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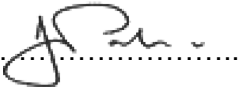


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Table of Contents

1. INTRODUCTION.....	3
2. PURPOSE OF THE ENERGY EFFICIENCY PROGRAMME RULES AND OVERVIEW	3
3. DEFINITIONS AND INTERPRETATIONS	3
4. QUALIFICATION AND PARTICIPATION REQUIREMENTS.....	4
5. MEASUREMENT AND VERIFICATION.....	6
6. PROJECT DEVELOPER'S OBLIGATIONS	7
7. ESKOM'S OBLIGATION	7
8. SUPPLIER DEVELOPMENT AND LOCALISATION (SD&L).....	7
9. SAFETY	7

1. INTRODUCTION

The content within this document describes the rules that govern the hard-wired Energy Efficiency Programme.

2. PURPOSE OF THE ENERGY EFFICIENCY PROGRAMME RULES AND OVERVIEW

- 2.1. Establish various mechanisms whereby Eskom provides incentives to project developers for the reduction in electrical consumption by implementing an energy efficiency measure, during specific Eskom defined periods. The project developer may be an existing Eskom or Municipal customer or specialist service provider who is appointed by a customer.
- 2.2. Define a set of minimum requirements for project developers to participate in the programme.
- 2.3. Provide the structure with regards to project developer participation and the management of the benefits realised from the approved project, for both Eskom and the project developer.
- 2.4. In order for the Energy Efficiency Programme objectives to be achieved, the project developer is required to comply with the said Rules, to determine performance, with regards to energy savings, as stated and outlined within the agreed contract.

3. DEFINITIONS AND INTERPRETATIONS

- 3.1. **Annual or per Annum** – a consecutive 12-month calendar period
- 3.2. **Average Demand Savings** - means the resultant average Power (KW) reduction during the defined contracted period.
- 3.3. **Business Day** - means any day during which banks are open for business in the Republic of South Africa, excluding a Saturday, Sunday or public holiday.
- 3.4. **Compensation for Energy Savings** - means the arrangement in terms of which Eskom shall pay the Project Developer for the energy reduced during the specifically agreed Time Periods within the Contract Period, due to the reduction of energy with reference to the Customer Base Load energy usage Profile.
- 3.5. **Compensation Rate** - means the rate at which Eskom shall pay the Project Developer for the Energy Savings based on performance results.
- 3.6. **Condonable Period** – A period excluded from consideration within a performance period.
- 3.7. **Contract Period** – The contract period is the total period of the contract between Eskom and the Project Developer.
- 3.8. **Customer** – An electricity consumer supplied by Eskom from the interconnected grid including customers supplied by a Municipality.

- 3.9. **Customer Base Load (CBL)** - means a daily profile (from Monday to Friday), derived from the CUSTOMER's previous year's summer and winter profile representing the amount of electricity the CUSTOMER would have consumed in each Integration Period for the days
- 3.10. **Energy Savings** – Energy Savings (KWh) during the defined contracted period
- 3.11. **End Date** – The contract closure date.
- 3.12. **Force Majeure** - Unforeseeable circumstances that prevent the customer from fulfilling the terms of the contract.
- 3.13. **Kilowatt hour** - Means the consumption of electrical energy equivalent to one kilowatt of power sustained for one hour.
- 3.14. **Measurement and Verification (M&V) Baseline** - means a typical usage profile before installation of the Approved Project and as adjusted by agreement by all parties thereafter as described in the M&V Plan.
- 3.15. **M&V Body** - means the measurement and verification entity appointed by Eskom to independently conduct the M&V Process.
- 3.16. **M&V Equipment** - means any equipment as specified by the M&V Plan for the purposes of establishing the M&V Baseline, measuring and verifying the Approved Project.
- 3.17. **M&V Plan** - means the document produced and distributed by the M&V Body comprising an overview of the activities undertaken by the M&V Body to establish the Average Demand Savings and associated Energy Savings during the Eskom prescribed periods set out in Annexure B.
- 3.18. **Metering Data** – measured half hourly integrated energy consumption data supplied from an approved electricity meter, verified through the Eskom process.
- 3.19. **Municipality** - A town or district that has local government and is a reseller of electricity.
- 3.20. **Point of Supply** - means either a single point of supply or a specific group of points of supply on Eskom's System from where electricity is supplied to the customer.
- 3.21. **Project Developer** – means the customer or Energy Services Company (ESCO) acting on behalf of the customer that will implement the project in accordance with the terms of the Contract
- 3.22. **Quarterly** – a consecutive 3 month period.
- 3.23. **Start Date** – means the contract inception date.

4. QUALIFICATION AND PARTICIPATION REQUIREMENTS

- 4.1. The Energy Efficiency programme is open to all project developers that meet the qualification criteria whether supplied by a municipality or Eskom.
- 4.2. The programme will be open to all electricity consuming sites within South Africa.

- 4.3. Project developers must reduce a minimum average demand and energy of their consumption baseline respectively, measured between 6am and 8pm (14 hours) daily excluding weekends.
- 4.4. All electricity consumers that qualify to participate in the programme can submit a proposal for evaluation during the stipulated period that the programme is open for.
- 4.5. The participation principles are:
 - 4.5.1. A minimum average load reduction of 100 kW per quarterly period for Eight (8) quarters over a Twenty Four (24) month sustainability term. The minimum energy savings applicable is Ninety One Thousand (91 000) kWh/quarter. Average demand and energy saving are only applicable on weekdays between 6am and 8pm. (910 hours per quarter)
 - 4.5.2. The Project Developer must respond to the call for proposals providing the project information, the value of average load (kW) and energy (kWh) to be reduced for the specified period, utilising the templates provided.
 - 4.5.3. Project proposals will be limited to a maximum of 5 sites of the same entity.
- 4.6 Contracting and Compensation:
 - 4.6.1 Eskom and the project developer shall enter up to a maximum of 30 month contract pending the verification of the proposed load profile baseline by an authorized independent M&V body appointed by Eskom. This period includes the implementation and sustainability phases of the project.
 - 4.6.2 The project developer will be allowed up to a maximum of 6 months from the start date of the contract to implement the Approved Project. Failing which, Eskom will terminate the contract.
 - 4.6.3 On completion of the implemented EE measure, Eskom together with the PD will verify and sign the completion certificate.
 - 4.6.4 The performance measurement will only start at the beginning of a calendar month.
 - 4.6.5 The M&V body will measure the energy savings and provide quarterly reports indicating performance against the proposed contracted quarterly saving.
 - 4.6.6 Energy Savings will be reported quarterly for 8 quarterly periods over a 24 month sustainability term.
 - 4.6.7 The Project Developer must notify ESKOM within seven business days of a force majeure event occurring.
 - 4.6.8 ESKOM will evaluate the request for force majeure applicability and has the right to accept or reject the force majeure period request.
 - 4.6.9 The Project Developer must provide all electrical metering equipment for the purpose of measurement and verification of the project and comply with requirements set out by ESKOM and/or the M&V body.
 - 4.6.10 There may be an applicable retention on each invoice that will be applicable for SD&L compliance as contracted.
 - 4.6.11 A signed Measurement and Verification Plan and Baseline must be in place prior to signing of the contract.
 - 4.6.12 The contract compensation will be weighted equally over 8 quarters.
 - 4.6.13 No compensation for over performance will be allowed, payments will be capped at a maximum contracted performance value per quarter.

- 4.6.14 Upon receipt of the quarterly performance assessment report from the M&V Body, Eskom will calculate the applicable rebate payable to the Project Developer for the quarter.
- 4.6.15 Calculations are based on the approved compensation rates.
- 4.6.16 Eskom will then issue the Project Developer the quarterly value to be invoiced, as per the Assessment Period's (AP) performance reflected in the Performance Assessment Report.
- 4.6.17 On receipt of a valid invoice from the Project Developer, Eskom will within 60 calendar days from date of receipt of the valid invoice, make payment to the Project Developer.
- 4.6.18 Payments per Quarter will be based on the formula:

At the end of the each Quarter of the Sustainability Period:

$$QP1 = (C1 \times D1)$$

Where:

- A1 = Actual Quarterly Performance*
- B1 = the Forecasted Proposed Energy Saving per Quarter*
- C1 = the lower of: A1 and B1*
- D1 = the approved incentive rate.*
- QP1 = quarterly performance incentive payments.*

- 4.7 Participating customers' electricity bill payments must be up to date to participate in the programme.
- 4.8 No double dipping with any other Eskom incentive programme or special electricity pricing agreements at the particular site or premises will be allowed, unless with written permission from Eskom.
- 4.9 Project developer must notify Eskom of any special electricity agreements in place at the particular site or premises. Failure to do so will lead to immediate contract termination, if discovered.

5. MEASUREMENT AND VERIFICATION

An independent Measurement and Verification body will be appointed with the following tasks:

- 5.1. Develop a measurement and verification scope and plan
- 5.2. Determine the customer base load and obtain sign off
- 5.3. Verify load reduction achieved in each quarter
- 5.4. Provide the relevant reports for the above activities
- 5.5. Measurement for the verified savings would start at the beginning of a calendar month after the completion certificate is issued to the M&V Body.
- 5.6. For the baseline determination, the 3 months (closest full calendar month) prior to the programme publish date to the market, no data past this point will be included in the base load.
- 5.7. The latest winter and summer baseload will be utilised but not limited to determine baseload profile.
- 5.8. The M&V body has the right to incorporate adjustments and utilise historical usage patterns necessary to establish the baseload.

6. PROJECT DEVELOPER'S OBLIGATIONS

- 6.1. Commence and complete the Approved Project at the Facility at its sole cost and risk, upon Contract start date.
- 6.2. Ensure that Eskom and the M&V Body, upon reasonable notice (5 working days); be given access to the Facility for the duration of the contract.
- 6.3. Implement the SD&L Implementation Plan, if applicable.
- 6.4. Provide and install the required M&V equipment.
- 6.5. Maintain the accuracy of the M&V Equipment, at own cost, for the duration of the contract.
- 6.6. Provide a Completion Certificate to indicate that all work has been completed for the commencement of measurement and verification.
- 6.7. Comply with all applicable legislation which relate to the implementation and continued operation of the contract.

7. ESKOM'S OBLIGATION

- 7.1. To compensate the Project Developer for the Energy Savings achieved in accordance with the terms of the contract.
- 7.2. Eskom to pay Measurement and Verification body for work done in accordance to the agreement between Eskom and the M&V bod
- 7.3. Perform all other functions reasonably required and necessary to give effect to the terms and spirit of this Contract.

8. SUPPLIER DEVELOPMENT AND LOCALISATION (SD&L)

- 8.1. The Project Developer must submit a SD&L performance report to Eskom as evidence against targets set, as stated in the plan in 7.1
- 8.2. The SD&L percentage retention on each invoiced amount, per quarter, will be applicable up to fulfilment of SD&L targets.
- 8.3. The SD&L retention will be released on a pro-rata basis upon verification of achievement of the targets as agreed to and stated in 7.1.

9. SAFETY

- 9.1. The Project developer must provide a safety plan and agree to operate according to the minimum safety requirements as set out by Eskom and to comply fully with the relevant national Safety Act governing that industry.

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