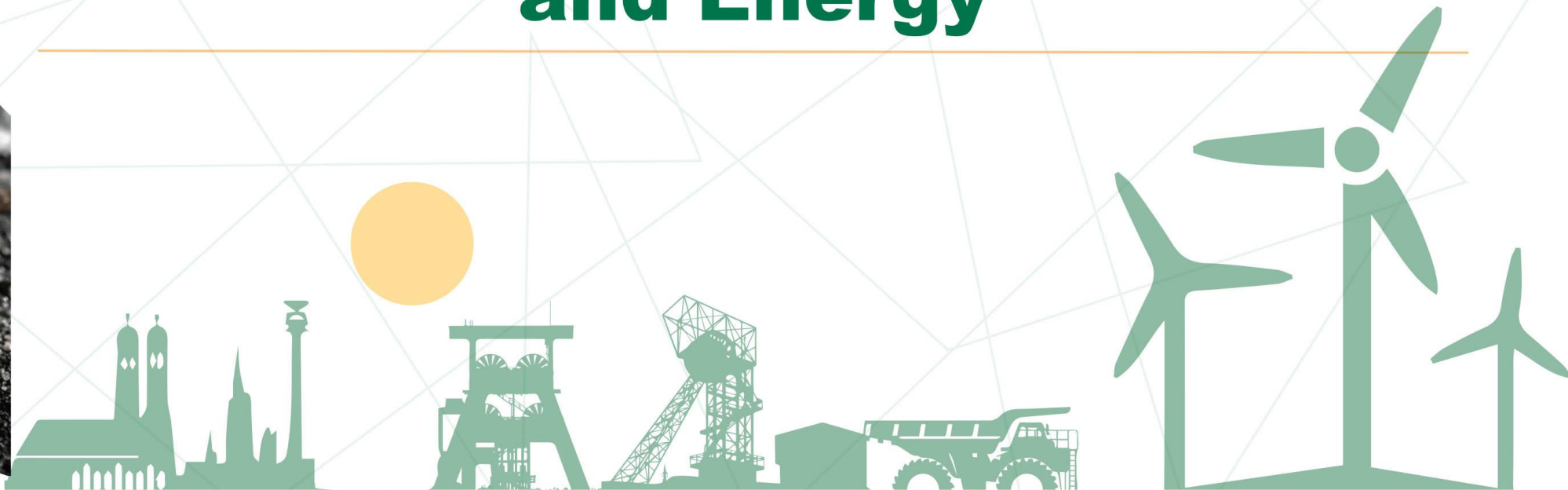




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NEDLAC MEETING

ELECTRICITY PRICING POLICY(EPP) OF THE SOUTH AFRICAN ELECTRICITY SUPPLY INDUSTRY REVIEW 2022.

SUMMARY OF INPUTS PER SECTION COMPARED TO THE PUBLISHED VERSION FOR PUBLIC COMMENTS

(10 Feb 2022) DOCUMENT

14 FEBRUARY 2023



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BACKGROUND

The EPP Review,2022:

- Seeks to amend the Electricity Pricing Policy of the South African Electricity Supply Industry 19 December,2008.
- To give effect to the Roadmap for Eskom in a Reformed Electricity Supply Industry 2019.
 - *Unbundling of Eskom, with this being a precursor to an independent system operator and the development of energy market.*
 - *The Electricity Pricing Policy was approved for public comments on the 10 of February 2022 and the comments closed on the 25 March 2022.*
- A series of consultations were undertaken with industry and other key sector stakeholders and inputs were considered.



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1 BACKGROUND

ABBREVIATIONS:

- *Added abbreviations and deleted abbreviations not used.*

DEFINITIONS

- *Added, amended and deleted definitions not used.*

1. BACKGROUND

- *Summarised and removed reference to REDS.*

1.1 PRESENT STRUCTURE OF THE ELECTRICITY SUPPLY INDUSTRY (ESI)

- *Made minor changes, deleted reference to REDs.*

1.2 ELECTRICITY SECTOR OBJECTIVES

- *Updated to include more current challenges and deleted reference to low reserve margin.*



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1.3 KEY CHALLENGES FOR THE ELECTRICITY DISTRIBUTION INDUSTRY (EDI)

Updated to include more current challenges and deleted reference to low reserve margin.

1.4 WHITE PAPERS (WPS) AND LEGISLATION

- *Added additional legislation and reference to NERSA's cross subsidy framework as this status is not known.*

1.5 NEED FOR EPP AND RELATED POLICIES

- *Removed reference to REDS, referred to Eskom unbundling and the changing market environment. Updated figure 1 to include codes.*

1.6 INTERPRETATION OF TERMS OF REFERENCE AND APPROACH

- *No changes made.*

1.7 PLAN OF ELECTRICITY PRICING POLICY REPORT

- *Updated to include new sections.*



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2 GENERAL PRICING PRINCIPLES

2.1 GENERAL TARIFF PRINCIPLES

- *No changes made except for aligning affordability with grid code terminology to be based on prudent and least life cycle costs.*

2.2 REVENUE REQUIREMENT

- *Expansion of the section, including an additional policy statement.*

2.3 COST REFLECTIVITY

- *Additional policy statements added to strengthen this section in particular related to the introduction of a wholesale tariff.*

2.4 TRANSPARENCY AND UNBUNDLING ON THE BILL

- *Minor changes to reference that this refers to the bill.*



- 
- 2.5 NON-DISCRIMINATION

No change.

2.6 ACCESS TO AND USE OF NETWORKS

- *Added that wheeling charges should be standard tariffs, revised some policy statements and included cross-border trading.*

2.7 SPECIAL PRODUCTS

- *Added further examples and that NERSA should develop a framework to provide for shorter timelines.*

2.8 LONG TERM PRICE OUTLOOK

- *Added to the contents and amended the policy statement that it should be 10 years forward.*

3 PRICING INTERFACES

- *Included the concept of a wholesale environment and market and allowing customers and distributors to enter into bilateral contracts. Updated figure 2.*



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4 GENERATOR PRICING

4.1 APPLICABILITY

- *Included the concept of a dominant player.*

4.2 TARIFF STRUCTURE

- *Included the concept of hedging and added additional detail.*

4.3 GENERATION TARIFF LEVEL

- *Added additional detail.*

4.4 RENEWABLE ENERGY GENERATORS

- *Removed this section as it is no longer relevant.*



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5 WHOLESALE PRICING

This section renamed to be wholesale pricing and not just energy – to include both energy and transmission and separated the two sections.

5.1 WHOLESALE ENERGY PRICING

- This section deals with energy pricing only.*

5.1.1 APPLICABILITY

- New numbering (previous 5.1). Added that applicability would be to all customers eligible to participate in the wholesale energy market.*

5.1.2 WHOLESALE ENERGY PRICING STRUCTURE

- New numbering (previous 5.2). Changed the heading to refer to price structure and not tariff structure. Added the concept of the CPA, capacity/standby charges and legacy costs and also included these in the policy positions.*

5.1.3 WHOLESALE ENERGY PRICE LEVEL

- New numbering (previous 5.3). Changed the heading to refer to price structure and not tariff structure. Added the concept of the CPA, capacity/standby charges and legacy costs and also added to the policy positions.*



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Previous 5.4 Negotiated Pricing Agreements (NPAs)

Moved to section 7.

Previous 5.5 International Sales

Moved to section 6.

5.1.4 ANCILLARY SERVICES AND CHARGES

- *New numbering (previous 5.6). Updated this section for relevance and more detailed explanation. Clarified in the policy position that the charge is raised by Transmission. Separated ancillary service from standby charges.*

5.1.5 STANDBY/CAPACITY CHARGES

- *New section. Motivated the need for a standby/capacity charge and system balancing*



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5.2 TRANSMISSION PRICING

New numbering (previous 6). Included under wholesale pricing (section 5)

5.2.1 APPLICABILITY

- *New numbering (previous 6.1). Amended to state that Transmission pricing is applicable to licensees and customers who qualify to wheel energy through the transmission system.*

5.2.2 TRANSMISSION TARIFF STRUCTURE AND CONNECTION CHARGES

- *New numbering (previous 6.2). Added connection charges to heading as this was missing. Provided greater detail on the structure and aligned connection charges to reference the Code. Included that Transmission connected customers will need to pay for legacy and subsidies costs.*

5.2.3 TRANSMISSION TARIFF LEVELS

- *New numbering (previous 6.3). Added reference to regulatory rules.*

5.2.4 TRANSMISSION INVESTMENT FOR NEW CAPACITY, REFURBISHMENT AND MAINTENANCE

- *New section. Aligned to statements under the Distribution section on maintenance and refurbishment.*



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6 CROSS-BORDER SALES

New numbering (previous 5.5). Changed to refer rather to “cross-border” and not “international”

7 SOUTH AFRICAN NEGOTIATED PRICING AGREEMENTS (NPAS)

- New numbering (previous 5.4). Section reworded to reflect latest developments and to address revenue recovery.*

7 WHOLESALE PRICING (old numbering)

- This section is deleted, repetition.*

7.2 Tariff Characteristics (old numbering)

- This section is deleted, repetition.*



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8 DISTRIBUTION AND RETAIL PRICING

Changed the heading to include retail (to distinguish between network and retail services).

Reworded and added a policy statement

8.1 TARIFF LEVEL AND STRUCTURE

- **New section.**

8.2 COST OF SUPPLY STUDIES

- *New numbering (previous 8.1). Provided additional detail.*

8.2 Maintenance and refurbishment (*old numbering*)

- *This section was moved to 8.18.*

8.3 Bad debt and losses (*old numbering*)

- *This section was moved to 8.19.*



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8.3 CUSTOMER CATEGORIES

New numbering (previous 8.4). Added detail and included generators

8.4 COST DRIVERS AND COMPONENTS IN COS STUDIES

New numbering (previous 8.5). Amended heading to refer to cost drivers for COS studies and added detail as to what cost drivers would be applicable.

8.5 COST-REFLECTIVE TARIFF STRUCTURES

- ***New section detailing the importance of having unbundled cost reflective tariffs structures and the raising of fixed charges.***

8.6 SEASONALITY (old numbering)

- *This section was deleted.*

8.8. Tariff structure and level (old numbering)

- *This section was deleted.*

8.6 RATIONALISING ELECTRICITY TARIFF STRUCTURES IN THE EDI

- *This section was moved (previous 8.15) and additional detail added.*



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8.7 Tariff simplification (*old numbering*)

This section was deleted.

8.7 CHANGES TO TARIFF STRUCTURES

This section was added to provide guidance on tariff structure approvals.

8.8. Tariff structure and level (*old numbering*)

This section was deleted.

8.8 DISTRIBUTION USE-OF-SYSTEM (DUOS)/NETWORK CHARGES

- *This section was added to provide guidance on tariff structure approvals.*

8.9 DUOS CHARGES FOR WHEELING

- *This section was added to provide guidance on how wheeling charges will be raised.*

8.10 RETAIL CHARGES

- *This section was added to provide guidance on how retail charges will be raised.*



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8.8 DISTRIBUTION USE-OF-SYSTEM (DUOS)/NETWORK CHARGES

This section was added to provide guidance on tariff structure approvals.

8.9 DUOS CHARGES FOR WHEELING

This section was added to provide guidance on how wheeling charges will be raised.

8.10 RETAIL CHARGES

This section was added to provide guidance on how retail charges will be raised.

8.11 CREDITING FOR ENERGY EXPORTED INTO THE NETWORK (NET-ENERGY BILLING TARIFFS)

- *This section was added to provide guidance on how net-energy billing tariffs will be raised.*

8.12 COST-REFLECTIVE VERSUS PRICING SIGNAL

- *New numbering (previous 8.9). Added more detail and examples.*



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8.13 RETAIL ENERGY CHARGES

Previously addressed in 8.10, but change the reference to TOU but rather energy charges alone linked to the wholesale price.

8.10 and 11. Tariff structure and level and Time of Use Tariff Structures (old numbering)

These section were deleted as covered now in 8.13.

8.14 VOLTAGE AND POSITION DIFFERENTIATION

- Previously 8.13 and changed that voltage differentiation should not be based on supply and network.*

8.15 DOMESTIC (RESIDENTIAL) TARIFFS

- Previously 8.14 and added detail.*

8.16 TREATMENT OF CONNECTION CHARGES

- Previously 8.15 and referred to connection charges to align with terminology in Codes.*



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8.17 PUBLIC LIGHTING

No major change made to this section.

8.18 REFURBISHMENT AND MAINTENANCE

Moved from previous 8.2. Added some detail.

8.19 DISTRIBUTION LOSSES AND BAD DEBT

Moved from previous 8.3. Added some detail.

8.18 Quality of supply (old numbering)

- *This section was deleted as this is managed through the licenses and the Codes.*

8.19 Customer Service quality (old numbering)

- *This section was deleted as this is managed through the licenses and the Codes.*



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8.20 RESELLER CHARGES

Reworded to align with ERA terminology that this is dealing with reseller not traders. Included requirements dealing with disputes and reference now to Schedule 2.

8.21 FREE BASIC ELECTRICITY (FBE)

Previously 9.8. Added wording to refer to the DMRE EBSST policy.

8.22 ELECTRICITY TARIFFS FOR ORGANS OF STATE

- Previously 9.9, made minor changes to wording.*

8.23 CROSS-SUBSIDIES

- Previous section 9.1 – 9.7 and 9.10. This whole section was revised to put all the different types of subsidies in one section.*

8.24 MUNICIPAL SURCHARGE ON ELECTRICITY (MSOE)

- Previous numbering 9.11. No inputs other than removing reference to REDs.*

9.12 Viability assistance

- Deleted this section as no longer relevant.*



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9 DEMAND SIDE FLEXIBLE SERVICES

Previously section 10. Revised whole section to refer to all potential demand side and flexible services that could be provided.

10 MARKET PLATFORMS

- *New section; proposes an insertion of a New policy position.*

11 REGULATION

- *Previous numbering 11. Made some additions to be considered.*

12 CONCLUSION

- *Previous numbering 12. Made some additions to be considered.*

12 BIBLIOGRAPHY

- *Previous numbering 13. No review on this section.*



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PROCESS ROAD MAP

No.	Activity/Certification	Dependency	Responsibility	Time-Frame
1.	EPP SEIAS Submission	Presidency	DMRE	Completed
2.	EPP Submission to check compliance with the Constitution	State Law Advisor	DMRE	March 2023
3.	NEDLAC Engagements	NEDLAC	DMRE	March 2023
4.	DG's Cluster Meeting	Cluster Approval	DMRE	March 2023
5.	Submission To Cabinet	Cluster Approval	DMRE	March 2023



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Thank you



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