



United Nations
Economic Commission for Africa



Regulatory Review of the Electricity Market in South Africa:

**Towards Crowding-in Private
Sector Investment**





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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.

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