Projects & Energy

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In this issue

SOUTH AFRICA

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NERSA ramps up decision-making to enable grid access and increase market competitiveness

During the last week of November 2025, the National Energy Regulator of South Africa (NERSA) announced a series of decisions that collectively accelerate South Africa's shift to a competitive electricity market.

In brief, the Regulator:

- approved the Market Operator Licence for the National Transmission Company South Africa (NTCSA);
- finalised the Grid Capacity Allocation Rules (GCAR);
- constituted the Electricity Market Advisory Forum (EMAF); and
- issued a notice of public participation on the draft Electricity Trading Rules.

Taken together, these measures create clearer governance for grid access and lay the practical foundations for market-based trading alongside bilateral wheeling.

Approval of the Market Operator Licence is a pivotal step in the implementation of the Electricity Regulation Amendment Act 38 of 2024 and the transition to a multi buyer, multi seller framework. The licensed market operator will underpin the South African wholesale electricity market by administering market processes under a market code and providing a platform for balancing and settlement. While full implementation will phase in over time, the licence decision provides regulatory certainty to investors, lenders and offtakers planning for wholesale participation and for integrating trading alongside bilateral arrangements. The licence conditions will be finalised within 30 days of the approval, with the aim of addressing any conflicts of interests that may arise as a consequence of the NTSCA being a subsidiary of Eskom Holdings SOC Limited for the time being.

The NTCSA has developed the South African Wholesale Market Code, which will, as a next step, be submitted for approval by NERSA.

The GCAR will formalise readiness based allocation and queue management for scarce grid capacity. They replace the Interim GCAR introduced by Eskom. The GCAR will be gazetted and published on NERSA's website in the coming days.

NERSA also constituted the EMAF to provide expert oversight and stakeholder input during market establishment. The forum is expected to assist with refinement of market instruments such as the South African Wholesale Market Code and to advise on transitional measures that maintain system stability as trading volumes grow. Its creation signals the Regulator's intent to embed transparent, consultative governance as market institutions take shape. Members of EMAF are yet to be announced.

In parallel, NERSA published the draft Electricity Trading Rules and a consultation paper, with a virtual public hearing scheduled in January 2026. The draft rules outline a phased opening of trading, starting with transmission and high voltage customers, and set out licensing, reporting, metering data access, reconciliation, settlement and supplier switching protocols.

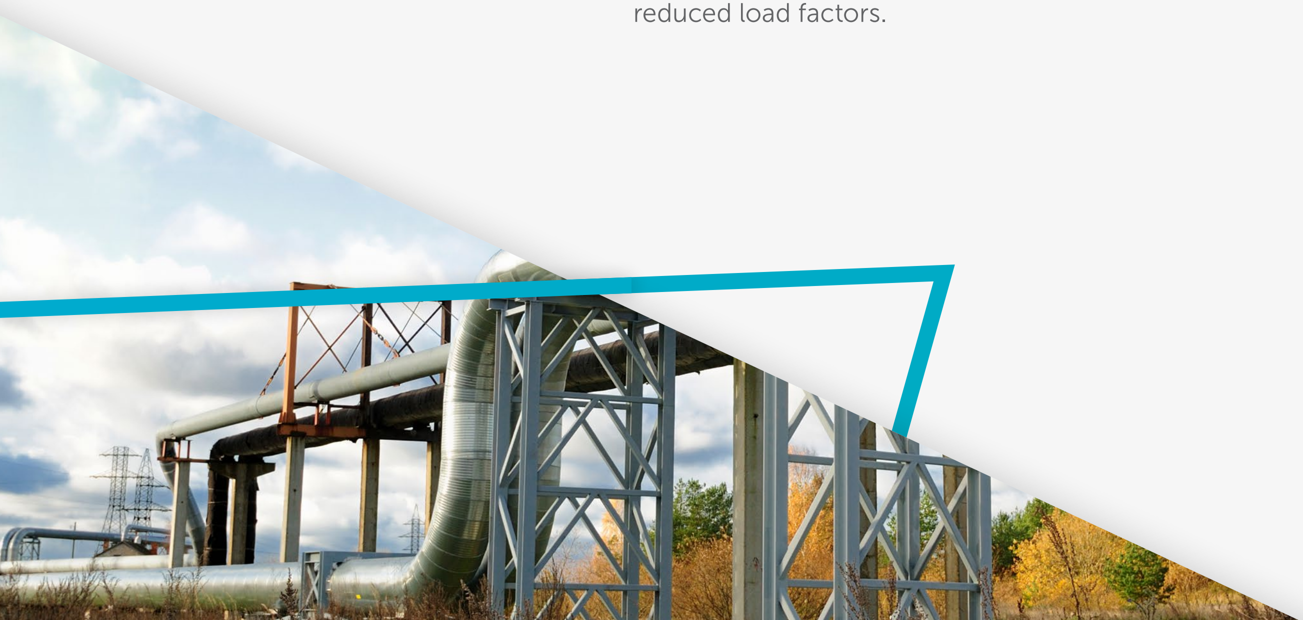
As these reforms bed down, we anticipate greater predictability on grid access, clearer pathways to market for shovel ready projects, and a progressively more competitive environment for procuring and selling electricity in South Africa.

Tessa Brewis and Alecia Pienaar

NTCSA releases practice note and updated GCCA on congestion curtailment

The National Transmission Company of South Africa (NTCSA) first submitted an application to the National Energy Regulator of South Africa (NERSA) on 24 May 2024 requesting approval for congestion curtailment to be treated as a constrained generation ancillary service for renewable energy, for purposes of addressing current grid capacity constraints experienced on the transmission network (Application) (see here where we discuss the Application in detail). The Application was approved by NERSA in early May 2025, with Reasons for Decision released towards the end of June 2025 (Approval).

Congestion curtailment as an ancillary service is contemplated to be used to manage network-related constraints and, by taking advantage of the intermittent nature of renewable energy resources, opening up grid capacity and allowing more generators to connect at reduced load factors.



Application and scope of the approval

The Application's scope aligned with the proposal in the Generation Connection Capacity Assessment 2025 Addendum (GCCA 2025 Addendum) released in January 2024, which considered implementation of a 10% curtailment from 2026 onwards on present and planned operational wind energy generation facilities to open 3,470 MW of grid capacity in the Western Cape and Eastern Cape provinces.

NERSA's Approval is, however, more restrictive when compared to what was sought in the Application and contemplated under the GCCA 2025 Addendum. The Approval was granted subject to the following conditions:

- The Approval's validity period runs from 1 April 2025 to 31 March 2028, subject to review upon expiry of this period.
- Congestion curtailment as an ancillary service is limited to a 4% cap and may only be used in the Western Cape and Eastern Cape. This translates into 1,580 MW of additional grid capacity across the Western Cape (1,180 MW) and Eastern Cape (400 MW).
- In terms of compensation, public independent power producers (IPP) will remain compensated through deemed energy payments, which may be recovered from the constrained generation ancillary service budget. For private IPPs, the NTCSA will credit the offtaker's account for the curtailed energy as if supplied; distribution will, in turn, recover these costs from the ancillary services component of the transmission tariff.

NTCSA releases practice note and updated GCCA on congestion curtailment

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- Recoverable curtailment costs are capped at the Sixth Multi-Year Price Determination's (MYPD6) approved allowable revenue for ancillary services and energy imbalance line item.
- The NTCSA is required to provide implementation reports to NERSA every six months over the three-year period on prescribed matters.
- NERSA must approve congestion curtailment that extends beyond the ambit of the Application.

Reasons for decision

In granting the Approval, NERSA highlighted some key considerations in its Reasons for Decision, with repeated emphasis placed on the fact that the Approval remains a temporary solution that should be implemented in parallel with grid upgrade and expansion efforts, as consumer cost exposure should be capped. Socialisation of the costs as an interim measure is, according to NERSA, justified on the basis that:

- The congestion curtailment framework still represents the least-cost approach for integrating new generation capacity from renewable energy, especially when compared to the costs associated with transmission infrastructure expansion.
- It promotes competition within the sector, reinforcing its resilience and sustainability.
- Managed curtailment can unlock capacity faster at lower socio-economic cost than continued reliance on costly open cycle gas turbines (OCGT) and load-shedding.
- The capacity that is unlocked benefits all customers as it enhances energy security by allowing new generation capacity to connect, thus reducing the risk of load-shedding and dependence on OCGT.
- Economic implications for the consumer are limited as recoverable costs are capped at the approved energy imbalance cost allocation for MYPD6.
- Increased renewable capacity may stimulate local economic development.

Revised GCCA and practice note

The updated GCCA (31 October 2025) formalises the shift from the 10% curtailment assumption in the GCCA 2025 Addendum to a NERSA aligned 4% curtailment cap for the pilot period, which equates to the aforementioned additional 1,580 MW of connectable wind calibrated to local transformer firm capacity and stability constraints and concentrated at specific substations (including Agulhas, Bacchus, Droërivier and Nuweveld/Galenia in the Western Cape, and Neptune and Pembroke in the Eastern Cape).

NTCSA releases practice note and updated GCCA on congestion curtailment

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Complementing the GCCA update, the Practice Note published in October 2025 operationalises how curtailment adjusted capacity will be processed. Critically, the Practice Note ties curtailment capacity allocation to existing Eskom processes (cost estimate letter/budget quote (CEL/BQ) issuance and the Interim Grid Capacity Allocation Rules (IGCAR) regime) and sets clear eligibility criteria: projects at new application, awaiting CEL, in the IGCAR evaluation stage, or allocated with provisional capacity, may participate, whereas projects with valid or effective BQs are generally excluded because they are already embedded in upstream planning assumptions.

The Note further sets out the process to be followed for customers looking to apply for connection capacity that is subject to curtailment. Save for those holding valid/effective BQs, all customers may apply and will receive CELs reflecting curtailment terms, with congestion curtailment capacity reserved after passing IGCAR assessment. Distinction is made between new and pending application and the requirements or options under each.

Conclusion

Congestion curtailment is welcomed as a pragmatic mechanism to unlock constrained grid capacity in the Cape corridors, but purely as a temporary measure. The risk of delays in grid upgrade is twofold. First, after expiry of the initial term, the frequency and depth of curtailment could rise above the intended ~4% envelope, eroding the least cost rationale, increasing ancillary services charges. Further, investor confidence may weaken if projects remain dependent on curtailment beyond the pilot.

The immediate priority remains to use curtailment strictly as a bridge. That is the only path that preserves the framework's least cost character for end users, sustains market confidence, and reduces curtailment dependence on schedule.

Alecia Pienaar

An upcoming opportunity for Private Generation: Section 34 Ministerial Determination on the Procurement of 750 MW of Ancillary Services

On 4 December 2024 the National Energy Regulator of South Africa (NERSA) received a draft section 34 determination from the Minister of Electricity and Energy (Minister) in accordance with section 34(1) of the Electricity Regulation Act 4 of 2006 (ERA). In a consultation paper published on 16 May 2025, both NERSA and the Minister proposed procuring 750 MW of ancillary services for the National Transmission Company of South Africa (NTCSA) comprising instantaneous electricity reserves and regulating electricity reserves. NERSA has consulted on the proposal but is expected to concur with the Minister's determination and finally publish the determination in early 2026.

The Determination

Section 34 of ERA empowers the Minister to, in consultation with NERSA, determine that the new generation capacity is needed to ensure the continued uninterrupted supply of electricity within South Africa. Before the determination process is concluded, NERSA must undertake its regulatory review, public comment process and provide concurrence.

On 4 December 2024, NERSA received a draft section 34 determination from the Minister in accordance with section 34(1) of the ERA. On 16 May 2025 the Minister in consultation with NERSA published a proposal to procure 750 MW of ancillary services to be provided to the NTCSA, in the form of instantaneous electricity reserves and regulating electricity reserves.

In the consultation paper, both NERSA and the Minister indicated that:

- new generation capacity is needed to ensure the continued uninterrupted supply of electricity and ancillary services;
- 750 MW shall be generated from various technologies to provide the NTCSA with instantaneous electricity reserves and regulating electricity reserves, which are allocated as follows:
  - Instantaneous Electricity Reserves: 500 MW; and
  - Regulating Electricity Reserves 250 MW
- the buyer of the ancillary services shall be NTCSA; and
- the capacity must be procured by NTCSA through a tendering process which is fair, equitable, transparent, competitive, and cost-effective.

Instantaneous Reserve:
is the generating capacity or demand side managed load that must be fully available within 10 seconds to arrest frequency excursion outside the frequency dead-band. This reserve's response must be sustained for at least 10 minutes.

Regulating Reserve:
is the generating capacity or demand side managed load that is available to respond within 10 seconds and is fully activated within 10 minutes.

An upcoming opportunity for Private Generation: Section 34 Ministerial Determination on the Procurement of 750 MW of Ancillary Services

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collectively (Determination).

The Determination aims to address current reserves' shortfall which has made it more challenging to maintain the NTCSA's transmission and distribution system frequency and stability, resulting in an increase in the number of low frequency incidents.

Opportunity

While the Determination itself for the procurement of a total of 750 MW in reserves is excellent progress in improving the stability of South Africa's energy landscape, the interesting part of the Determination is its alignment with the new multi-market system introduced under the Electricity Regulations Amendment Act 38 of 2024 (ERA Amendment).

By directing the NTCSA to run a "*tendering process which is fair, equitable, transparent, competitive, and cost-effective*", the Determination reduces an exclusive reliance on Eskom SOC Limited (Eskom) for the procurement of reserves' but opens a bidding platform which will ensure the application of competitive market transactions, an open participation multi-market system and the conclusion of fair physical bilateral transactions.

The provision of ancillary services was first included in the power purchase agreements from the renewable energy independent power producer procurement programme (REIPPPP) bid window 6, launched in 2022. This marked a significant change from previous REIPPPP bid windows, which focused solely on energy provision. The introduction of the provision of ancillary services also brought a new payment mechanism in REIPPPP bid window 6 to account for both energy and ancillary services provided.

The subsequent battery energy storage independent power producer procurement programme (BESIPPPP) bid window 2, launched in 2023, also included the requirement for the provision of capacity, energy, and ancillary services.

As demonstrated in REIPPPP bid window 6, BESIPPPP bid window 2 and the Determination, the South African Government is taking favourable steps in the right direction to opening up South Africa's energy market to a multi-market system as envisaged under the ERA Amendment as the procurement of reserves from third party private generators will result in a more stable energy landscape, as the South African government is able to procure energy for multiple sources with a view to secure grid reliability and ensure a stable supply of power across South Africa.

Next Steps and Timing

The Determination is currently in the process of public comment and review by NERSA after receiving public comments in June of 2025. We can expect to receive further information from NERSA as well as a full issuance and publication of the Determination during early 2026. Prospective bidders should use this time to assess technical capabilities (including response times and duration), grid connection, contracting with the NTCSA, and compliance with ERA and related instruments governing the provision of ancillary services.

Tessa Brewis and Jamie Oliver

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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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