

**Licence Number: NER/TX02/2023**

**LICENCE TO OPERATE A TRANSMISSION FACILITY**

This Licence is issued by the National Energy Regulator of South Africa, hereinafter referred to as "NERSA", in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006). This Licence is issued to:

**NATIONAL TRANSMISSION COMPANY SOUTH AFRICA SOC LTD**

*(Company Registration No: 2021/539129/30)*

hereinafter referred to as "the Licensee". This licence is only for the purpose of the operation of the Transmission Facility within the national boundaries of the Republic of South Africa.

The operation of the Transmission Facility permitted under this licence is subject to the terms and conditions as contained in this licence and/or amendments to these conditions as imposed by the National Energy Regulator. These licence conditions must be adhered to at all times.

ISSUED at Pretoria on this 20<sup>th</sup> day of **March 2024**.



**CHIEF EXECUTIVE OFFICER**  
**NATIONAL ENERGY REGULATOR OF SOUTH AFRICA**



## Contents

Schedule 1 – Licence conditions .....	3
1 Definitions and interpretation and Acronyms .....	3
2 Interpretation.....	7
3 Term of Licence .....	8
4 Licensed activities.....	8
5 The Transmission Network Service Provider (TNSP).....	9
6 The System Operator (SO) .....	10
7 Transmission System Planner (TSP) .....	11
8 Transmission Development Plan (TDP).....	12
9 Prohibited activities .....	12
10 Standard performance .....	12
11 Service Agreements .....	13
12 Tariff .....	13
13 Provision of information .....	13
14 Health and safety.....	14
15 Inspections(s) .....	14
16 Investigation(s) .....	14
17 Change in control of Licensee.....	15
18 Amendment of Licence .....	15
19 Revocation of Licence.....	15
20 Contravention of Licence .....	15
21 Correspondence with the National Energy Regulator of South Africa.....	15
22 Whole Licence .....	16
23 Dispute resolution .....	16
Schedule 2 – Licence Area .....	17
Schedule 3 – Transitional Arrangements granted in the Licence.....	17
Schedule 4 Transmission transformation assets owned by the Licensee .....	17

## Schedule 1 – Licence conditions

### 1 Definitions and interpretation and Acronyms

1.1 The following capitalised terms as defined hereunder will be used in the interpretation of these licence conditions. Capitalised terms not defined hereunder, but used in these licence conditions, will carry the same meaning as the definitions in the Agreements or the Act (as the case may be):

<b>Ancillary Service(s)</b>	has the meaning given to it in the South African Grid Code and as defined in the System Operation Code, Section 4, including, but not limited to: <ul style="list-style-type: none"><li>• reserves as defined in section 4.1 of the Transmission Code;</li><li>• black start and unit islanding;</li><li>• constrained generation;</li><li>• reactive power supply and voltage control from units; and</li><li>• regulation and load following.</li></ul>
<b>Ancillary Services Purchase Agreement (ASPA)</b>	means the agreement concluded between the Licensee and a supplier of Ancillary Services.
<b>Augmentation</b>	in relation to an electricity transmission system, means the process of maintaining or upgrading the operating capability of the electricity transmission system by replacing or enhancing existing plant and equipment or by adding plant and equipment.
<b>Code(s)</b>	means as applicable, any code in respect of electricity distribution or transmission or generation as published by the Energy Regulator from time to time.
<b>Commencement Date</b>	means the date on which the agreement concluded between Eskom Holdings SOC Ltd and the National Transmission Company South Africa SOC Ltd pursuant to sections 113, 115 and 116 of the Companies Act No. 71 of 2008, in terms of which the transmission

business of Eskom Holdings SOC Ltd, as stipulated in the Eskom Transmission Licence, will be transferred to the applicant by operation of law ('Merger Agreement'), becomes fully effective.

<b>Connection</b>	means the physical connection of the Electrical Installation to the Transmission System.
<b>Curtailement</b>	means the instruction or action by the System Operator that reduces supply to, or load on, the Interconnected Power System and may include domestic (e.g. curtailment of generators) or international (e.g. export or import by third parties) curtailment or both, and exclusively for non-discriminatory grid stability and/or reliability purposes.
<b>Customer</b>	a legal entity that contracts with the Licensee, for the provision of transmission services; and 'customers' shall have the equivalent meaning.
<b>Delivery Point</b>	means the physical point or points, situated on the Site of the Facility, where the energy output is to be delivered or received.
<b>Distribution System</b>	means distribution's network infrastructure consisting of assets operated at a nominal voltage of 132kV or less, not classified as transmission transformation equipment.
<b>Eskom</b>	refers to Eskom Holdings SOC Limited (Registered: 2002/015527/30), a company registered in terms of the Company Laws of the Republic of South Africa, with its registered office at Megawatt Park, Maxwell Drive, Sandton.
<b>Financial Year</b>	means a period starting from the date immediately following the last day of the preceding accounting period, up to and including the last day of the accounting period.

<b>Grid Code Secretariat</b>	means the entity responsible for the administrative functions as defined in the Governance Code of the Grid Code.
<b>Interconnected Power System (IPS)</b>	the definition of IPS is not linked to specific assets, but includes those components of the electrical network that have a measurable influence, at transmission level, on each other as they are operating as one power system, as defined in the Grid Code.
<b>Licence</b>	means this Transmission Licence issued to the <b>National Transmission Company South Africa SOC Ltd</b> by the Energy Regulator in terms of the Electricity Regulation Act (Act No. 4 of 2006) and the appropriate conditions provided therein.
<b>Licensed Activities</b>	mean the operation of a transmission facility incorporating the functions as set out in clause 4.1 of the Licence.
<b>Licensee</b>	means the holder of the Licence.
<b>Merger Agreement</b>	means the agreement concluded between the Buyer (NTCSA) and Eskom Holdings SOC Ltd pursuant to sections 113, 115 and 116 of the Companies Act No. 71 of 2008, in terms of which the transmission business of Eskom Holdings SOC Ltd will be transferred to the Buyer by operation of law.
<b>National Energy Regulator of South Africa/the Energy Regulator</b>	means the National Energy Regulator established in terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) and the 'Regulator' shall have the equivalent meaning.
<b>NTCSA</b>	refers to the National Transmission Company South Africa SOC Limited (Registered: 2021/539129/30), a Company registered in terms of the Company Laws of the Republic of South Africa.

<b>Public Holiday</b>	means a public holiday as determined by the Public Holidays Act, 1994 (Act No. 36 of 1994). The Act determines whenever any public holiday falls on a Sunday, the Monday following on it shall be a public holiday.
<b>Rules</b>	mean the Rules made by the Regulator in terms of the Act.
<b>Service Agreements</b>	mean Connection Agreements, Distributor Consent, Wheeling Agreements, and Use-of-System Agreements.
<b>South African Grid Code</b>	means the set of documents entitled 'South African Grid Code' published by NERSA, as amended, modified, extended, replaced or re-enacted from time to time; and ' <b>Grid Code</b> ' has a corresponding meaning.
<b>System Operator (SO)</b>	means the function within the NTCSA responsible for short-term reliability of the IPS, which is in charge of controlling and operating the TS and dispatching generation (or balancing the supply and demand) in real time, in accordance with the Grid Code.
<b>Term</b>	means duration of the Licence or the period for which a Licence remains valid, as provided for in the Act.
<b>The Act</b>	means the Electricity Regulation Act, 2006 (Act No. 4 of 2006), and includes the Regulations made under the Act.
<b>Transitional Arrangements</b>	means any arrangement granted with the Licence to manage shortcomings in the licencing framework that are necessary to enable the granting of the licence, and that shall have a finite duration, and after expiry thereof shall no longer be valid.
<b>Transmission Licence</b>	means a licence issued in terms of section 4(a)(i)(aa) of the Electricity Regulation Act, 2006 (Act No 4 of 2006), to operate transmission facilities.

**Transmission System (TS)**

means all lines and substation equipment where the nominal voltage is above 132kV. All other equipment operating at lower voltages are either part of the Distribution System or classified as transmission transformation equipment (including dedicated  $\leq 132\text{kV}$  lines between Transmission Substations, from generation facilities to the Transmission Substations or dedicated lines from Transmission Substations to International Customers) – see Schedule 4. ‘Transmission Network’ and ‘Transmission Facility’ have the corresponding meanings.

**Transmission transformation equipment**

means transformers and associated assets linking the TS to the distribution system, units or end-use customers.

1.2 The following capitalised terms as defined hereunder will be used in the interpretation of these Licence conditions:

<b>Acronym</b>	<b>Description</b>
IPS	Interconnected Power System
NERSA	National Energy Regulator of South Africa
SO	System Operator
SOC	State-Owned Company
TDP	Transmission Development Plan
TNSP	Transmission Network Service Provider
TS	Transmission System
TSP	Transmission System Planner

**2 Interpretation**

2.1 In these Licence conditions, unless otherwise specified:

2.1.1 Words or phrases imparting the singular include the plural and vice versa.

2.1.2 Headings are for convenience only and shall not affect the interpretation of the licence.

2.1.3 Any reference to a document or a provision of a document includes any amendment or supplement to, or a replacement of, that document or that provision of that document.

- 2.1.4 Any reference to a numbered section is a reference to the section bearing that number.
- 2.1.5 In the computation of time, where there is a reference to a number of days between events, such computation of time will be counted by excluding the day on which the first event happens and including the day on which the second event happens. Where the time for an event expires on a Saturday, Sunday or Public Holiday, the event will take place on the next day that is not a holiday.

### **3 Term of Licence**

- 3.1 The Licence will take effect on the Commencement Date. Eskom shall give written notice to the Regulator of the implementation date of the Merger Agreement no less than 14 days prior to the licence Commencement Date.
- 3.2 The Licence will be valid for a period of 25 years from the date of issue.
- 3.3 Subject to the provisions of the Act and save for the circumstance contemplated in clause 3.2, the Term of this Licence may be renewed on application by the Licensee.
- 3.4 The Regulator may set different licence conditions on granting approval for the renewal of the Licence as contemplated in clause 3.3.
- 3.5 Any and all Transitional Arrangements, as itemised in Schedule 3, granted with the Licence shall be for the term of such Transitional Arrangements and not the term of the Licence.

### **4 Licensed activities**

- 4.1 The Licensee shall operate the Transmission facility and undertake the following key integrated functions that are central to ensuring the integrity of the .IPS, until indicated otherwise, namely:
  - 4.1.1 The Transmission Network Service Provider (TNSP);
  - 4.1.2 The System Operator (SO);
  - 4.1.3 Transmission System Planner (TSP); and
  - 4.1.4 Grid Code Secretariat function.
- 4.2 General Provisions of the licenced activities and integrated functions are as follows:
  - 4.2.1 The Licensee shall maintain facilities in accordance with the Grid Code, which shall include the resources necessary to plan, construct, maintain and operate the Interconnected Power System, including inter alia:



- 4.2.1.1 the procurement of all the integrated and ancillary services necessary to balance the grid and ensure network integrity and stability, in accordance with the Grid Code; and
- 4.2.1.2 all the essential services and systems, including power-systems, information and communication technology tools required for real-time monitoring and control of the power system and which enable the discharging of the obligations in 4.2.1.1.
- 4.2.2 In accordance with section 2 of the Act, read with sections 21(1) and 21(2) of the Act, the Licensee shall conclude Service Agreements with fair and reasonable terms, subject to the technical availability of transmission capacity, that provide non-discriminatory access to the transmission network to any user of the Transmission System that requests such access.
- 4.2.3 Disputes on non-discriminatory access, or any other contravention of the Act, will be referred to the Regulator.
- 4.2.4 The Licensee shall, where and when applicable, enter into relevant non-discriminatory transmission service agreements with generators, suppliers, importers, exporters and customers connected at transmission level, to formalise their service and/or technical relationships. These agreements shall include the duties and obligations of the parties, conditions, quality and terms of the transmission and associated services, and such other matters as may be determined by the Regulator from time to time. Copies of the agreements shall be made available to the Regulator.

## **5 The Transmission Network Service Provider (TNSP)**

- 5.1 The TNSP function within the NTCSA shall build, own, operate and maintain the Licensee's assets constituting its transmission network in accordance with the Grid Code in order to transmit electricity across the Transmission System within the area designated in Schedule 2.
- 5.2 The Licensee may own, operate or maintain defined transmission transformation equipment and assets on the Distribution System as agreed with customers and suppliers and recorded in Schedule 4 of the Licence.
- 5.3 The Licensee is obliged to make an offer, subject to clause 4.2.2, to connect onto its transmission network or to increase the capacity of an existing connection to:
  - 5.3.1 a holder of a generation, distribution network or transmission network licence, or
  - 5.3.2 a person who has been exempted by the Regulator from holding any of these licences.
  - 5.3.3 a person who is, or intends to become directly connected to the Licensee's transmission network subject to:
    - 5.3.3.1 receiving a request to do so with all the necessary information;

- 5.3.3.2 the person's ability to pay for the service requested; and
- 5.3.3.3 relevant technical constraints to be determined through consultation with such person(s).
- 5.4 No person shall be entitled to access the Transmission System unless that person has agreed to pay the applicable connection charge and the use-of-system (UoS) charge. The Regulator shall develop the methodology for the determination of a reasonable UoS charge that must be used by the Licensee when applying for UoS charges for approval by the Regulator.
- 5.5 The Licensee shall:
  - 5.5.1 deal with such requests for connection in accordance with any applicable Laws, Regulations, Rules and the Grid Code;
  - 5.5.2 enter into operating agreements with all entities connected to the Licensee's transmission network, defining their reciprocal obligations, in accordance with the Grid Code; and
  - 5.5.3 provide access to the grid on a non-discriminatory basis to generators, distributors connected at transmission level, traders and customers connected at transmission level.
- 5.6 The Licensee shall report to NERSA on amendments to Schedule 4, as well as to 5.5 above on an annual basis, and in a format provided by the Regulator.

## **6 The System Operator (SO)**

- 6.1 The SO function within the NTCSA shall control the operation of and be responsible for the short-term reliability, and stability, of the Interconnected Power System (IPS), as defined in the Grid Code, which shall include the obligations stipulated in section 4.2 of this licence. In so doing, the Licensee shall act in accordance with the prevailing Grid Code and any applicable rules that may be introduced from time to time, in order to:
  - 6.1.1 ensure system reliability, stability, safety and security;
  - 6.1.2 dispatch generation on a least-cost merit order basis;
  - 6.1.3 set operational procedures;
  - 6.1.4 control the operations of the IPS;
  - 6.1.5 acquire sufficient Ancillary Services; and
  - 6.1.6 provide operational information to the industry.
- 6.2 In the execution of its responsibility for system reliability, the SO shall have authority over the operation of the IPS, in accordance with the provisions of this licence, the Grid Code and any future rules that may be introduced from time to time.
- 6.3 The Licensee shall:

- 6.3.1 dispatch available electricity following clear least-cost merit order principles as defined in the Grid Code and penalise entities that do not perform as contractually agreed;
  - 6.3.2 make available necessary reserves for reliable operation and in line with the proposed energy mix;
  - 6.3.3 ensure voltage levels across the transmission system stay within the boundaries of the relevant Code;
  - 6.3.4 provide full transparency about the performance of the power system to all Customers and the general public; and
  - 6.3.5 facilitate the export and imports of electricity in accordance with whatever agreements may exist regarding international energy trading.
- 6.4 The Licensee shall report to NERSA on 6.3 above on an annual basis in a format provided by the Regulator.

## **7 Transmission System Planner (TSP)**

- 7.1 The TSP function within the NTCSA shall:
- 7.1.1 plan, refurbish and augment the Transmission System in accordance with the Grid Code;
  - 7.1.2 ensure planning and augmentation enables non-discriminatory access to users of the Transmission System; and
  - 7.1.3 offer to enter into use-of-system agreements within:
    - 7.1.3.1 the time periods specified in the Grid Code; or
    - 7.1.3.2 such other period as the Regulator determines to be reasonable.
  - 7.1.4 The Regulator may subject any planning and augmentation to a public participation and approval process in terms of section 10 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) if it receives objections from interested and affected parties.
- 7.2 The Licensee shall report to NERSA on 7.1 above on an annual basis in a format provided by the Regulator.
- 7.3 Augmentation of the Transmission System shall take place subject to:
- 7.3.1 a connection agreement with a customer where a new connection or extension to an existing connection is made; and

- 7.3.2 if the TSP within the NTCSA determines that augmentation of the Transmission System is required, it shall augment the Transmission System in accordance with efficient business and procurement practices.

## **8 Transmission Development Plan (TDP)**

- 8.1 The Licensee shall compile and publish a national indicative transmission development plan for the electricity supply industry in accordance with the Grid Code, as directed by the Regulator.
- 8.2 The Regulator may subject the TDP to a public participation and approval process in terms of section 10 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) if it receives objections from interested and affected parties.

## **9 Prohibited activities**

- 9.1 The Licensee shall not cede, transfer, or assign this licence or any such power or duty assigned hereto to any other person without the prior written consent of the Regulator.
- 9.2 The Licensee shall not, subject to the provisions of the Act and the Licence conditions, discriminate between generators, distributors, traders, importers and exporters, and transmission tied end-users in the discharging of its obligations to operate a transmission facility.

## **10 Standard performance**

- 10.1 The Licensee must:
- 10.1.1 keep this licence and the licence conditions issued, or copies of these documents on its premises;
- 10.1.2 comply with the Act and Regulations, Rules, guidelines, directives and standards issued by the Regulator from time to time;
- 10.1.2.1 save for exemptions approved by the Regulator, supplemented or replaced from time to time – refer to Schedule 3;
- 10.1.3 comply with restrictions and conditions imposed by any relevant government department, agency and/or authority whose decision can have an impact on the existence of this Licence and in the event of conflicting requirements, the Act will take precedence; and

- 10.1.4 comply with the terms and conditions of the Quality Incentive Schemes as set out by the Regulator, which will be reviewed by the Regulator annually for the previous year.

## **11 Service Agreements**

- 11.1 The Licensee must at all times comply with its obligations under the Service Agreements, subject to and in accordance with the terms and conditions of those Service Agreements.
- 11.2 The Licensee must keep original Service Agreements or copies of these documents at its premises.
- 11.3 The Licensee must at all times be able to provide a Connection Agreement for each Delivery Point as and when required to do so, or provide a copy of a current and valid Connection Agreement to the Regulator.

## **12 Tariff**

- 12.1 During the transition period, the NTCSA shall utilize the tariff as approved by NERSA in the MYPD5 control period.
- 12.2 Thereafter, the Regulator shall approve the tariffs that the Licensee shall charge for the use of its Transmission Network and for the connection of its customers to the Transmission Network. This tariff approval shall be done in accordance with NERSA's approved Pricing Methodology, as published by the Regulator from time to time.

## **13 Provision of information**

- 13.1 The Licensee must:
- 13.1.1 maintain records of the operation of the Transmission business and provide, in the manner and form prescribed by the Regulator, such information and documents as the Regulator may require from time to time for the purpose of performing the functions assigned or transferred to it under the law;
- 13.1.2 maintain a separate information and statement of accounts for the Licensee business in the form prescribed by the Regulator;
- 13.1.3 provide the Regulator with audited financial statements for each financial year in accordance with relevant financial legislations;

- 13.1.4 submit to the Regulator copies of the accounting statements and auditor's report within 180 days of the end of the Licensee's financial year; and
- 13.1.5 ensure that it provides such information as is necessary to customers, to facilitate the development of a market, in accordance with the prevailing Grid Code.

#### **14 Health and safety**

- 14.1 The Licensee must comply with applicable health and safety legislation, subordinate legislation, and such other requirements as may be applicable.

#### **15 Inspections(s)**

- 15.1 The Licensee must:
  - 15.1.1 consent to inspection at all reasonable times to be conducted by the Regulator or authorised persons on its behalf for the purpose of ascertaining the condition of the Licensee's business under this licence; and
  - 15.1.2 allow any person authorised by the Regulator to inspect and verify the accounts of Licensee, and it shall render all necessary assistance to such person.

#### **16 Investigation(s)**

- 16.1 As prescribed by the Act, the Regulator shall, in applicable circumstances, at its own instance or on receipt of a complaint or inquiry relating to the operation of the transmission facility, investigate complaints:
  - 16.1.1 of discrimination regarding tariffs or conditions of access;
  - 16.1.2 if the Licensee is involved, of failure to abide by its licensing conditions; or
  - 16.1.3 any other complaint provided for in the prevailing electricity regulation legislation.
- 16.2 The Regulator or authorised person may, on receipt of a report under 16.1, institute a formal investigation subject to the provisions of the Act.
- 16.3 On completion of the investigation and submission of a written report to the Regulator, the Regulator may:
  - 16.3.1 refer the investigation report to the Director of Public Prosecutions of the area concerned; and

16.3.2 if a Licensee is involved, act on the matter in accordance with the provisions of the Act.

## **17 Change in control of Licensee**

17.1 The Licensee must at all times provide the Regulator with the details of any changes in the registered name or operation status of the Licensee, or changes to the registered address or other contact details.

17.2 A Licensee must notify the Regulator of any Changes in Control of the Licensee.

17.3 The notification must be provided within 14 days after the event.

## **18 Amendment of Licence**

18.1 This Licence may be amended by the Regulator in accordance with the Act and the Rules.

## **19 Revocation of Licence**

19.1 This Licence may be revoked on application by the Regulator in accordance with the provisions of the Act and the Rules.

## **20 Contravention of Licence**

20.1 The Licensee must not act in any manner that is inconsistent with the Act, Rules or this Licence.

20.2 In the event of contravention, such contravention must be dealt with in terms of the Act.

20.3 In the event that allegations of contravention are proven, the Licensee may face the maximum penalty as envisaged in the Act.

## **21 Correspondence with the National Energy Regulator of South Africa**

21.1 All official communication with the Regulator must be in writing, unless directed otherwise by the Regulator, and must be addressed to the Chief Executive Officer and copied to the Full-Time Regulator Member responsible for Electricity Regulation and the Executive Manager of the Electricity Regulation Division.

21.2 Failure to comply with condition 21.1 will indemnify the Regulator against delay or non-performance of its duties in terms of the Licence.

21.3 The communication can be sent by any means possible including registered post, fax, email (or any other appropriate electronic means) and hand delivery (including any appropriate third-party delivery service) delivered to the registered address of the National Energy Regulator of South Africa, noting that the onus will be on the Licensee (or its appointed representative):

21.3.1 to ensure that the correct delivery details are used; and

21.3.2 to request proof of delivery.

21.4 The Licensee must, in all correspondence with the Regulator, quote the Licence reference number, as it appears on the Licence certificate.

## **22 Whole Licence**

22.1 This Licence constitutes the entire licence and supersedes all prior understandings and agreements between the Licensee and the Regulator.

## **23 Dispute resolution**

23.1 Save for the provisions of the Agreements:

23.1.1 the Regulator may act as mediator if so requested by the parties to settle the dispute; or

23.1.2 the Regulator may appoint a suitable person to act on its behalf towards the settlement of the dispute, and any action or decision of a person so appointed is deemed to be an action by or decision of the Regulator.



## Schedule 2 – Licence Area

Within the national boundaries of the Republic of South Africa.

## Schedule 3 – Transitional Arrangements granted in the Licence

Item	Licence Condition	Terms of Arrangement	Timeline
1	10.1.2.1	NERSA-approved exemptions granted to Eskom for the Transmission licence will remain valid for the NTCSA Licence.	For the duration of the exemption.

## Schedule 4 Transmission transformation assets owned by the Licensee

Voltage	Number of Lines	Total Length (km)
88kV	2	17
110kV	1	6
132kV	36	714