

Update on the Energy Conservation Scheme (ECS) proposed by the DME and Eskom

by Chris Yelland CEng
Managing editor
EE Publishers



Background to the ECS

The ***ECS*** is a component of the ***Power Conservation Programme (PCP)***, established by the ***National Electricity Response Team (NERT)***, which was set up by the ***DME*** following the generation capacity crisis at the beginning of 2008.

Details of the proposed ***ECS*** are now beginning to emerge into the public domain.

Draft Regulations

The first sign was the issuing for public comment of proposed new regulations in terms of the Electricity Regulation Act, 2006, by the DME, in Government Gazette No. 31339 of 15 Aug 2008.

These draft regulations closed for comment on 19 Sept, and the final regulations are expected to be promulgated and in place by end Nov 2008.

Purpose of the Draft Regulations

Entitled:

“Electricity Regulations on Deviation from Approved Tariffs”,

they seek to empower the minister of Minerals and Energy to deviate from the normal NERSA approved electricity tariffs, and to set various sector electricity saving targets in order to achieve an overall national electricity saving of 10%.

What lies behind the Regulations?

However, while these Draft Regulations are now in the public domain, electricity distributors and customers are generally unaware of what actually lies behind them.

The so-called “***ECS Rules***” define the details, price levels and implications of the punitive tariffs being proposed by Eskom on behalf of the DME in order to achieve the national energy saving target.

The ECS Rules Version 6a

- When does the ECS start?
- Who has to participate in the ECS?
- What is ECS baseline period?
- How much do we have to save?
- What are the penalties?
- What if you save more than your target?
- What if you do not use up your allocation?
- What if you need to exceed your allocation?

When does the ECS start?

- ***Draft regulations:*** End Nov 2008
- ***ECS phase 1:*** April 2009
- ***ECS phase 2:*** April 2010
- ***ECS phase 3:*** April 2011
- Depends on ECS participant savings
- Depends on non-ECS participant savings

Who has to participate in the ECS?

- **Phase 1:** April 2009: > 25 GWh p.a.
i.e. > approx. 5 MVA loads
about 250 + 250 = 500 customers
- **Phase 2:** April 2010: > 2 GWh p.a.
i.e. > approx. 500 KVA
about 2500 + 2500 = 5000 customers
- **Phase 3:** April 2011: > 100 MWh p.a.
i.e. > approx. 20 kVA
about 20 000 + 30 000 = 50 000 customers

What is the ECS baseline period?

A monthly energy allocation (kWh) will be given to each ECS participant, based on the requirement to achieve a specified electrical energy saving in respect of the customer's consumption during the period ***October 2006 to September 2007***.

This is referred to in the ECS Rules as the baseline period.

How much do we have to save?

- ***Mining:*** 8% below baseline consumption
- ***Agriculture:*** 8% below baseline consumption
- ***Industry:*** 10% below baseline consumption
- ***Commercial:*** 20% below baseline consumption
- ***Residential:*** 20% below baseline consumption
- ***Govt / SOE:*** 25% below baseline consumption
- ***Exemptions***
- ***Phasing***

How will targets be phased in?

- **Phase 1:** April 2009
50% of savings target
- **Phase 2:** April 2010
75% of savings target
- **Phase 3:** April 2011
100% of savings target

What are the penalties?

Failure to meet these savings (i.e. a customer exceeding its energy allocation) will result in ***punitive electricity tariffs (in the form of a steep inclining block tariff)*** in accordance with the ***ECS Rules*** for that portion of the customer's electrical energy consumption in excess of its allocation / savings target.

What are the penalties?

	Control band	Disincentive band	Punitive band
	<i>0 - 2,5% above (1)</i>	<i>2,5% - 10% above (3)</i>	<i>> 10% above (5)</i>
	<i>0 - 1% above (2)</i>	<i>1% - 10% above (4)</i>	
1st offence	R2,80/kWh	R4,50/kWh	R9,00/kWh
2nd offence	R4,20/kWh	R6,75/kWh	R13,50/kWh
3rd offence	R5,60/kWh	R9,00/kWh	R18,00/kWh

Note 1: For customers < 10 MVA, the control band is 0 - 2,5% above allocation

Note 2: For customers > 10 MVA, the control band is 0 - 1% above allocation

Note 3: For customers < 10 MVA, the disincentive band is 2,5 - 10% above allocation

Note 4: For customers > 10 MVA, the disincentive band is 1 - 10% above allocation

Note 5: For all customers, the punitive band is > 10% above allocation

Trading the right to consume

- What if you save more than your target?
- What if you do not use up your allocation?
- What if you need to exceed your allocation?

The answer is trading the right to consume.

- Bilateral trading
- Market trading
- Trading rules

Who is responsible to implement?

- NERSA
- Eskom
- Municipal distributors

Conclusion

- The economic impact
- Phasing – to soften the economic impact
- Punishment as opposed to incentives
- The right to make representation
- Further work and consultation
- The public process and NERSA
- Implementation and administrative issues
- Further information: chris.yelland@ee.co.za