AgriCulture
SOUTH AFRICA / SUID-AFRIKA

7 September 2026

The Director-General
Department of Electricity and Energy
Private Bag X96
Pretoria, 0001
For the attention of: Ms Vusani Ramuntshi
By email: EMTPP.Queries@dee.gov.za

Re: Comments on the Electricity Sector Market Transformation Position Paper, 2026 (Government Notice No. 7841, Government Gazette No. 55226 of 21 August 2026)

1. Who we represent

AgriCulture South Africa represents commercial and emerging farming operations and agribusinesses across South Africa. Our members range from large-scale irrigation and processing operations to smaller family farms, many of which are supplied through municipal electricity distribution networks. Reliable, fairly priced electricity is a core input to farming and agri-processing, and our members have a direct interest in the outcome of this transformation process.

2. General comments

We support the principles set out in the position paper, including competitive neutrality, accountability, optimal allocation of risk, and protection of vulnerable consumers. We also support Government's stated commitment to a just transition that safeguards employment and local economies.

We ask that the market design process give explicit consideration to agriculture as a sector with distinctive electricity needs, including seasonal and time-of-day demand patterns driven by irrigation, cold chain requirements for perishable produce, and geographic distribution across areas served predominantly by municipal networks rather than Eskom directly.

3. Tariff design and recovery of fixed network costs

The position paper notes that all customers must contribute a fair share of overarching system costs, and that as fixed costs come to represent a growing share of total system costs, fixed charges will matter more than prices per unit of output. We ask Government to set out, in the forthcoming tariff methodology, precisely how this fixed-cost component will be calculated and allocated across customer categories. We submit the following:

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Directors: WP De Chavonnes Vrugt, D Mathews, P Engelbrecht, JE De V Loubser, PH Cloete, OT Doyer, CF Kleingeld, PR Cillié, NJ Bronkhorst
Independent Non-Executive Directors: Dr KM Hurly, Mr W Miller
Executive Director: JF Kotzé

● Avoid using fixed charges as a default recovery mechanism. We are concerned that, in practice, costs not readily attributable to a specific customer's usage pattern could simply be recovered through blanket increases to fixed charges, rather than through a transparent, cost-reflective methodology. We recommend that the methodology for allocating fixed costs across customer categories be published for public comment before it is implemented.

● Account for seasonal and variable demand in tariff design. Farming operations with strongly seasonal consumption, for example driven by irrigation cycles, may be disproportionately affected by fixed charges calculated on the basis of peak or average annual demand. We recommend that the tariff methodology account for genuinely variable usage patterns, so that farmers are not required to pay materially more than their fair contribution to system costs.

4. Eligibility thresholds for wholesale and retail participation

The position paper proposes that a size threshold, indicatively one megawatt, will determine which customers qualify as eligible wholesale or eligible retail customers. We submit the following:

● Account for seasonal load. Threshold criteria based on average or instantaneous demand may exclude farming operations whose peak demand, for example during irrigation season, differs materially from their average annual consumption. We recommend that eligibility criteria account for peak seasonal demand rather than average demand alone.

● Phase thresholds downward. We recommend a published, time-bound schedule for lowering the eligibility threshold, so that mid-sized farming operations and agri-processing facilities can plan for direct market participation within a known timeframe, rather than facing indefinite exclusion.

● Aggregation for smaller users. We recommend Government consider whether smaller agricultural users could aggregate their demand, through a cooperative or similar structure, to collectively meet an eligibility threshold.

5. Embedded and distributed generation

We support the recognition, in the position paper, of private generators exempt from a generation licence and distributed energy resources as legitimate participants in the wholesale market. Many of our members already operate embedded solar generation. We submit the following:

● Simplified rules for farm-based generators. We recommend that the forthcoming market code include simplified, proportionate participation and metering requirements for smaller embedded generators connected at the distribution level, recognising that full wholesale market participation requirements may not be appropriate for this scale of generator.

● Transparent network charges. We recommend that network charges applicable to farms operating hybrid grid-tied systems, drawing on the grid for only part of their supply, be calculated transparently and be clearly communicated in advance, to support investment decisions.

6. Transmission monopoly and access for independent transmission projects

We note that, under the proposed market structure, generation will be opened to competition while transmission will remain the function of the National Transmission Company South Africa (NTCSA), regulated by NERSA. We are concerned that opening the generation market does not, on its own, remove the risk of monopolistic control over the sector; it may simply relocate that risk from generation to transmission, where the NTCSA will hold a de facto monopoly over the transmission network. We submit the following:

- Guarantee open, non-discriminatory transmission access. We recommend that the market code include clear, enforceable rules guaranteeing all generators and eligible customers equal access to transmission capacity, so that the benefits of a competitive generation market are not undermined by unequal access to the network that connects buyers and sellers.

- Clarify treatment of legacy and privately built transmission lines. We note that the position paper envisages independent transmission projects (ITPs) developed alongside NTCSA-built infrastructure. We ask Government to clarify whether existing transmission lines already in use will be made available to new entrants on equivalent terms, and how newly built private transmission infrastructure will be treated relative to NTCSA-owned lines, including questions of ownership, cost recovery, and any future incorporation into the national network.

7. Municipal distribution reform

Many of our members are supplied by municipal electricity distribution companies. The position paper acknowledges that some municipal distributors may not meet the requirements to participate directly in the new wholesale market, and commits Government to a parallel transformation of the distribution sector. We submit the following:

- Aligned timelines. We recommend that the reform of municipal distribution be sequenced so that it does not lag materially behind the opening of the wholesale market, given that a gap between the two could leave agricultural and other rural customers without the benefits of the reform for an extended period.

- Funding and capacity support. We recommend that Government's plans for municipal distribution reform include clear funding commitments and technical support, given the constrained financial position of many municipal distributors.

- Continuity of supply during transition. We recommend that any transitional mechanism for non-qualifying distributors be designed to protect continuity of supply to end-use customers, including agricultural users, throughout the transition period.

8. Protection of vulnerable consumers

We support the principle that indigent consumers must be protected through mechanisms that facilitate access to affordable electricity. We recommend that Government confirm, in the forthcoming market design document, that these protections extend clearly to farmworker housing connections, whether such housing is supplied through farm-based infrastructure or directly through a municipal connection.

9. Feasibility and phased implementation of the short-term markets

We support, in principle, the establishment by the Market Operator of short-term markets, including a day-ahead market run through a centralised trading platform, to enable advanced scheduling of generation and load and to allow participants to optimise sales and purchases ahead of real time. We are concerned, however, that the scale and operational complexity of this undertaking may prove more difficult to deliver on the proposed timeline than the position paper suggests, particularly for smaller and rural market participants such as farming operations. We submit the following:

- Pilot and phase the rollout. We recommend that the centralised trading platform and day-ahead market be piloted with a limited set of participants before mandatory system-wide roll-out, and that Government publish a realistic, phased implementation timeline informed by the outcome of that pilot.

- Publish contingency and fallback arrangements. Given the operational demands of daily bid and schedule submission, we recommend that Government publish clear fallback arrangements for participants, including smaller embedded generators, who are unable to submit schedules on a given day due to system or connectivity failures, so that such participants are not unfairly penalised.

10. Request for continued engagement

We request that AgriSA be included as a stakeholder in the ongoing development of the market design document, the market code, and any secondary legislation defining wholesale and retail eligibility criteria, given the material interest of the agricultural sector in these outcomes.

We thank the Department for the opportunity to comment and would welcome the opportunity to engage further on any aspect of this submission.

Yours sincerely

JFK Kotzé
CEO: AgriSA