CONSULTATION PAPER

NERSA RULES FOR ELECTRICITY TRADING

Issued by:
The National Energy Regulator of South Africa

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1. EXECUTIVE SUMMARY

1.1 The National Energy Regulator of South Africa (NERSA), established under the National Energy Regulator Act, 2004 (Act No. 40 of 2004), is responsible for regulating the electricity, piped-gas and petroleum pipelines industries in South Africa. This consultation paper outlines the proposed Rules for Electricity Trading ('the Trading Rules'), which are critical for the transition to a competitive wholesale electricity market. These Rules are designed to ensure transparency, competition, efficiency and system reliability in the electricity sector.

1.2 The regulatory framework under the Electricity Regulation Act, 2006 (Act No. 4 of 2006) mandates that NERSA achieve several objectives, including the following:

- Safeguarding the needs of current and future customers.
- Promoting efficient, effective, and sustainable development of electricity supply infrastructure.
- Facilitating investment in the electricity sector.
- Ensuring universal access to electricity.
- Encouraging competitiveness and consumer choice.
- Balancing the interests of customers, end-users, licensees, investors and the public.

1.3 In compliance with the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000), NERSA is conducting a public participation process to gather stakeholder feedback on the proposed Trading Rules. This process is essential for ensuring that the Rules align with the needs of all stakeholders and support the transition to a competitive electricity market.

1.4 Stakeholders are invited to review the consultation paper and provide comments on the proposed Rules. Your inputs will help shape the final Rules for Electricity Trading, ensuring they promote a fair and competitive environment for both existing distributors and new market entrants. Comments should be sent to NERSA for the attention of Mr Rhulani Mathebula at:

Physical Address	**Postal Address**
National Energy Regulator of South Africa	PO Box 40343
Kulawula House	Arcadia
526 Madiba Street	Pretoria
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The deadline for the submission of comments is **29 July 2026.**

Kindly provide the name, address, mobile or telephone number and email address of the person or organisation submitting the comments.

Submissions made after the deadline stipulated above will not be considered.

2. GLOSSARY OF TERMS

Term	Definition
Balance responsible party (BRP)	A licensed or registered generator, distributor or trader responsible for balance activities and accountable for deviations through the balancing mechanism.
Contestable customer	A consumer eligible to enter into direct supply agreements, negotiate commercial terms for competitive supply and switch their primary retailer from Phase 3 onwards.
Consumer	Any person or entity that purchases electricity for their own use and not for resale.
Direct Supply Agreement (DSA)	An agreement for the direct sale of electrical energy between a licensed trader or generator and an eligible consumer, supplied directly or via the network.
Electricity Supply Agreement (ESA)	The agreement between a primary retailer and a consumer for connection to and use of the network, including purchases from the primary retailer.
Generator	Any natural or juristic person licensed or registered with NERSA to generate electricity for own use, sale, or supply to the network.
Licensed distributor	An entity licensed by NERSA to distribute electricity, providing network services and retail supply to end-users.
NERSA	The regulatory authority established in terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), or its legal successor.
Network	The electrical infrastructure over which energy is transported from source to consumption, either transmission or distribution.
Network service provider (NSP)	A person licensed by NERSA to operate transmission or distribution facilities.
Non-bypassable charge	A charge that must be paid by all grid-connected customers regardless of their supplier or self-generation.
Power Purchase Agreement	A bilateral contract for the sale and purchase of electrical energy over a specified period, setting terms of delivery, price and quantity.

Term	Definition
Primary retailer	The single licensed distributor to whose network a consumer is connected and with whom the consumer holds an Electricity Supply Agreement.
Retailer	The entity selling electrical energy to a consumer either as a primary retailer or as a trader through a Direct Supply Agreement.
Retailer of last resort (RoLR)	A retailer designated by NERSA to assume supply obligations for customers of a failed retailer or trader.
The ERA	The Electricity Regulation Act, 2006 (Act No. 4 of 2006) and as amended in 2024.
Trader	A juristic person licensed by NERSA to buy and sell electricity as a commercial activity, at wholesale or retail level.
Trading	The buying and selling of electricity.
Trading licence	A licence granted by NERSA to trade in electricity.
Trading Rules	The Rules for Trading Electricity developed by NERSA in terms of section 34B(3)(b) of the Electricity Regulation Act, as amended.
Volumetric tariff	A tariff structure where costs are recovered primarily through energy charges expressed in cents per kilowatt-hour (c/kWh).
Wheeling	The conveyance of electrical energy generated at one location and sold to a customer at another location through the licensed network.
Wholesale market	The market in which electrical energy, generation capacity, ancillary services and other products are bought and sold between generators, traders, retailers and other market participants.
SAWEM	South African Wholesale Electricity Market.

3. ABBREVIATIONS AND ACRONYMS

ANBC	Accelerated non-bypassable charge
ERA	Electricity Regulation Act, 2006 (Act No. 4 of 2006)
ERAA	Electricity Regulation Amendment Act, 2024 (Act No. 38 of 2024)
NBC	Non-bypassable charge
NERSA	National Energy Regulator of South Africa
NMD	Notified maximum demand
TOU	Time of use
SAWEM	South African Wholesale Electricity Market

4. BACKGROUND

4.1 South Africa’s electricity sector is undergoing significant reforms aimed at transitioning from a vertically integrated utility model to a competitive wholesale electricity market. These reforms are driven by the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (‘the ERA’) and its amendments, including the Electricity Regulation Amendment Act, 2024 (Act No. 38 of 2024) (ERAA).

4.2 The Electricity Trading Rules (‘the Trading Rules’ or ‘the Rules’) are a critical regulatory instrument designed to govern retail electricity trading activities during the transition to a competitive market. These Rules aim to ensure competitive neutrality, prevent uneconomic bypass of network and policy-related costs, and protect consumer interests. The phased implementation of retail competition, as outlined in the Trading Rules, introduces contestability for consumers and establishes mechanisms such as non-bypassable charges (NBCs), volume restrictions, and wheeling arrangements. These measures are intended to balance the development of a competitive market with the financial sustainability of the electricity supply industry.

5. INTRODUCTION

5.1 The National Energy Regulator of South Africa (NERSA) is pleased to present Version 03 of the Rules for Electricity Trading for public consultation. These Rules have been developed pursuant to section 35 of the ERA (as amended in 2024) and represent a significant evolution from the initial, more simplistic versions previously consulted upon. Earlier consultations focused on establishing the foundational principles for electricity trading. This version introduces a far more comprehensive and detailed regulatory framework to support South Africa’s transition to a competitive retail electricity market.

5.2 Version 03 of the Trading Rules incorporates extensive stakeholder feedback and addresses a broad range of critical issues that are prerequisites for the successful implementation of fair and efficient retail competition. Key enhancements and new sections in this version include the following:

- **Tariff reforms as a prerequisite to fair retail competition**: The Rules now set out binding commitments to tariff reform, ensuring that NBCs are applied equitably to all grid-connected customers. This is essential to prevent uneconomic bypass and to safeguard the financial sustainability of the electricity sector during market transition.
- **Eligible generators and consumers**: The Rules clarify eligibility criteria for both generators (capacity >100 kW, licensed or registered with NERSA) and contestable consumers (progressively expanding from large users to all customers as the market phases advance).
- **Trading restrictions and contracting processes:** Detailed provisions govern the roles and limitations of traders, primary retailers and consumers during each phase of market opening. The Rules specify the contracting processes,

notification requirements and the conditions under which direct supply agreements (DSAs) may be entered into.

- **Blocking circumstances:** The Rules enumerate the specific, exhaustive circumstances under which a primary retailer may block a consumer's switch or entry into a DSA, such as outstanding debt, unsupported metering, or meter data mismatches, ensuring transparency and fairness in market participation.
- **Reconciliation mechanism:** A clear and auditable reconciliation mechanism is mandated for the calculation and settlement of wheeled energy, with defined timelines and dispute resolution processes to ensure accuracy and regulatory oversight.
- **Recovery of NBCs:** The Rules detail the categories of costs and subsidies recoverable through NBCs, including network costs, legacy programme costs, ancillary services and social obligations, forming the basis for tariff restructuring.
- **Virtual wheeling:** Provisions for virtual wheeling are introduced, allowing contestable consumers with connections exceeding 100 kVA to benefit from flexible energy allocation across multiple sites, subject to the implementation of NBCs and SAWEM go-live.
- **Provisions for after SAWEM go-live:** Phase 2 of the Rules set out amended trading, reconciliation and settlement arrangements that will take effect upon the launch of the South African Wholesale Electricity Market (SAWEM), including expanded eligibility for virtual wheeling, new balance responsibility requirements and the introduction of a central switching platform for customer switching in later phases.
- **Full roadmap to retail competition:** This version also provides a detailed roadmap for the phased implementation of retail competition, from the initial eligibility of large customers, through the introduction of customer switching and retailer of last resort frameworks, to the eventual achievement of full retail competition for all customer categories. Each phase is accompanied by clear prerequisites, operational requirements and consumer protection measures.

5.3 Stakeholders are invited to review and comment on these enhanced Rules, which are designed to promote competition, innovation and efficiency in electricity supply while ensuring the financial sustainability of the sector and the protection of all consumer segments. NERSA remains committed to ongoing consultation and refinement of these Rules to ensure a fair, transparent and orderly transition to a competitive electricity market in South Africa.

6. LEGAL AUTHORITY BY NERSA TO DEVELOP THE RULES

6.1 NERSA derives its authority to develop and implement rules for electricity trading from the ERA and its amendments. Section 35 of the ERA empowers NERSA to make rules, guidelines and codes to regulate the operation, use and maintenance of transmission and distribution systems, trading activities and other ancillary matters necessary for the proper implementation of the ERA.

6.2 The ERAA further establishes the framework for SAWEM and provides NERSA with the authority to regulate trading activities, including the introduction of NBCs, phased retail competition and the development of trading rules.

7. PROPOSED RULES AND CONSULTATION QUESTIONS

7.1 Contestable Consumers

7.1.1 The Trading Rules define contestable customers as consumers who meet specific criteria, allowing them to participate in the competitive electricity market. According to section 9.2 of the Trading Rules, during Phase 1, contestable customers must be connected to the high voltage (HV), medium voltage (MV), or low voltage (LV) networks of Eskom Distribution or a municipality, with a notified maximum demand (NMD) of at least 1 MVA. These customers must also meet technical readiness requirements, including interval metering, time-of-use (TOU) tariff structures, and compliance with applicable Grid Code standards.

Stakeholder questions

1. Are the proposed eligibility criteria for contestable customers (e.g. minimum NMD of 1 MVA) appropriate for Phases 1 and 2?
2. Should the eligibility criteria be expanded to include smaller customers or specific customer categories?
3. Are the technical readiness requirements (e.g. interval metering, TOU tariff structures) sufficient to ensure the smooth operation of the competitive market?
4. Should additional technical requirements be introduced for contestable customers?

7.2 Eligible Generators

7.2.1 Eligible generators must have a capacity greater than 100 kW and be licensed or registered with NERSA. This ensures that all traded electricity originates from regulated generation sources.

Stakeholder questions

1. Are the eligibility criteria for generators appropriate?
2. Should smaller generation facilities be allowed to participate in electricity trading?

7.3 Tariff Reforms as a Prerequisite to Fair Retail Competition

7.3.1 A central pillar of the Trading Rules is the commitment to comprehensive tariff reform, specifically the implementation of NBCs for all grid-connected customers. This is to prevent a situation where customers who continue to purchase all their electricity from their primary retailer (full requirements or stranded customers) are forced to subsidise customers with DSAs, wheeling arrangements, or rooftop solar through higher tariffs.

7.3.2 Without appropriate tariff reforms and the application of NBCs, there is a risk that the tariffs for full requirement customers will continually increase due to clawbacks and under-recovery of fixed system costs from customers who partially or fully bypass the primary retailer. The objective is to achieve competitive neutrality and financial sustainability for the electricity sector during the transition to a competitive retail market. This reform is essential to:

- prevent the uneconomic bypass of network, generation capacity, legacy, subsidy, and policy costs; and
- ensure that all grid-connected customers contribute fairly to the maintenance and operation of the electricity system, regardless of their choice of supplier or the extent of their self-generation.

Stakeholder questions

1. Do you agree that tariff reform, specifically the introduction of NBCs for all grid-connected customers, is a necessary prerequisite for fair and effective retail competition in the electricity market?
   - Please provide reasons for your agreement or disagreement.
2. If you do not agree with the proposed approach to tariff reform and NBCs, what alternative mechanisms or approaches do you suggest to ensure competitive neutrality and the financial sustainability of the electricity sector during market transition?
   - Please outline any specific models, principles, or international examples you believe should be considered.
3. Are there particular categories of costs or subsidies that you believe should be excluded from or added to the NBCs?
   - Please specify and provide your rationale.
4. What potential risks or unintended consequences do you foresee with the proposed NBC structure, and how may these be mitigated?

7.4 Trading Restrictions and Contracting Processes

7.4.1 Key features of the trading restrictions and contracting processes include the following:

- **Single primary retailer per metering point:** Each consumer must have one designated primary retailer for each metering point during Phases 1 and 2. Switching the primary retailers is only permitted from Phase 3 onwards.
- **Eligibility and licensing:** Only licensed traders and generators (with capacity >100 kW) may participate in trading activities. All trading entities must comply with NERSA licensing requirements and provide detailed documentation.
- **DSAs:** Contestable consumers may enter into multiple DSAs with licensed traders or generators, but must notify their primary retailer. ESAs may not contain terms that unreasonably restrict this right.
- **Contracting process:** The trader manages the contracting process on behalf of the consumer, and billing commences once the process is complete. The primary retailer

ensures continuity of supply during this process.

- **Blocking circumstances:** The primary retailer may refuse to facilitate a DSA only in specific, exhaustive circumstances (e.g. outstanding debt, unsupported metering, meter data mismatch).
- **Reporting and oversight:** Traders must report new agreements and provide supporting documentation to NERSA every six months. NERSA may audit and request additional information as needed.

Stakeholder questions

1. Do you agree with the approach of restricting each consumer to a single primary retailer per metering point during Phases 1 and 2, with switching only permitted from Phase 3?
    - Please provide reasons for your agreement or disagreement.
2. Are the eligibility and licensing requirements for traders and generators sufficient to ensure a fair and competitive market?
    - If not, what additional requirements or safeguards would you propose?
3. Do the rules governing DSAs and the notification process to primary retailers adequately protect consumer rights and market transparency?
    - Are there any aspects of the DSA process that could be improved?
4. Are the specified blocking circumstances for primary retailers (e.g. outstanding debt, unsupported metering, meter data mismatch) appropriate and sufficient?
    - Should any additional circumstances be included or any existing ones removed?
5. Is the contracting process, including the roles of traders and primary retailers, clear and practical for all parties involved?
    - Please suggest any improvements to streamline or clarify the process.
6. Do you have any concerns about the reporting and oversight requirements for traders, or suggestions for enhancing regulatory transparency and accountability?

7.5 Blocking Circumstances

7.5.1 To ensure a fair, transparent, and orderly process for consumers wishing to enter into DSAs or switch primary retailers, the Trading Rules set out specific circumstances – referred to as 'blocking circumstances' – under which an incumbent primary retailer may refuse to facilitate a consumer's DSA or block a customer's switch to a new primary retailer. These circumstances are intended to protect the integrity of the market, ensure accurate billing and settlement, and prevent abuse or undue delay in customer choice.

7.5.2 The blocking circumstances are strictly limited and exhaustive. According to the Trading Rules, a primary retailer may only block a DSA or customer switch in the following situations:

- **Outstanding debt:** The customer has an outstanding debt to the primary retailer that is more than 28 days old and remains unpaid. The block may remain in place until the debt is settled or a payment arrangement acceptable to the primary retailer is agreed.

- **Unsupported metering:** The customer's metering installation is of a type or configuration that the new supplier or primary retailer is not technically equipped to support, and the incompatibility has not been resolved prior to the proposed switch date.
- **Meter data mismatch:** The details of the customer's metering installation in the relevant registration database do not match the actual installed metering, and the inconsistency has not been resolved prior to the proposed switch date.
- **Third-party consent required:** The customer's supply point is subject to a third-party interest – such as a landlord's agreement, a body corporate resolution, or a financing arrangement – that requires the consent of the third party before a switch can be effected, and that consent has not been obtained.

7.5.3 No other grounds for blocking are permitted. NERSA may investigate and sanction a primary retailer that unreasonably invokes a blocking circumstance to delay or prevent a legitimate switch or DSA.

Stakeholder questions

1. Do you agree that the list of blocking circumstances is appropriate and sufficiently exhaustive to protect both consumer rights and market integrity?
    - Please provide reasons for your agreement or disagreement.
2. Are there any additional circumstances that you believe should be included as valid grounds for blocking a DSA or customer switch?
    - If so, please specify and provide your rationale.
3. Are there any circumstances currently listed that you believe should be removed or modified?
    - Please explain your reasoning.
4. Do you have any concerns about the potential for primary retailers to misuse or misinterpret the blocking provisions?
    - What additional safeguards or monitoring mechanisms would you recommend to prevent abuse?
5. Is the process for resolving blocking circumstances (e.g. settling debt, resolving metering issues, obtaining third-party consent) clear and practical for all parties involved?
    - Please suggest any improvements to streamline or clarify the process.

7.6 Reconciliation Mechanism

7.6.1 The Trading Rules establish clear and auditable processes for the reconciliation of energy flows, charging arrangements and the provision of top-up supply to ensure fairness, transparency and financial sustainability in the evolving electricity market. These mechanisms are critical for accurate billing, settlement and the equitable allocation of costs among all market participants.

7.6.2 Reconciliation mechanisms

Each primary retailer must implement a transparent reconciliation mechanism to calculate wheeled energy for each consumer and trader in every trading period. This process involves the submission and verification of reconciliation statements, dispute resolution and adjustment for network losses, ensuring that all parties are billed accurately for the energy supplied and consumed.

7.6.3 Charging arrangements

Charging and billing arrangements are clearly defined for all contestable consumers, primary retailers, traders and network service providers. The primary retailer invoices consumers for total metered consumption, recovers all NBCs and applies wheeling credits where applicable. Use-of-system charges are levied separately and are not offset by wheeling credits.

7.6.4 Top-up supply

For consumers with DSAs, any additional energy required beyond what is supplied under DSAs is provided as top-up energy by the primary retailer. The calculation and charging for top-up energy are clearly specified, ensuring that consumers pay appropriately for their total energy needs.

Stakeholder questions

1. Are the proposed reconciliation mechanisms sufficient to ensure accurate and transparent settlement of wheeled energy and top-up energy for all parties?
    - Please provide reasons for your agreement or disagreement.
2. Do the charging arrangements, including the application of NBCs, wheeling credits and use-of-system charges, provide clarity and fairness for all market participants?
    - Are there any aspects that could be improved or clarified?
3. Is the process for calculating and billing top-up energy practical and equitable for consumers with DSAs?
    - Please suggest any improvements or alternative approaches.
4. Do you foresee any challenges in the implementation of these mechanisms, particularly regarding data accuracy, dispute resolution, or coordination between parties?
    - What additional safeguards or processes would you recommend?

7.7 Recovery of Non-Bypassable Charges (NBCs)

7.7.1 A central feature of the Trading Rules is the requirement that certain costs and subsidies be recovered from all grid-connected customers through NBCs. NBCs are mandatory charges payable by all customers, regardless of their supplier choice or the extent of self-generation. The purpose of NBCs is to ensure that every customer makes a fair and proportionate contribution to the costs of maintaining, operating and upgrading the electricity system, as well as to policy-driven costs such as subsidies and social obligations.

7.7.2 The categories of costs and subsidies recoverable through NBCs include the following:

- **Network costs:** All costs associated with maintaining, operating and upgrading transmission and distribution networks.
- **Legacy programme costs:** Costs from legacy procurement programmes, such as the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).
- **Ancillary services costs:** Costs for services necessary for real-time balancing, system stability and reserves.
- **Generation capacity costs:** Fixed costs for providing centralised generation capacity to ensure system adequacy.
- **Government-mandated subsidies and social obligations:** Subsidies for vulnerable and low-income customers, electrification programmes and concessions for industrial customers under negotiated pricing agreements.
- **Other system-wide costs:** Costs of sector regulation, licensing, compliance monitoring, tariff approvals, market oversight and enforcement.

7.7.3 NBCs are calculated in proportion to each customer's fair use of and/or benefit from the system and their equitable contribution to policy costs. The structure and quantum of NBCs will be reviewed and aligned with wholesale charges as the market transitions through its various phases, ensuring competitive neutrality and financial sustainability for the sector.

Stakeholder questions

1. Do you agree with the categories of costs and subsidies proposed for recovery through NBCs?
    - Please provide reasons for your agreement or disagreement.
2. Are there any additional categories of costs or subsidies that should be included or any listed that should be excluded from NBCs?
    - Please specify and provide your rationale.
3. Is the proposed approach to calculating NBCs – based on fair use and equitable contribution – appropriate and practical for all customer segments?
    - Are there alternative methodologies you would recommend?
4. Do you foresee any challenges or unintended consequences in the implementation of NBCs, particularly for specific customer groups (e.g. small businesses, industrial users, or customers with significant self-generation)?
    - What mitigation measures or safeguards would you suggest?
5. How should NBCs be reviewed and adjusted over time to ensure ongoing fairness, transparency and alignment with evolving market conditions?
    - Please suggest any review mechanisms or stakeholder engagement processes.

7.8 **Virtual Wheeling**

7.8.1 Virtual wheeling is a new mechanism introduced in these Trading Rules to facilitate greater flexibility and efficiency in the allocation of wheeled energy across multiple sites and consumers. Unlike conventional bilateral wheeling, which requires a dedicated physical supply path between a specific generator and each metering point, virtual wheeling allows for the allocation of energy from one or more generators to one or more contestable consumers across different metering points, without the need for a direct physical link. This is enabled through the South African Wholesale Electricity Market (SAWEM) platform and is subject to strict regulatory and technical prerequisites.

7.8.2 Key features of virtual wheeling include the following:

- **Eligibility:** Virtual wheeling is available from SAWEM go-live for contestable consumers with a connection size exceeding 100 kVA. The 100 kVA threshold may be relaxed upon approval and implementation of NBCs.
- **Market integration:** Virtual wheeling is only permitted through SAWEM and is not available prior to SAWEM go-live, except for pre-existing agreements. It is subject to the market rules, balance responsibility requirements and reconciliation mechanisms established for SAWEM participants.
- **Operational flexibility:** Virtual wheeling enables contestable consumers to aggregate their energy needs across multiple sites and allocate energy from various generators, supporting more efficient procurement and use of renewable or distributed generation.
- **Transparency and oversight:** The market operator must be notified of all virtual wheeling arrangements, and participants must comply with the Market Code, balancing and settlement requirements.

7.8.3 Virtual wheeling is intended to promote competition, innovation and consumer choice, while ensuring that all participants contribute fairly to system costs through NBCs and comply with regulatory requirements.

Stakeholder questions

1. Do you agree with the eligibility criteria for virtual wheeling (i.e. contestable consumers with a connection size exceeding 100 kVA from SAWEM go-live)?
    - Please provide reasons for your agreement or disagreement.
2. Are the operational and market integration requirements for virtual wheeling (e.g. SAWEM participation, balance responsibility, reconciliation mechanisms) clear and practical for all parties?
    - Are there any aspects that could be improved or clarified?
3. Does virtual wheeling, as defined in these Rules, provide sufficient flexibility and benefit to contestable consumers and generators?
    - Are there additional features or safeguards you would recommend?

4. Do you foresee any challenges or unintended consequences in the implementation of virtual wheeling, particularly regarding network management, billing, or market transparency?
    - What mitigation measures or regulatory safeguards would you suggest?
5. Should the 100 kVA threshold for virtual wheeling eligibility be maintained, lowered, or removed in future phases?
    - Please provide your rationale and any supporting evidence.

7.9 Provisions for After SAWEM Go-Live

7.9.1 With the commencement of SAWEM, a number of amended provisions in the Trading Rules come into effect, replacing the pre-SAWEM arrangements. These changes are intended to support a more competitive, transparent and efficient electricity market, and to enable broader participation by generators, traders and consumers. The amended provisions include the following:

- **Virtual wheeling:** From SAWEM go-live, virtual wheeling is permitted for high, medium and low voltage customers with a connection size exceeding 100 kVA, subject to regulatory prerequisites. This allows for more flexible allocation of energy across multiple sites and consumers, without the need for a dedicated physical supply path.
- **Balance responsibility:** Generators with a capacity of 10 MW or more, and traders purchasing from such generators, must register as balance responsible parties (BRPs) or designate a willing BRP. This ensures accountability for deviations and supports system balancing.
- **Reconciliation and charging arrangements:** New reconciliation mechanisms and billing arrangements apply from SAWEM go-live, including clear processes for calculating top-up energy, wheeled energy and the invoicing of consumers by both primary retailers and traders.
- **DSAs:** The market operator must be notified of all new DSAs. The new DSAs must specify the relevant generators, consumers, metering points and energy quantities for each trading period.
- **Market Code compliance:** All traders participating in SAWEM must comply with the Market Code and Market Conduct Rules, including balancing and settlement mechanisms.
- **Customer switching:** From Phase 3 (after SAWEM has been operational for at least three years), contestable customers may switch primary retailers, supported by a central switching platform and detailed switching procedures. Blocking circumstances are strictly limited and monitored by NERSA.
- **Consumer protection and retailer of last resort:** Enhanced consumer protection frameworks and a retailer of last resort (RoLR) mechanism are established to ensure continuity of supply and fair treatment of customers in the event of retailer failure.

7.9.2 Stakeholders are invited to review these amended provisions and provide feedback on their clarity, fairness and practical implementation.

Stakeholder questions

1. Do you agree with the amended provisions that take effect from SAWEM go-live, including the introduction of virtual wheeling, balance responsibility requirements, and new reconciliation and charging arrangements?
    - Please provide reasons for your agreement or disagreement.
2. Are the eligibility criteria and operational requirements for virtual wheeling and balance responsibility clear and practical for all market participants?
    - Are there any aspects that could be improved or clarified?
3. Do the new reconciliation, billing, and notification processes for DSAs and top-up energy provide sufficient transparency and efficiency?
    - Please suggest any improvements or alternative approaches.
4. Are customer switching arrangements, including the central switching platform and blocking circumstances, appropriate for supporting competition and protecting consumer rights?
    - Are there additional safeguards or process improvements you would recommend?
5. Do you foresee any challenges or unintended consequences in the implementation of these amended provisions, particularly regarding market readiness, data management, or consumer protection?
    - What mitigation measures or regulatory safeguards would you suggest?
6. How should NERSA monitor and review the effectiveness of these amended provisions as the market transitions through SAWEM go-live and into full retail competition?
    - Please suggest any review mechanisms or stakeholder engagement processes.

7.10 Reporting to NERSA by Licensed Traders

7.10.1 The Trading Rules mandate licensed traders to report their activities to NERSA every six months, as outlined in section 10.8 of the Trading Rules. This reporting requirement ensures regulatory oversight of energy trading activities and compliance with the rules. Traders must submit detailed documentation, including summaries of new agreements with generators and customers, copies of DSAs and PPAs, as well as amended distribution connection use of system and electricity supply agreements. Additionally, traders must provide confirmation from primary retailers verifying compliance with volume restrictions and submit reports detailing complaints received and their resolution.

7.10.2 NERSA reserves the right to conduct audits to validate the information provided by traders. Traders are required to grant access to relevant contractual documentation upon receiving reasonable written notice. These measures are designed to ensure transparency, accountability and adherence to the Trading Rules, while protecting commercially sensitive information.

Stakeholder questions

1. Are the reporting requirements for licensed traders sufficient to ensure transparency and regulatory oversight?
2. Should additional information be included in the reports to NERSA to enhance compliance monitoring?
3. Is the six-month reporting frequency appropriate, or should it be adjusted to better align with market dynamics?
4. Are the audit provisions sufficient to validate the information submitted by traders?
5. Should NERSA have additional powers to conduct audits or request information from traders?
6. Are the measures to protect commercially sensitive information adequate?
7. Should NERSA implement additional safeguards to ensure confidentiality?
    - Are the requirements for reporting complaints and their resolution sufficient to address consumer concerns?

7.11 **Retail Competition Phases**

7.11.1 Retail competition is introduced in four phases, with progressive expansion of contestable consumer eligibility and the introduction of customer switching mechanisms.

Stakeholder questions

1. Are the proposed phases of retail competition appropriate for the South African electricity market, i.e. the phase before and after SAWEM?
2. Should the timeline for transitioning to full retail competition be adjusted?

7.11.2

1. Are there any material issues, risks, or considerations relevant to the Draft Electricity Trading Rules that have not been addressed? If yes, please describe them and suggest how they should be incorporated.
2. Please provide any additional comments, observations, or recommendations regarding the Rules that have not been addressed in the consultation paper. **(Stakeholders are encouraged to comment on any aspect of the Rules they consider relevant)**

8. REVISED TIMELINES FOR DEVELOPING THE TRADING RULES

8.1 The approval of the Trading Rules is linked to NERSA's business plan objectives of the Electricity Industry Regulation Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry.

8.2 To support these objectives, NERSA will follow the process that includes public participation, as stipulated in Table below.

Table 1: Indicative timelines for the approval of the Market Code

Activities	No. of days
ELS approval of the consultation paper	18 June 2026
Publishing Notice of the consultation paper and request for comments	29 June 2026
Analysis of stakeholder comments	July 2026
Preparation of ELS submission and RFD	July 2026
ELS submission for approval of the Trading Rules	August 2026
Gazetting of the Trading Rules	August 2026

9. CONCLUSION

9.1 This consultation paper aims to provide stakeholders with an overview of the proposed Trading Rules and framework, while seeking inputs on critical issues. NERSA invites all stakeholders to carefully review the paper and submit comments and recommendations during the consultation period.

9.2 Stakeholders are strongly encouraged to actively participate in this process by providing detailed, evidence-based, and constructive feedback. Such contributions are essential to ensure that the Trading Rules achieve their intended purpose of creating a level playing field and competitive environment for both incumbent distributors and new market entrants.

9.3 The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000), requires NERSA to conduct a public participation process before approving the Trading Rules. This process allows NERSA to consider stakeholder views and apply its regulatory judgment in a transparent and inclusive manner.

9.4 Therefore, NERSA requests stakeholders to provide their comments on the Trading Rules, as outlined in this consultation paper. Active participation by stakeholders will be crucial to ensuring that the Trading Rules align with the objectives outlined in section 2 of the Rules and effectively support the transition to a competitive electricity market.

Comments should be sent to NERSA for the attention of **Mr Rhulani Mathebula at**:

Physical Address	Postal Address
National Energy Regulator of South Africa Kulawula House 526 Madiba Street Arcadia Pretoria 0083	PO Box 40343 Arcadia Pretoria 0007
Email: TradingRulesDevelopmentTeam@nersa.org.za	

The deadline for the submission of comments is **29 July 2026.**

9.5 Kindly provide the name, address, telephone or mobile number and email address of the person or organisation submitting the comments. Submissions made after the deadline will not be considered.