

**APPLICATION FOR AN ELECTRICITY TRADING LICENCE IN TERMS OF
THE ELECTRICITY REGULATION ACT, 2006 (ACT NO. 4 OF 2006)**

Table of Contents

SECTION A	PARTICULARS OF APPLICANT	3
SECTION B	COMMENCEMENT DATE OF LICENCE	5
SECTION C	AREA OF OPERATION TO WHICH APPLICATION RELATES	7
SECTION D	PARTICULARS OF LONG-TERM ARRANGEMENTS WITH OTHER TRADING ENTITIES	8
SECTION E	CUSTOMER PROFILE	15
SECTION F	FINANCIAL INFORMATION	16
SECTION G	HUMAN RESOURCES INFORMATION	21
SECTION H	PERMISSION FROM OTHER GOVERNMENT DEPARTMENTS OR REGULATORY AUTHORITIES	24
SECTION I	BROAD-BASED BLACK ECONOMIC EMPOWERMENT	25
SECTION J	ADDITIONAL INFORMATION	26
SECTION K	DECLARATION	27

SECTION A PARTICULARS OF APPLICANT

A1 Full name of applicant (business name) and business registration number

National Transmission Company South Africa SOC Ltd
Registration number: 2021 / 539129 / 30

A2 Address of applicant, or in the case of a body corporate, the registered head office

Physical address:

2 Maxwell Drive
Sunninghill
Sandton
Gauteng
2157

Postal address:

PO Box 1091
Johannesburg
Gauteng
2000

A3 Telephone number of applicant: **Redacted**

A4 Fax number of applicant: **Redacted**

A5 Email address of applicant: **Redacted**

A6 Contact person:

First name: Segomoco Martin

Surname: Scheppers

Telephone No: **Redacted**

Mobile No: **Redacted**

Fax No.: **Redacted**

Email address: **Redacted**

A7 Legal form of applicant

National Transmission Company South Africa SOC Ltd

Registration number: 2021 / 539129 / 30

Names of Directors:

- Calib Cassim
- Segomoco Martin Scheppers
- André Marinus De Ruyter

Company Secretary:

- Mayor Mlawuli Manjingolo

The National Transmission Company South Africa SOC Ltd is a juristic person and a state-owned company.

Note to Section A

- 1) State whether the applicant is a local government body, a juristic person established in terms of an act of parliament, a department of state, a company or other legal body.
- 2) If the applicant is a local government body, attach a copy of the proclamation establishing such body. Where the applicant is a company, the full names of the current directors and the company registration number are required.

SECTION B COMMENCEMENT DATE OF LICENCE

B1 Desired date from which the licence (if granted) is to take effect

The date on which the agreement concluded or to be concluded between Eskom Holdings SOC Ltd and National Transmission Company South Africa SOC Ltd pursuant to sections 113, 115 and 116 of the Companies Act No. 71 of 2008, in terms of which the transmission business of Eskom Holdings SOC Ltd will be transferred to the Buyer by operation of law (“**Merger Agreement**”) becomes fully effective in accordance with its terms, which is stated in the Merger Agreement to be the 1st (first) day of the 2nd (second) calendar month following the date upon which the last of the suspensive conditions provided for in the Merger Agreement is fulfilled or waived, and subject to the solvency and liquidity test having been passed by both Eskom Holdings SOC Ltd and National Transmission Company South Africa SOC Ltd as required by the Companies Act No. 71 of 2008) (“**Implementation Date**”).

The aspiration is that all the Merger Agreement suspensive conditions would be fulfilled to enable an Implementation Date of 1 April 2023.

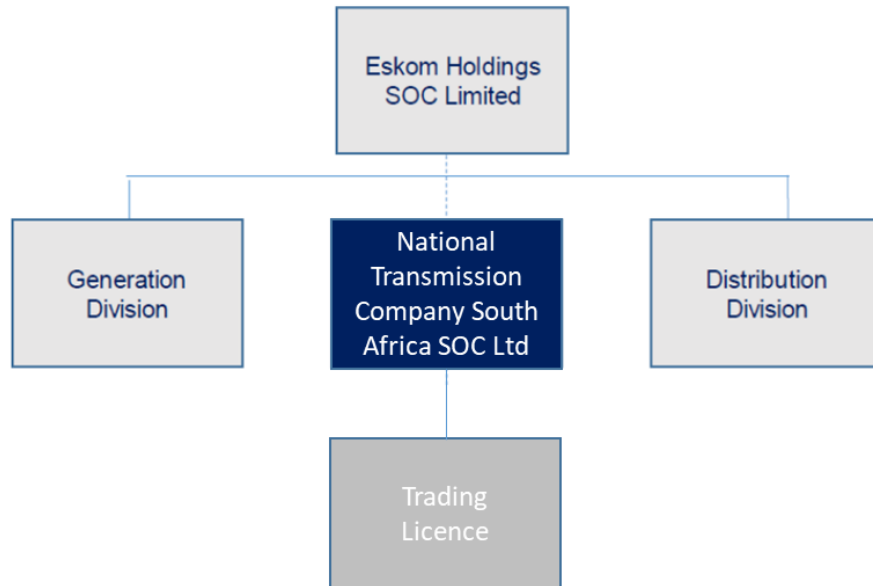
Note to Section B

- 1) The normal processing time for a licence application is 120 days once all relevant information has been provided and there are no objections received.

Scope of Licence Application and Company Shareholding

The National Transmission Company South Africa SOC Ltd (hereafter referred to as “NTC”) is a wholly owned subsidiary of Eskom Holdings SOC Ltd as shown in Figure 1.

Figure 1: National Transmission Company South Africa SOE Ltd Licensing



This licence application by NTC to conduct electricity trading is being submitted in terms of the Electricity Regulation Act (2006).

SECTION C AREA OF OPERATION TO WHICH APPLICATION RELATES

C1 Please provide a sufficient description of the area of operation to which the application relates

The NTC aggregates energy and energy-related purchases from Eskom Generation and independent power producers under Section 34 determinations as well as Eskom Holdings programmes, including cross-border energy imported, into a wholesale energy tariff structure which is applied to sales to Eskom Distribution & international customers.

In this regard the NTC is expected to be designated as the Buyer for the Section 34 Ministerial determinations (to be transferred to the NTC from Eskom Holdings). Consequently, the NTC will purchase energy (and energy-related products such as generation capacity and ancillary services) from Section 34 independent power producers (IPPs). The NTC will also purchase energy from non-Eskom generators under the Eskom Holdings programmes, such as the Standard Offer programme and Emergency Generation programme.

The NTC will purchase energy and energy-related products from Eskom power stations based on power purchase agreements with energy, capacity and ancillary services revenue rates that reflect the Generation licensee's allocation for the NERSA approved revenue for Eskom.

C2 Please provide a sufficient description of trading activities and the users / trading partners

The NTC will procure energy, capacity and ancillary services from:

- IPPs as determined by the Minister of Mineral Resources and Energy (under Section 34 of the Electricity Regulation Act). These include, but are not limited to, the Renewable Energy IPP Programme, the Peaker programme and the Risk Mitigation Programme;
- IPPs contracted under programmes such as the Standard Offer and Emergency Generation Programmes instituted by Eskom Holdings; and
- Eskom Generation power stations as licensed by NERSA.

The costs associated with international imports included in aggregated wholesale energy purchases for the purposes of developing the wholesale energy tariff.

The energy, capacity and ancillary services prices for the IPPs are determined under the Power Purchase Agreements awarded by either the Department of Mineral Resources and Energy procurement processes or Eskom Holdings procurement processes (such as for the Standard Offer or Emergency Generation programmes). The prices for energy, capacity and ancillary services from Eskom Generation are determined through Power Purchase Agreements with the total revenue set by the regulatory revenue decision by NERSA for Eskom Generation.

The NTC will sell energy and capacity to Eskom Distribution on an aggregated wholesale energy tariff structure which is calculated based on the regulatory revenue decision for Eskom Generation inclusive of the IPP and the international import allocation.

SECTION D PARTICULARS OF LONG-TERM ARRANGEMENTS WITH OTHER TRADING ENTITIES

D1 Name of other trading participants as applicable

Section 34 IPPs (procured by the DMRE):

a. Renewable Energy IPPs

KaXu Solar (CSP - Trough)	BW1
Khi One (CSP - Tower)	BW1
Cookhouse	BW1
Dassieklip	BW1
Dorper Wind Farm	BW1
Umoya Energy Wind Farm	BW1
Jeffreys Bay	BW1
Kouga Red Cap	BW1
MetroWind	BW1
Noblesfontein	BW1
Aries	BW1
Greefspan	BW1
Herbert	BW1
Solar Capital - De Aar	BW1
Kalkbult	BW1
Kathu	BW1
Konkoonsies	BW1
Lesedi	BW1
Letsatsi	BW1
De Aar Solar Power	BW1
Droogfontein	BW1
Mulilo Solar PV De Aar	BW1
Mulilo Solar PV Prieska	BW1
RustMo1	BW1
SlimSun	BW1
Soutpan	BW1
Touwsrivier	BW1
Witkop	BW1
Bokpoort (CSP - Tower)	BW2
Kakamas/Neusberg Hydro	BW2
Stortemelk Hydro	BW2
Amakhala Emoyeni	BW2
Chaba Wind	BW2
Gouda Wind	BW2
Grassridge Wind	BW2
Tsitsikamma Community Wind	BW2

Waainek Wind	BW2
Aurora Wind Power	BW2
Aurora-Reitvlei Solar	BW2
Boshoff Solar Park	BW2
Dreunberg	BW2
Jasper Power	BW2
Linde	BW2
Sishen Solar	BW2
Solar Capital De Aar 3	BW2
Upington Airport	BW2
Vredendal Solar	BW2
Karoshhoek /Ilanga CSP 1	BW3
Xina CSP South Africa	BW3
Johannesburg Landfill: Goudkoppies	BW3
Johannesburg Landfill: Robinson Deep	BW3
Johannesburg Landfill: Marie Louise	BW3
Red Cap - Gibson Bay	BW3
Khobab Wind Farm	BW3
Loeriesfontein 2 Wind Farm	BW3
Longyuan Mulilo De Aar Maanhaarberg	BW3
Longyuan Mulilo De Aar 2 North Wind	BW3
Nojoli Wind Farm	BW3
Noupoort Wind	BW3
Adams Solar PV 2	BW3
Paleisheuwel	BW3
Mulilo Prieska PV 4	BW3
Mulilo Sonnedix Prieska PV	BW3
Pulida Solar Park	BW3
Tom Burke Solar Park	BW3
Kathu Solar Park	BW3.5
Redstone Solar Thermal Power Project	BW3.5
Ngodwana Energy Project	BW4
Kruisvallei Hydro	BW4
Golden Valley Wind	BW4
Karusa Wind Farm	BW4
Nxuba Wind Farm	BW4

Oyster Bay Wind Farm	BW4
Roggeveld Wind Farm	BW4
Aggeneys Solar Project	BW4
Droogfontein 2 Solar	BW4
Dyason's Klip 1	BW4
Dyason's Klip 2	BW4
Konkoonsies II Solar Facility	BW4
Sirius Solar PV Project One	BW4
Copperton Windfarm	BW4
Excelsior Wind Energy Facility	BW4
Garob Wind Farm	BW4
Kangnas	BW4
Perdekraal East	BW4
The Soetwater Wind Farm	BW4
Wesley-Ciskei	BW4
Bokamoso	BW4
De Wildt	BW4
Greefspan PV Power Plant No. 2 Solar Park	BW4
Solar Capital Orange	BW4
Waterloo Solar Park	BW4
Zeerust	BW4
Dwarsrug Wind Facility	BW5*
Beaufort West Wind Facility	BW5*
Trakas Wind Facility	BW5*
Sutherland Wind Facility	BW5*
Rietrug Wind Facility	BW5*

Brandvalley Wind Farm	BW5
Rietkloof Wind Farm	BW5
Waaiohoek Wind Facility	BW5*
San Kraal WEF	BW5
Phezukomoya WEF	BW5
Coleskop WEF	BW5
Wolf Wind Farm	BW5
Kentani Solar Facility	BW5
Klipfontein Solar Facility	BW5
Klipfontein 2 Solar Facility	BW5
Leliehoek Solar Facility	BW5
Braklaagte Solar Facility	BW5
Sonoblomo Solar Facility	BW5
Du Plessis Dam Solar PV 1	BW5
Graspan Solar PV Project	BW5
Grootspruit Solar PV Project	BW5
Sannaspos Solar PV Project	BW5
Grootfontein PV 1	BW5
Grootfontein PV 2	BW5
Grootfontein PV 3	BW5
Kutlwano Solar Power Plant	BW6*
Boitumelo Solar Power Plant	BW6*
Virginia Solar Park	BW6*
Good Hope Solar Park	BW6*
Doornhoek PV	BW6*
Ngonyama Solar PV	BW6*

* Preferred Bidders – PPA's not yet signed as at 11 Jan 2023

b. Peaker programme

Avon
Dedisa

c. Risk Mitigation Programme

Scatec Kenhardt 1
Scatec Kenhardt 2
Scatec Kenhardt 3
Oya Energy Hybrid Facility *
ACWA Power Project DAO*
Umoyilanga Energy*
Karpowership SA Coega*
Karpowership SA Richards Bay*
Karpowership SA Saldanha*
Mulilo Total Coega*
Mulilo Total Hydra Storage*

*Preferred Bidders – PPA's not yet signed as at 11 Jan 2023

Eskom Generation power stations:

Acacia
Ankerlig
Arnot
Camden
Drakensberg
Duvha
Gariep
Gourikwa
Grootvlei
Hendrina
Ingula
Kendal
Koeberg
Komati
Kriel

Kusile
Lethabo
Majuba
Matimba
Matla
Medupi
Palmiet
Port Rex
Tutuka
Vanderkloof
Sere
Mbashe
Ncora
First Falls
Second Falls

D2 Particulars of the contractual arrangements with trading participants if applicable

The existing power purchase agreements, and supporting programme agreements, were concluded with Eskom Holdings as the Buyer. Eskom has submitted a request to the DMRE for an amendment to the determinations in order to designate the NTC as the Buyer. This is necessary as the current determinations do not cater for a substitute Buyer. Furthermore, such amendments to the determinations will require concurrence from NERSA.

Section 34 power purchase agreements

a. REIPPP

IPP Project	Bid Window	Technology	Contract Capacity (MW)	Commercial Operation Date	Contract term
KaXu Solar (CSP - Trough)	BW1	CSP			
Khi One (CSP - Tower)	BW1	CSP			
Cookhouse	BW1	Wind			
Dassieklip	BW1	Wind			
Dorper Wind Farm	BW1	Wind			
Umoya Energy Wind Farm	BW1	Wind			
Jeffreys Bay	BW1	Wind			
Kouga Red Cap	BW1	Wind			
MetroWind	BW1	Wind			
Nobelsfontein	BW1	Wind			

IPP Project	Bid Window	Technology	Contract Capacity (MW)	Commercial Operation Date	Contract term
Aries	BW1	PV			
Greefspan	BW1	PV			
Herbert	BW1	PV			
Solar Capital - De Aar	BW1	PV			
Kalkbult	BW1	PV			
Kathu	BW1	PV			
Konkoonsies	BW1	PV			
Lesedi	BW1	PV			
Letsatsi	BW1	PV			
De Aar Solar Power	BW1	PV			
Droogfontein	BW1	PV			
Mulilo Solar PV De Aar	BW1	PV			
Mulilo Solar PV Prieska	BW1	PV			
RustMo1	BW1	PV			
SlimSun	BW1	PV			
Soutpan	BW1	PV			
Touwsrivier	BW1	PV			
Witkop	BW1	PV			
Bokpoort (CSP - Tower)	BW2	CSP			
Kakamas/Neusberg Hydro	BW2	Hydro			
Stortemelk Hydro	BW2	Hydro			
Amakhala Emoyeni	BW2	Wind			
Chaba Wind	BW2	Wind			
Gouda Wind	BW2	Wind			
Grassridge Wind	BW2	Wind			
Tsitsikamma Community Wind	BW2	Wind			
Waainek Wind	BW2	Wind			
Aurora Wind Power	BW2	Wind			
Aurora-Reitvlei Solar	BW2	PV			
Boshoff Solar Park	BW2	PV			
Dreunberg	BW2	PV			
Jasper Power	BW2	PV			
Linde	BW2	PV			
Sishen Solar	BW2	PV			
Solar Capital De Aar 3	BW2	PV			
Upington Airport	BW2	PV			
Vredendal Solar	BW2	PV			
Karoshhoek/Ilanga CSP 1	BW3	CSP			
Xina CSP South Africa	BW3	CSP			
Johannesburg Landfill: Goudkoppies	BW3	Landfill			
Johannesburg Landfill: Robinson Deep	BW3	Landfill			
Johannesburg Landfill: Marie Louise	BW3	Landfill			

IPP Project	Bid Window	Technology	Contract Capacity (MW)	Commercial Operation Date	Contract term
Red Cap - Gibson Bay	BW3	Wind			
Khobab Wind Farm	BW3	Wind			
Loeriesfontein 2 Wind Farm	BW3	Wind			
Longyuan Mulilo De Aar Maanhaarberg	BW3	Wind			
Longyuan Mulilo De Aar 2 North Wind	BW3	Wind			
Nojoli Wind Farm	BW3	Wind			
Noupoort Wind	BW3	Wind			
Adams Solar PV 2	BW3	PV			
Paleisheuvel	BW3	PV			
Mulilo Prieska PV 4	BW3	PV			
Mulilo Sonnedix Prieska PV	BW3	PV			
Pulida Solar Park	BW3	PV			
Tom Burke Solar Park	BW3	PV			
Kathu Solar Park	BW3.5	CSP			
Redstone Solar Thermal Power Project	BW3.5	CSP			
Ngodwana Energy Project	BW4	Biomass			
Kruisvallei Hydro	BW4	Hydro			
Golden Valley Wind	BW4	Wind			
Karusa Wind Farm	BW4	Wind			
Nxuba Wind Farm	BW4	Wind			
Oyster Bay Wind Farm	BW4	Wind			
Roggeveld Wind Farm	BW4	Wind			
Aggeneys Solar Project	BW4	PV			
Droogfontein 2 Solar	BW4	PV			
Dyason's Klip 1	BW4	PV			
Dyason's Klip 2	BW4	PV			
Konkoonsies II Solar Facility	BW4	PV			
Sirius Solar PV Project One	BW4	PV			
Copperton Windfarm	BW4	Wind			
Excelsior Wind Energy Facility	BW4	Wind			
Garob Wind Farm	BW4	Wind			
Kangnas	BW4	Wind			
Perdekraal East	BW4	Wind			
The Soetwater Wind Farm	BW4	Wind			
Wesley-Ciskei	BW4	Wind			
Bokamoso	BW4	PV			
De Wildt	BW4	PV			
Greefspan PV Power Plant No. 2 Sol. Park	BW4	PV			
Solar Capital Orange	BW4	PV			
Waterloo Solar Park	BW4	PV			
Zeerust	BW4	PV			
Dwarsrug Wind Facility	BW5 *	Wind			

IPP Project	Bid Window	Technology	Contract Capacity (MW)	Commercial Operation Date	Contract term
Beaufort West Wind Facility	BW5 *	Wind			
Trakas Wind Facility	BW5 *	Wind			
Sutherland Wind Facility	BW5 *	Wind			
Rietrug Wind Facility	BW5 *	Wind			
Brandvalley Wind Facility	BW5	Wind			
Rietkloof Wind Farm	BW5	Wind			
Waaihoek Wind Farm	BW5 *	Wind			
San Kraal WEF	BW5	Wind			
Phezukomoya WEF	BW5	Wind			
Coleskop WEF	BW5	Wind			
Wolf Wind Farm	BW5	Wind			
Kentani Solar Facility	BW5	PV			
Klipfontein Solar Facility	BW5	PV			
Klipfontein 2 Solar Facility	BW5	PV			
Leliehoek Solar Facility	BW5	PV			
Braklaagte Solar Facility	BW5	PV			
Sonoblomo Solar Facility	BW5	PV			
Du Plessis Dam Solar PV 1	BW5	PV			
Graspan Solar PV Project	BW5	PV			
Grootspruit Solar PV Project	BW5	PV			
Sannapos Solar PV Project	BW5	PV			
Grootfontein PV 1	BW5	PV			
Grootfontein PV 2	BW5	PV			
Grootfontein PV 3	BW5	PV			
Kutlwano Solar Power Plant	BW6*	PV			
Boitumelo Solar Power Plant	BW6*	PV			
Virginia Solar Park	BW6*	PV			
Good Hope Solar Park	BW6*	PV			
Doornhoek PV	BW6*	PV			
Ngonyama Solar PV	BW6*	PV			

* Preferred Bidders – PPA’s not yet signed as at 11 Jan 23

b. Peaker programme

IPP Project	Technology	Contract Capacity (MW)	Commercial Operation Date	Contract term
Avon	Diesel OCGT			
Dedisa	Diesel OCGT			

c. Risk Mitigation programme

IPP Project	Technology	Contract Capacity (MW)	Expected Commercial Operation	Contract term
Oya Energy Hybrid Facility *	PV + Wind + BESS + Diesel			
ACWA Power Project DAO *	PV + BESS + Diesel			
Umoyilanga Energy *	PV + BESS + Thermal back-up			
Karpowership SA Coega *	Floating, Modular Reciprocating Gas Engines			
Karpowership SA Richards Bay *	Floating, Modular Reciprocating Gas Engines			
Karpowership SA Saldanha *	Floating, Modular Reciprocating Gas Engines			
Mulilo Total Coega *	Reciprocating Gas Engines			
Mulilo Total Hydra Storage *	Solar PV and BESS			
Scatec Kenhardt 1	Solar PV and BESS			
Scatec Kenhardt 2	Solar PV and BESS			
Scatec Kenhardt 3	Solar PV and BESS			

* Preferred Bidders – PPA’s not yet signed as at 11 Jan 23

Eskom power stations agreements

Power purchase agreements have been developed between Transmission and Generation for the period 1 April 2022 to 31 March 2025 for each power station. NERSA’s revenue decision for Eskom will provide the costs allowed under these agreements for the duration of the contract.

In the agreements the following products are differentiated:

- a) Capacity rates per power station based on the fixed costs of operation (including capital recovery and fixed operating and maintenance) and expected availability for the year;
- b) Fixed pass-through of the Transmission network charges as well as corporate overheads;
- c) Revenue for ancillary services provided to the System Operator; and
- d) Energy purchases based on a station specific Energy Rate, calculated based on the variable cost of generation.

Eskom Holdings short term purchase programmes

In light of the prevailing electricity supply constraints and as part of the National Energy Crisis Committee, Eskom has proposed two programmes to facilitate additional energy and capacity to alleviate the constraints. These programmes, the Standard Offer and Emergency Generation programmes, are still to be concluded but the power purchase agreements would be submitted for regulatory approval when concluded.

SECTION E CUSTOMER PROFILE

E1 Provide particulars of the person or persons to whom the applicant is providing or intends to provide Trading services to. Also provide details of proposed tariffs for the Trading services.

The NTC shall sell energy and capacity to Eskom Distribution and the international customers (export activities).

A wholesale energy price for application between Eskom Holdings and its subsidiaries will be determined in each year based on the regulatory decision for revenue for Eskom Holdings. The energy price utilises a time-of-use signal, differentiated between a high season and low season, similar to the Eskom Megaflex tariff. There is also a capacity charge applicable to Eskom Distribution and the export sales based on their aggregated maximum hourly demand in the previous 12 months. This is to recover the capacity charges paid to dispatchable IPPs and Eskom Generation. A legacy charge (calculated at a flat rate c/kWh for all time periods in the year) has also been included as a separate charge to Eskom Distribution and the international customers. This legacy charge is calculated for the NTC to recover the costs associated with the Section 34 IPP programmes.

This wholesale energy tariff is to be limited for use between NTC and Eskom Holdings until such time that NERSA has approved an industry wide Wholesale tariff with unbundled generation capacity, legacy and subsidy charges to avoid detrimental impacts for the Eskom Distribution licensee.

Redacted

SECTION F FINANCIAL INFORMATION

1. Overview: NTC Financial Information

1.1. Solvency and liquidity test

In order for NTC to begin trading as a company, the solvency and liquidity test as outlined in Section 4 of the Companies Act must be met. In terms of this Act, a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances of the company at that time, the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued (solvency); and it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date on which the test is considered (liquidity).

Based on the audited Annual Financial Statements (AFS) for the year ending 31 March 2021 and the audit opinion provided, Eskom and therefore the Transmission division meets the solvency and liquidity requirements as outlined in Section 4 of the Companies Act.

Furthermore, Eskom (the parent company of NTC) is compliant with the Companies Act requirements of Sections 28 and 29 which deal with accounting records and financial statements. Transmission division's specific accounting records have been audited as a divisional audit pack. The auditor's report to management does not reflect any concerns around the Transmission division that would be traditional "red flags" for going concern. The Eskom AFS for the year ending 31 March 2021 have been signed off by the external auditors on a going concern basis.

Transmission's results are noted in the AFS for Eskom as part of segment reporting.

1.2. Future Forecasts

Future revenue/price applications to NERSA in respect of Transmission charges will be made by NTC with the view that Transmission, as an efficient licensee, will be able to recover the full cost of its licensed activities, including a reasonable margin or return, and a full pass through on all IPP and Eskom generation costs.

The legal basis for this recovery is based on the Electricity Regulation Act, 2006 (Act No. 4 of 2006). Sec 4(a)(ii) of the Act states that,

"The Regulator must... regulate prices and tariffs." Section 14(1)(d) provides that, *"The Regulator may make any licence subject to conditions relating to... (d) the setting and approval of prices, charges, rates and tariffs charged by licensees"*.

Further, sections 15(1)(a) and (2) of the Act prescribe the following tariff principles:

- (1) A licence condition determined under section 14 relating to setting or approval of prices, charges and tariffs and the regulation of revenues-*
 - a) Must enable an efficient licensee to recover the full cost of its licenced activities, including a reasonable margin or return*
- (2) A licensee may not charge a customer any other tariff and make use of provisions in agreements other than that determined or approved by the Regulator as part of its licensing conditions."*

Further, provisions of the Electricity Pricing Policy (EPP) speak to cost recovery and revenue requirement. Policy Position 1 of the EPP provides that:

"The revenue requirement for a regulated licensee must be set at a level which covers the full cost of production, including a reasonable risk adjusted margin or return on appropriate asset values."

This is further supported in section 2.2 of the EPP in which the following is stated:

"In the absence of competition, regulators may select from a range of methodologies to regulate the industry. All these options have some advantages and disadvantages. Regardless of the method of regulation or price formation it is essential that an efficient and prudent licensee should be able to generate sufficient revenues that would allow it to operate as a viable concern now and in the future."

In conclusion, the ERA and the Electricity Pricing Policy allow for the recovery of efficient costs and earning a fair return on assets.

RESPONSES TO SPECIFIC FINANCIAL QUESTIONS:

F1 Submit projections of and current statements of the accounts in respect of the undertaking carried on by the applicant, showing the financial state of affairs of the most recent period, together with copies of the latest audited annual accounts where such have been prepared.

Included in Table 1 find the current projections for the planned Trading activities; noting that the revenue being referred to herein is merely an internal allocation within Eskom Holdings. It is assumed for the purposes of this application, that just as the IPP costs are recovered on a "Rand-for-Rand" basis through the tariffs; this will apply to energy procured from Eskom Generation.

Redacted

Table 1:

F2 Submit annual forecasts for the next five years of costs, sales and revenues generated by the project, stating the assumptions underlying the figures.

Annual forecasts of the energy purchases are provided in Table 2 below. The forecasts from FY24 onwards are as per the MYPD5 revenue application submitted in June 2021. IPP costs are treated as a full cost recovery on a Rand-for-Rand basis. For the purposes of this application, it is also assumed that Eskom Generation costs will be recovered on a Rand-for-Rand basis as well. The full Generation forecasts (per June 2021 MYPD5 revenue application) in Table 2 below demonstrate the projected energy trading costs that will be transacted.

Redacted

Table 2:

It should be noted that Eskom is reviewing the financial impact of required actions as announced by the Presidency to end load shedding and to achieve energy security. Such financial impact as may be relevant to the Trading activities is not yet reflected in the forecasts reflected in this section.

F3 Estimates of net annual cash flows for subsequent periods (5 years; 10 years; 15 years) sufficient to demonstrate the financial security and feasibility of importing/exporting activities.

Net annual cash flows will depend on the tariff awarded to the NTC. In order to ensure that at all times, the NTC does not “trade recklessly”, the NTC spend will be limited to the cash available to the business from operations supplemented either by equity injection or borrowings to the extent that the Balance Sheet will allow. The extent of the reliance on equity injection and/or borrowings is dependent on the tariff that is awarded by NERSA.

F4 CPA financing: Who will finance, how is funding split between debt and equity, and what is the terms and conditions of the funding agreements.

Redacted

Table 3

F5 Fixed Assets – Provide summary of total assets of all transmission plan

Fixed assets are reflected as Transmission assets and are reflected in the Transmission licence being applied for.

SECTION G HUMAN RESOURCES INFORMATION

G1 Submit details of the number of staff and employees and their categories in the service of the applicant in any support services separate from the applicant. Also provide information regarding relevant qualifications and experience in critical areas e.g. Professional registration (Engineering Council of South Africa – ECSA), Government Certificate of Competency.

1. Human Resources Overview

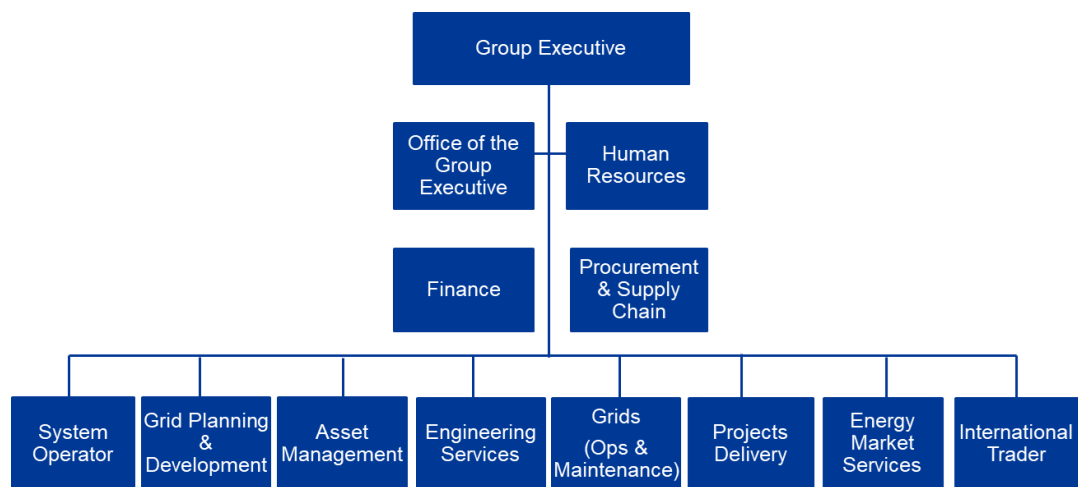
The information in this section is a depiction of the current re-organized Transmission division as currently structured internally to Eskom Holdings SOC Ltd, which will be transferred to the NTC on the Implementation Date.

As part of Eskom’s organisational restructuring and divisionalisation process in preparation for the establishment of the NTC, employees in corporate services and support functions were re-linked to Transmission during FY20 and FY21. The aim of this process was to:

- strengthen operations and maximise decision making;
- improve levels of accountability at the right levels of business;
- improve operational and financial efficiencies;
- maximise execution of strategy; and
- improve productivity and value delivery.

The existing Transmission structure is depicted in Figure 2. The present mandate is to provide reliable and efficient transmission network, system operator and energy market services to the South African and designated electricity markets.

Figure 2: Existing Transmission Structure



The Transmission Division comprises of the Regional Grid areas for operating and maintenance, the System Operator, Grid Planning and Development, Asset Management, Engineering, Project Delivery, International Trader, as well as Energy Market Services. Service functions include Human Resources, Finance, Office of the Group Executive (Information Management, SHREQS management, Assurance, Communication etc.) and Procurement & Supply Chain Management.

Trading activities as described in this licence application will primarily be conducted by employees in the Energy Market Services business unit. Support services (HR, IM, Finance, Legal, etc. will be provided by corporate functions).

2. Current Transmission staff complement and Employment Equity Profile

Table 4 details the total Transmission total staff complement as at March 2022 including the respective skills categories and equity profile per business unit.

Redacted

Table 4

3. Workforce Plan

The NTC staff complement is expected to increase to 3 226 by FY2025, representing a 4% growth. Legal separation from Eskom requires the new Transmission entity to resource itself in the various functional/service areas in order to deliver on its new and expanded mandate.

- Energy Market Services which will conduct trading activities and be required to provide new services to the changing electricity supply industry;
- Transmission centralized service functions such as legal, compliance & regulatory resources to support various contract functions in Energy Market Services;

Transmission has developed a detailed workforce plan as summarized in Table 5 highlighting how it expects to grow over the next few years by providing critical skills that will enable it to meet its mandate.

Table 5: Five Year Workforce Plan

Transmission: Workforce Plan	FY22 Actual	FY23	FY24	FY25	FY26	FY27
Headcount	2 928	3 154	3 152	3 226	3 225	3 225

The above Transmission Workforce Plan is currently under review to ensure the current and future staffing requirements support Transmission objectives. The review takes into account business factors directly driving staffing demands; such

as production plans, capital projects, customer numbers, number of substations and kilometre of lines. The current review also considered the resource requirements for the Transmission Development (TDP) and Transmission Refurbishment Plan (TRP) plant projects for the period 2021-2030.

Challenges related to resource capacity include: (a) poor retention of staff due to market demand, (b) a rapidly aging workforce means that when employees retire they exit with institutional knowledge and skills, (c) limited specialised skills and time to effectively set up the functions in the Energy Market Services, IM and legal and regulatory functions.

4. Skills Development and Pipelining

Transmission has developed a detailed workforce plan which provides for skills and capacity development in compliance with the Skills Development Act and its regulations. New training initiatives will be launched to develop skills in the unique area of electricity markets.

5. HR Legislation

HR is responsible for making sure that the company meets its legal obligations in terms of compliance to the following legislation:

- Labour Relations Act 66 of 1995,
- Employment Equity Act 55 of 1998,
- Basic Conditions of Employment Act 75 of 1997,
- Skills Development Act 97 of 1998,
- Unemployment Insurance Act 30 of 1996.

SECTION H PERMISSION FROM OTHER GOVERNMENT DEPARTMENTS OR REGULATORY AUTHORITIES

H1 Please provide of copies of the permits issued by other government departments or regulatory authorities in respect of trading activities.

1. Buyer Role designation by DMRE and PPA amendments

The existing Section 34 determinations issued by the Minister of Mineral Resources and Energy designate Eskom Holdings as the Buyer. Eskom has submitted a request to the DMRE for an amendment to the determinations, to designate the NTC as the Buyer, where the current determinations do not cater for a substitute Buyer, under the existing programmes and such amendments to the determinations will require concurrence from NERSA.

The existing power purchase agreements with IPPs will also need to be assigned to NTC, as well as amendments effected to the implementation agreements subject to NERSA approval for such amendments, and Minister of Finance concurrence. In addition, amendments will be required to the Government Support Framework Agreement (GSFA) to include the NTC. The process for the amendment of the IPP licences to change the Buyer of the energy from Eskom Holdings to the NTC will follow after the designation of NTC as the Buyer.

In addition, confirmation of cost recovery from NERSA for these programmes will be requested; and an amendment of the GSFA to include the NTC as a party to the GSFA.

2. Safety

NTC subscribes and commits to compliance with the OHS Act, Act 85 of 1993 and Eskom Holdings SHEQ Policy (32-727). Based on each Business Unit/ Grid's operational scope and activities, Transmission complies to all applicable legal obligations including National, Provincial and Local Municipality By-laws, which are managed and updated on the SHE Legal Register and also tracked on the OHS Compliance Universe.

Transmission has been implementing and maintaining OHS processes which are periodically evaluated to ensure compliance and conformance to legal and other requirements and is ISO 45001: 2018 certified. The NTC will continue to apply these practices and apply for a name change to the current ISO 45001: 2018 certification.

SECTION I BROAD-BASED BLACK ECONOMIC EMPOWERMENT

II Please provide information in terms of the following categories:

COMPONENTS	POINTS	0.5	0.75	1	
Direct Empowerment	Black Ownership	10% to <20%	20% to 50%	>50%	
	Black Management	20% to <35%	35% to 50%	>50%	
	Black Female Management	1% to <5%	5% to 10%	>10%	
Human Resource Development	Black Skilled Personnel as % of payroll	20% to <35%	35% to 50%	>50%	
	Skills Development Programs as % of payroll	1% to <5%	5% to 10%	>10%	
	Employment Equity i.e. Women Representation	20% to <35%	35% to 50%	>50%	
Indirect Empowerment	Procurement from Black/BEE Suppliers	20% to <35%	35% to 50%	>50%	
	Enterprise Development i.e. Monetary Investment or quantifiable non-monetary support in SMME with BEE contributions as % of Net Asset Value/ EBITDA/Total Procurement	10% to <20%	20% to 25%	>25 %	
	Industry specific initiatives to facilitate the inclusion of black people in the sector as % of net profit	1% to <5%	5% to 10%	>10%	
NERSA's Discretionary Points	Based on skills transfer and fulfilment or acceleration of other national objectives e.g. employment of disabled personnel robust implementation of mechanisms to verify the BEE status of suppliers reported under preferential procurement and utilization of DTI approved accreditation agencies and so on.	1% to <5%	5% to 10%	>10%	

SECTION J ADDITIONAL INFORMATION

Provide any other relevant information related to this application

The Ministry of Public Enterprises has approved the application made in terms of the Public Finance Management Act sections 54(2)(c) and 54(2)(d) for the sale by Eskom Holdings of its Transmission business to its new wholly owned Transmission subsidiary (NTC), and the subscription for shares by Eskom Holdings in NTC.

The Ministry of Finance has also approved the Eskom application in terms of sections 54(2)(c) and 54(2)(d) of the PFMA for the operationalization of the NTC through the proposed disposal of Eskom's transmission business to NTC.

SECTION K DECLARATION

On behalf of the applicant, I hereby declare that:

- (a) the applicant shall at all times comply in every respect with the conditions attached to any licence that may be granted to the applicant;
- (b) the applicant shall at all times comply with lawful directions of the National Energy Regulator of South Africa;
- (c) the information provided by me on behalf of the applicant is accurate and complete in all respects; and
- (d) I am authorised to make this declaration on behalf of the applicant.

Signed:



Full name(s) of Signator(y/ies):

Segomoco Martin Scheppers	
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Position held (if the applicant is a company, co-operative, partnership, unincorporated association or any other body corporate):

Director: National Transmission Company South Africa SOC Ltd	
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Date:

13 Jan 2023
