

ANNEXURE A

CONSULTATION PAPER

TRADING RULES

These rules are made in terms of the following:

- section 35(1), 35 (2)(c) and (e) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006)

Published on: 24 November 2025 for stakeholder comments

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1. DEFINITIONS

Any words not defined in this paper shall have the meanings assigned to them in both the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('ERA') and Electricity Regulation Amendment Act, 2024 (Act No. 38 of 2024) ('ERAA') and the Codes approved by NERSA. In the event of conflicting definitions, the definitions contained in the ERAA shall take precedence:

Act	means the Electricity Regulation Act, 2006 (Act No. 4 of 2006).
Physical bilateral transactions	means a transaction entered into by generators, customers and traders for energy production which involves the conclusion of a power purchase agreement to meet demand and supply as required by the system operator.
Codes	mean the South African Grid Code, the Distribution Code, or any other code approved by NERSA, as may be applicable.
Customer	means a person who purchases electricity or a service relating to the supply of electricity.
Direct Supply Agreement	Direct Supply Agreement means an agreement for the sale of electricity between a licensed Trader and a Customer, whether such electricity is supplied directly or via a transmission or distribution power system, provided that the Customer is not a transmitter, distributor, system operator, or trader.
Distributor	means an entity that owns, operates, and maintains the local network infrastructure (poles, power lines, underground cables, and transformers) used to deliver electricity from the high-voltage transmission system to the final end-users (residential homes, businesses, and industrial facilities).
Electricity Supply Agreement	Electricity Supply Agreement means an agreement between a Customer and a Trader or Distributor for the purchase of electricity and, where applicable, for the connection to and/or use of the network.
Electricity Pricing Policy	means South African Electricity Supply Industry: Electricity Pricing Policy, dated 12 December 2008, including subsequent amendments thereto.

2. INTRODUCTION

- 2.1 The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas, and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001), and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
- 2.2 The Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA' or 'the Act') defines trading as the buying or selling of electricity as a commercial activity. The ERA further provides that certain commercial activities must be registered rather than licensed.
- 2.3 These trading rules aim to provide a comprehensive framework for electricity trading, ensuring fair, transparent, and non-discriminatory access to the electricity market while promoting competition and efficiency.

3. LEGAL MANDATE

- 3.1 NERSA's authority to establish these rules is derived from Sections 4, and 35 of the Electricity Regulation Act (ERA). Section 4 outlines NERSA's powers and responsibilities, including the regulation of electricity licensing, pricing, and tariffs. Section 35(1) grants NERSA the authority to develop guidelines, codes, and rules following consultation with relevant stakeholders.
- 3.2 The following sections provide guiding questions to assist stakeholders in providing feedback on the proposed Rules based on each section of the rules. The consultation paper should be read in conjunction with the actual Rules which are Annexed to this consultation paper.

4. INTRODUCTION & BACKGROUND

- 4.1 This section outlines the purpose of the NERSA Rules for Electricity Trading, which aim to regulate the bilateral trading Electricity Market in South Africa. The rules foster competition, ensure equitable access to distribution networks, define the roles and responsibilities of electricity traders, Network Service Providers (NSPs), Generators and Import/Export traders and align with the Electricity Regulation Act, 2006 as amended. The implementation follows a phased approach to ensure market readiness and maturity.

Questions 1

- | |
|---|
| 1. Are the objectives of fostering competition and ensuring equitable access to distribution networks clearly defined? |
|---|

5. PURPOSE

- 5.1 The purpose of the rules is to establish a regulatory framework for bilateral electricity trading in the Retail Market. The rules aim to facilitate customer choice, promote competition, innovation, and efficiency, and ensure compliance with technical standards and legislation. Differentiated treatment is provided for large commercial customers and small-scale residential consumers.

Questions 2

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|---|
| 1. Does the purpose of the rules align with the needs of bilateral trading Market? |
|---|

6. APPLICABILITY

- 6.1 The rules apply to all traders, NSPs, registered generators, and licensed import/export entities involved in electricity trading within South Africa. For participants in SAWEM, the Market Code will take precedence over conflicting rules.

Questions 3

- | |
|--|
| 1. Are the licensees covered under the applicability section comprehensive? |
| 2. Is the precedence of the Market Code over conflicting rules clear and appropriate? |

7. DEFINITIONS

- 7.1 Key terms such as Trader, NSP, Customer, Power Purchase Agreement (PPA), and physical bilateral trading transactions are defined. In case of conflicting definitions, the Electricity Regulation Amendment Act, 2024 (ERAA) takes precedence.

Questions 4

- | |
|---|
| 1. Are the definitions provided in the Rules clear and comprehensive? |
| 2. Are there any additional terms that should be defined to improve clarity and understanding? |

8. LEGISLATIVE AUTHORITY

- 8.1 Section 35(1) of the ERA (regulations, rules, guidelines, directives and codes of conduct and practice) empowers NERSA to make guidelines, codes and rules after consultation with various stakeholders. This section states that NERSA may *make guidelines and publish codes of conduct and practice or make rules by notice in the Gazette*. Section 35(3)(c)(d) and (k) empowers NERSA to make rules in relation to the operation, use and maintenance of transmission and distribution power systems, trading and any other ancillary or administrative matter for which it is necessary to make rules for the proper implementation of the Act.

Questions 5

1. Does the legislative authority provide sufficient basis for the rules?
2. Are there any additional legislative provisions that should be considered?

9. PHASED IMPLEMENTATION

- 9.1 To ensure the efficient and orderly development of the physical bilateral trading market, the rules are implemented in two phases. In the initial phase, customers connected to Transmission and High Voltage (HV) networks can source a portion of their energy demand from traders. This approach focuses on mitigating risks linked to premature market liberalization, maintaining system stability, and addressing the readiness of metering capabilities for smaller customers.

Questions 6

1. Do you agree with the phased approach to developing the physical bilateral trading market? Why or why not?
2. Are the criteria for the initial phase (limiting participation to Transmission and HV network customers) appropriate? Should any adjustments be considered?
3. What additional measures could be implemented to mitigate risks associated with premature market liberalization?
4. Are there specific risks you foresee in the initial phase that need to be addressed?
5. How can system stability be ensured during the transition to bilateral trading in the initial phase?
6. Are there any concerns regarding the impact of bilateral trading on grid reliability?

- 7. Do you believe the current metering capabilities of smaller customers are sufficient for future phases of market development? If not, what improvements are necessary?**
- 8. What challenges do you anticipate in upgrading metering systems for smaller customers?**
- 9. Should additional customer groups be considered for inclusion in the initial phase? If so, which ones and why?**
- 10. What criteria should be used to determine customer readiness for participation in bilateral trading?**

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10. RULES GOVERNING PHASE 1 TRADING ACTIVITIES

10.1 This section outlines the requirements, processes, and obligations for electricity trading during Phase 1, prior to the operationalization of SAWEM. Below is a summary of each subsection, followed by targeted questions for stakeholders.

10.1.1 Qualifying Requirements to Trade

10.1.1.1 This subsection specifies the criteria for Traders, Generators, and Import/Export Traders to engage in electricity trading:

- a. Traders: Must obtain a trading license and comply with the rules.
- b. Generators: Must register with NERSA, obtain a trading license, secure NSP permission for network connection, and comply with the rules.
- c. Import/Export Traders: Must obtain an import/export license, secure NSP and System Operator (SO) permission, enter into balancing agreements, and comply with SAPP rules for cross-border transactions.

10.1.2 Entities with distribution licenses must apply for separate trading licenses within 12 months of the rules' commencement.

10.1.3 NSPs must maintain strict separation between trading and network operations.

10.1.4 Traders are recognized as independent market participants, not intermediaries for end customers.

Question 7

- 1. Are the qualifying requirements for Traders, Generators, and Import/Export Traders clear and reasonable?**
- 2. Do the provisions for NSPs and their separation of trading and network operations adequately address potential conflicts of interest?**
- 3. Are the requirements for cross-border transactions sufficient to ensure compliance and operational feasibility?**

11. Reporting to NERSA by Traders

11.1 Traders must submit semi-annual and annual reports to NERSA, detailing PPAs, third-party supply agreements, electricity volumes, and tenors. NERSA may audit these reports and require access to contractual documentation. Traders must also report complaints and their resolution.

Questions 8

- 1. Are the reporting requirements for Traders sufficient to ensure transparency and regulatory oversight?**
- 2. Are the provisions for audits and complaint reporting adequate to maintain accountability?**
- 3. Should additional reporting requirements be included to enhance transparency?**

11. Supplier Switching

11.1 Customers can switch suppliers by amending their Electricity Supply Agreements (ESA). NSPs must provide meter data to the new Trader with customer consent. NSPs can recover costs for providing meter data, and incidental charges related to switching are passed through to the customer.

Questions 9

- 1. Are the supplier switching provisions sufficient to ensure smooth transitions for customers?**
- 2. Do the rules adequately address the cost recovery mechanisms for NSPs?**
- 3. Are there any additional measures needed to protect customers during supplier switching?**

12. Settlements and Billing

12.1 Settlement and billing processes must be transparent, auditable, and non-discriminatory. NSPs recover network usage costs but remain revenue-neutral for energy not supplied. Customers are invoiced separately by NSPs and Traders for network usage and wheeled energy, respectively. Credits for wheeled energy are calculated based on NSP-approved rates and matched to specific Time-of-Use (TOU) periods. NSPs levy approved Use of System (UoS) charges and administrative fees for wheeling services.

Questions 10

- 1. Are the settlement and billing processes sufficiently transparent and fair?**
- 2. Do the rules for energy credits and UoS charges adequately address cost recovery and fairness?**
- 3. Are the provisions for TOU-based credits clear and practical?**

13. NSP Recoverable Charges

- 13.1 This subsection outlines charges NSPs can recover:
- a. **Top-Up Supply** - NSPs act as Top-up Suppliers for customers whose energy demand exceeds contracted volumes. Charges are based on NERSA-approved tariffs.
 - b. **Back-up Capacity** - Standby tariffs recover costs for maintaining backup capacity during generator outages or curtailments. Charges are based on peak demand and are designed to prevent cross-subsidization.
 - c. **Subsidies and Surcharges** - Embedded in retail tariffs and recovered through non-bypassable charges applied to all customers.

Question 11

1. Are the provisions for Top-up Supply clear and sufficient to address customer needs?
2. Are the mechanisms for subsidies and surcharges equitable and transparent?

14. Energy Wheeling

- 14.1 Third-party wheeling must comply with the Wheeling Rules. NSPs must provide non-discriminatory access to their networks for wheeling arrangements.

Question 13

1. Are the provisions for energy wheeling sufficient to ensure non-discriminatory access and compliance?
2. Do the Wheeling Rules adequately address operational and regulatory requirements?

15. Cross-Border Transactions

- 15.1 Traders can undertake bilateral cross-border transactions if they secure an import/export license and comply with scheduling requirements.

Question 14

1. Are the requirements for cross-border transactions clear and sufficient?
2. Do the rules adequately address potential challenges in cross-border trading?

Question 15

1. Do the rules in Section 8 adequately address the objectives of fostering competition, ensuring equitable access, and defining roles and responsibilities in phase 1?
2. Are there any gaps or areas for improvement in Section 8?

3. Are the provisions in Section 8 sufficient to ensure transparency, fairness, and operational efficiency during Phase 1?

16. RULES GOVERNING PHASE 2 TRADING ACTIVITIES

16.1 This section outlines the requirements, processes, and obligations for electricity trading during Phase 2, when all other customers either than HV customers connected to the Transmission network can purchase a portion of their energy from traders and SAWEM and the Market Operator Trading Platform are operational. Below is a summary of each subsection, followed by targeted questions for stakeholders.

16.2 Qualifying Requirements to Trade

16.2.1 This subsection specifies the criteria for Traders, Generators, and Import/Export Traders to engage in electricity trading under Phase 2:

- a. **Traders** - Must obtain a NERSA trading license, register with the Market Operator (MO) as a Market Participant (MP), and comply with the Market Code, Market Rules, and Trading Rules.
- b. **Generators** - Must register with NERSA and the MO, obtain NSP permission for network connection, enter into balancing agreements with the MO, and provide financial security for energy imbalances.
- c. **Import/Export Traders** - Must obtain an import/export license, register with the MO, secure SO permission, comply with SAPP rules, and provide financial security for energy imbalances.

Questions 16

- 1. Are the qualifying requirements for Traders, Generators, and Import/Export Traders clear and reasonable?
- 2. Are the provisions for financial security and balancing agreements sufficient to ensure market stability?

16.2.2 Compliance with the Market Code

16.2.2.1 All Traders participating in SAWEM must comply with the Market Code and Market Conduct Rules. The Market Code will supersede the Trading Rules where applicable.

Question 17

- 1. Are the compliance requirements with the Market Code clear and sufficient?

- 2. Does the provision for the Market Code superseding the Trading Rules ensure clarity and avoid regulatory conflicts?**

16.2.3 Market Participation

16.2.3.1 Traders must register with the Market Operator to trade through SAWEM. They must adhere to balancing and settlement mechanisms outlined in the Market Code.

Question 18

- 1. Are the requirements for market participation clear and achievable?**

16.2.4 Data Access and Reporting

16.2.4.1 The Market Operator will maintain secure and auditable data systems, ensuring validated meter data is accessible to licensed Traders with customer consent. Traders must submit monthly reconciliations of energy volumes, financial transactions, and revenue to the Market Operator for regulatory oversight.

Question 19

- 1. Are the data access and reporting provisions sufficient to ensure transparency and regulatory compliance?**
- 2. Are the monthly reconciliation requirements practical and effective for monitoring trading activities?**

16.2.5 Supplier Switching

16.2.5.1 A Central Switching Platform will be implemented by the Market Operator to streamline supplier switching. The platform will maintain customer consent logs and unique identifiers to ensure transparency and accountability.

Question 20

- 1. Are the provisions for supplier switching through the Central Switching Platform sufficient to ensure smooth transitions for customers?**
- 2. Do the rules adequately address customer consent and data security during supplier switching?**

16.2.6 Top-Up Supply

16.2.6.1 Top-up supply arrangements will be governed by the Market Code, with tariffs set at the System Marginal Price. Volumes and costs will be reconciled post-event by the Market Operator to ensure accurate billing and financial settlement.

Question 21

- 1. Are the provisions for top-up supply arrangements clear and sufficient?**
- 2. Does the use of System Marginal Price for top-up tariffs ensure fairness and transparency?**
- 3. Are the reconciliation processes for top-up volumes and costs adequate?**

16.2.7 NSP as the Balance Responsible Party

16.2.7.1 The NSP will act as the balance responsible party, ensuring uninterrupted energy supply to customers in case of supplier failure. The Market Code will regulate the duties of balance-responsible parties. Tariffs for energy supplied by the NSP must be approved by NERSA.

Question 22

- 1. Are the provisions for the NSP as the balance responsible party sufficient to ensure continuity of supply?**
- 2. Are the tariff approval processes for energy supplied by the NSP clear and adequate?**

Questions 23

- 1. Do the rules in Section 9 adequately address the objectives of fostering competition, ensuring equitable access, and defining roles and responsibilities?**
- 2. Are there any gaps or areas for improvement in Section 9?**
- 3. Are the provisions in Section 9 sufficient to ensure transparency, fairness, and operational efficiency during Phase 2?**
- 4. Do you foresee any challenges in implementing these rules, and how can they be addressed?**

17. GENERAL GOVERNING PROVISIONS

17.1 Technical Standards Compliance

17.1.1 To ensure compliance with technical standards and codes for quality electricity supply.

Questions 24

- 1. Are the technical standards and compliance requirements sufficient to ensure a reliable and high-quality electricity supply?**
- 2. Should additional technical standards or codes be considered to enhance market operations?**

17.1 Dispute Resolution

17.1.1 To provide a framework for resolving disputes among market participants.

Questions 25

- 1. Are the dispute resolution mechanisms sufficient to address complaints and disputes effectively?**
- 2. Should NERSA's role in dispute resolution be expanded or modified?**

17.2 Phased Implementation

17.2.1 To implement a phased approach for integrating smaller customers into the market.

Question 26

- 1. Does the phased approach for electricity trading ensure a smooth transition and mitigate risks for smaller customers?**
- 2. Are there additional considerations that should be included in the phased approach to ensure market readiness and fairness?**

17.3 Revision of Rules

17.3.1 To ensure the Trading Rules remain relevant and aligned with evolving legislation and market conditions.

Question 27

- 1. Are the provisions for revising the Trading Rules sufficient to address future challenges and ensure alignment with the Market Code?**
- 2. Should additional criteria be included for revising the Trading Rules?**

Stakeholders and members of the public are requested to submit written

comments on the issues raised in this consultation paper, as well as any other issues deemed necessary.

Written comments can be sent to: TradingRulesDevelopmentTeam@nersa.org.za;

Or

Hand-delivered to:

Kulawula House, 526 Madiba Street, Arcadia, Pretoria, 0083; or

Posted to:

PO Box 40343, Arcadia, 0007, Pretoria, South Africa.

The closing date for the submission of comments is 10 December 2025.

Comments received after the closing date will not be considered.

For more information and queries on the above, please contact Mr Tshepo Ramokoka at:

Tel: 012 401 4600

Fax: 012 401 4700

3. TENTATIVE TIMELINES FOR CONSIDERATION AND APPROVAL

3.1 Table 1 below depicts the proposed timelines for the consideration and approval of the Rules.

Table 1: The proposed consultation and approval process

#	Activity	Lead	Completion Date
1.	Meeting with suitable prospective Project Team members	Project Lead	3 July 2025
2.	Plan and Timelines approved and signed by HoD and EM	Project Lead	11 July 2025
3.	Draft Internal draft (skeleton)Trading Rules	Team NERSA	22 July 2025
4.	Internal Workshop on draft (skeleton)Trading Rules with NERSA Internal knowledgeable staff	Team NERSA	25 July 2025
5.	Project Kick-Off meeting with key Stakeholders to <i>Introduce the Project, discuss project overview, scope, project</i>	Team NERSA, Eskom, DEE, SALGA, AMEU,	7 Aug 2025

#	Activity	Lead	Completion Date
	<i>objective and to discuss the Timelines</i>	Traders, Stakeholder etc.	
6.	Presentations session of position papers by key Stakeholders and Formulation of Working Group	Team NERSA, Eskom, DEE, SALGA, AMEU, Traders, Stakeholder etc.	22 Aug 2025
7.	1 st Working Group Sessions	Working Group	5 Sep 2025
8.	2 nd Working Group Sessions	Working Group	19 Sep 2025
9.	Submission of comments to shared draft Rules (<i>Due date after 30 day period</i>)	Working Group	20 Oct 2025
10.	Workshop on draft Trading Rules	Working Group, Eskom, DEE, SALGA AMEU, Traders, Stakeholder etc.	24 Oct 2025
11.	Final Workshop on draft Trading Rules	Working Group, Eskom, DEE, SALGA AMEU, Traders, Stakeholder etc.	03 Nov 2025
12.	Draft Consultation Paper & Trading Rules Submission for ELS approval to publish	Team NERSA	10 Nov 2025
13.	Publish Advert for Comments and Public Hearing (PH) for 30 day period	Project Lead	15 Nov 2025
14.	Develop Aide Memoire in Prep of Public Hearing	Project Lead	15 Dec 2025
15.	Holding a Public Hearing	Energy Regulator	3 rd week Jan 2025
16.	Trading Rules Submission & Reasons for Decision submission to ELS for recommendation to ER	Team NERSA	1 st week March 2026

#	Activity	Lead	Completion Date
17.	Trading Rules Submission & Reasons for Decision submission to ER for approval	Team NERSA	End March 2026
18.	Trading Rules gazetted	Project Lead	End March 2026

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