



Sue Röhrs

Director

+27(82)8767483

sue.rohrs@rohrslaw.co.za

PRESENTATION TO SAIPPA MEMBERS : 27 FEBRUARY 2018

RECENT AMENDMENTS TO THE ELECTRICITY REGULATION ACT :
GENERATOR LICENSING EXEMPTIONS & REGISTRATION

PREVIOUS SCHEDULE 2 EXEMPTIONS

Plant for demonstration purposes

Demonstration purposes only
Not connected to an
interconnected power supply

Own Use

Any generation plant constructed and
operated for own use

Commercial Activity

Non-grid connected supply of
electricity
No commercial use

| PREVIOUS SCHEDULE 2 EXEMPTIONS | COMMENTARY |
|-----------------------------------|--|
| Plant for demonstration purposes | <p><u>Previously :</u> Demonstration purposes only Not connected to an interconnected power supply</p> <p><u>New Exemptions :</u> Demonstration purposes Whether or not connected to the national grid Electricity is not sold If connected CUOSA / approval required</p> |
| Own Use | <p><u>Previously :</u> Wide use Increased use of this exemption by rooftop PV (safety concerns) NERSA not convinced that rooftop PV “own use” applicable No capacity limits</p> <p><u>New Exemptions :</u> No broad category of “own use” Serious limitation - 1MW except for cogen-like exemption</p> |

| PREVIOUS SCHEDULE 2 EXEMPTIONS | COMMENTARY |
|--------------------------------|--|
| No Commercial Activity | <p>PREVIOUSLY: Non-grid connected supply of electricity No commercial use</p> <p>NEW EXEMPTIONS Off grid (no national grid connection) Limited to 1MW Supplies to owner / related customer of owner or generator / customer on the property Commercial activity not excluded</p> |

Draft Notice compared to Final Notice

| DRAFT LICENSING, EXEMPTION AND REGISTRATION NOTICE | FINAL GAZETTED LICENSING, EXEMPTION AND REGISTRATION NOTICE |
|--|---|
| </= 1 MW – Exempt (subject to qualifying conditions) | </= 1 MW – Exempt (subject to qualifying conditions) |
| 1 MW to 10 MW (licensing but no Ministerial Consent to deviation from the IRP) | 1 to 10 MW – Full licensing including Ministerial Consent to Deviation from the IRP |
| > 10 MW (full licensing, including Ministerial Consent to deviation from the IRP) | Full licensing including Ministerial Consent to Deviation from the IRP |
| Exemptions: | |
| 1.1 </= 1 MW – No wheeling, single customer supplied, CUOSA or approval, no Ministerial Gazette that allocation in IRP has been used up when CUOSA signed / approval granted | Unchanged (now 2.1) |

Draft Notice compared to Final Notice

| DRAFT LICENSING, EXEMPTION AND REGISTRATION NOTICE | FINAL GAZETTED LICENSING, EXEMPTION AND REGISTRATION NOTICE |
|---|--|
| 1.2 \leq 1 MW – Wheeling, single customer / related supplied, CUOSA, no Ministerial Gazette that allocation in IRP has been used up when CUOSA signed | Unchanged (now 2.2) |
| 1.3 \leq 1 MW – off grid, not connected to the national grid, supplies to owner / related customer of owner or generator / customer on the property | Unchanged (now 2.3) |
| 1.4 Demonstration purposes, whether or not connected to the national grid, where electricity is not sold, if connected CUOSA / approval required | Now 2.4 Changed by adding : Facility not in operation for more than 36 months |

Draft Notice compared to Final Notice

| DRAFT LICENSING, EXEMPTION AND REGISTRATION NOTICE | FINAL LICENSING, EXEMPTION AND REGISTRATION NOTICE |
|--|--|
| | New 2.5 – electricity produced from co-product, by-product, waste product or residual product of an underlying industrial process, where – <ul style="list-style-type: none"> • sole supply to owner • sole supply to customer related to generator / owner • supplied to customer on same property |
| 1.5 Sole purpose of standby / backup electricity for duration of electricity supply interruption | Unchanged, but now 2.6 |
| 1.6 Already exempt facility | Unchanged, but now 2.7 |



Draft Notice compared to Final Notice

| DRAFT LICENSING, EXEMPTION AND REGISTRATION NOTICE | FINAL LICENSING, EXEMPTION AND REGISTRATION NOTICE |
|--|---|
| | New 2.8 – continued operation of existing operating facility, within 3 months of commencement of Schedule declared non-compliance to NERSA and signed an agreement to comply within NERSA stipulated time frame |
| 1.7 Distribution facility connected to an exempt facility, used only for supply to – <ul style="list-style-type: none">• consumer if no transportation through the national grid• nearest POC if transportation through the national grid | Unchanged (except that “consumer” is now “customer”), but now 2.9 |



Draft Notice compared to Final Notice

DRAFT LICENSING, EXEMPTION AND REGISTRATION NOTICE

- 1.8 Reseller sales where-
- tariff or price is not $>$ price charged by distributor
 - agreement with distributor regulating relationship and quality of supply

FINAL LICENSING, EXEMPTION AND REGISTRATION NOTICE

Now 2.10
Same, but additional approval of general conditions of SDA by NERSA

GENERAL

All exempt activities must be registered

Registration rules will now take 6 months from date of Schedule 2 exemptions (not 3 months as previously indicated by NERSA)

NERSA's view – exemption is only effective once registration has taken place

Contrary view – exemption is effective, then registration (purely administrative)

Eskom will not sign CUOSAs unless registration has taken place, but CUOSA is necessary to comply with some exemption provisions

GENERAL

Approvals are proving difficult to obtain – pending finalisation of NERSA Rules in some Munics

1MW installations – NERSA's view – only 1 per property
Should this be 1 per connection point?

Why is the off grid exemption limited to 1MW?

Why does the off grid exemption only apply to supplies to owner / related customer of owner or generator / customer on the property – why not (eg) upliftment of rural communities

Private distribution lines – exempt if related to an exempt activity. What if a generator connected to a private line is exempt, but another facility connected to the line is not?

GENERAL

Cogen-like exemption limited to electricity produced from co-products, by-products, waste products, residual products from an underlying industrial process

Not required to be

- **the simultaneous generation of electricity and useful thermal energy from a common fuel/energy source**
- **the production of electricity and useful heat from a fuel/energy source which is a co-product, by-product, waste product or residual product of some underlying industrial process.**
- **coupled to an industrial process of the host plant.**

GENERAL

What is “an underlying industrial process”?

Does it apply to an off-site industrial process?

Does the owner of the facility have to be the owner of the underlying industrial process?



Thank You!
Any Questions?



Sue Röhrs

Director

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sue.rohrs@rohrslaw.co.za

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