



FACT SHEET ON THE ELECTRICITY REGULATION AMENDMENT (ERA) BILL

November 2023

The Electricity Regulation Amendment Bill, or ERA Bill, will make it easier to produce and sell electricity in South Africa. It is a positive step towards a more reliable, affordable, and sustainable electricity system.

The Bill aims to fix what is broken in the current system by enabling multiple electricity producers to compete on a level playing field. This will ensure South Africa's energy security while improving efficiency and bringing down electricity prices in the long term.

The Bill will change South Africa's energy system for the better.

The Bill establishes the **Transmission System Operator (TSO)**, which will be **managed by the National Transmission Company South Africa (NTCSA)**, an independent state-owned entity responsible for overseeing the national electricity grid.

The Bill outlines the powers, functions and responsibilities of the TSO. These include:

- Taking responsibility for strengthening and developing new electricity infrastructure.
- Ensuring all electricity producers are treated equally and fairly, and are allowed access to the national grid without discrimination.
- Establishing a market platform through which electricity can be bought and sold by multiple buyers and sellers.

The ERA Bill is expected to result in massive new investment in energy generation in South Africa. This will help to end load shedding, create jobs, and drive economic growth.

The future of South Africa's energy sector.

The ERA Bill will enable multiple electricity producers to compete on a level playing field, which will lead to:



Lower electricity prices: The Bill will drive down the cost of electricity generation, which will be passed on to consumers in the form of lower electricity bills.



Increased reliability of supply: The Bill will encourage investment in new and reliable electricity generation sources, which will help to reduce the risk of power outages.



More choices for consumers: The Bill will give consumers more choices when it comes to their electricity supplier, which will help to drive down prices and improve service delivery.



Increased investment in the electricity sector: The Bill will attract new investment into the electricity sector, which will help to create jobs and boost economic growth.



Increased innovation and efficiency: The Bill will drive adoption of new technologies. This will help strengthen and expand transmission infrastructure so that we can connect all the new energy that we need.



NECOM
NATIONAL
ENERGY CRISIS
COMMITTEE

Frequently Asked Questions

1. What is the purpose of the ERA Bill?

The Electricity Regulation Amendment Bill aims to amend the current Act in order to reform the electricity sector. Specifically, **the Bill will make it easier to provide more electricity, add new generation capacity, and expand infrastructure.** It also establishes the Transmission System Operator (TSO), which will be managed by the National Transmission Company of South Africa (NTCSA). The Bill sets out the duties, powers and functions of the TSO.

2. How does the ERA Bill aim to achieve this?

A central theme of the ERA Bill is the shift away from a predominantly single-buyer electricity market dominated by Eskom. **The Bill is designed to create a more competitive electricity market, with multiple electricity producers able to compete within an open market platform.** This will make it easier for different companies to generate, transmit, and distribute electricity. It therefore supports the restructuring of Eskom into separate companies for generation, transmission, and distribution, including through the creation of an independent TSO. The role of the TSO will be undertaken by the NTCSA. The goal is to foster long-term energy security and drive transformation within the energy sector.

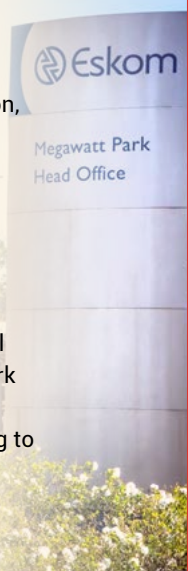
3. Why is the ERA Bill important?

The ERA Bill is a crucial part of the government's plan to address South Africa's energy crisis and bring an end to load shedding. **It will transform the country's electricity sector to achieve long-term energy security** by increasing energy production and enhancing reliability, which will reduce power outages and stimulate economic growth, attracting investment into the energy sector, creating jobs, and fostering innovation.

What does this mean for South Africa's energy sector?

Eskom controls the generation, transmission, and distribution of most of South Africa's electricity. The ERA Bill will support the restructuring of Eskom into three separate companies, including an independent transmission system operator.

Once the Bill is enacted, multiple electricity producers will be able to compete on a level playing field. While the transmission network will remain state-owned, South Africa will have many electricity companies competing to provide power most efficiently and cheaply.



4. What are the main changes proposed in this Bill?

The Bill, once enacted, will introduce much anticipated changes that will unlock opportunity within the sector, including:

- **The Bill establishes a competitive market in the electricity sector and supports the unbundling of Eskom.** The Electricity Regulation Amendment Bill will make it easier for different companies to generate, transmit, and distribute electricity. The Bill provides for a competitive multi-market structure, including an open market platform in which multiple electricity producers will participate. **The Bill further supports the unbundling of Eskom into separate companies for generation, transmission, and distribution.**
- The Bill provides for the creation of the Transmission System Operator, and further transitional measures, under the charge of the National Transmission Company South Africa. **The Bill designates the NTCSA as the TSO and outlines its associated duties, powers, and functions.** The TSO's primary objective is to establish an open market platform that will drive competitive electricity trading. The TSO's duties cover four key roles: (a) as a transmitter, (b) as a system operator, (c) as a market operator, and (d) as a central purchasing agency (CPA).
 - **Transmitter:** The TSO is responsible for **maintaining and expanding the electricity grid**, and making sure that everyone has fair access to it.
 - **System Operator:** The TSO is responsible for **safely managing and keeping the integrated power system working properly.** This includes dispatching electricity generators and ensuring that the power system always remains in balance, to avoid blackouts.
 - **Market Operator:** The TSO must establish a transparent, open and fair-trading platform, subject to approval by the Regulator. **It is tasked with setting a market code and rules, which includes qualifying criteria for power market participants, and ensuring that the market functions smoothly.**
 - **Central Purchasing Agency (CPA):** The CPA will manage the shift towards a competitive market. **It is responsible for ensuring that there is a reliable supply of electricity by buying power from different companies as the need arises.** The CPA will buy and trade power from existing and new independent power producers (IPPs). It will finalise power purchase agreements with Eskom electricity producers to cover the remaining life of each plant. This will provide a mechanism to ensure a reliable supply of electricity while the market develops.



What are the main changes proposed in this Bill?
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- **The Bill provides clarity on the scope of tariff regulation once the market is in place.** NERSA will remain the regulator for the energy sector. The Bill introduces the definition of 'regulated transactions,' defined as a transaction that requires regulatory approval or oversight, specifically where the exercise of market power is likely or evident (for example, network charges). This definition sets the scope for tariff setting and regulation.
- **The Bill provides for the expansion and strengthening of transmission infrastructure.** The Bill empowers the Minister to direct funds to new generation capacity, as might be needed, in order to ensure energy security. In addition, the Bill empowers the Minister to direct funds towards building new transmission infrastructure, as needed to strengthen the grid to support additional energy. This will pave the way for the introduction of independent transmission projects (ITPs), enabling private investment in transmission infrastructure while the infrastructure itself remains state-owned.

5. How does the ERA Bill fit into the reform agenda?

Government continues to take steps towards a more competitive, efficient, and sustainable electricity sector. The 1998 White Paper on Energy Policy established the foundation for competition in the energy sector, beginning with the restructuring of Eskom. This unbundling will separate Eskom into three independent companies for electricity generation, transmission and distribution. **The Bill provides for a competitive multi-market structure.**

This transformation of the sector will allow different companies to generate, buy, and sell electricity. The Eskom Roadmap published by the Department of Public Enterprises (DPE) in 2019 laid out a plan to make these policy commitments a reality. Finally, in July 2020, President Ramaphosa announced the Energy Action Plan (EAP) to accelerate these reforms. **This is all being carried out through the ERA Bill, aiming to create a more competitive, efficient, and sustainable electricity sector for everyone.**

6. How will the ERA Bill affect load shedding?

South Africa has struggled with persistent power outages affecting our economy since 2007 due to an inefficient energy system and insufficient sector investment. The heavy reliance on Eskom, with limited competition and private investment, exacerbates the problem. Moving forward, while Eskom will retain its role as a vital electricity provider, other producers can invest in power plants and compete on efficiency and pricing. **These steps are anticipated to substantially boost generation capacity, ultimately eliminating load shedding.**

7. How will the Bill impact consumers?

The ERA Bill will have several positive effects for consumers. It will:

- Help **reduce and eventually end load-shedding**, by increasing our electricity supply.
- Help **bring the cost of energy down**, through competition among energy providers.
- Make it **easier for customers and businesses to choose renewable energy sources**, as competitive markets drive adoption of new energy technologies.
- **Ensure fair competition** and that consumer needs are best served through effective regulatory oversight.



The National Energy Crisis Committee (NECOM) was formed to deal with the energy crisis by fixing Eskom and adding new sources of power. Its overarching goal is to reduce and eventually end load shedding, ensuring energy security for South Africa. NECOM includes high-level officials from across government and Eskom, working closely with business and other social partners.

This collective national effort is working to ensure South Africa has enough energy now and for the future.



Read more about the **Energy Action Plan**: www.stateofthenation.gov.za/takechargesa/energy-action-plan

Download **latest progress report**: www.stateofthenation.gov.za/assets/downloads/Update_on_energy_action_plan_AUG23.pdf