricity Supply Agreement on Eskom's latest Terms & Conditions (not older than 10 years).

The CPP pilot tariff will not be available for small power users such as residential, small commercial and small agricultural customers at this stage, as they do not have the enabling metering infrastructure to implement this tariff option.

How will the implementation of critical peak hours work?

7

Step 1: The customer will need to apply to participate in the CPP pilot. Customers will be required to complete and send their online application to Eskom.

Step 2: Eskom will do an individual assessment of the proposed customer load reduction.

Participation in this pilot will be capped to 500MW load reduction applications, and Eskom will then review the cap thereafter. Eskom will confirm whether the customer qualifies to participate in this pilot.

Step 3: The customer signs the CPP contract (which is a supplementary agreement to the existing supply agreement). Eskom will then change the customer's tariff on the billing system.

Step 4: When the Eskom System Operator deems it necessary to declare critical hours/days the customer will receive an electronic notification e.g. an e-mail with a minimum of 24 hours' notice before the critical peak period will occur.

The notification will be to reduce electricity consumption in the critical peak hours. Depending on the pilot tariff option that the customer has chosen and contracted for, the customer will need to reduce consumption either from 06:00 to 22:00 or from 06:00 to 14:00 during the notified system constrained times.

Step 5: The customer decides whether or not to reduce electricity usage during the system constrained critical peak hours. The customer knows upfront that electricity used during this period will be charged at CPP energy rates which are higher than the standard tariff energy rates, if they do not reduce consumption.

Step 6: When the customer reduces electricity usage, this gives the System Operator the required flexibility to better manage the system and provide a more reliable electricity supply to the country.

Step 7: The participating customer benefits from the lower than standard tariff rates during non-constrained times (which is more than 95% of the year).

Step 8: Customers can save money or grow their business during non-constrained times.

Are you interested in participating?

8

Interested customers are welcome to contact their respective Eskom Customer Executives should they require further information on this pilot programme, or alternatively send an e-mail to the project management office at criticalpeakday@eskom.co.za.

Customers are invited to read and download the pilot application and rules, by [clicking here](#).

Customers who would like to participate in this pilot will have to complete the pilot application form and send the signed copy to the project management office at criticalpeakday@eskom.co.za.

For more information on how to save on your electricity consumption, visit www.eskom.co.za/advisoryservice



Together we can make a difference