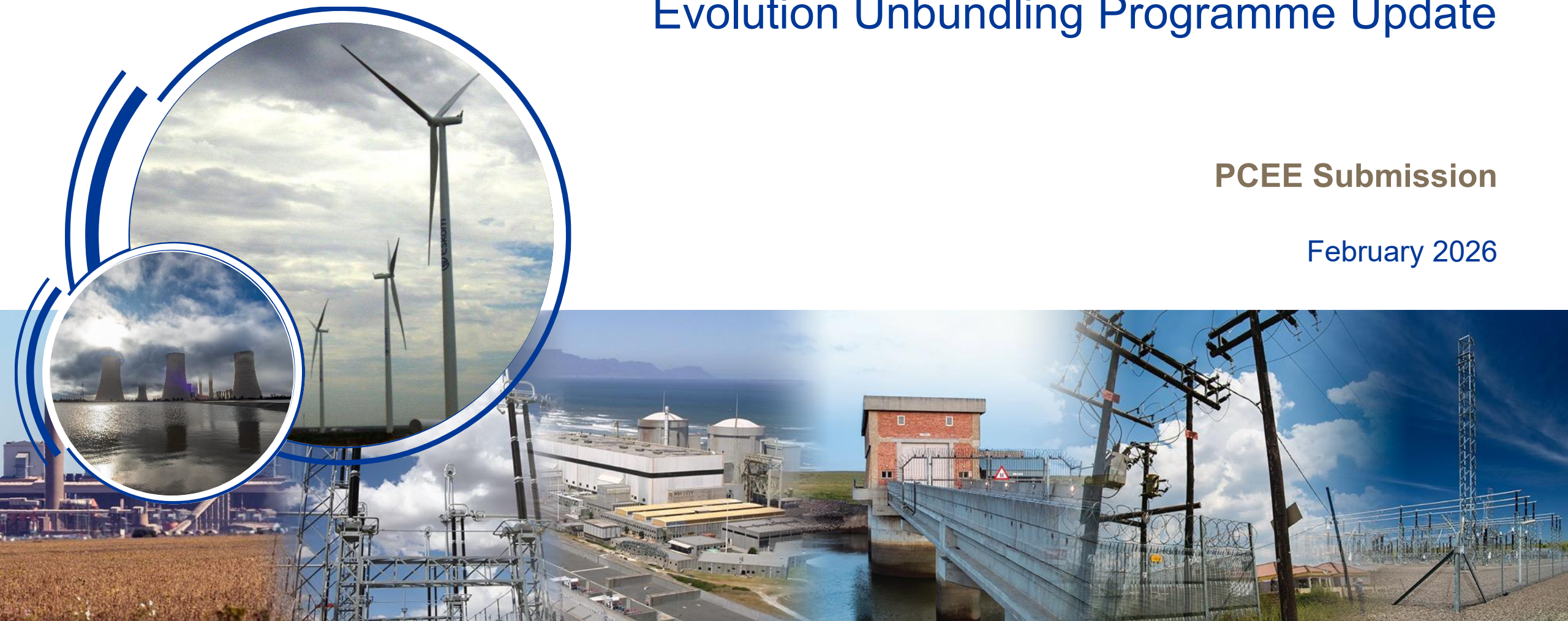


Evolution Unbundling Programme Update

PCEE Submission

February 2026



Today's discussion will centre on the strategy for Eskom Unbundling and the overarching plan for its execution to enable competition, improve security of supply and attract investment

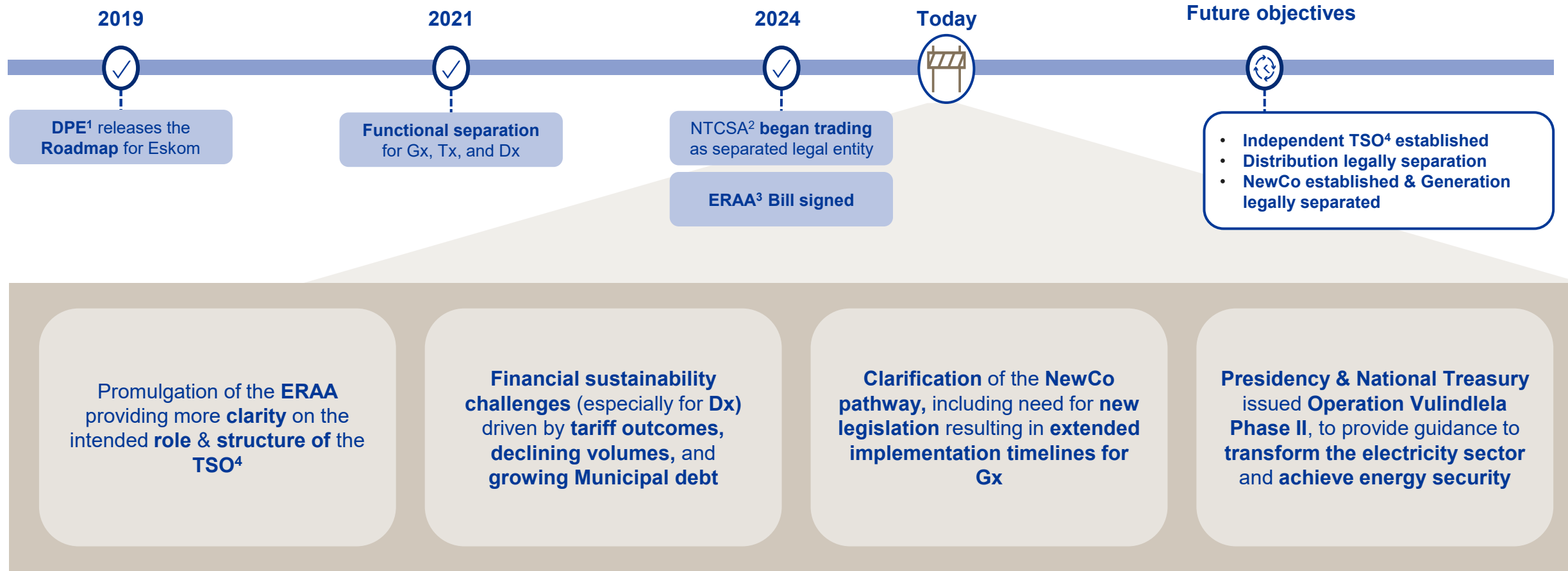


Unbundling Context

- Unbundling Strategy
- Integrated Unbundling Plan and Shareholder Support Required

Eskom has advanced in the unbundling journey but a changing context, emerging risks and challenges have necessitated a need to refine the strategy

Eskom's unbundling journey



As we assessed options it was critical to ensure fulfilment of core unbundling objectives in support of the DEE¹ priorities, DPE² roadmap, and Eskom's strategy



Unbundling Principles

**DEE Strategic
Priorities**

**DPE Roadmap Unbundling
Objectives for Eskom**

**Eskom Strategy and
Objectives**

Eskom's Unbundling Objectives

Enable energy security & affordability

*More effective, reliable,
and resilient energy
supply*

*Enable single
digit tariffs*

*Enhance Eskom's operational and
financial performance*

*Optimise efficiency and
reduce cost structure*

*Improve customer
experience*

*Enhance performance
transparency and
strengthened controls*

*Enhance digitalisation
and high-performance
culture*

*Drive market liberalisation and broader
participation*

*Enable a more open,
competitive electricity
market*

*Foster conducive
environment for
investment*

*Enhance regulatory
oversight to ensure fair
market access*

*Promote economic
growth through
liberalised market*

... The chosen way forward should balance all unbundling objectives without negatively impacting energy security and Eskom ...

Today's discussion will centre on the strategy for Eskom Unbundling and the overarching plan for its execution to enable competition, improve security of supply and attract investment



- Unbundling Context

Unbundling Strategy

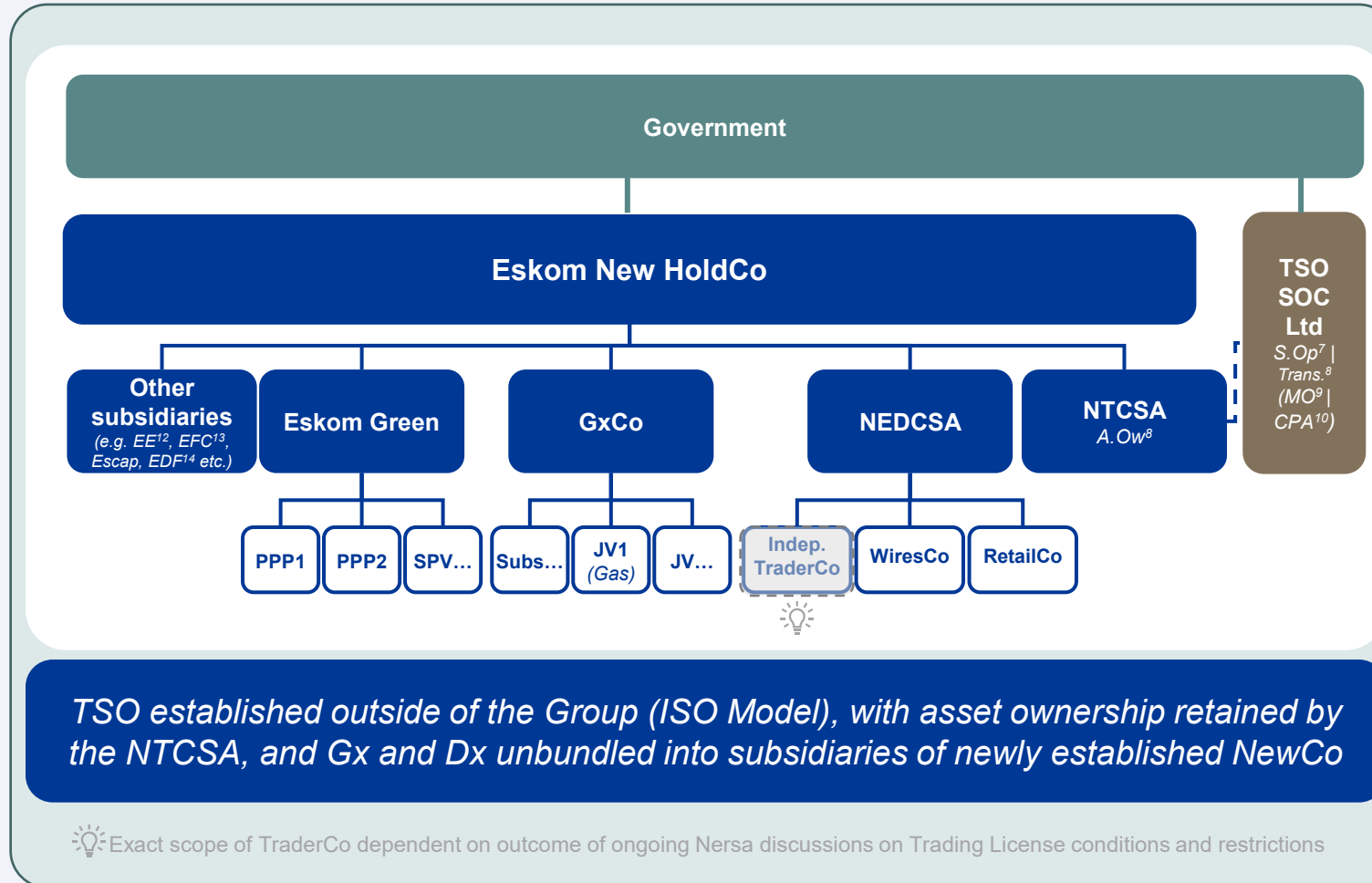
- Integrated Unbundling Plan and Shareholder Support Required

The Minister-approved unbundling strategy will result in a new Eskom HoldCo with 4 ring-fenced subsidiaries and a standalone TSO¹ outside Eskom Holdings



Unbundling Target State

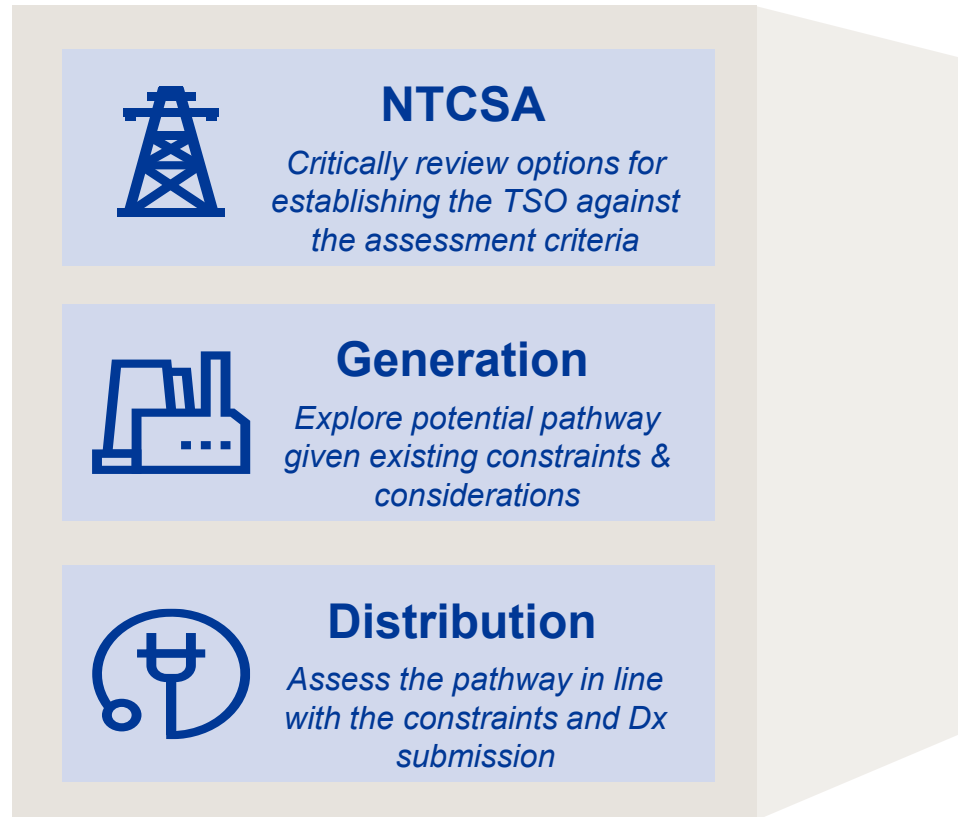
--- Right of use for Tx assets



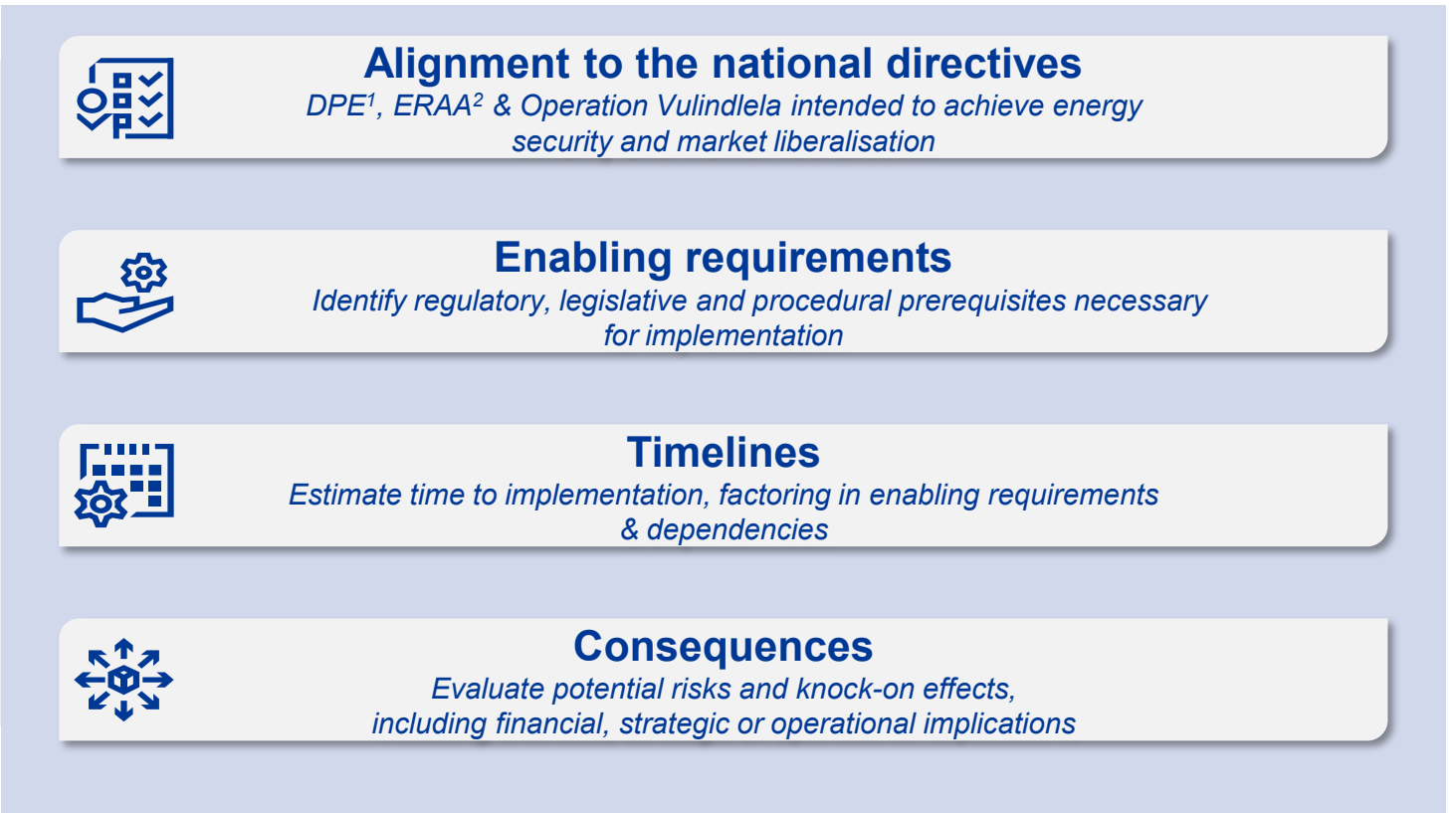
- 1**  **Aligns with the national objectives and Shareholder priorities**
(e.g. Unbundling businesses, ensuring security of supply, encouraging private participation, accessible, affordable and available electricity, etc.)
- 2**  **Complies with the directives of the ERAA and DPE Roadmap**
(i.e. Enables the liberalisation of the SA electricity market, establishing an independent TSO and establishing subsidiaries under an Eskom holding company)
- 3**  **Balances adequate and timely market reform whilst ensuring a responsible transition that won't place the shareholder or energy system under financial distress**

 Exact scope of TraderCo dependent on outcome of ongoing Nersa discussions on Trading License conditions and restrictions

Options and pathways



Assessment criteria



Assessment considered both international benchmarks and South Africa's unique context to determine the best way forward to enable market reform whilst balancing energy system integrity

NTCSA / TSO Unbundling Strategy



Key directives

- 1

DPE Roadmap (2019)
Outlines an independent transmission company as a subsidiary of Eskom
- 2

ERAA (2024)
Mandates establishment of a TSO SOC Ltd by the Minister within 5 years
- 3

Operation Vulindlela II (2025)
Calls for the establishment of the TSO as an independent entity

The directives call for a fully independent TSO to be established to achieve ...



Investment attraction
Attract & enable new players to enter market, increasing generation capacity



Energy security
Drive security of supply through expanded capacity



Improved efficiencies
Enhance efficiencies as the open market will allow for competitive pricing

The ERAA calls for



Establish an independent TSO Ltd SOC enabling a competitive electricity market, with the TSO's roles clearly defined:

The ERAA does not explicitly detail ownership of the TSO assets



Transmitter
Grid planning, maintenance, operations, providing non-discriminatory access and use of system charges



System Operator
Real-time operations, forecasting, dispatching and generation capacity planning



Market Operator
Non-discriminatory trading platform, market rules and governance



Central Purchasing Agency (CPA)
Power procurement, balancing, managing transition to competitive market and long-term international trading

The ERAA makes provision for NTCSA to fulfil the roles for a 5-year transitional period

First step to enabling a competitive Generation sector is ensuring an independent transmission system operator to enable investor confidence



Establishing an Independent TSO¹

Key Independent TSO¹ Roles



Independent TSO¹

Responsible for the *real-time operation* of the electricity grid, ensuring grid stability
Conducts *network and investment planning* to grow and develop the grid to ensure non-biased access to the grid infrastructure



TSO¹ independence from the incumbent generator ensures:
A. Fair Access to the grid
B. Fair and transparent development of the grid

To enable this, globally three models exist that provide sufficient independence

--- Operational agreements

Independent Transmission Operator (ITO)

Incumbent utility

Transmission operator & asset owner

Independent Transmission System Operator (ITSO)

Incumbent utility

Transmission operator & asset owner

Independent System Operator (ISO)

Incumbent utility

Transmission asset owner

Transmission operator

Impartial access to and growth of the transmission network are critical enablers to attract investment and private sector participation in the electricity value chain

1. Transmission System Operator 2. Generation

Sources: Evolution Unbundling Programme Working Team

Benchmarks have revealed no single approach in how the TSO evolves with the TSO model often informed by market context, maturity and legislative direction



Employed TSO models

It is clear from the ERAA and the Shareholder that T0 is a transitional state. As such, this has not been assessed as a potential option

ITO / current

Legally separated entity as a subsidiary of the incumbent utility company, responsible for grid operations and asset ownership



ITSO / T1

Fully independent, ownership unbundled entity, with no interest in the incumbent, responsible for grid operations and asset ownership



ISO / T2

Independent entity responsible for grid operation separate from the incumbent. Asset ownership is retained by the incumbent or other entities



--- Right of use for Tx assets

Region	Liberalisation timeframe ¹	Country	Similarity across assessed Eskom models					
			ITO (current)		ITSO (T1)		ISO (T2)	
			Employed		Employed	Privatisation	Employed	Asset Ownership Privatisation System Operator Privatisation
Africa	1990 – ongoing	South Africa		✓				
Asia	1990 – ongoing	Philippines					✓	
		India					✓	
Americas	~20 years	USA					✓	
		Chile					✓	
		Mexico					✓	
		UK			✓		✓	
Europe	~ 10 years	Estonia			✓			
		Finland			✓			
		Czech Republic			✓			
		Italy			✓			
		Portugal			✓			
		Germany		✓	✓			
		France		✓				
		Romania		✓				

In October 2024, the System Operator and the Asset Owner where split into two different entities to ensure transparency and fair access to the grid

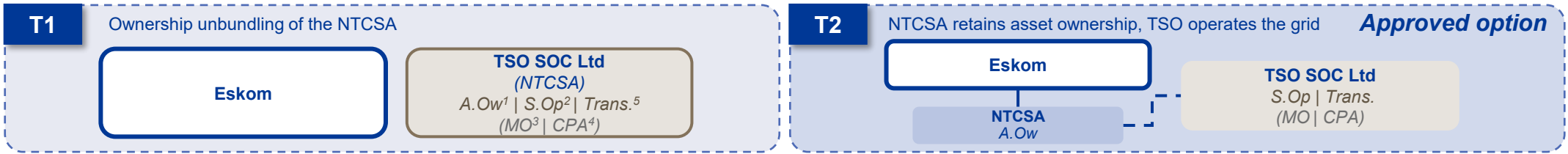
The NTCSA options had been assessed to determine an appropriate course of action with T2 being the approved option for Eskom as it meets all required criteria



Transmission unbundling options

✓ pros ✗ Cons

T0 not assessed as a transitional state.



Strategic	✓ Establishes an independent TSO that will fulfil all roles as envisioned in ERAA and responsible for Grid code and TDP⁶	✓ Also establishes an independent TSO with all roles envisioned in the ERAA, transparency & governance critical in managing market perception around independence
Financial	✗ High risk driven by significant capitalisation requirements for the transfer of grid infrastructure and the need to settle debt linked to Tx assets	✓ Substantially reduced risk due to material reduction in capitalisation requirements and no need for the settlement of intercompany loan thus limiting risk exposure to lenders
Operational	✗ Higher disruption in “big bang” implementation with longer time to implementation of 5 years estimated due to transaction complexity (debt repayment, lender engagement, servitude transfer)	✓ Limits disruption and allows for a more staged transition of the business and a shorter time to implementation, expected of 4 years. However, requires clear roles and responsibilities and commercial agreements to manage the relationship and operations between the TSO and NTCSA

Considering the South African context, option T2 provides several advantages and mitigates several challenges that would arise from T1

Option T2 strategic benefits



Financial & Structural

1

- Does not require a significant capital injection from Govt. to enable the transaction transferring assets out of Eskom
- Supports the sustainability of the remaining Eskom entities
- Retaining assets in the group can assist in seeking funding for future projects



Implementation & Operational

2

- Shorter time to establish and capacitate the TSO¹
- Targeted transfer of selected skills and capabilities reduces implementation risks and allows both organisations to remain targeted during the transition
- Minimises risk of losing institutional knowledge through the employee transfer process
- Complexity around transferring servitudes is avoided



Grid Development

3

- Allows Eskom to play continued role in infrastructure development
- Sets the precedent for decentralised transmission network development, promoting competition and investment



Governance & Mgmt. Focus

4

- Allows TSO to focus on developing, operating the market and managing the grid without the added responsibility of funding the development of the network
- Creates flexible framework for TSO to manage and integrate new networks developed through the ITP²

Distribution Unbundling Strategy



Distribution | The Dx industry directives call for enablement of a sustainable distribution industry to ensure financially sustainable distribution companies

Dx focus areas to achieve national and business objectives

Non-Exhaustive

National objectives

What this means for Dx and where they should focus...



Enable distribution mandate

1

Ensure affordability and reliability of supply

*Continue to develop and maintain a sustainable Distribution network and business
Obtain clarity on supplier of last resort role and compensation for serving vulnerable customers to ensure a sustainable Dx business*

2

Deliver on Distribution's social mandate of accessible electricity

Ensure access to electricity for all citizens in a sustainable way

3

Ensure a financially sustainable Dx business

Drive revenue growth and cost optimisation (e.g. improved collection mechanisms, reduction of non-technical losses) initiatives to ensure financial sustainability of the distribution business

4

Position Eskom to accelerate participation and competition in a liberalised wholesale market and industry

Participate in and promote a cost-efficient & agile trading business, encouraging competition within the market and readying the industry

5

Enable and participate in a reformed retail market

*Clear and strong customer value proposition
Drive implementation of the DAA² programme to create a sustainable EDI
Ensure non-discriminatory access to the distribution grid through the separation of wires and retail*



Create a sustainable, reformed EDI¹



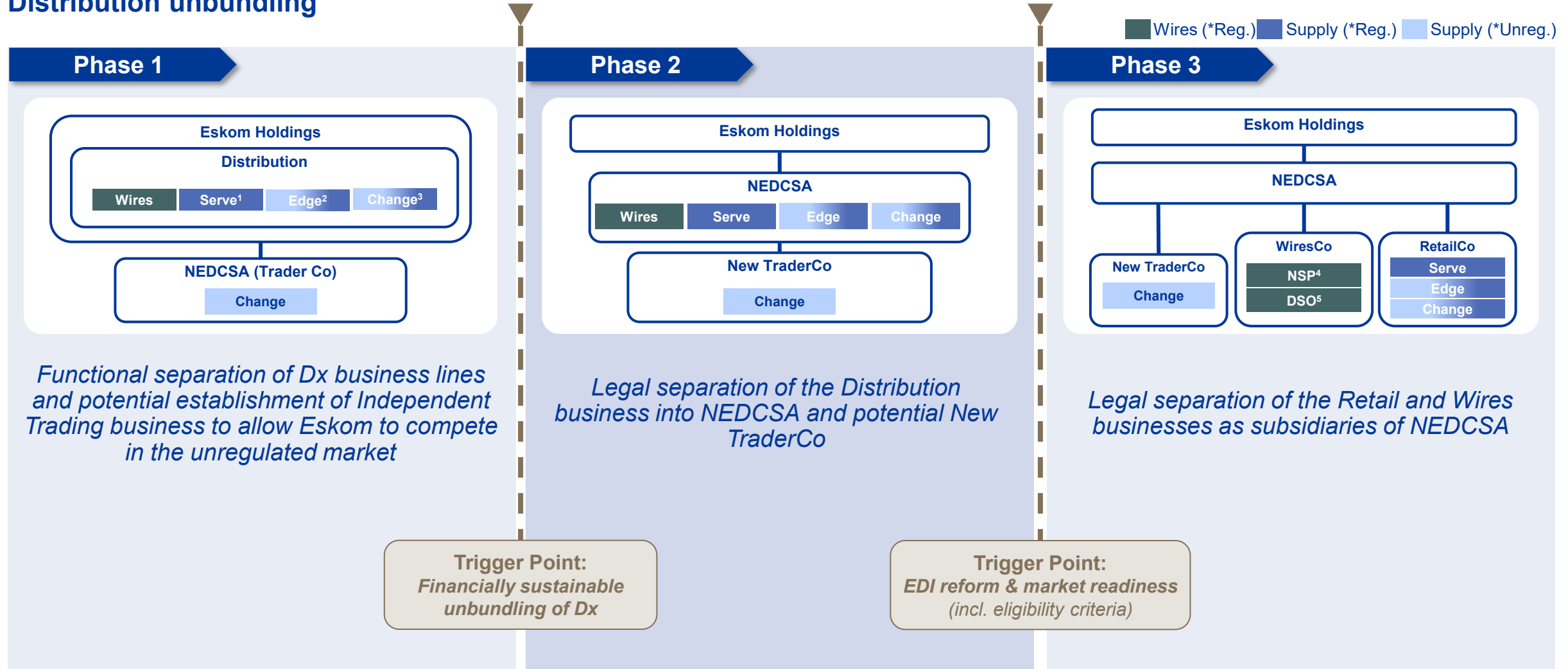
Liberalisation of the wholesale market



The Dx pathway must **enable the business to achieve these objectives** and set it up to **compete effectively in a competitive market**

The Dx business will also undergo a phased-approach journey for unbundling which will be informed by market requirements and readiness

Distribution unbundling



Financial and legal transaction refinement in progress



Generation / NewCo Unbundling Strategy



Eskom Generation and Renewables focus areas to achieve national and business objectives

Non-Exhaustive

National objectives



Ensure security of supply and the just energy transition

What this means for Gx and Renewables and where they should focus...

1

Ensure baseload generation & reliability and expand ancillary services capabilities

*Prioritising a reliable foundation by repurposing and repowering legacy plants investing in new capacity to meet demand
Strengthen offering to support the reserve and ancillary market and ensure fair compensation for role*

2

Drive Just Transition & build new generation capacity and manufacturing capabilities*

Drive energy transition by investing in green industries and low-carbon technologies

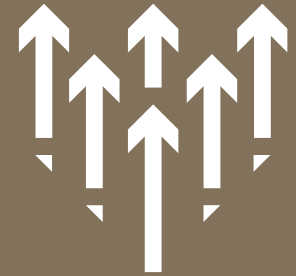
3

Drive competitiveness

Drive efficiency and effective investments to ensure competitiveness in a liberalised generation market

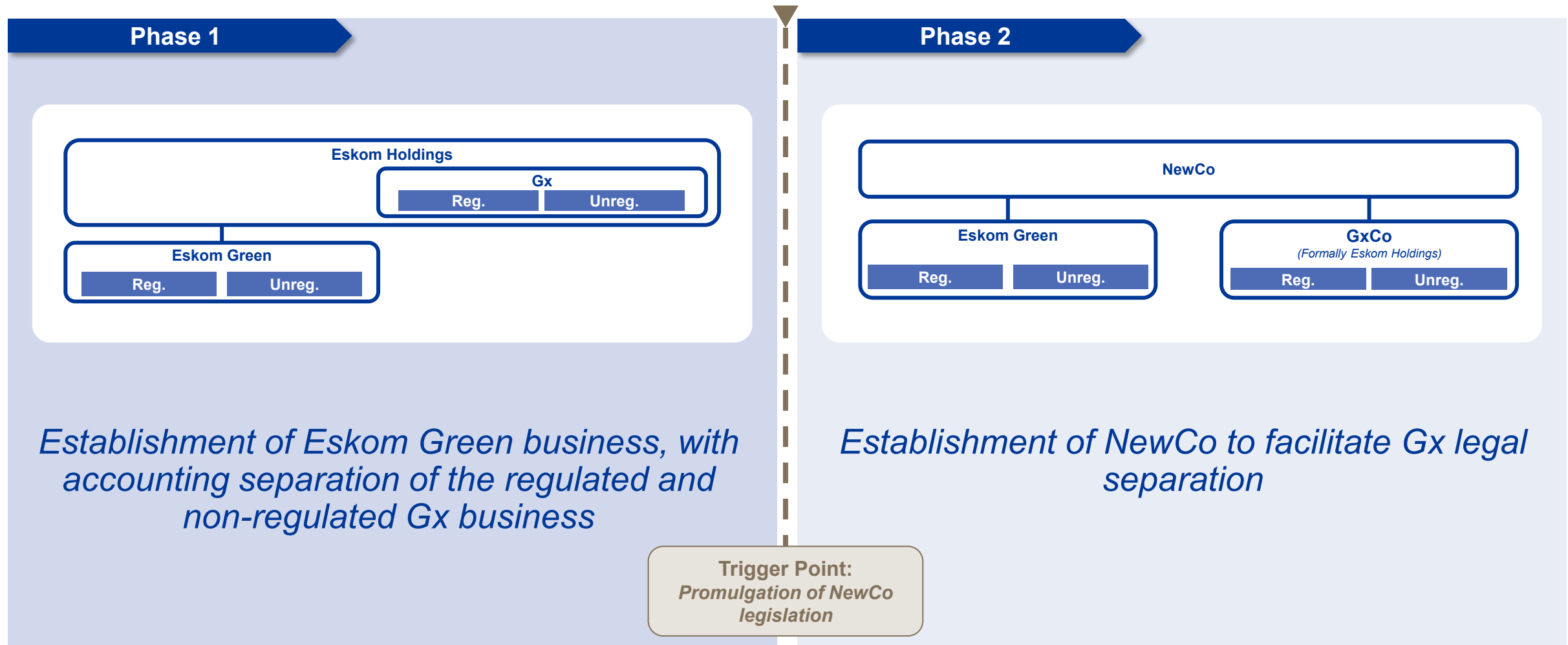


Liberalise generation to drive efficiencies and enable affordable electricity



Gx/ NewCo pathway must enable the ability to **achieve objectives** and **effectively maintain prevalence** in the market

Generation/ NewCo unbundling pathway



Financial and legal transaction refinement in progress

Today's discussion will centre on the strategy for Eskom Unbundling and the overarching plan for its execution to enable competition, improve security of supply and attract investment

A blue notebook with a silver pen resting on it, positioned on the left side of the slide.

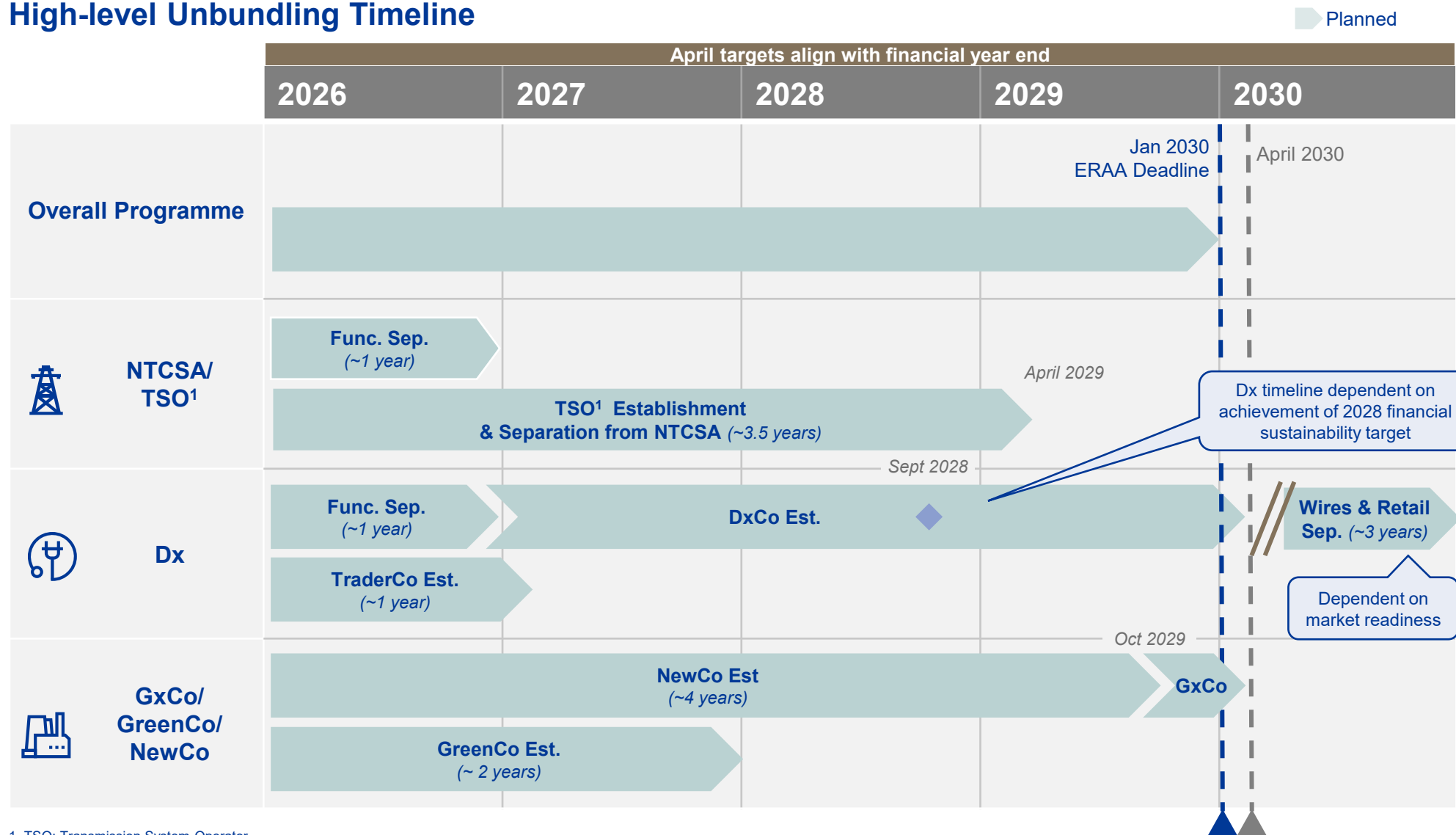
- **Unbundling Context**

- **Unbundling Strategy**

Integrated Unbundling Plan and Shareholder Support Required

A revised Integrated Programme Plan timeline has been developed, considering updates, key assumptions and risks to the programme to ensure completion in 2030

High-level Unbundling Timeline



Preliminary & Illustrative



A detailed Integrated Programme Plan has been developed to enable execution

Shareholder support is essential to accelerate Eskom's unbundling strategy and enable competitiveness and sustainability across the value chain



Ministry support in championing the unbundling will be critical to ensure momentum is maintained over Eskom's unbundling journey

Area of Support	Description			
 Regulatory	Capacitation of the Regulator to fulfil the oversight role required by the future market	Clarity on cost reflective tariff structure for both existing and emerging market roles	Clear policy and licensing conditions for new market environment <i>(incl. Retail Code)</i>	
 Legislative	New legislation required / inclusion in Energy Security Bill for the establishment of new entities <i>(incl. NewCo, TSO, etc)</i>	Legislation to enable function and split between TSO and NTCSA and provide clarity on the transition period between NTCSA and TSO as TSO becomes operationally ready and role of the NTCSA after the transition (outline role as Asset owner)	New legislation to support in facilitating NTCSA/ TSO transfer or people through S197 process or similar, transfer of contracts and sharing of rights between NTCSA and TSO	New legislation to support in facilitating NewCo transfer or people through S197 process or similar, transfer of contracts and outline transfer of shareholding of Eskom Subsidiaries
 Financial	Support in closing shortfall of Dx Financial sustainability resulting from non-payment from municipalities and support in collection initiatives (e.g. DAA)		Govt. support may be required to initially establish the TSO, providing direct financial support for working capital requirements for developing and operating the market	
 Stakeholder management	Presidential and ministerial support is required to the ensure reform narrative is consistently communicated and supported to give comfort to the market on reform	Reform phasing and sequencing – establishing markets incrementally, ensuring the evolution of the market and changes to policy and regulation are done sustainably		Effective stakeholder management (labour unions, municipalities, and civil society) is essential to build support and ensure alignment across all key bodies



Thank You