

FAQs: South Africa's Wholesale Electricity Market



What is the South African Wholesale Electricity Market (SAWEM)?

The SAWEM is the proposed trading platform for the short-term wholesale buying and selling of electricity in South Africa coordinated through a Market Operator. SAWEM was first initiated by the government under the Energy Action Plan to bring structural reform to the Energy Sector.

Under South Africa's amended Electricity Regulation Act (ERA), the Market Operator must provide a *"transparent non-discriminatory trading platform, approved by the Regulator, for power market participants to trade"*. The SAWEM is the trading platform that is being developed.

What do these terms mean?

In basic terms, the SAWEM is a platform where any power producer, and any power buyer, can buy and sell bulk electricity – and they can do so the day before it will be produced and used. For example, a municipality will go onto the platform the day before and buy electricity – by saying what it is willing to pay for the electricity (within a range) and the Market Operator matches it with a generator. The municipality will then sell the electricity onto those living in that municipal area. This only refers to wholesale (bulk) electricity – an individual person cannot go onto the same platform and buy electricity for the household.

The Market Operator will be licensed to operate SAWEM and fulfill the requirements of the Market Code and Rules. Those accessing the platform are power generators (Eskom and power projects like windfarms), licensed traders, and large entities that use large amounts of power, like municipalities or industrial electricity users (smelters, factories and mines, etc).

This is different to a "retail market" where individual consumers buy electricity. Under the SAWEM, individual consumers will continue to purchase their electricity from Eskom Distribution or their municipality – with Eskom, and potentially the municipality, purchasing power through the SAWEM.

The National Energy Regulator of South Africa (NERSA) is responsible to ensure a **transparent, non-discriminatory trading platform and providing oversight**, which includes approving the Market Code and Rules for SAWEM. NERSA is also responsible for approving the retail tariff for consumers.

"Short-term market" means that power is bought and sold one day ahead of when it is needed and in real-time. This is different to long-term buying, which is done under a contract and usually with fixed costs of power. The buying and selling under long-term power purchase agreements (for example one year or 20 years) will not happen within the SAWEM and can continue outside the SAWEM. The SAWEM is one proposed component of the broader electricity market in South Africa. It is not yet operational. **Trading through the SAWEM is expected to commence at the end of 2026.**

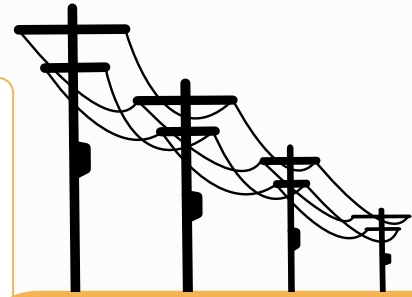


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What is the Market Code?

The Draft Wholesale Electricity Market Code and Rules (**Market Code and Rules**) is the proposed set of rules that will govern the SAWEM. The Market Code and Rules is developed under the framework of the ERA. It will set out the rules for buying and selling of electricity, regulating energy producers, including Eskom, in a competitive day-ahead and intra-day wholesale market (buying and selling energy the day before production and delivery) and within shorter intervals closer to real-time.

The Code and Rules sets out the requirements for market participation and seeks to regulate against improper **market conduct (collusion or price-fixing)**. *Collusion* refers to when two or more entities try to manipulate the market using various tactics, for example by increasing or decreasing the amount of power produced, which influences the prices. *Price-fixing* refers to two or more entities deciding together how much they want to charge for electricity, for example, and this means that the prices start to be the same, taking away competition.



The draft of the Market Code was developed by the National Transmission Company of South Africa (NTCSA) (wholly owned by Eskom). National Energy Regulator of South Africa (NERSA) is to take the process further and finalise the code. NERSA has developed additional Market Code Rules.

Why are the Market Code and Rules important?

The Market Code and Rules are important because they will shape electricity prices and affordability, and how electricity is and will be traded in South Africa for years to come.

In theory, the SAWEM should allow for more electricity generation options to enter the electricity market, with prices of electricity being reflective of the costs of energy production, whether the electricity comes from fossil fuels or renewable energy sources.

The Market should provide transparent price signals (changes in price based on demand and supply) and should allow for cheaper energy sources to be dispatched first, as they are the most cost-competitive.

However, much depends on the rules and their implementation in practice. The rules could influence the extent of transparency on the platform, the levels of strict and independent oversight and accountability (to avoid improper market conduct like price collusion or price fixing), and how much of a “level playing” field is created for cleaner, responsible renewable energy sources to succeed on the platform.

This means the SAWEM, and the Market Code and Rules that will govern it, could either support a transition toward affordable, renewable and transparent electricity systems; or entrench harmful fossil fuel generation, increase electricity costs, and create new financial risks for municipalities and consumers.

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Who does it involve and affect?

The Market Code affects all electricity users and participants across the electricity value chain, though some (like consumers) only indirectly. Because most people, businesses, municipalities and factories are relying on the electricity grid for electricity, this basically means that the market code affects everyone in South Africa.

Market participation is voluntary for all generators and off-takers (users) who meet the qualifying criteria, except for Eskom generation (mostly powered by coal) and Eskom Distribution. Eskom is a compulsory market participant and has to sell and buy through the SAWEM.

As the predominant producer of electricity in South Africa and dominant player in the market, Eskom will be allocated **vesting contracts** (explained below) to manage its **market share** and transition Eskom gradually into a market environment, where it should be incentivised to operate more efficiently. At the moment, Eskom has little incentive to be more efficient, as it has the greatest share and greatest power over electricity generation and sales. Those who live in South Africa also know that Eskom has been unreliable, suffered from mismanagement and still values fossil fuel production.

The SAWEM is facilitated by the Market Operator, which sits within the National Transmission Company of South Africa (**NTCSA**) - a subsidiary of Eskom.

The Central Purchasing Agency (**CPA**) is another important role player in the SAWEM (it also sits within the NTCSA). It is designated as the wholesale buyer to maintain system integrity during, and after, the transition to a competitive electricity market. It will be responsible for entering into vesting contracts with Eskom and purchasing power from Independent Power Producers (**IPPs**) (under their power purchase agreements) and will trade that power in the SAWEM on their behalf.

Important considerations

for people affected by the new Market Code and Rules



Governance and oversight:

A key concern is that all of the SAWEM governance, surveillance, dispute resolution and Code modification functions provided for within the Market Code and Rules are housed within the Market Operator. This would not necessarily be a concern if the Market Operator were housed within a fully independent and separate Transmission System Operator State Owned Company. However, as things currently stand, the Market operator is housed within the NTCSA - a subsidiary of Eskom Holdings. As Eskom generation facilities and Eskom Distribution will be market participants, there is a real concern regarding the NTCSA's conflict of interest, its market power and undue influence, and the absence of fully independent governance mechanisms to oversee and manage the SAWEM. (See Market Code section 3.1)



Affordability:

The SAWEM will affect electricity prices for consumers. The SAWEM only concerns the buying and selling of energy. Additional electricity services, network charges, subsidies and generation capacity will be accounted for within a still-to-be-determined wholesale electricity tariff. The tariff will also be impacted by legacy charges and vesting contracts which are still being decided on with a separate [Transitional Generation Pricing and Vesting Contract Framework](#) being developed. Below is a short description of each. Consumers will ultimately incur the costs of the wholesale tariff, paying that as part of retail tariffs – so it is important to follow what costs and charges will be accounted for in the new wholesale tariff. NERSA must ultimately oversee and be accountable for all electricity prices, including approving the wholesale tariff for the retail market, as the custodian and enforcer of the regulatory framework provided for in the ERA.

Note that a Wholesale Electricity Pricing Framework has been released by NERSA for comment.



Vesting contracts:

This will be a contract or financial arrangement entered into between the CPA and Eskom generator or Distribution licensee for the transition to a competitive market. The CPA enters in the agreement with Eskom as a counterpart with the CPA taking responsibility to sell Eskom's power in the SAWEM. The CPA will allow for a fixed price for the energy produced – and cover any difference in this price should it be different in the Market. What's important is to ensure that Eskom's costs are fairly and correctly allocated in the contracts – to enable it to fairly recover its necessary costs but at the same time incentivise Eskom to behave in a more efficient and cost-effective way.



Legacy charge:

A legacy charge will be included in the wholesale tariff. It is a transitional charge which will assist the government to continue previously entered power purchase agreements (PPAs) of IPPs. The CPA will manage the buying of energy from the PPA on the market and be able to recover any amount difference between what was paid on the market versus the fixed amount in the PPA. This means that consumers will be paying the price for any expensive and uncompetitive power generation, including stranded assets, to be procured by government – such as high-capacity factor gas, or even, potentially, nuclear.

The state has an obligation in the National Energy Act 34 of 2008 to adopt measures to provide energy at affordable prices. The Market Code and Rules should recognise this state obligation in respect of municipalities. (See SAWEM Rule 4 – Non-market Participant Balance Responsible Parties).



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Municipalities' role:

Currently, municipalities do not have to participate in the SAWEM, but will be required to forecast their demand, i.e. the electricity supply needed, in the day-ahead market (be balance responsible parties). The reason for needing to be balance responsible is that municipalities distribute electricity to consumers, which impacts the electricity supply sector, including SAWEM. They could be penalised for any inaccurate forecasting.

This forecasting will require technical capacity that many municipalities may not have. This means municipalities will continue to use Eskom, who will be participating in the market. Indirectly and directly, the SAWEM may have impact on this service delivery and the price attached whether municipalities are supplied by Eskom or participate in the market. This impact will then be felt by the consumers of the municipality.



Renewable energy:

The Market Code should ensure that renewable energy technologies, which are least-cost, have benefits for climate and human health, and are less harmful to the environment than fossil fuels, are prioritised within the power system. Ideally there should be incentives and committed government targets for renewable energy that would incentivise the uptake of more renewable energy within the SAWEM.

The Market Code should do more to enable and support the transition to renewable energy by stating more deliberate energy transition objectives.



Climate change obligations:

The Market Code fails to integrate climate objectives, including carbon budgeting and greenhouse gas emissions monitoring and reporting, to align with South Africa's climate commitments and the Climate Change Act, 2024 specifically section 7.

Transparency requirements:

As the Market Code has an impact on all users of electricity and energy is a basic service, there should be full transparency of all agreements, contracts, authorisations and processes. (See *Market Code Section 2.3 (m) Interpretation*).

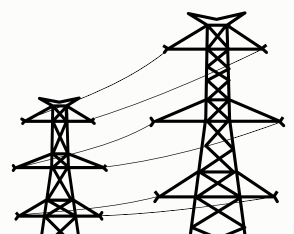
This transparency should also be in how this system impacts the end user of electricity, in a manner that is simple and understandable.



Applicable law:

The Market Code must be aligned with the relevant and applicable laws, including South Africa's Constitution, the ERA; the National Energy Act, 2008; the Climate Change Act, 2024; the Local Government: Municipal Systems Act, 2000, and relevant municipal legislation.

The Code must support and further the objectives of the ERA, namely to "achieve the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in the Republic of South Africa".





What can you do?

Members of the public, civil society organisations, municipalities, energy experts and affected communities can all participate in the consultation process by submitting comments and in the ongoing processes of the SAWEM being set up and functional.

How can you get involved?

You can get involved by:

- Submitting comments to NERSA and participating in the scheduled public hearings
- Checking for further public participation processes on the Market Code [Consultation | NERSA](#)
- Attending meetings or workshops on the Market Code

How can comments be submitted?

NERSA is inviting stakeholders and members of the public to submit comments on the consultation paper on the Market Code and Rules. The consultation paper includes a summary with key consultation questions/comments. Documents for comment can be found at [Consultation | NERSA](#) under Initiation to Submit Written Comments on the Consultation Paper for the Market Code and Market Rules Application by the National Transmission Company South Africa.

Written comments should be submitted via email: marketcode@nersa.org.za.



Closing date for written comments: Monday 22 June 2026.



A public hearing will be held on **1 July 2026**. Should you want to present or attend.

<https://www.nersa.org.za/files/files/2026/05/MediaStatement-NErsaextendsdeadlineforcommentsonMarket...>



Further important documents related to the Market Code have opened for comments:

- The [Wholesale Electricity Pricing Methodology](#): **comments due 4 August 2026**, and
- a public hearing scheduled for **14 August 2026**;
- The [Transitional Generation Pricing and Vesting Contract Framework](#): **comments due 4 August 2026**, and a public hearing scheduled for **19 August 2026**.

Resources:

- Eskom workshops on SAWEM <https://www.youtube.com/@EskomOfficialSite>
- <https://www.ntcsa.co.za/sa-wholesale-electricity-market-sawem/>
- Supporting campaigns for affordable and renewable electricity like Groundwork's climate and energy justice campaign <https://groundwork.org.za/the-groundwork-climate-and-energy-justice-campaign/>, Law for Energy Transitions Africa (LETA) and Natural Justice Just Energy Transition Initiative.

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