

# Electricity Regulations - Definitions of terms

This document explains terms used in the Electricity Regulation Act and the New Generation Regulations, particularly as the terms are legally/technically interpreted as used in the proposed People's Determination. Examples are also given below the definitions. These terms have specific limited meanings defined in the law and used in the law.

## Formal definitions

### Owner

The "owner" of an electricity generating plant can be either Eskom, a municipality or a private company, which is called an Independent Power Producer. The owner pays for the construction of the plant.

### Independent Power Producer, or IPP

This is a private company that builds an electricity generating plant. The IPP will have a contract to sell the electricity it generates.

### Buyer

The "buyer" is the entity which buys the electricity produced by an electricity generating plant. The buyer sells the electricity to someone else (for example electricity distributors or end-users), and can also use some of the electricity itself.

### Power Purchase Agreement, or PPA

A PPA is a contract between the owner of a generating plant and the buyer, if it is required.

### Procurer

If the owner is to be Eskom or a municipality, then the procurer will be Eskom or that municipality. In these cases the procurer will invite tenders for the engineering, equipment and the construction required to build the plant.

If the owner is to be an IPP, then the procurer will be either Eskom, a municipality, or the IPP office in the DMRE. In these cases, the "procurer" sets the terms of a PPA. The IPP which bids the lowest price is offered a PPA which will be signed by the buyer and the IPP if both parties agree.

### The National Energy Regulator of South Africa, or NERSA

NERSA is an independent regulator which issues licences for new power plants. NERSA must agree or 'concur' with a section 34 determination before it is valid.

# Examples

## Example 1: Eskom owned coal plant

The procurer would be Eskom.

The generating plant would be owned by Eskom.

There would be no IPP.

There would be no buyer in this case as Eskom owns the plant, and hence the electricity produced by the plant.

There would be no PPA.

## Example 2: IPP owned wind farm or solar plant

The procurer was the DMRE.

The generating plant (wind turbines or solar panels) are owned by a privately owned company.

That company is an IPP.

The buyer is either Eskom or a municipality, if they agree to signing the PPAs.

## Example 3: Municipality owned generating plant

The procurer was the municipality.

The generating plant is owned by the municipality.

There is be no IPP.

There is no "buyer" - the electricity is either used by the municipality (for example for street lighting) or it sells the electricity to consumers.

There is no PPA.

## Example 4: IPP owned plant supplying a Municipality

The procurer would be the municipality.

The generating plant would be owned by an IPP.

This could be a privately owned company, or a partnership between the municipality, communities and a private company.

The buyer would be the municipality.

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