



Power Conservation Programme Communiqué to Top Electricity Customers

This Communication Brief is to update Key Electricity Customers and Stakeholders on the status of the Power Conservation Programme (PCP) and to recap on its purpose and key objectives. This communiqué also summarises the latest decisions and short term plan. This is the first in a series of communication messages that will be distributed to keep key customers and stakeholders informed.

Background

The PCP consists of three projects/Initiatives:

- The Energy Conservation Scheme (ECS)
- Energy Growth Management (EGM)
- Trading of the Right to Consume (RTC).

The Power Conservation Programme (PCP) aims to create a South Africa that uses electricity much more efficiently on a sustainable basis.

Energy Conservation Scheme (ECS)

The ECS, a national scheme, envisages the introduction special pricing interventions to promote good; and to discourage poor usage of electricity. The aim is to make South African electricity customers more efficient on a long term and sustainable basis.

If South Africa becomes more energy efficient it will save billions of Rands of capital expenditure flowing out of the country and reduce the risks of global warming and black outs.

Energy Growth Management (EGM)

As one measure to safeguard the economy of South Africa the Electricity Growth Management framework aims to find an appropriate methodology to allocate the limited and scarce supply of electricity to new applications for electricity.

It is envisaged that any new supplies of electricity will come mainly from some of the savings arising from the ECS Scheme above.



Trading of the Right to Consume (RTC)

RTC is a market based scheme that aims to enable customers who are able to save more than their allocation (under the Electricity Conservation Scheme) (sellers) to sell their “right to consume” to customers who do not have enough capacity (Buyers).

The Scheme envisages facilitating the reallocation of consumption rights through bilateral trading and auctions of consumption rights by allowing customers a means of selling a portion of their monthly energy allocation to another customer at an agreed price, through the trading of RTC units.

Progress to Date

The National Energy Regulator of South Africa (NERSA) published a consultation paper on the Power Conservation Programme (PCP) rules for public comment. The draft rules invoked huge public interest and NERSA received over 160 comments from stakeholders and the general public.

The National Electricity Response Team (NERT) was established to co-ordinate the country’s response to the electricity crisis. In light of the changed electricity demand due to the global economic slowdown NERT embarked on a review of the current scope of initiatives addressing the electricity crisis. NERT identified the PCP as one of the key pillars of the response to mitigate the impact of South Africa’s electricity crisis over the period when electricity supply is constrained.

In a session between the National Energy Regulator of South Africa (NERSA) and DME on 3 April 2009, the DME and NERSA agreed that in line with the agreement that all initiatives related to addressing the crisis be driven through NERT, that the NERT PCP Work Group reassess the current work on PCP and develop recommendations for Cabinet approval for the implementation of a scheme to achieve long term electricity efficiency and address the medium term supply constraints.

The review of the current format of the PCP program is being undertaken by teams of expert multi-stakeholder representatives (Task Teams).

The Task Teams were recently established with the participation and in consultation with relevant industry stakeholders, and have the following objectives:

- **Allocations:** To review the rules of the baseline energy allocations, and make recommendations for any revisions/updates that may be required.
- **Merits/Demerits/Pricing:** To review the existing proposed rules of incentives and disincentives and the impact on pricing structures, and make recommendations on revisions/updates that may be required.
- **Demand Market Participation (DMP):** To review the system operator initiatives and make recommendations on how to alleviate pressure on the electricity demand and how to integrate this mature solution into the new scheme.



- **Trading:** To review the current proposed rules of the Trading of the Right to Consume Scheme, and develop recommendations and implementation options.
- **Electricity Growth Management (EGM):** To review the existing methodology on EGM, and make recommendations on how to allocate the available capacity in transparent manner.
- **Financing/Taxes:** To review the current account management practices, and the impact thereof on taxes, and provide recommendations and options for implementation.

Depending on the work load it is envisaged that additional teams may be established or existing teams consolidated.

The nature of the crisis and the uncertainty of the length and severity of the economic downturn means that the Task Teams have to complete their work over the next few months in order to meet the country's needs and to align with NERSA's revised timelines for public consultation and implementation.

If you have any queries or require any additional information in this regard, please contact Stephan.Mkhawane@gobodo.co.za – NERT-PMU Project Manager.

Regards

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