

**18 September 2023**

## **MEDIA STATEMENT**

### **ENERGY REGULATOR DECISIONS OF SPECIAL MEETING NUMBER 264 OF 14 SEPTEMBER 2023**

The National Energy Regulator of South Africa (NERSA) announced that the Energy Regulator, at its special meeting held on 14 September 2023, made the following decisions:

#### **1. Application for a Trading Licence by National Transmission Company of South Africa (SOC) Limited**

The Energy Regulator approved that the National Transmission Company of South Africa (SOC) Ltd (NTCSA) be issued with a trading licence.

The trading licence application was made in terms of section 7(1)(c) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), which provides that *No person may, without a licence issued by the Regulator in accordance with this Act... be involved in trading.* The application was also lodged in compliance with section 10 of the ERA.

The service that will be rendered under the trading licence is the buying and selling of electricity as a commercial activity only. The NTCSA applied for a trading licence to buy and sell electricity from Eskom power stations, independent power producers (IPPs) under section 34 determinations, including cross-border electricity imports and IPP generators under the Eskom Holdings programmes, such as short-term power purchases only to Eskom Distribution exclusively.

The term of the NTCSA's trading licence will be five years as a transitional arrangement to allow for transition from the exclusive trading arrangement and incorporation of changes that may emanate from the ERA amendment and price review processes. This will enable the Energy Regulator to review the licence conditions after five years.

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#### **Regulator Members:**

Mr T Bukula (Chairperson) Ms Z Mpungose (Deputy Chairperson) \*Adv NP Sithole (Chief Executive Officer)  
\*Mr N Gumede \*Ms N Maseti \*Mr MW Mkhize Ms T Semane Mr FK Sibanda Ms PN Sibiya  
\*Full-Time Regulator Members

The NTCSA's application for a trading licence complies with the requirements of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) and the ERA.

## **2. Application for an Import and Export Licence by National Transmission Company of South Africa (SOC) Limited**

The Energy Regulator approved that the NTCSA be issued with an import and export licence, subject to licence conditions imposed.

The import and export licence application was made in terms of section 7(1)(b) of the ERA, which provides that *No person may, without a licence issued by the Regulator in accordance with this Act, import or export any electricity.* The application was further lodged in compliance with section 10 of the ERA.

The NTCSA intends to conduct import and export of electricity activities in terms of its import/export licence throughout the Southern African Development Community (SADC) using the NTCSA's transmission network and the transmission systems of other SADC member countries.

The service that will be rendered under the licence is importing and exporting power in terms of power supply agreements, power purchase agreements and Southern African Power Pool (SAPP) competitive markets. NTCSA will also facilitate wheeling on behalf of cross-border utilities and receiving a wheeling service from the cross-border utilities.

The approval will enable the continuation of import and export activities presently fulfilled by Eskom Holdings SOC Ltd. Imports and exports are transacted based on power purchase agreements and power sales agreements entered into with cross-border utilities, cross-border generators, as well as via the SAPP competitive markets. The transmission network operated by the NTCSA will be used for import and export activities.

## **3. Eskom's Standard Offer Power Purchase Agreement and Eskom's Emergency Power Procurement Programme Power Purchase Agreement**

The Energy Regulator noted Eskom's Standard Offer Power Purchase Agreement (SO PPA), Eskom's Emergency Power Procurement Programme (EPPP) PPA and the risk allocation in these PPAs.

In the Fifth Multi-Year Price Determination (MYPD5) (2023/24 and 2024/25 financial years), Eskom applied for costs related to the procurement of energy from independent power producers (IPPs) under the Standard Offer Programme and the EPPP for approval.

Section 13 of the MYPD4 Methodology requires the Energy Regulator to review the PPAs the licensees entered into before approval. This includes all short-term power purchase programmes

(STPPPs), medium-term power purchase programmes (MTPPPs), long-term power purchase programmes (LTPPPs) and cross-border IPPs. The reason for the review is to ensure the efficiency of all contracts before such contracts are concluded to ensure prudence and fair risk allocation between the IPP and the buyer (Eskom). The PPAs were analysed and found to have fair risk allocation between the buyers and the IPPs.

The above decisions were made after conducting due regulatory processes that include public participation. The detailed Decisions and Reasons for the Decision documents regarding the above decisions will be available on the NERSA website: [www.nersa.org.za](http://www.nersa.org.za) in due course.

**End.**

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