Market Code Consultation WS 8
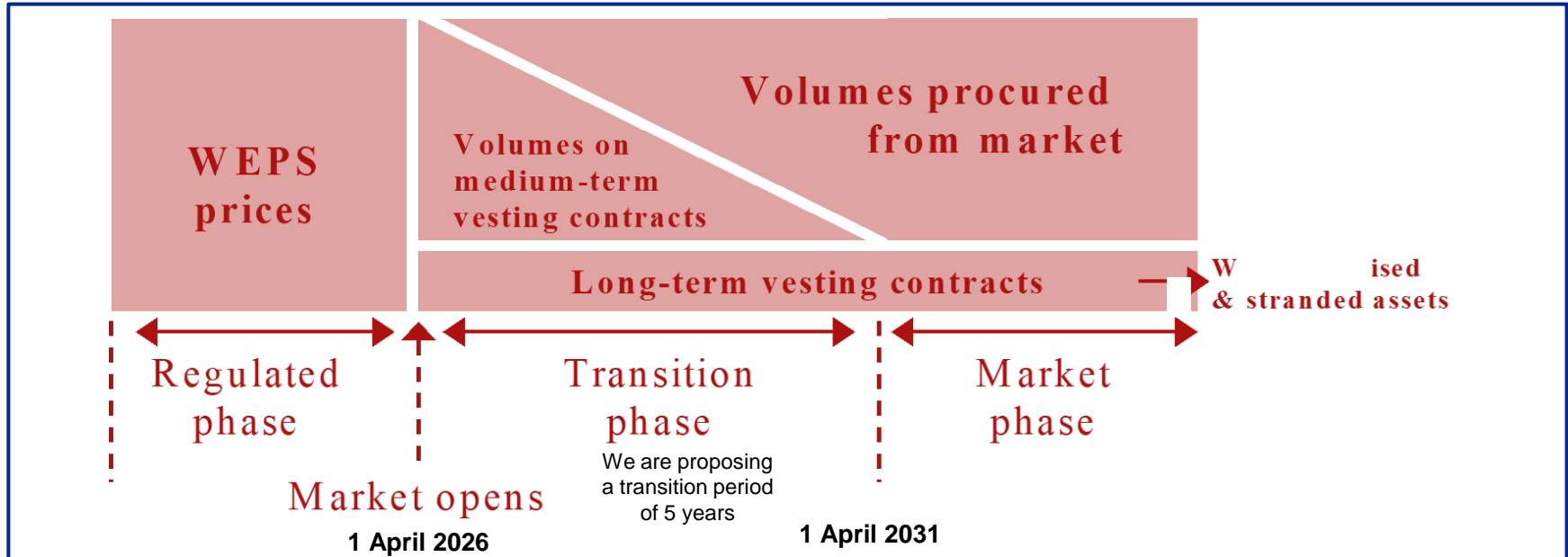
Vesting contracts

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Transition: Vesting contracts

WEPS prices

Volumes on medium-term vesting contracts

Volumes procured from market

Long-term vesting contracts

W   ised & stranded assets

Regulated phase

Transition phase

We are proposing a transition period of 5 years

Market phase

Market opens

1 April 2026

1 April 2031

- Vesting contracts are aimed at curbing the **exercise of market powe**r by the generation companies, to promote efficiency and competition in the electricity market for the benefit of consumers.
  - With the vesting contracts, generation companies are committed to sell a specified amount of electricity at a specified price This removes the incentives for generation companies to exercise their market power by withholding capacity to push up spot prices in the wholesale market.
  - Vesting contracts can manage the transition to full competition in electricity and **manage the financial risk** of market participants.
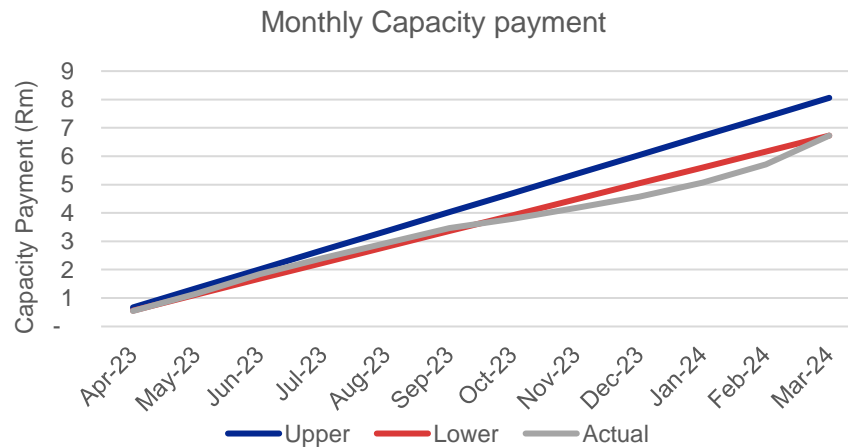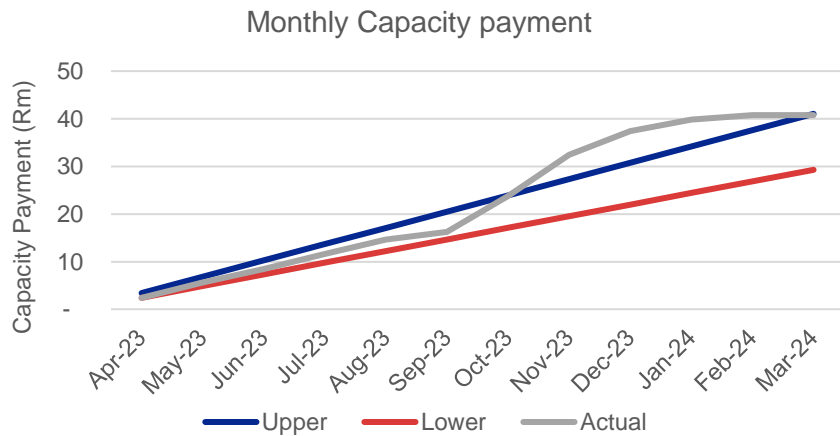
Transition: Vesting volumes

Energy	2026_27	2027_28	2028_29	2029_30	2030_31
Eskom Gx Non-peaking	163 915	139 214	124 672	124 322	120 873
S34 IPPs	35 214	57 259	71 610	70 952	70 707
Eskom Dx	190 927	190 543	188 767	187 732	186 008
Difference	-8 203	-5 930	-7 515	-7 541	-5 572

163 915

111 371

74 803

49 729

24 175

35 214   57 259   71 610   70 952   70 707
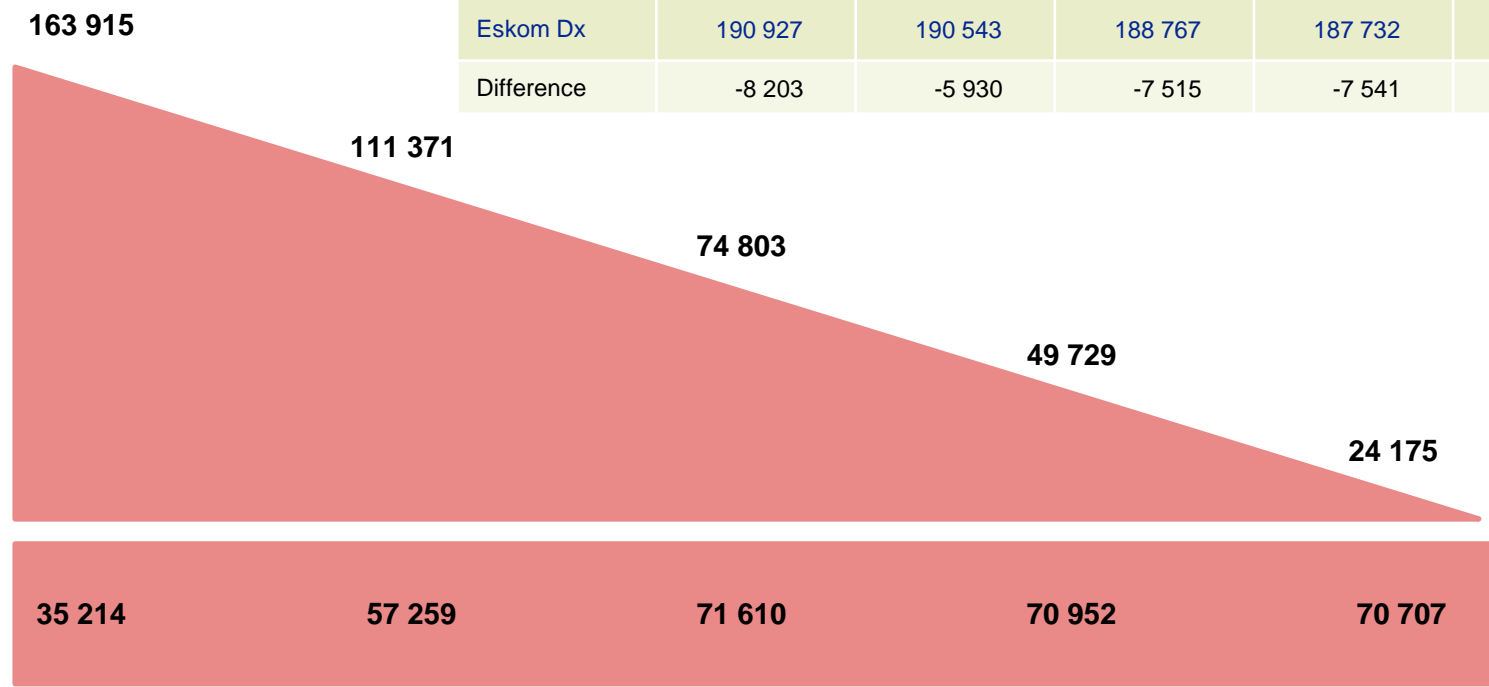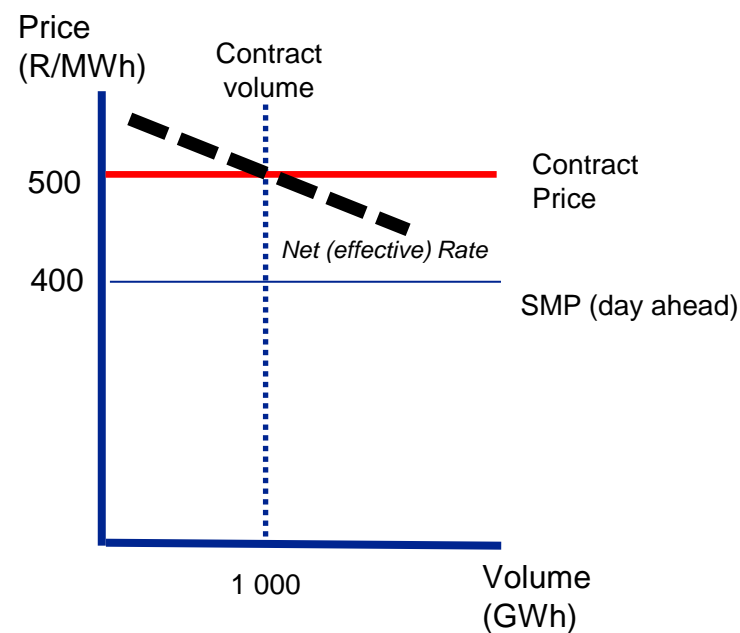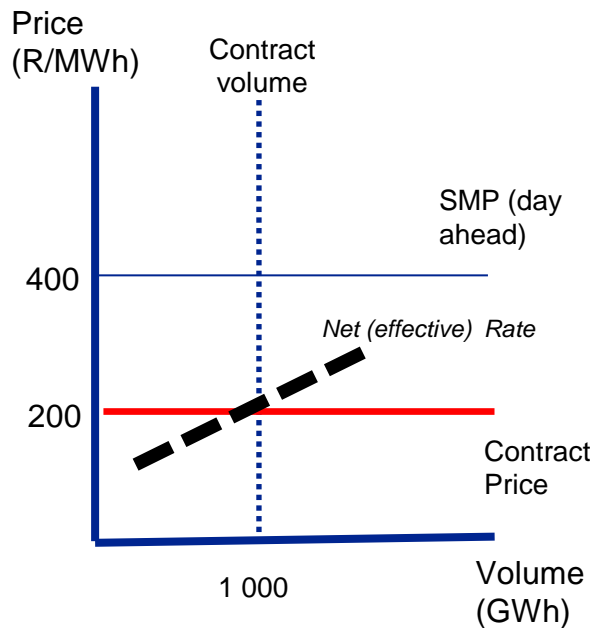
Vesting contracts: upstream

- Capacity payment
    - Expected availability (cone for actual performance)
    - Start-up costs
- Energy hedge
- Ancillary services (including hedge for reserves)

Monthly Capacity payment

Monthly Capacity payment

Hedging principles

Price (R/MWh)

Contract volume

SMP (day ahead)

400

Net (effective) Rate

200

Contract Price

1 000

Volume (GWh)

Price (R/MWh)

Contract volume

Contract Price

500

Net (effective) Rate

400

SMP (day ahead)

1 000

Volume (GWh)

Where CfD has **an associated volume** (as in standardised product) the parties continue to have the incentive to respond to the spot price (i.e. not purchase when the spot price is high, or alternatively consume more where prices are low)

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Impact of CFD on revenue

	April	May	June	July	August	September	October	November	December	January	February	March
Avg SMP (R/MWh)	1 131.74	1 031.77	820.07	1 083.56	1 192.36	1 250.04	722.69	1 692.88	1 178.16	1 576.40	2 117.95	1 499.78
Strike price (R/MWh)	207.00	207.00	207.00	207.00	207.00	207.00	207.00	207.00	207.00	207.00	207.00	207.00
Contract volume (GWh)	1 377	1 463	1 394	1 473	1 167	1 122	1 319	1 290	1 304	1 337	1 259	1 201
Actual volume (GWh)	1 583	1 449	1 394	1 399	1 085	1 201	1 438	1 225	1 225	1 136	1 108	1 381
Net price (R/MWh)	327.62	198.67	207.00	160.87	132.83	275.24	249.58	128.80	145.01	- 34.66	- 53.58	375.62

Price (R/MWh)

Contract volume

1178

SMP (day ahead)

Net Rate

207
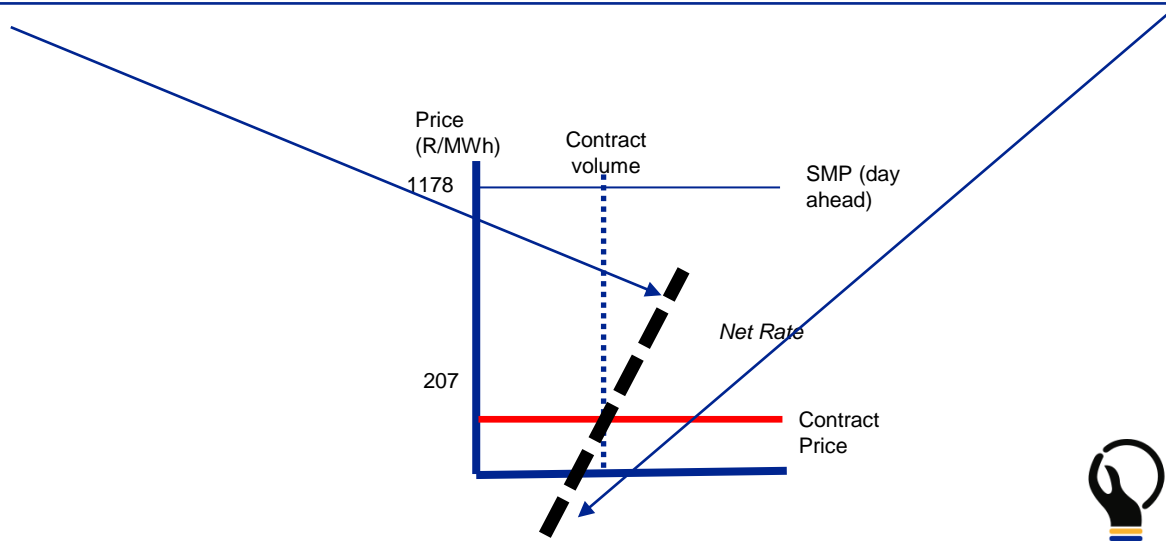
Contract Price

Vesting contracts: downstream

- Wholesale tariff structure
  - Capacity charge
  - Legacy charge
  - Subsidy charge
  - Active energy rate (reference price)

- Vesting contract covers hedge to the active energy rate

Legacy (R148/MWh)

Capacity (R110/MW)

Active Energy

	High	Low
P	6 833.13	2 835.75
S	1 708.28	1 594.40
P	1 138.85	1 138.85

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Impact of CFD on wholesale energy cost

	April	May	June	July	August	September	October	November	December	January	February	March
Tariff Peak rate (R/MWh)	2 835.75	2 835.75	6 833.13	6 833.13	6 833.13	2 835.75	2 835.75	2 835.75	2 835.75	2 835.75	2 835.75	2 835.75
Avg SMP Peak (R/MWh)	1 435.94	1 441.30	1 279.45	1 382.97	1 818.27	1 915.09	1 427.89	2 091.79	1 612.19	2 029.76	2 309.05	1 805.60
Contract Peak (GWh)	*2 622*	*2 766*	*2 510*	*2 968*	*2 697*	*2 473*	*2 834*	*2 541*	*2 490*	*2 656*	*2 400*	*2 485*
Actual Peak (GWh)	*2 255*	*2 821*	*2 510*	*2 523*	*2 886*	*2 201*	*3 061*	*2 541*	*2 589*	*2 842*	*2 448*	*2 336*
Peak net rate (R/MWh)	3 063.62	2 808.41	6 833.13	7 794.92	6 505.05	2 949.54	2 731.46	2 835.75	2 788.69	2 783.02	2 825.42	2 901.50

Price (R/MWh)

Contract volume

2835 — Tariff Peak Price

2028 — SMP (day ahead) peak

Net Rate

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