

National Energy Regulator of South Africa



**TRADING RULES DEVELOPMENT PROJECT INTRODUCTION (KICK-OFF) MEETING
07 AUGUST 2025**

Introduction

Trading is a licensable activity which attracts compliance monitoring and enforcement and that can be achieved when the scope of compliance is identifiable.

Electricity Regulation Act, 2006 (Act No. 4 of 2006) (the Act) entrusts NERSA with the mandate to issue Rules amongst others relating to trading and we will be engaging in the development process within statutory and constitutional requirements.

The engagement we are undertaking today is a management exercise to gather information for the development of draft rules whilst the section 35(1) process will be undertaken later.

35. (1) The Regulator may, after consultation with-

- (a) licensees;
- (b) municipalities that reticulate electricity; and
- (c) such other interested persons as may be necessary,

make guidelines and publish codes of conduct and practice, or make **rules** by notice in the Gazette.

Introduction Cont'

Management engagement: project plan, solicit position paper, prepare draft, workshop draft document

Regulator engagement (section 35(1) process): Publish Draft for comments, Public hearing, process for approval and gazetting

The development of the Rules in terms of section 35 should be separated from the development of a procedure. The former is a delegated legislation applicable to licensees whilst the latter is an administrative tool.

Project Overview

- **Project Brief:** A brief overview of the project, its purpose, and the problem it aims to solve.
- **Goals and Objectives:** Clearly defined goals and objectives that the project intends to achieve.
- **Scope:** The boundaries of the project, including what is included and excluded.
- **Timeline:** A summary of the project's schedule, including key milestones and deadlines.

Project Brief

- NERSA has licensed few new Electricity Traders recently and they don't have network nor Area of Supply as defined in the NERSA Rules for Distribution Licensable Areas of Supply.
- On the other hand, section 13(3) of the Act mandates the Regulator to issue separate licences for operation of a distribution facility and for Trading. Therefore, Eskom Distribution and licensed Municipalities will have to operate the distribution facility and to also conduct Trading activity.
- Also, the Act defines trading as 'the buying or selling of electricity as a commercial activity'.

Project Brief Cont'

| Traders (with Assets) | Traders (without Assets) |
|---|---|
| Own distribution network and have two licences i.e. licence to operate a distribution facility and Trading licence. | Own no physical distribution network and have only one licence i.e. Trading licence |
| Their electricity tariffs and prices are regulated and approved by NERSA (i.e. through Tariff Methodology, Cost of Supply (CoS) Studies & Regulatory Clearing Accounts) | Unregulated electricity Tariffs prices ie Competitive pricing or market determined prices |
| Use own licensed Network to supply their customers | Wheel their Energy through licensed Tx & Dx Facility to supply their customers |
| Supply every and any customers, from High LSM to Indigents requiring Free Basic Electricity (FBE) | Supply mainly paying customers (No Indigents, FBE) |
| Supplier/Retailer of Last Resort | Dependent on validity of the Supply Agreement |

Goals & Objectives

- NERSA wants to develop Trading Rules that will guide both Traders without Assets, and Traders with Assets to participate fairly and equitably within the ESI.
- To develop clear & operational Rules that will contain the requirements and criteria to participate, the prescribed Do's and Don'ts for all licensed Traders.
- Fit-for-purpose Rules with that will apply to all Traders, with or without Assets.
- Rules that will ensure fair and healthy competition standards.
- Rules that promotes industry stability and protecting rights and interest of consumers and business.
- Rules should have legal framework that offers mechanism for dispute resolution and a robust monitoring and compliance mechanism

Project Scope

The project covers the following:

- Solicit Position Papers from Stakeholders, addressing Technical, Legal and Commercial aspects
- Gather inputs through the Position Papers
- Consolidate all input and suggestions into the Draft Rules
- Check and Test Draft against Goals and Objectives
- Workshop the Draft with Stakeholders
- Finalize the Draft for Public Consultation
- Include Public comments and input through Public Hearing
- Fine tune for NERSA processing and approval

Project Timeline

| Activity | Completion Date |
|---|------------------|
| Project Kick-Off meeting with key Stakeholders | 7 August 2025 |
| Presentations session of position papers by key Stakeholders & formulation of Working Group | 22 August 2025 |
| 1st Working Group Session | 29 August 2025 |
| 2nd Working Group Session | 5 September 2025 |
| Workshop on draft Trading Rules | September 2025 |
| Publish Advert for Comments and Public Hearing | September 2025 |
| Holding a Public Hearing | October 2025 |
| Trading Rules Submission for ELS & ER Approval | October 2025 |
| Trading Rules Gazetting | November 2025 |

Briefing on Position Papers

- Position Paper shall cover but not limited to:
 - Technical,
 - Legal,
 - Economic,
 - Commercial
 - Other aspects.

Example of what can be covered

- ELIGIBILITY CRITERIA FOR CUSTOMERS TO CHOOSE THEIR TRADER
- ELIGIBILITY CRITERIA OF A CUSTOMER AND CONTESTABLE CUSTOMER(S)
- ELIGIBILITY BASED ON VOLTAGE AND CONSUMPTION LEVEL
- SINGLE OR MULTIPLE RETAILERS
- TOP-UP / STAND-BY ARRANGEMENTS
- LEGAL & REGULATORY COMPLIANCE BY TRADERS
- SINGLE VS. MULTIPLE RETAILER PARTICIPATION
- TOP-UP ARRANGEMENTS, TOP-UP TRIGGERS & SETTLEMENT
- CUSTOMER CONTRACTING & PROTECTION
- SUPPLIER SWITCHING
- DATA ACCESS
- FINANCIAL SETTLEMENT & REPORTING
- DISTRIBUTION FACILITY OPERATOR'S RIGHTS
- RESELLER NETWORKS
- DISTRIBUTION FACILITY ACCESS AND ELECTRICITY WHEELING
- PROHIBITED ACTIVITIES RELATING TO ELECTRICITY TRADING
- SUPPLIER OF LAST RESORT

Conclusion

- The objectives of the Trading Rules will best be achieved through a “win-win” situation among all traders with or without physical distribution assets
- The Rules will ensure an orderly development within the Electricity Retail Sector.

References

Legislation, Codes, Procedures and Standard that the Draft should align with, but not limited to following:

1. National Energy Regulator Act, 2004 (Act No. 4 of 2004)
2. Electricity Regulation Act, 2006 (Act No. 4 of 2006), as amended
3. Municipal Systems Act, 2000 (Act No. 32 of 2000)
4. Licensing Exemption and Registration Notice No. 1231 of 17 January 2023
5. Competition Act, 1998 (Act No. 89 of 1998)
6. South African Distribution Metering Code Version 5.1
7. NERSA Electricity Wheeling Framework
8. NERSA Complaint and Dispute Resolution Procedure
9. Regulatory Rules on Network Charges for Third-party Transportation of Energy

Thank You