

Hearings on Electricity
Regulation Bill 10 October
2006

ELECTRICITY REGULATION AMENDMENT BILL
PARLIAMENTARY PORTFOLIO COMMITTEE ON
MINERALS AND ENERGY

SUBMISSION BY ESKOM
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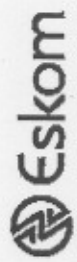
Introduction

- Objective of the Electricity Regulation Act is, inter alia to:
 - Achieve the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure
 - Ensure that the interest and needs of present and future customers and end-users are safeguarded ...within the broader context of economic energy regulation
 - Facilitate a fair balance between the interests of stakeholders
- Amendments need to be consistent with these objectives
- This presentation should be read together with Eskom's detailed submission

Definition of Reticulation

- The definition of Reticulation defines the type of regulation and thus the role of stakeholders:
 - NERSA authority (customers > 5000 MWh p.a.)
 - Municipal Constitutional authority (customers < 5000 MWh p.a.)
- Effective regulation is based on clear identification of assets and the associated costs
- A consumption based definition is impractical:
 - Reticulation and non-reticulation customers are supplied through common networks
 - It is difficult to distinguish the reticulation and non-reticulation assets bases
 - Annual consumption per customer varies and thus the reticulation customer base will be variable
- **Eskom recommendation:**
 - **Voltage based definition of reticulation**
 - **A voltage level (380 V) set to include the “community” as defined in the Bill**

Institutional/Regulatory Framework



Institutional/Regulatory Framework

Regulatory Powers

- Reticulation as defined is not subject to regulation by the Regulator
- This is contrary to the objective of an integrated and effective ESI/EDI
- Could lead to greater disparities
- **Eskom recommendation:**
 - Regulator can be given regulatory authority, consistent with the Constitutional imperatives
 - Such a provision should balance national regulatory oversight with the Constitutionally guaranteed powers of local government

Institutional/Regulatory Framework

Regulatory Enforcement and Oversight

- The existing enforcement provisions are too complex and involve numerous parties (Section 38 and 40)
- It does not reflect an optimal regulatory model
- **Eskom recommendation:**
 - Eskom proposes an alternative mechanism which gives the Regulator the necessary powers insofar as matters may not relate to that contemplated in Section 139 of the Constitution

Institutional/Regulatory Framework

Role of Minister and Regulator

- Powers regarding national standards should be allocated to the Regulator and not the Minister (Section 31)
- This would establish a more effective regulatory model by ensuring the independence of the regulator
- **Eskom recommendation:**
 - The Minister's role should be confined to policy