



Brochure on Eskom's Policy for granting the benefit of diversity

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Eskom Policy for granting the benefit of diversity

The purpose of this brochure is to provide general guidelines for customers seeking clarity on how the benefit of diversity will be considered by Eskom. The document also provides information on the qualification criteria as well as the application process to be followed by customers.

1. What is the benefit of diversity?

When a customer has multiple points of delivery on the same account, there could be merit in considering the Simultaneous Maximum Demand (SMD's) of these points of delivery. The sum of the individual maximum demands may be more than the sum of the customer's simultaneous maximum demand. Because the simultaneous maximum demand will never be greater than the sum of the individual maximum demands, Eskom's policy on granting the benefit of diversity considers the **how, when and to whom** this benefit for diversity may be granted.

Customers are, however, discouraged from making **uneconomical investments** only to qualify for the benefit of diversity.

2. What are the qualification criteria for receiving the benefit of diversity?

The benefit of diversity will be granted only in circumstances where **ALL** of the following conditions have been met:

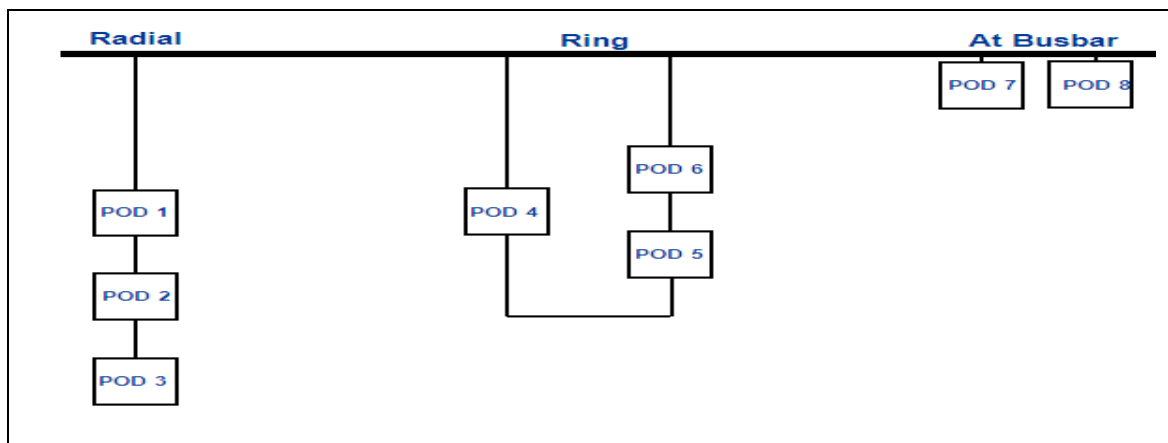
2.1 The multiple points of delivery shall provide electricity to a **single company** on a contiguous property, incorporated in terms of the Companies Act. In terms of municipal distributors as licensed by the National Energy Regulator of South Africa (NERSA), this would refer to a single licensee. This excludes situations where a single licensee contracts his right to another party.

2.2 All points of delivery shall be on the **same tariff**

2.3 The multiple points of delivery must:

- Be on the same local Eskom **ring or radial feeder**, or
- Take supply **directly off the same busbar** at the same transmission or distribution substation.

See simplified picture below that demonstrates criteria 2.3:



2.4 The points of delivery shall be **inter-connected** through a customer-owned inter-connector so that the customer can internally transfer load between them. This inter-connector can be **electrical** or **other means of inter-connectivity**.

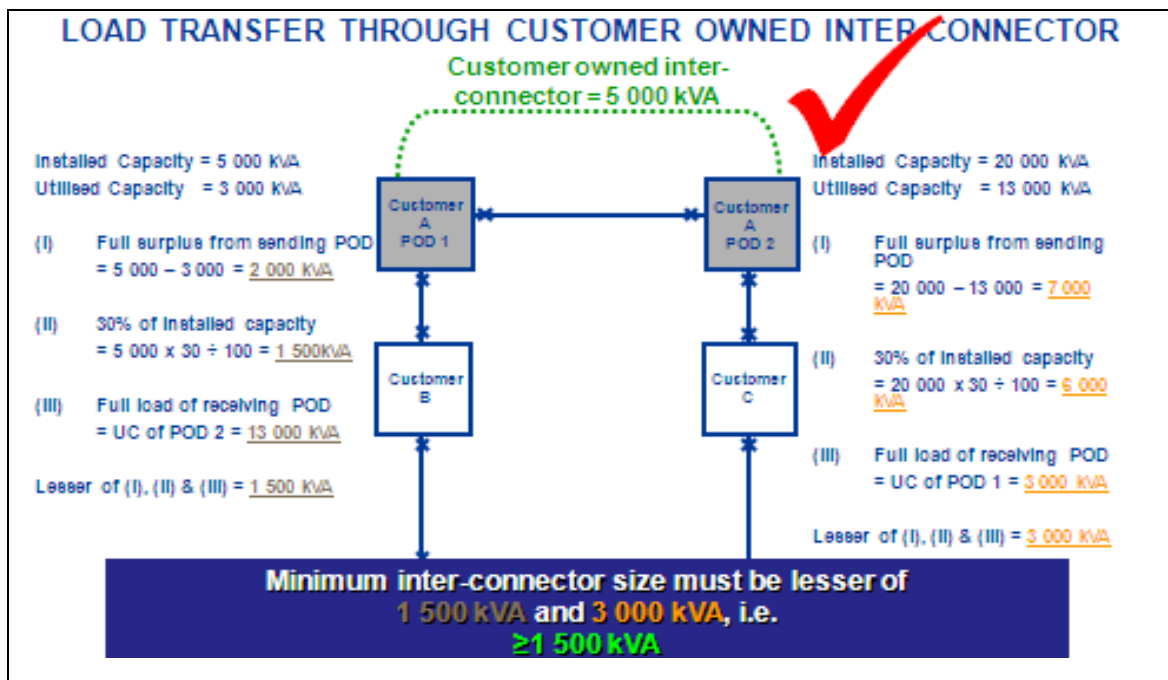
2.5 Where load can be transferred by other non-electrical means, the benefit of diversity will not be automatically granted but considered on merit. Customer networks installed to provide emergency services (lighting, pumps, lifts, etc.) only to their installation are not acceptable as load transfer inter-connectors.

2.6 In the event that any one of the points of delivery becomes disconnected from the Eskom system, the applicant must demonstrate to Eskom that the inter-connector is capable of transferring the lesser of:

- the full surplus capacity from any sending point of delivery, or
- 30% of the installed capacity from any sending point of delivery, or
- the full load of the receiving point of delivery.

2.7 Where more than two PODs receive the benefit of diversity, any one POD has to be interconnected in terms of point 2.3 above with at least one other POD.

See example below which demonstrates interconnector transfer capability. The example demonstrates that at any point in time both POD's must have transfer capacity by meeting the qualification criteria.



3. What if I have infrequent load shifts?

Eskom may, on application, grant a concession to the customer for a particular **month** where:

- An infrequent load shift between PODs under exceptional circumstances which could affect the utilised capacity, and therefore the network access charge payable; and
- Where a customer does not qualify for the benefit of diversity and an “infrequent” incident occurs where significant loads are shifted by the customer, causing the customer to pay for demand twice.

The concession must be granted in accordance with the latest versions of Eskom documents; i.e. notified maximum demand (NMD) rules and “Demand Charge Exemption policy and procedure”.

4. Which tariffs qualify to receive the benefit of diversity?

The benefit of diversity will be applied to the demand related components of:

Nightsave Urban,

Nightsave Rural, or

Megaflex.

5. To which tariff components can the benefit of diversity be applied?

Eskom may grant the benefit of diversity on the following demand related tariff components: the retail **network demand charge** (NDC) and the **energy demand charge** (EDC) to customers with more than one point of delivery (POD) on the same account, who apply for the benefit and comply with the policy and criteria.

6. Which tariff components will not receive the benefit of diversity?

No benefit of diversity will be granted on the following tariff components:

Transmission Network Charge (TNC)

Distribution Network Access Charge (DNAC)

Urban low voltage subsidy

Administration charge

Service charge

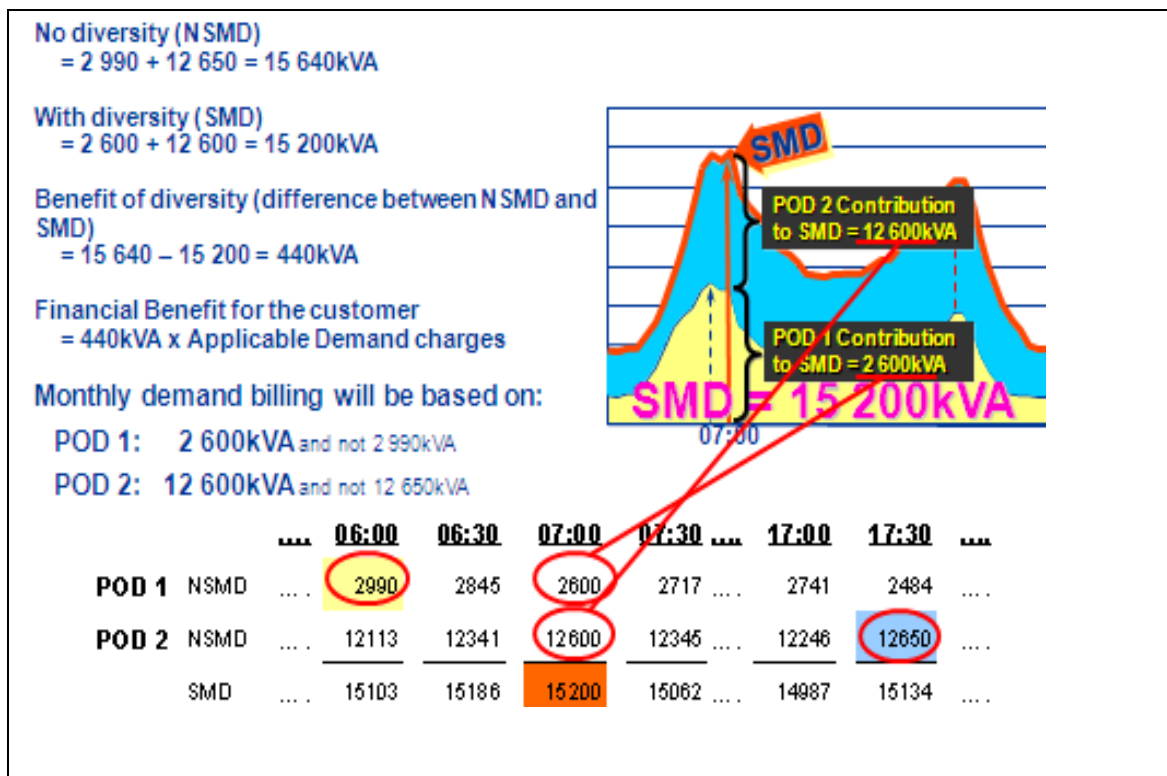
Reactive Energy charge

7. Example of the application of the benefit of diversity

Suppose a customer meets all the criteria listed as per point 2 and has two PODS, the example below demonstrates how the benefit of diversity will be applied.

NSMD – non-simultaneous-maximum-demand

SMD – Simultaneous-maximum-demand



8. What Notified Maximum Demand should I contract for?

Contractually and in terms of the NMD rules, the customer is required to notify Eskom of the capacity to be provided at each POD, before load shifting takes place. The NMD per POD would therefore be the load the customer intends taking from a POD before any load shifting has taken place between PODs and where such load shifting is possible due to the availability of surplus capacity in excess of the stated NMD. The sum of the stated NMD's for all PODs receiving diversity benefits must be equal to or greater than the simultaneous maximum demand that will be required at these PODs.

9. What if I have my own generator at my plant?

Where customers have their own generation facility, this facility will not be considered as in-feeds to supply other points of delivery when evaluating a customer for eligibility to receive the benefit of diversity.

10. What if I have a wheeling arrangement?

If a customer receives wheeled energy over an Eskom network, all the criteria in for granting the benefit of diversity will still apply i.e. the source of the energy does not affect the demand charges payable.

11. How can I apply for the benefit of diversity?

Customers are encouraged to submit their applications for benefit of diversity in writing to their Customer Executive.

The customers must clearly motivate (in detail) in their application for the benefit of diversity how they meet the qualification criteria in compliance.

No customer will be granted the benefit of diversity without the appropriate Eskom approval being granted to the customer and a signed agreement being in place.

12. Will I be required to sign a new supply agreement?

Yes, a new supply agreement will need to be signed specifying the conditions under which the benefit of diversity is granted to the customer.

In addition, customers receiving the benefit of diversity will be subject to an annual review to establish whether they still meet all the qualification criteria to receive the benefit of diversity. Eskom will conduct this review during the first quarter of each financial year i.e by 30 June of each year.

Where customers no longer meet all the qualification criteria, Eskom reserves the right to withdraw the benefit of diversity, whether it is due to changes on:

- the policy for granting the benefit of diversity,
- Eskom's or the customer's network configuration,
- the customer's management, or
- any other cause.

13. Who do I contact regarding any additional information required on Eskom's policy on granting the benefit of diversity?

Customers are encouraged to contact their Customer Executives for assistance in this regard.