

**APPLICATION FOR A MARKET OPERATOR LICENCE IN TERMS OF THE
ELECTRICITY REGULATION ACT, 2006 (ACT NO. 4 OF 2006) AS AMENDED**

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SECTION A PARTICULARS OF APPLICANT

A1 Full name of applicant (business name) and business registration number

National Transmission Company South Africa SOC Ltd

Registration number: 2021 / 539129 / 30

A2 Address of applicant, or in the case of a body corporate, the registered head office

Physical address:

2 Maxwell Drive

Sunninghill

Sandton

Gauteng

2157

Postal address:

PO Box 1091

Johannesburg

Gauteng

2000

A3 Telephone number of applicant: [REDACTED]

A4 Fax number of applicant:

A5 Email address of applicant: [REDACTED]

A6 Contact person:

First name: [REDACTED]

Surname: [REDACTED]

Telephone No: [REDACTED]

Mobile No: [REDACTED]

Fax No.:

Email address: [REDACTED]

A7 Legal form of applicant

National Transmission Company South Africa SOC Ltd

Registration number: 2021 / 539129 / 30

Names of Directors:

- Priscillah Mabelane, Chairperson
- Brian Armstrong
- Tryphosa Ramano
- Busisiwe Vilakazi
- Sedzani Mudau
- Francis Petersen
- Auke Lont
- Mark Swilling
- Anu Sing
- Carmen Le Grange
- Lungile Mashele
- Monde Bala
- Ragini Ramkumar

Company Secretary:

Ditebogo Khumalo

The National Transmission Company South Africa SOC Ltd is a juristic person and a state-owned company.

SECTION B COMMENCEMENT DATE OF LICENCE

B1 *Desired date from which the licence (if granted) is to take effect.*

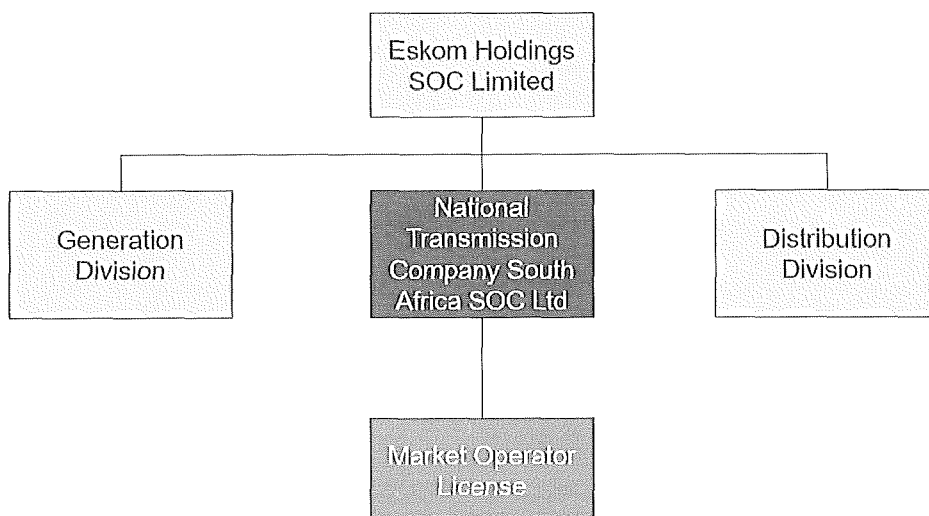
The Market Operator Licence is to take effect on the date of the issuance of license by NERSA or the approval of the Market Code by NERSA, whichever occurs last.

The implementation of the South African Wholesale Electricity Market (SAWEM) platforms is planned for 1 April 2026.

Scope of Licence Application and Company Shareholding

The National Transmission Company South Africa SOC Ltd (hereafter referred to as “NTCSA”) is a wholly owned subsidiary of Eskom Holdings SOC Ltd as shown in Figure 1.

Figure 1: National Transmission Company South Africa SOC Ltd Licensing



NTCSA currently holds three licences for (i) the operation of a transmission facility (including system operation); (ii) trading of electricity and (iii) import and export of electricity. Its activities include:

- to plan, construct, maintain, and operate the interconnected power system, the transmission grid.
- Import and export of energy through the Southern African Power Pool (SAPP) and on a bilateral basis.

- Trading, in terms of which it will buy energy from Eskom generators and IPP's as procured by the Minister of Electricity and Energy and sell to Eskom Distribution.

NTCSA has a vertical relationship with Eskom Holdings SOC Ltd by virtue of Eskom being its shareholder. It has a horizontal relationship with Eskom through Eskom Generation and Eskom Distribution who are licensees by virtue of buying energy from Eskom Generation licensee and selling to Eskom Distribution licensee. NTCSA also has a contractual relationship with IPPs by buying energy from them.

This licence application by NTCSA to act as a Market Operator, is being submitted in terms sections 7(1) and 10 of the Electricity Regulation Act (2006), as amended.

SECTION C AREA OF OPERATION TO WHICH APPLICATION RELATES

C1 Please provide a sufficient description of the area of operation to which the application relates.

As per the ERA (as amended)¹ the NTCSA will, from the effective date of the Amendment Act (i.e. 1 January 2025) for a period of five years, fulfil the responsibilities of the Transmission System Operator which includes the Market Operator function. This includes the operation of a 'transparent, non-discriminatory trading platform and trading mechanism for power market participants' for the South African wholesale market.

C2 Please provide a sufficient description of market operator activities and the market participants.

The Market Operator will:

¹ 34A. (1) Subject to section 35C(1), the Minister of Public Enterprises must establish a juristic person to be known as the "Transmission System Operator SOC Limited" in order to provide an open market platform that shall allow for competitive electricity trading.

(2) The duties, powers and functions of the Transmission System Operator SOC Limited referred to in subsection (1) shall include the following:

- (a) To be a transmitter;
- (b) system operation;
- (c) to be a market operator; and
- (d) to be a central purchasing agency.

34B. (3) A market operator must—

- (a) provide for a transparent, non-discriminatory trading platform, approved by the Regulator, for power market participants to trade;
- (b) develop a market code and rules, including qualifying criteria for power market participants approved by the Regulator; and
- (c) the market code shall include, but is not limited to, provisions related to the following:
 - (i) The different types of markets necessary to ensure effective and secure operation of the industry including both physical and financial transactions between power market participants in the appropriate timescales, to enable the market transactions and regulated transactions;
 - (ii) the method of operation, as well as development of systems, processes and procedures for the implementation of these markets;
 - (iii) provisions for reconciliation in order to identify imbalances between scheduled and actual production, the consumption of electricity by power market participants, and the allocation of costs of remedial action and penalties where applicable;
 - (iv) the qualifying criteria for power market participants, including financial and prudential requirements;
 - (v) governance of the market code, including mechanisms for power market participants and stakeholders to propose changes to the code; and
 - (vi) any other aspects necessary for effective and efficient market operation.
- (4) A transparent, non-discriminatory trading platform and trading mechanism for power market participants referred to in subsection (3)(a) is envisaged to be a competitive multi-market structure, which provides for market transactions, physical bilateral transactions and regulated transactions.

35C. (1) From the effective date of this Act, until the date that the Transmission System Operator SOC Limited referred to in section 34A(1) is established, which period shall not be longer than five years, the National Transmission Company South Africa SOC Limited—

- (a) is for all purposes deemed to be the Transmission System Operator SOC Ltd;
- (b) must perform the duties, powers and functions of the Transmission System Operator SOC Ltd; and
- (c) in exercising its duties, must do so in a manner that is independent and ensures fair and equitable treatment of all system users.
- (2) During the period of transition referred to in subsection (1), the Regulator shall exercise regulatory oversight and facilitate the transition to a competitive market.
- (3) Notwithstanding the provisions of subsection (1), the Regulator must, subject to the conditions determined by the Regulator, upon application by the National Transmission Company South Africa SOC Limited and after satisfying itself regarding the appropriateness thereof, issue the relevant licence to the National Transmission Company South Africa SOC Limited for the performance of the duties, powers and functions of the Transmission System Operator SOC Ltd as provided for in section 34A(2).

- (a) provide transparent, non-discriminatory trading platforms for Power Market Participants to trade as specified in the South African Wholesale Electricity Market (SAWEM) Market Code as contemplated in the ERA. The platforms include the day-ahead energy, day-ahead reserve, and intra-day energy markets. Power Market Participants (as defined in the ERA) can choose to participate on the Market Operator platforms but must meet qualifying criteria set by the Market Operator (and approved by NERSA). The qualifying criteria for the Power Market Participants (which should not be a condition of the Market Operator licence) will be contained in the Market Code still to be developed and approved. It is proposed that the criteria are:
- (i) A generator with a capacity threshold of 100kW and above connected, or embedded in a customer network that is connected, at high-voltage or medium-voltage may apply to be a Market Participant
 - (ii) Any licensed trader may apply to be a Market Participant
 - (iii) A licensed Distributor or Transmission entity may apply to be a Market Participant
 - (iv) A consumer connected at high-voltage or medium-voltage may apply to be a Market Participant
- (b) provide a balancing mechanism to reconcile imbalances between scheduled and actual production and consumption of electricity for Balance Responsible Parties (as defined in the ERA) where the scheduled production or consumption is established through day-ahead declarations from Balance Responsible Parties and day-ahead, intra-day and balancing energy trades by Power Market Participants. For the purposes of the balancing mechanism the Balance Responsible Parties will be defined in the Market Code. This definition should not be a condition of the Market Operator licence but is proposed as:
- (i) A generator operating a generating unit or facility with a maximum continuous rating of 10 MW or greater, is licensed or registered by NERSA and is connected to the Integrated Power System;
 - (ii) A licensed trader that is a counter-party to a physical bilateral with a generator as indicated in (a) or supplies electricity to a consumer that does not itself purchase electricity from a licensed Distributor and is not a Market Participant;
 - (iii) A licensed Distributor that does not purchase any energy from another Distributor that is itself a Balance Responsible Party;
 - (iv) Any Power Market Participant (including a consumer that is a Power Market Participant).
- (c) Develop the SAWEM Market Code to be approved by NERSA;
- (d) Operate the markets as required under the SAWEM Market Code to ensure effective and secure operation of the South African electricity industry, including the development of appropriate systems, and procedures for the implementation of these markets. The SAWEM markets shall be operational

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by 1 April 2026, or within six months of the approval of the SAWEM Market Code by NERSA (if such approval is not final by 1 October 2025);

- (e) The Market Operator shall establish Balancing Agreements for all Balance Responsible Parties and Market Participation Agreements for all Power Market Participants, as well as application forms for both and processes for approving such applications, and the processes to facilitate and ensure prudential requirements for Market Participants as required in the SAWEM Market Code.
- (f) Support the market governance established in the SAWEM Market Code as the Secretariat for the governance entities;
- (g) Develop and operate a Market Surveillance Unit; and
- (h) The Market Operator would apply a regulatory approved wholesale tariff to Balance Responsible Parties and Power Market Participants.

In terms of section 34B of the ERA, a market operator must “*develop a market code and rules, including qualifying criteria for power market participants approved by the Regulator*”.

A market cannot be operated without the market code and rules in place. NTCSA will submit the market code, rules, qualifying criteria for approval the Regulator prior to operating a trading platform. The market code is under development, electricity industry wide stakeholder consultation has been conducted and is close to finalisation whereafter the market code will be submitted to the Regulator for approval. Commencement of the operation of trading platform is dependent upon the approval of a market code by the Regulator.

SECTION D PARTICULARS OF LONG-TERM ARRANGEMENTS WITH OTHER TRADING ENTITIES

D1 Name of other market participants as applicable

The Power Market Participants will be voluntary participants meeting the qualifying criteria as set out in the Market Code.

D2 Particulars of the contractual arrangements with market participants if applicable

Participation agreements will be signed with Power Market Participants and Balancing agreements will be signed with Balanced Responsible Parties.

SECTION E CUSTOMER PROFILE

E1 Provide particulars of the person or persons to whom the applicant is providing or intends to provide Market Operator services to. Also provide details of proposed tariffs for the Market Operator services.

The Market Operator provides the balancing mechanism for Balance Responsible Parties (defined above). The initial Balance Responsible Parties at the launch of the SAWEM shall include (but not be limited to):

- Eskom power stations as licensed;
- NTCSA Central Purchasing Agency;
- Eskom Distribution;
- NTCSA Transmitter (for network losses)
- Licensed or registered generators and licensed traders that meet the Balance Responsible Party criteria above.

The Market Operator provides the trading platforms for Power Market Participants (defined above). The initial Power Market Participants at the launch of the SAWEM shall include (but not be limited to):

- Eskom power stations as licensed;
- NTCSA Central Purchasing Agency;
- Eskom Distribution;
- NTCSA Transmitter (for network losses);
- Additional Power Market Participants and Balance Responsible Parties approved in time for the launch of SAWEM.

Proposed tariff for Market Operator Services:

Access fees

Power Market Participants shall pay a monthly access fee in a fee structure approved by the regulator. This should apply as a R/MW for the maximum of (i) the total generating capacity offered to the market in any hour of the month or (ii) the total consumption bid to the market in any hour of the month.

Balancing fees

Balance Responsible Parties shall pay a variable energy charge applicable to the total imbalance energy applied in the balancing mechanism (excluding any energy deviation instructed by the System Operator).

SECTION F FINANCIAL INFORMATION

1. Overview: NTCSA Financial Information

1.1. Future Forecasts

The planned expenditure / budget for the Market Operator is included in Table 1 below. This incorporates an increase in resources to operate the SAWEM from 1 April 2026 as well as the development and preparation for this commencement date.

Table 1 – Budget for the Market Operator for next five years (R'million)

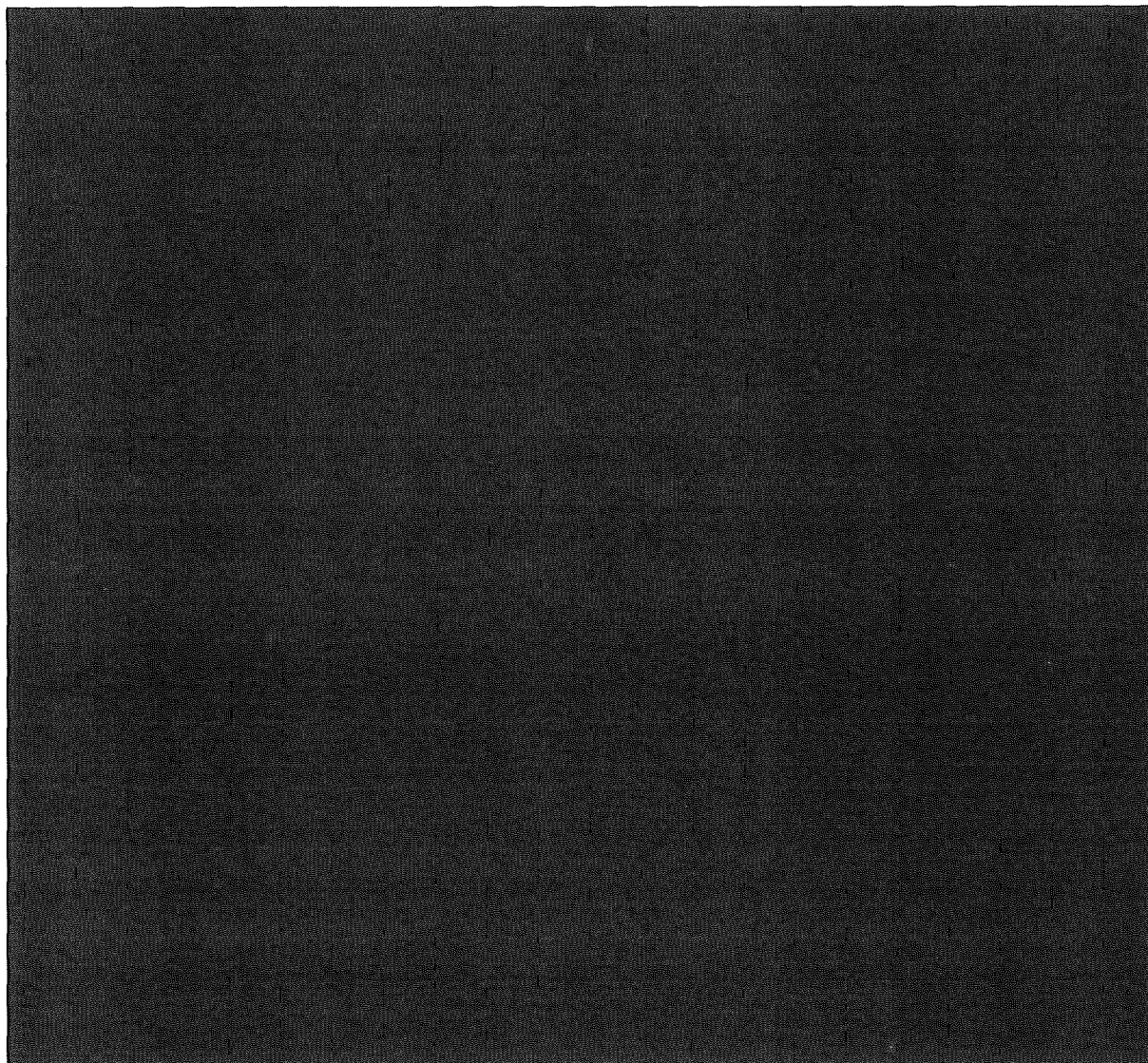
	FY2026- Plan	FY2027- Plan	FY2028- Plan	FY2029- Plan	FY2030- Plan
Total	17.9	31.0	32.4	33.8	35.4

RESPONSES TO SPECIFIC FINANCIAL QUESTIONS:

F1 Submit projections of and current statements of the accounts in respect of the undertaking carried on by the applicant, showing the financial state of affairs of the most recent period, together with copies of the latest audited annual accounts where such have been prepared.

Annual Financial Statements of NTCSA as at 31 March 2024 are attached in Appendix A. Included in Table 2 find the current projections for the NTCSA and the planned Market Operator activities in Table 3;

Table 2 -



NTCSA follows a robust annual budgeting cycle; comprising of capital and operational cost budgeting. Guidance is taken from Eskom Holdings in terms of the financial parameters that are used in compiling the budgets. Budgets also need to take cognisance of the NERSA determined revenue determination and adjusted accordingly.

The Revenue, Primary energy and transfer pricing components form part of the extensive energy wheel budget calculations involving all the major role players ie Generation, Distribution and Transmission.

The budgets get formally presented to the investment and Finance Committee and then to NTCSA Board. Once approved, it is then submitted to Holdings Board for consolidation,

approval, and submission to National Treasury and the Minister for consideration and approval.

F2 Submit annual forecasts for the next five years of costs, sales and revenues generated by the project, stating the assumptions underlying the figures.

The table below provides an estimate of the costs associated with the Market Operator function (allocated to the voluntary platforms – day-ahead and intra-day – and the obligatory balancing mechanism) as well as a forecast of the peak volumes through the voluntary platforms and total balancing volumes for the first five years of SAWEM operations.

Table 3 – Costs associated with the Market Operator function and potential participant volumes

	2026/27	2027/28	2028/29	2029/30	2030/31
Market Operator platform costs (day-ahead, intra-day) (R000)	23 281	24 310	25 389	26 517	27 695
Market Operator platform costs (balancing mechanism) (R000)	7 760	8 103	8 463	8 839	9 232
Average monthly peak demand (day-ahead) (1)	29 175	29 072	28 800	28 655	28 365
Annual balancing volumes (GWh)	11 000	11 000	11 000	11 000	11 000
Access fee income rate (R/MW/month)	33	35	38	39	41
Balancing fee income (R/MWh)	0.705	0.737	0.769	0.803	0.839

Notes: (1) FY25 peak demand 33 485, expected reduction with increased physical bilateral trade based on MYPD 6 sales projections, and applying average monthly peak factor of 0.9

(2) FY24 total system energy of 222 TWh with 5% expectation for real-time balancing

(3) Market Operator costs (for FY27) include R62m for employee benefits (assuming 40 full time staff) and R15m for systems related expenses. This is allocated 75% to the voluntary platforms and 25% to the balancing mechanism. Escalation assumed at 5% p.a.

F3 Estimates of net annual cash flows for subsequent periods (5 years; 10 years; 15 years) sufficient to demonstrate the financial security and feasibility of Market Operator activities.

Estimating volumes traded on the day-ahead and intra-day platforms is difficult given that after the five-year transition period it is unclear how Eskom generators will participate once the vesting contracts are terminated. The introduction of a capacity market during the transition may direct capacity to continue to participate in the day-ahead market.

Balancing volumes likely to continue at previous levels if not grow as economic growth drives new electricity demand.

F4 Market Operator financing: Who will finance, how is funding split between debt and equity, and what is the terms and conditions of the funding agreements.

The Market Operator is a business unit in the NTCSA. The NTCSA during the transitionary phase is a subsidiary of Eskom Holdings SOC and would be funded through NERSA approved revenue. After the transitionary period, would be financed by the Transmission System Operator SOC Ltd (TSO) and through NERSA approved tariffs. It is expected, as per the ERA amendment, that the operation of the NTCSA will be transferred to an independent TSO (which will also be a regulated business) within five years of the effective date of the ERA Amendment.

F5 Fixed Assets – Provide summary of total assets of all Market Operator

There are currently no fixed assets in the Market Operator.

SECTION G HUMAN RESOURCES INFORMATION

G1 Submit details of the number of staff and employees and their categories in the service of the applicant in any support services separate from the applicant. Also provide information regarding relevant qualifications and experience in critical areas e.g. Professional registration (Engineering Council of South Africa – ECSA), Government Certificate of Competency.

1. Human Resources Overview

The information in this section is a depiction of the current NTCSA as at December 2024.

Market Operator activities as described in this licence application will primarily be conducted by employees in the Energy Market Services business unit. Support services (HR, IM, Finance, Legal, etc. will be provided by NTCSA corporate functions). Administrative, financial and technical abilities to conduct market operation exist but may need to be augmented with this being a specialised area.

Table 4 – Energy Market Services Workforce Plan

	FY 2024/25	FY2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Total Work Force	84	105	126	147	168

2. Current Transmission staff complement and Employment Equity Profile

Table 5 details the total NTCSA Energy Market Services total staff complement as at December 2024 including the respective skills categories and equity profile per department (indicating the Market Operator function amongst others).

Table 5 – Total NTCSA Energy Market Services Staff Complement

	Executive	Professional	Skilled	Grand Total
FEMALE	2	16	8	26
African	1	10	4	15
Asian		3	1	4
Coloured	1	1	2	4
White		2	1	3
MALE	2	11		13
African		6		6
Asian	1	4		5
White	1	1		2
Grand Total	4	27	8	39

3. Workforce Plan

For workforce plan refer to G1, Table 4.

4. Skills Development and Pipelining

The Market Operator has developed a detailed workforce plan which provides for skills and capacity development in compliance with the Skills Development Act and its regulations. New training initiatives will be launched to develop skills in the unique area of electricity markets.

5. HR Legislation

NTCSA HR is responsible for making sure that the company meets its legal obligations in terms of compliance to the following legislation:

- Labour Relations Act 66 of 1995,
- Employment Equity Act 55 of 1998,
- Basic Conditions of Employment Act 75 of 1997,
- Skills Development Act 97 of 1998,
- Skills Development Levies Act 9 of 1999
- Unemployment Insurance Act 30 of 1996.
- Compensation for Occupational Injuries and Diseases Act 130 of 1993

SECTION H PERMISSION FROM OTHER GOVERNMENT DEPARTMENTS OR REGULATORY AUTHORITIES

H1 Please provide of copies of the permits issued by other government departments or regulatory authorities in respect of market operator activities.

1. Clearing House function

Application to be made to Financial Services Conduct Authority on clearing house role to manage payments to and from Market Operator as required.

2. Safety

NTCSA subscribes and commits to compliance with the OHS Act, Act 85 of 1993 and Eskom Holdings SHEQ Policy (32-727). Based on each Business Unit and Grid's operational scope and activities, Transmission complies to all applicable legal obligations including National, Provincial and Local Municipality By-laws, which are managed and updated on the SHE Legal Register and also tracked on the OHS Compliance Universe.

SECTION I BROAD-BASED BLACK ECONOMIC EMPOWERMENT

II Please provide information in terms of the following categories:

COMPONENTS	POINTS	0.5	0.75	1	NTCSA YTD Jan 25
Direct Empowerment	Black Ownership	10% to <20%	20% to 50%	>50%	N/A ²
	Black Management	20% to <35%	35% to 50%	>50%	83.66% ³
	Black Female Management	1% to <5%	5% to 10%	>10%	41.48%
Human Resource Development	Black Skilled Personnel as % of payroll	20% to <35%	35% to 50%	>50%	92.17% ⁴
	Skills Development Programs as % of payroll	1% to <5%	5% to 10%	>10%	2.82% ⁵
	Employment Equity i.e. Women Representation	20% to <35%	35% to 50%	>50%	41.17% ⁶
Indirect	Procurement from Black/BEE Suppliers	20% to <35%	35% to 50%	>50%	90.10% ⁷

² Direct Empowerment – NTC ownership: Shareholding is 100% Government

³ Black Management includes: Top Management, Senior & Middle Management and Professionals T14 - F band

⁴ Black Skilled % includes: Top Management, Senior & Middle Management and Skilled Professionals, T09 - F band

⁵ Skills Development Programs actual training spend as % of YTD Jan 25

⁶ Employment Equity i.e. Women Representation is inclusive of White Females across all occupational levels

⁷ Procurement from Black/BEE Suppliers (exclusive of IPP within the total procurement spend measure)

Empowerment	Enterprise Development i.e. Monetary Investment or quantifiable non-monetary support in SMME with BEE contributions as % of Net Asset Value/EBITDA/Total Procurement	10% to <20%	20% to 25%	>25 %	N/A ⁸
	Industry specific initiatives to facilitate the inclusion of black people in the sector as % of net profit	1% to <5%	5% to 10%	>10%	N/A ⁷
NERSA's Discretionary Points	Based on skills transfer and fulfilment or acceleration of other national objectives e.g. employment of disabled personnel robust implementation of mechanisms to verify the BEE status of suppliers reported under preferential procurement and utilization of DTI approved accreditation agencies and so on.	1% to <5%	5% to 10%	>10%	2.44%

⁸ NTC is a newly established entity and is not yet trading

SECTION J ADDITIONAL INFORMATION

Provide any other relevant information related to this application

SECTION K DECLARATION

On behalf of the applicant, I hereby declare that:

- (a) the applicant shall at all times comply in every respect with the conditions attached to any licence that may be granted to the applicant;
- (b) the applicant shall at all times comply with lawful directions of the National Energy Regulator of South Africa;
- (c) the information provided by me on behalf of the applicant is accurate and complete in all respects; and
- (d) I am authorised to make this declaration on behalf of the applicant.

Signed:



Full name(s) of Signator(y/ies):

Monde Bala	
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Position held (if the applicant is a company, co-operative, partnership, unincorporated association or any other body corporate):

Director: National Transmission Company South Africa	
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Date:

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