



Interim Grid Capacity Allocation Rules

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1. Introduction

- (1) South Africa is undergoing severe load shedding due to insufficient generation capacity. New generation capacity needs to be procured or made available to contribute to the country's energy security and alleviate load shedding, which has a devastating impact on the nation's economic growth prospects.
- (2) The connection of new generation capacity to the national grid requires that there should be sufficient grid connection capacity to enable these projects to come online. However, in the past few years, the development of new grid connection capacity has lagged the uptake of generation capacity, resulting in severe grid constraints in Transmission's national corridors, especially in the Northern Cape, Eastern Cape, and Western Cape. The relaxation of the requirements for obtaining generation licences under Schedule 2 of the Electricity Regulation Act 4 of 2006 (ERA) has resulted in an exponential increase in applications for grid connections from independent power producers (IPPs) with private power purchase agreements, resulting in further grid capacity constraints.
- (3) Traditionally, grid capacity has been allocated based on principles of non-discriminatory and open access to the grid and in a manner that is fair and transparent to all applicants for grid connections. In light of the electricity supply crisis and the increasingly dynamic environment in the electricity generation markets, it has become apparent that the process of allocation of grid connection capacity should be further enhanced to ensure the efficient allocation of capacity to projects that are ready to connect to the national grid.
- (4) The grid capacity allocation rules give effect to the principle of "first ready, first served" in the area of grid capacity allocation. The grid capacity allocation rules are designed to reflect the principles of non-discriminatory and open access to the grid.

2. Policy content

2.1 Policy statement

- (1) Eskom shall ensure that the allocation of grid capacity is managed in a manner that is efficient; that is, grid capacity shall be allocated to projects with sufficiently proven readiness to connect to the grid.
- (2) Furthermore, the reservation and allocation of grid capacity shall be managed in a manner that ensures that Eskom meets its primary regulatory obligation of achieving a fair and transparent process for allocation of grid capacity to all prospective generation customers in compliance with section 21(2) and 21(3) of the ERA.

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- (3) Eskom is empowered by section 21(4) of the ERA to develop these rules. Section 21(4) states that access to the grid must be provided on conditions set out in the licence of a distributor or transmitter that relate to circumstances under which access may be granted or refused.

2.2 Principles

- (1) The rules are designed to ensure an orderly processing of connection quotations and to give effect to the following governing principles in the ERA, while adhering to the regulatory requirements for meeting customer expectations. The following key principles shall apply:
- (a) *All grid connection applications shall be treated in a non-discriminatory manner to ensure a fair, transparent, equitable, open access to the grid.*
 - (b) *To give effect to the first-ready, first-served principle, Eskom shall allocate capacity to projects based on a demonstrated readiness of the project to build the generation facility and related grid infrastructure to connect to the grid.*
 - (c) *Eskom shall reserve all rights to revoke any grid capacity reserved for a specific project and/or to reallocate that grid capacity to another project based on any failure by the applicant to comply with any stipulated timelines in the Cost Estimate Letter, Budget Quote, connection agreements, and other related agreements.*
 - (d) *Eskom reserves the right to implement reservations or allocations of capacity to the government IPP procurement programme, subject to any required approvals by the Regulator.*
 - (e) *Eskom reserves the right, at its sole discretion, to request additional information for the processing of applications and to determine whether the information provided is in sufficient detail or in a commensurate alternative form as may be applicable, taking into account the specific details and circumstances of the project.*

3. Grid capacity allocation rules

The following rules shall govern the reservation and allocation of grid capacity and support the orderly processing of the budget quotations:

- (1) All grid connection applications (request for budget quotation) shall be accompanied by the following documents in support of the application:
- (a) *A completed request for a budget quotation in the form prescribed by Eskom*
 - (b) *Payment of a budget quotation fee as applicable and as determined by Eskom*

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- (c) *A letter from the National Energy Regulator of South Africa (NERSA) confirming proof of application for registration or a generation licence as applicable for the generation facility*
- (2) In addition to the requirements under 3(1) above, applicants shall submit the following documents required to assess the readiness of the project:
 - (a) *Environmental consents and authorisations:*
 - i. *Environmental Authorisation (EA) and Water Use License (WUL) in respect of the generation facility,*
 - ii. *Where applicable (for example, for wind farms), a conditional approval issued by the South African Civil Aviation Authority in terms of the Civil Aviation Regulations*
 - iii. *Land rights (ownership and lease) to construct the generation facility*
 - (b) *Power Purchase Agreement (PPA) Heads of Terms duly signed with the end user of the power or a licensed energy trader and confirmation from the offtaker*
 - (c) *Confirmation of appointment of design consultants accepted by Eskom, where grid connection works will be undertaken through the self-build scheme for handover to Eskom on completion*
 - (d) *Measured data for the primary energy resource, as applicable (minimum two years for wind and one year for solar)*
- (3) Any application that is non-compliant with Rules 3(1), 3(2) above shall, at Eskom's sole discretion, be considered incomplete and "disqualified".
- (4) On receipt of a completed application for grid connection (request for budget quotation), Eskom shall assess the readiness of the project and conduct a high-level scan (technical assessment) of available grid capacity and, thereafter, issue a letter of consent to the applicant indicating the following:
 - (a) *That sufficient grid capacity is available to connect the project and that the application has been placed in the reservation queue pending receipt by Eskom, within 15 business days of the issuing of the Letter of Consent, of the Grid Capacity Allocation Guarantee issued by a financial institution approved by Eskom and as set out in Annexures 1 and 2,*

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- (b) *That there is insufficient capacity to connect the project and that an additional scope of work is required in order to connect the project.*
- (5) Eskom shall issue a notice of non-compliance with the application requirements as contemplated in Rule 3(3) above or a Letter of Consent envisaged in Rule 3(4) above within 15 business days of submission of the application for grid connection.
- (6) Should the Grid Capacity Allocation Guarantee not be received by Eskom within 15 business days as indicated in Rule 3(4)(a) above, the Letter of Consent will lapse, the application for a budget quotation will be deemed rejected, and Eskom will reallocate the affected grid capacity without further notification to the applicant.
- (7) Should an applicant that has received a letter of consent indicating that grid capacity is available wish to cancel the request for budget quotation, the applicant shall issue a Letter of Cancellation to Eskom within 10 business days of receipt of the Letter of Consent, failing which Eskom reserves the right to recoup and deduct any costs incurred up to the date of cancellation of the application from the applicant's budget quotation fees.
- (8) All projects in the reservation queue shall comply with all requirements stipulated in the budget quotation and connection agreements, including application conditions in the Cost Estimate Letter. In the case of grid connection works/projects developed through a self-build scheme, failure to comply with the following requirements will result in the projects being removed from the reservation queue:
- (a) *Failure to appoint design consultants within timelines stipulated by Eskom*
- (b) *Failure to submit preliminary designs to the relevant technical review teams/committees within timelines of being requested to do so by Eskom*
- (c) *Failure to rectify and correct any defects with any submission made to Eskom within 14 working days of being requested to do so*
- (9) Budget quotations shall be issued by Eskom within the period stipulated in the South African Grid Code(s) or such other period as agreed on by the parties.
- (10) On the issuing of a budget quotation, a project shall be required to fulfil all budget quotation conditions within the acceptance period stipulated in the budget quotations. Once all budget quotation conditions have been fulfilled, a project shall be moved from the reservation queue to the allocation queue.
- (11) Should a project fail to fulfil the budget quotation conditions within the stipulated acceptance period, the budget quotation will (subject to Rule 3(13) below) lapse, and the capacity

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reserved for such a project shall be reallocated by Eskom in accordance with the first-ready, first-served criteria outlined in Rules 3(1) and 3(2) above.

(12) Eskom shall, at its sole discretion, grant an extension of the budget quotation acceptance period beyond the original period, provided that:

- (a) *a request for extension of the budget quotation is received before expiry of the budget quotation acceptance period;*
- (b) *no change in scope, timelines, and costs is envisaged during the extension period; and*
- (c) *the cumulative extension period shall not exceed 60 business days.*

(13) All projects in the allocation queue should comply with all requirements stipulated in the connection agreements, including the budget quotation. Failure to comply with the following requirements will result in the projects being removed from the allocation queue:

- (a) *Failure to submit final design packages within the timelines set out in the budget quotation; and/ or*
- (b) *failure to comply with the budget quotation milestone schedules and/or the commence and continue provisions stipulated in the connection agreements.*

#END

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