

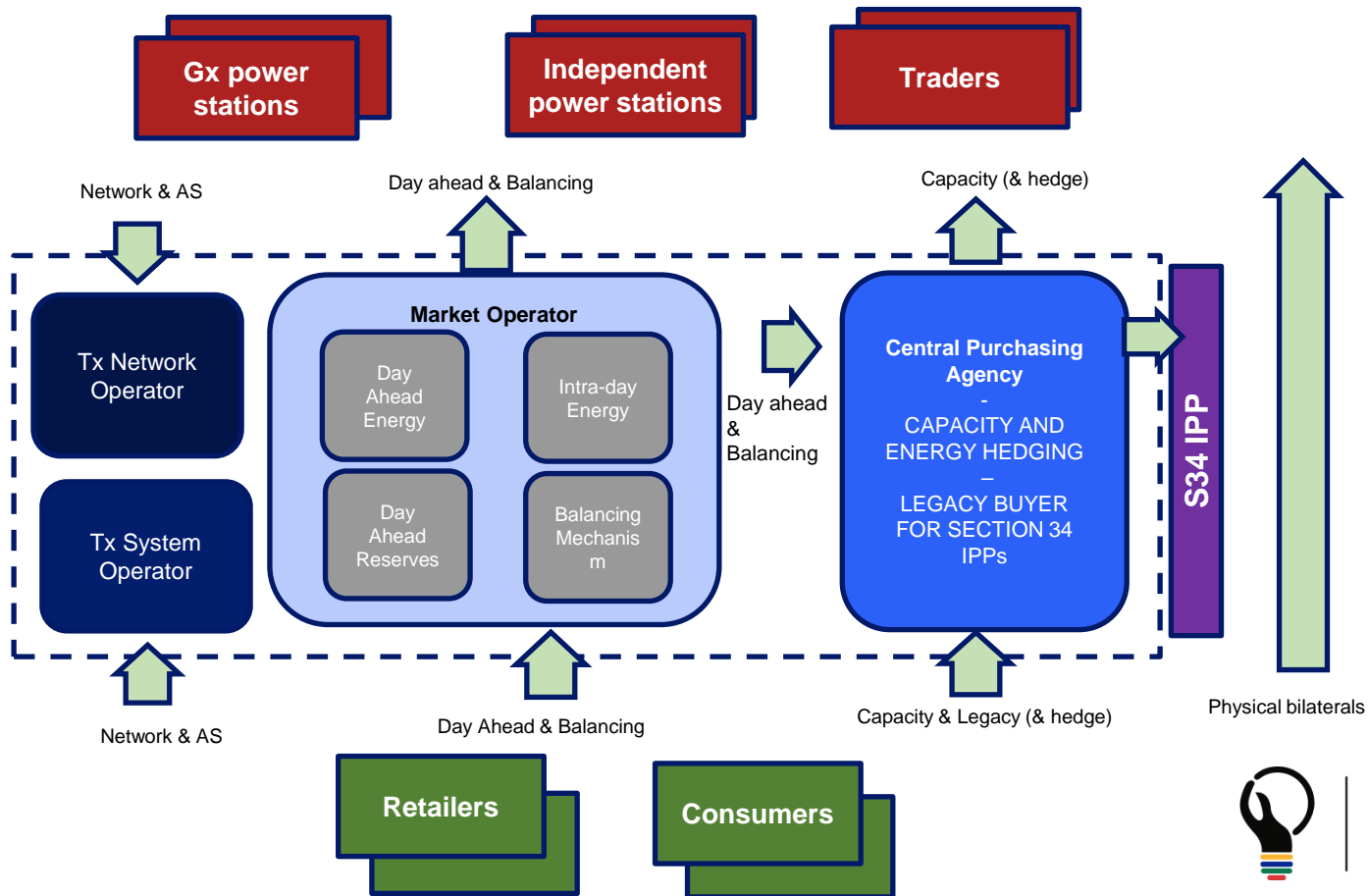
# Market Code

Market Model and Market Code overview



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# Proposed multi-market model





# Platforms proposed in the Market Code

## DAY AHEAD ENERGY MARKET

Needed to address short to medium term security of supply and operational efficiency

## DAY-AHEAD RESERVE MARKET

*Available but held back for reserve margin*

Needed to address forecasting errors, and failures of generators or networks

## INTRA-DAY ENERGY AUCTION

Allow participants to trade back into balance

## BALANCING MARKET

*Real time delivery of power*



## CAPACITY MARKET

*Firm power can be called on when needed*

Needed to drive capital investment, delivering the IRP, ensuring long term security of supply (replacing Section 34)

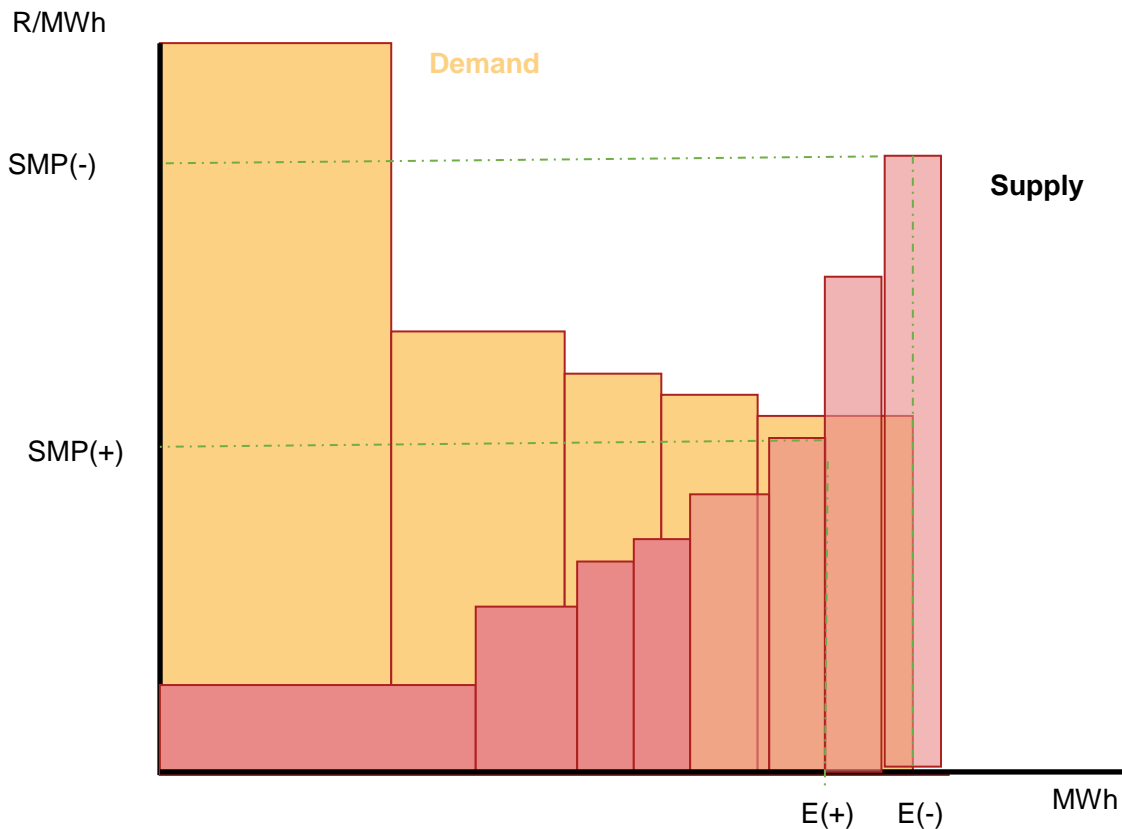
## ANCILLARY SERVICES

*Network support services*  
Needed to support the effectiveness of the network; ensure non dispatchable capacity is enabled

## OTHER SERVICES

Needed to support the effectiveness of the market and drive competitive options for customers, e.g. forecasting, metering services

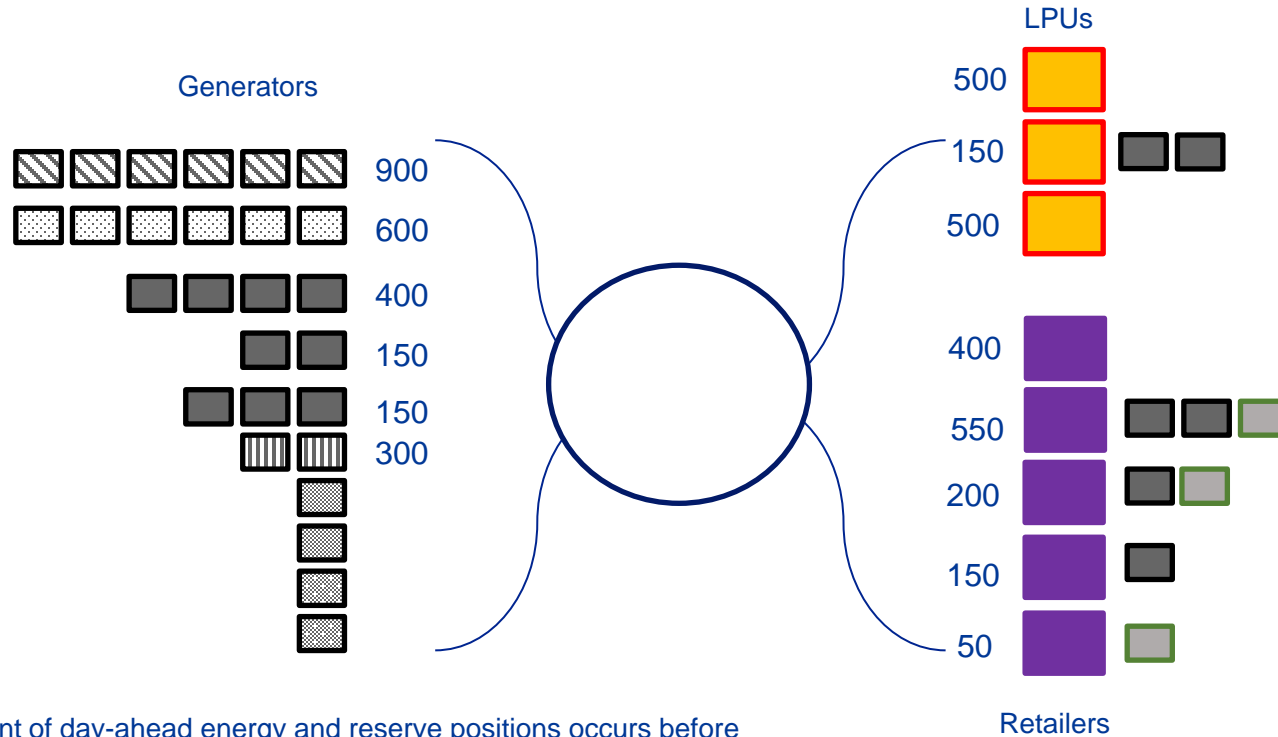
# Day-ahead Market: Supply side and demand side



- Supply curve: price increments offered by generators / traders, bound by technical parameters
- Demand curve: expected demand for consumers / traders / retailers adjusting for price responsive capability
- Price set by marginal generator (after accounting for price responsive demand and technical parameters / constraints)



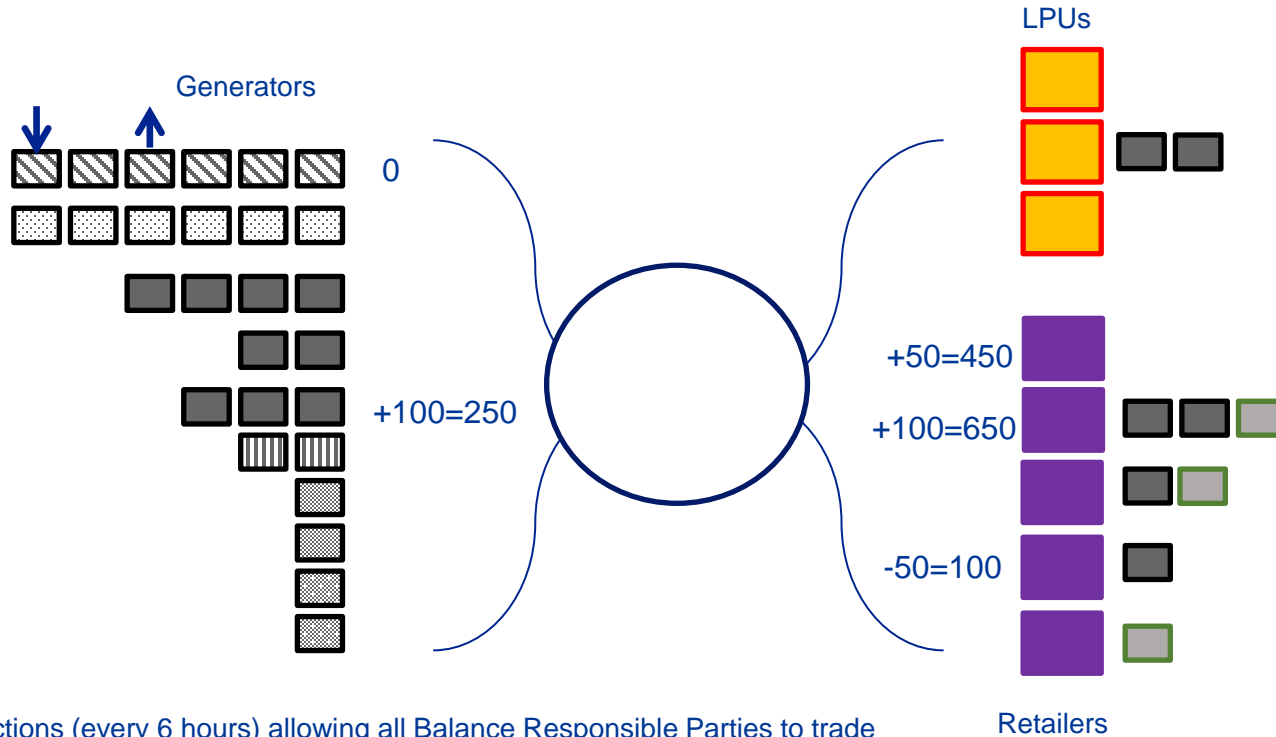
# Day Ahead positions – from DA Market and Bilaterals



- Settlement of day-ahead energy and reserve positions occurs before day of operation for those traded on market
- Physical bilateral positions also declared day-ahead



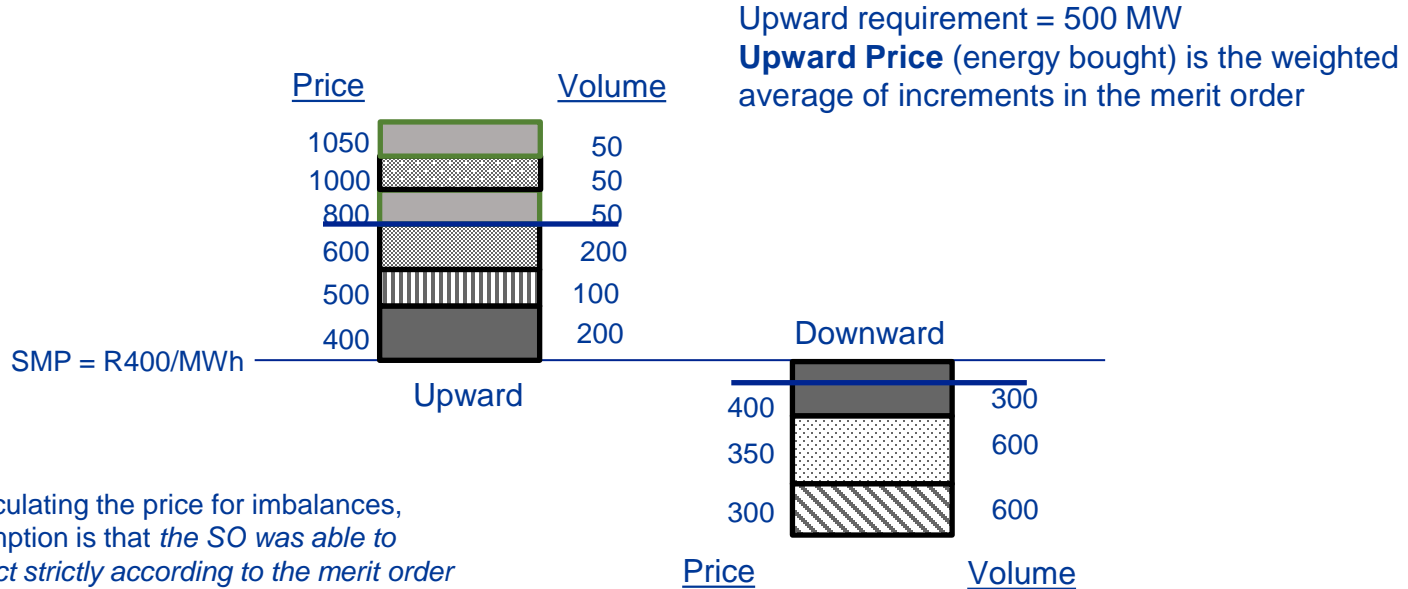
# Intra-day auctions



- Regular auctions (every 6 hours) allowing all Balance Responsible Parties to trade positions
- The auction clears with settlement of new positions occurring at gate closure



# Setting price in the Balancing Mechanism

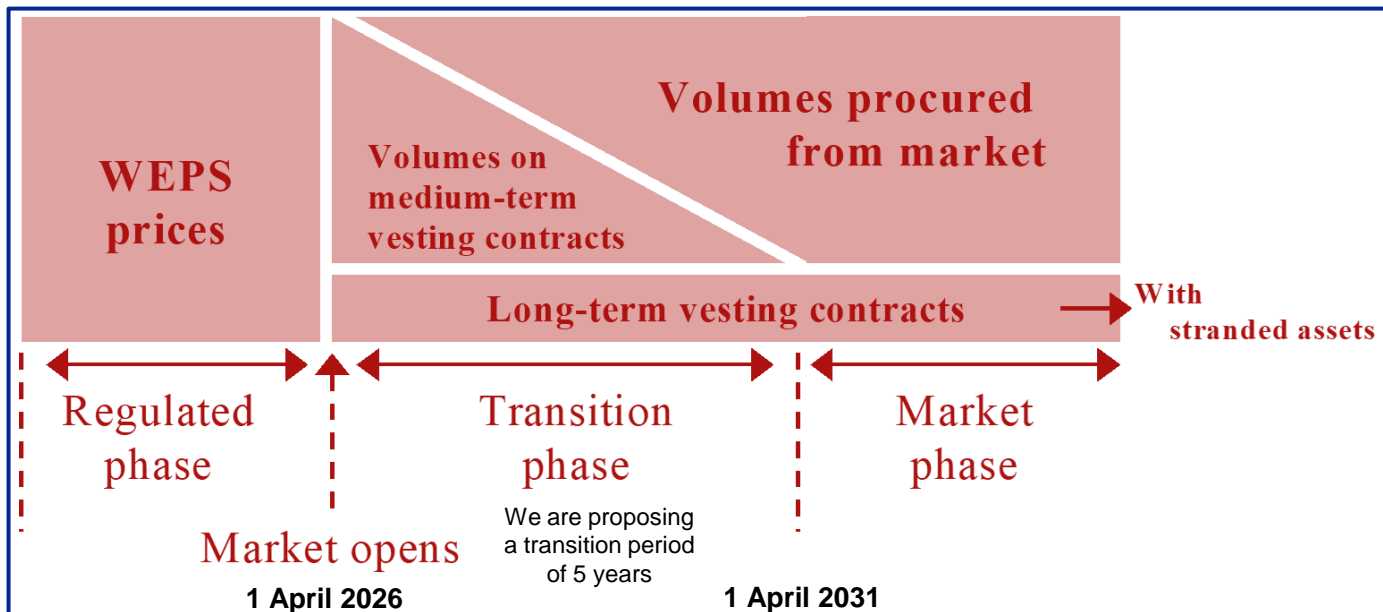


- In calculating the price for imbalances, assumption is that *the SO was able to instruct strictly according to the merit order* (complete each tranche before moving to the next)





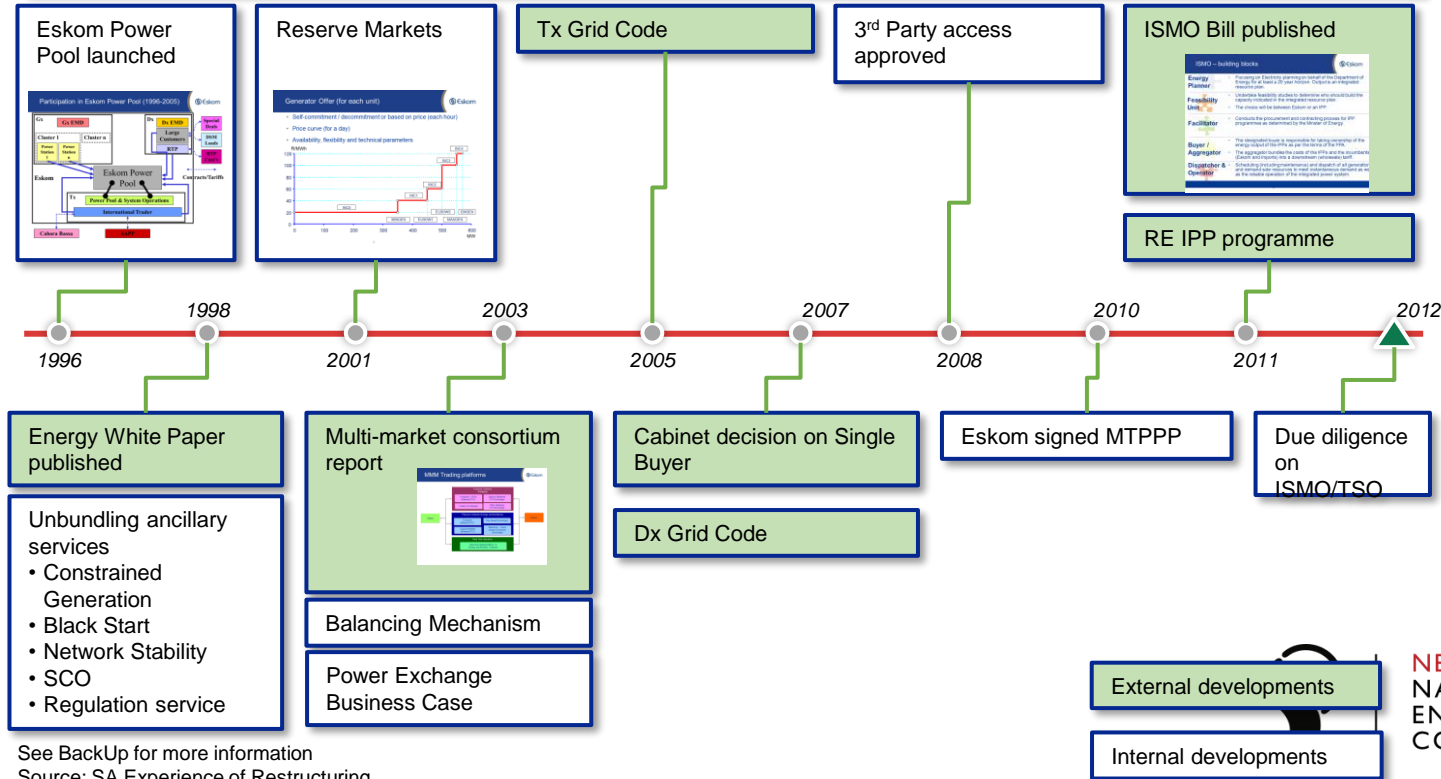
# Transition: Vesting contracts



- Vesting contracts are aimed at curbing the **exercise of market power** by the generation companies, to promote efficiency and competition in the electricity market for the benefit of consumers.
- With the vesting contracts, generation companies are committed to sell a specified amount of electricity at a specified price
- This removes the incentives for generation companies to exercise their market power by withholding capacity to push up spot prices in the wholesale market.
- Vesting contracts can manage the transition to full competition in electricity and **manage the financial risk** of market participants.

# Reform journey

## Electricity Liberalisation in South Africa: Previous attempts to implement Energy White Paper



See BackUp for more information  
Source: SA Experience of Restructuring

External developments

Internal developments

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