United Nations
Economic Commission for Africa

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Regulatory Review of the Electricity Market in South Africa:

Towards Crowding-in Private Sector Investment

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Acknowledgements

The regulatory review of the electricity market of South Africa is a result of a continental initiative to crowd-in private sector participation in Africa's electricity market in collaboration with Member States, in this case the Republic of South Africa. This review process enjoyed cooperation from the Ministry of Mineral Resources and Energy which was very valuable. The initiative is a result of partnership between the UN Economic Commission for Africa (ECA), through its SDG 7 finance initiative spearheaded by Dr. Vera Songwe, United Nations Under-Secretary-General and Executive Secretary of ECA, and the RES4Africa Foundation, through its Missing Link initiative spearheaded by Mr. Roberto Vigotti, Secretary General of RES4Africa Foundation. The South Africa regulatory review, under the guidance and technical contribution of Mr. Robert Lisinge, Chief of Section for Energy, Infrastructure, and Services Section (EISS) of ECA, was led by Mr. Yohannes G. Hailu, energy policy expert at EISS of ECA, and by Mr. Andrea Renzulli, senior policy officer at RES4Africa, with technical and analytical contributions from Mr. Antonio Passero, Mr. Leonhard Braun, and Ms. Iarina Ciceu, and the participation of Ms. Cristiana Lisi from RES4Africa. The contribution of Mr. Anthony Monganeli (EISS), especially in reviewing and improving the draft report and participating in the validation process, is much appreciated.

The national policy and regulatory data necessary for objective regulatory review was assembled, and the draft country economic, energy sector, and regulatory context was ably developed by the national consultant, Ms. Ruse Moleshe. The regulatory analysis was based on a large national regulatory and policy database, which was validated by energy experts from the Ministry of Mineral Resources and Energy, the National Energy Regulator of South Africa, Eskom, and other institutions including the Southern African Power Pool. The following sector leaders and experts represented the institutions during validation: Ms. Hasha Tlhotlhalemaje, Mr. Abraham Mathem, Mr. Crystal Gradwell, Mr. Harrison Masiga, Mr. Leonardo Pittorino, Mr. Mathews Bantsijang, Ms. Ntombifuthi Ntuli, Mr. Sephiwe Khoza, Mr. Stanley Semelane, Mr. Sydney Kadikula Zimba, Mr. Veli Mahlangu, Mr. Mathews Bantsijang, Mr. William Lohrmann, Mr. Freddy Mbedzi, Mr. Frisky Domingues, Mr. Given Ntshani, Mr. Maloba Tshehla, Mr. Manqoba Ndwandwe, Ms. Marianna Petrosillo, Ms. Nontsikelelo Khumalo, Ms. Ntombifuthi Ntuli, Ms. Olga Chauke, Mr. Sabelo Malaza, Mr. Sam Inno, Mr. Thilivhali Nthakheni, Mr. Tshepo Mokwena, Ms. Moefi Moroeng, Mr. Mthetheleli Mapinda, Ms. Jean Madzongwe, Mr. Elijah Sichone, Mr. Tshepo Ramokoka, Mr. Rendani Mukhithi, Mr. Sebastian Khoza, and Ms. Vivian Ramathuba.

The initiative received support, including publication logistics, from ECA Sub-Regional Office for Eastern Africa.' - in Rwanda. The technical and graphic design work by Epsilon Publishers Ltd, which has improved the quality of this publication, is acknowledged.

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Executive Summary

This report provides an analysis of South Africa's electricity sector policies, laws, and regulations in relation to crowding-in private sector participation in developing national electricity infrastructure. The report is part of the United Nations Economic Commission for Africa and RES4Africa Foundation joint program on *Regulatory Review of the Electricity Sector in Africa: Towards Crowding-in Private Sector Investment*.

The electricity supply industry of South Africa is the largest in Sub-Saharan Africa, accounting for over 40 percent of the total installed capacity in the region. The country has been able to expand electricity access to about 94 percent of its population. The efforts to integrate the private sector in the electricity generation market, notably to support the development of a renewables industry, is proving to be successful. As of now, sixty-four renewable energy independent power producers (IPPs) are present in the market.

These good results have been achieved without a major transformation of the country's electricity market structure. Indeed, the vertically integrated public utility, Eskom, remains the dominant player in South Africa electricity supply industry. Eskom generates a commanding share of the national electricity supply, owns and operates the entire transmission system, and 40 percent of electricity distribution to end-users, with the rest served by municipalities. South Africa has successfully attracted private capital to support the expansion of its generation capacity, yet little progress has been made in terms of market liberalisation and restructuring. Eskom stands as the single buyer at the wholesale level and it's the nominated off-taker for public procured IPPs.

Since 2019, however, South Africa is facing an endemic electricity crisis, exposing it to the risk of blackouts. This has led to implementation of a vast national load-shedding program. As a consequence, a deep reduction in the national economic output is experienced, which brought the country into recession. This has underscored the importance of having a reliable and competitive electricity industry to fuel economic growth and social development.

The recent electricity crisis has highlighted the risks emanating from the high reliance of the South African electricity supply industry on Eskom. The South African government has reignited efforts for electricity market reforms, with a clear purpose of increasing private sector participation across the electricity value chain.