

NECOM EDI Reform Roadmap

Presentation to Portfolio Committee on
Energy & Electricity

26 November 2025



NECOM
NATIONAL
ENERGY CRISIS
COMMITTEE



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1. ESKOM DISTRIBUTION AGENCY AGREEMENTS: A RESPONSE TO THE IMMEDIATE CRISIS

Distribution Agency Agreements (DAAs) are an immediate measure for municipalities that owe money to Eskom.

- Eskom acts as the agent of the municipality in respect of the electricity distribution business.
- The intention is to stabilise cashflows, improvement payment discipline, reduce losses, and ensure sustainable service delivery of municipalities in crisis.
- Approach approved by Cabinet in November 2025.

Key provisions in DAAs:

- Scope of services, e.g. engineering services, metering, etc (municipalities specify)
- Revenue collection and financial flows
- Operational controls & accountability
- Loss reduction & capacity-building



2. THE LONGER-TERM SUSTAINABILITY CRISIS OF THE EDI (ESKOM & MUNICS)



FRAGMENTED SERVICE PROVISION

Inefficiencies, inequitable tariffs, and service quality disparities



FINANCIAL INSTABILITY

Structural underfunding, declining revenues, electricity theft, and non-payment



AGEING AND FAILING INFRASTRUCTURE

Underinvestment and maintenance backlogs threaten service reliability and economic stability



REGULATORY WEAKNESSES

Compliance with NERSA's licensing conditions is poor, with little accountability or enforcement



GOVERNANCE AND SKILLS SHORTAGES

Leadership instability, lack of technical expertise and inadequate asset management exacerbate systemic failures



MARKET DISRUPTIONS

Emerging technological disruptors, and the transition to a competitive wholesale electricity market, necessitate structural changes in distribution roles and service offerings, electricity procurement strategies, and customer engagement



3. NECOM PROCESS

Developing a roadmap
to deal with the long-
term sustainability
issues

The Minister of Electricity and Energy is leading the EDI reform process, and technical work has been done by the National Electricity Crisis Committee (NECOM)



The EDI Reform Roadmap:

1. Sets out the reform requirement
2. Proposes reform direction and solution pathways
3. Recommends a reform journey



4. EDI REFORM 2011 to 2025

The EDI needs to
respond to major
reforms and
technology changes.

On the demand side:

Rising **energy efficiency** partly driven
by electricity tariff escalations.



Increased uptake of **embedded
generation** driven in part by
loadshedding.



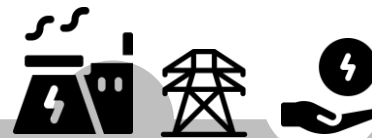
Emergence of **wheeling** largely driven
by demand from large customers for
green power.



Increase in uptake of **electric
vehicles** is anticipated.



On the supply side:



Eskom is unbundling into separate generation,
transmission and distribution businesses.

Tariff restructuring of municipal distributors
associated with unbundling of Eskom – a larger
portion of expenditure recovered through fixed
charges.



Wholesale electricity market reform is underway,
and there will be **multiple generators** in future,
although with Eskom still dominant.



4. GLOBAL ESI/EDI TRENDS

REFORM-FOCUSED LESSONS LEARNED

International reform **trends and outcomes are remarkably consistent**, despite the adoption of varying reform solutions

A **well-structured and phased approach** to reform supports an adaptive transition that is not rigid or a one-size fits all. This allows utilities to address challenges progressively, measure and manage change, build capacity, and achieve long-term sustainability

ONTARIO, CANADA

Distribution businesses must be ring-fenced to facilitate separation of the network and retail segments.

Consolidation of distributors from 300 to 60 achieved through the use of financial incentives rather than mandatory legislation.

Distributors serve as regulated retailers to shield captive customers from market exposure.

ARGENTINA

Strategic and effective long-term infrastructure planning requires committed and sustained investment. Failure to maintain consistent infrastructure investment contributes to service deterioration and supply shortages.

BRAZIL and ARGENTINA

Tariff policies should balance affordability and financial sustainability: Government-imposed tariff reductions can improve affordability, but may undermine financial sustainability for utilities, leading to investment declines and market imbalances.

AUSTRALIA and UK

Reform timelines must be realistic: Electricity market reforms require sustained commitment and gradual transition, typically over decades.

Strong regulation is essential for sustainable reform.

BRAZIL and UK

Tailor market reforms to the local context





4. Operation Vulindlela

EDI reform is part of the suite of local government reforms under Operation Vulindlela

Local Government Reforms



EDI Reform:

Addressing structural and systemic challenges in the energy sector



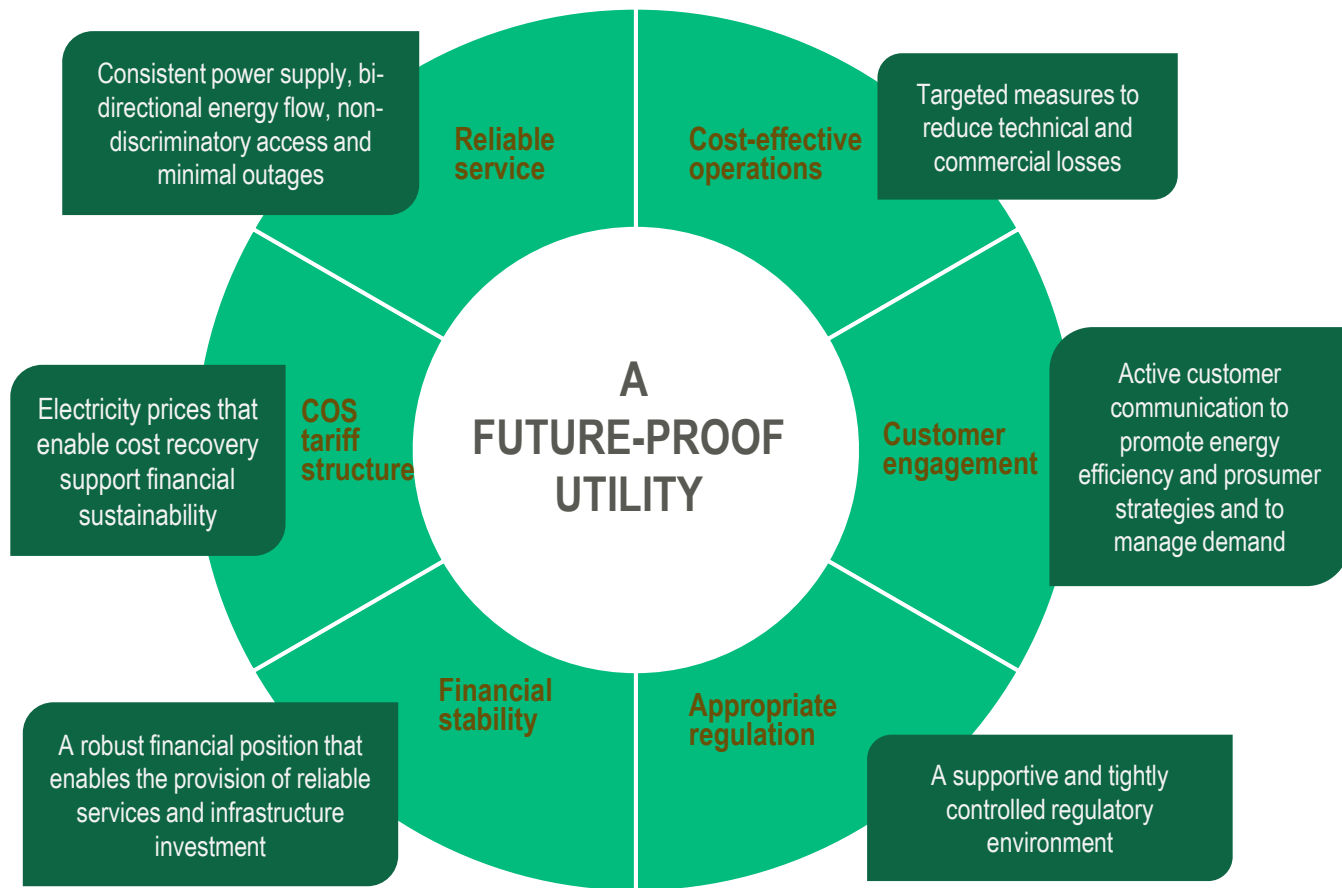
Metro Trading Services Reform (MTSR):
Enhancing governance, financial sustainability, and service efficiency in metros



Water services reform:
Improving regulation and oversight of water services

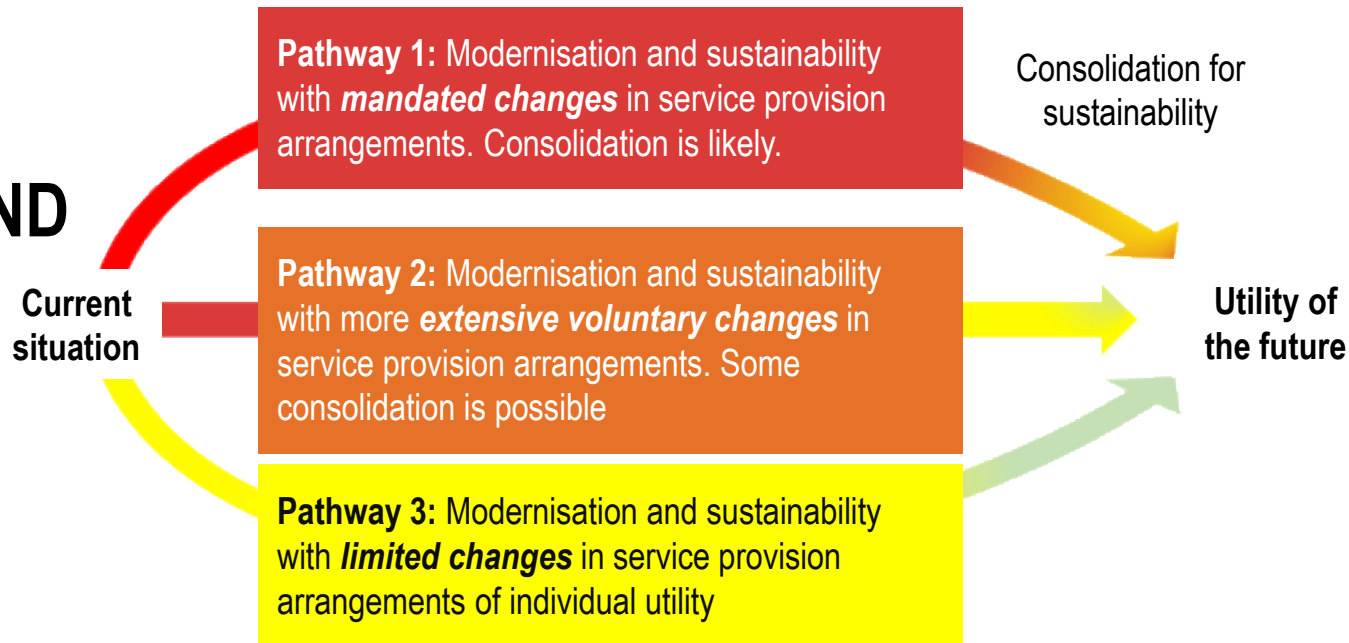


5. WHAT SHOULD THE REFORMS ACHIEVE?





5. SOLUTION PATHWAYS AND REFORM PHASES





6. NO REGRET ACTIONS

Immediate 'no regret' actions serve to create reform momentum and address urgent areas of focus

ACTION 1: Upscale monitoring and regulatory capacity of Nersa to enable performance-based regulation and compliance enforcement

- Led by Nersa, supported by Treasury. Nersa should implement benchmarking of utilities.
- The EDI Reform Journey depends heavily on Nersa introducing regulatory reform, tariff restructuring and building capacity – its lack of enforcement has resulted in a lack of consequence management.

ACTION 2: Installation of smart meters for large power users should be prioritised, possibly through a separate funding mechanism

- Treasury to expand existing programme, supported by DCOG.
- This initiative should include the positioning of AMI as an integral part of the grid modernisation process, to facilitate bi-directional energy flow and acting as a grid sensor.

ACTION 3: Drive the process of ring-fencing electricity utility businesses

- National Treasury (NT) to expand existing metro programme, supported by DCOG.
- Apply the lessons learned with the NT debt and trading services programmes.





6. NO REGRET ACTIONS

Immediate 'no regret' actions serve to create reform momentum and address urgent areas of focus

ACTION 4: Develop a consistent approach to revenue management

- Restructure tariffs (fixed and variable charges), invoicing of, collection from and payment by customers.
- Adopt a zero-tolerance approach in respect of payment delays by government, provinces and corporations, chain groups and large customers.
- The FBE allocation should be reviewed with respect to its quantum and its targeting.

ACTION 5: Deal with asset management issues

- Request Nersa to conduct asset audits as part of utilities' license conditions.
- Support and promote the current Approach to Distribution Asset Management (ADAM) programme, spearheaded by DEE and implemented DBSA.

ACTION 6: Develop performance-based incentives for utilities on the reform journey

- NT funding model to support the reform process.
- Incentives should motivate utilities to improve grid management and service delivery, guided by the Advanced Metering Infrastructure (AMI) Strategy.
- AMI Strategy to include use of meters as grid sensors to improve technical performance and technical loss reduction.



6. WAY FORWARD



DEE is processing the Roadmap and, once done, will engage with the public on it

Thereafter, it will be submitted to Cabinet for approval.



In the meantime, NECOM is engaging with key stakeholders around the no-regret actions (e.g. Treasury and NERSA).



THANK YOU



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