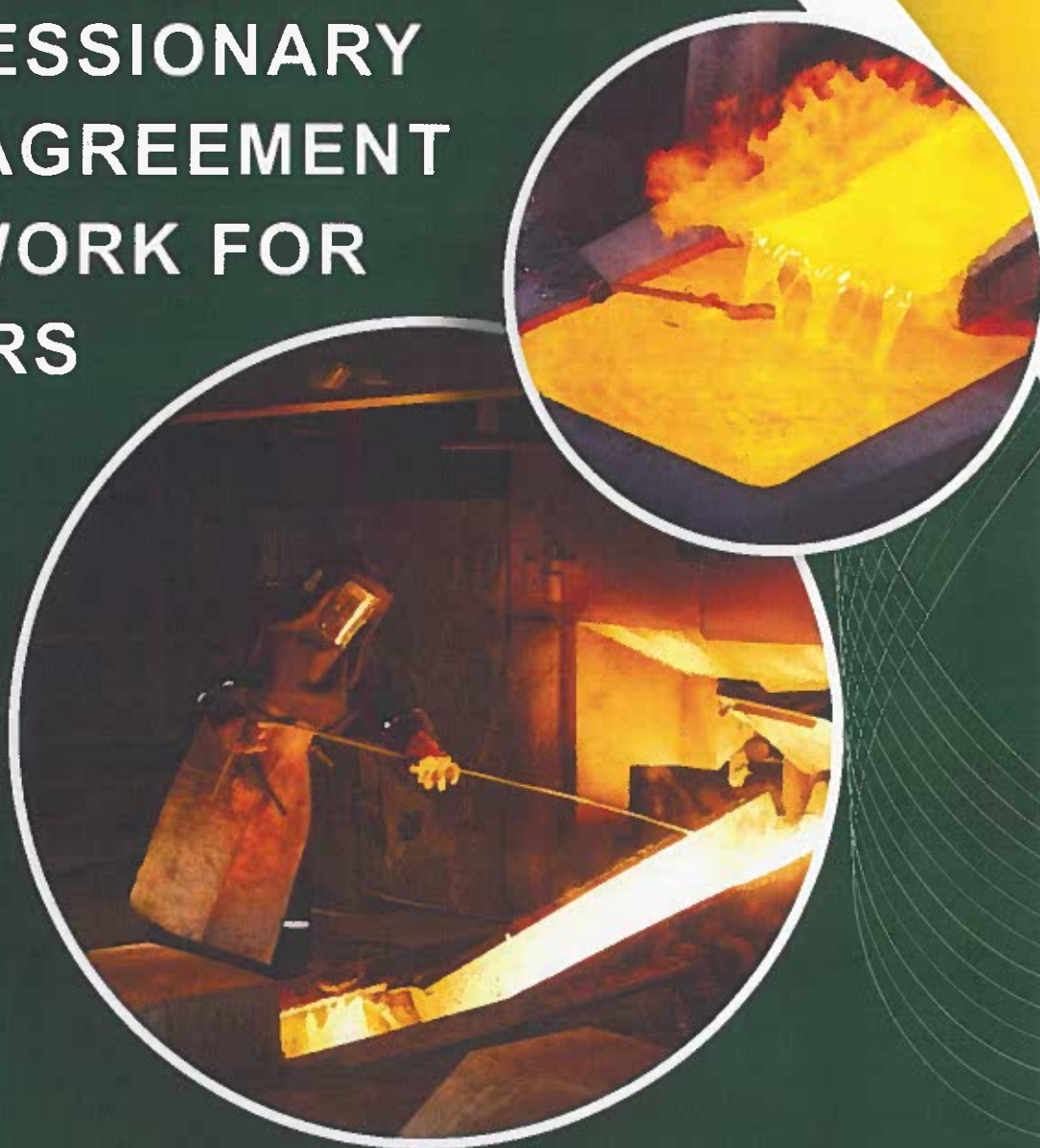


A CONCESSIONARY TARIFF AGREEMENT FRAMEWORK FOR SMELTERS



electricity & energy

Department:
Electricity and Energy
REPUBLIC OF SOUTH AFRICA

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1 INTRODUCTION

The Concessionary Tariff Agreement (CTA) Framework for Smelters (this Framework) has been assessed, adopted and issued by the Department of Electricity and Energy (DEE), as a policy framework and assessment methodology pursuant to Policy Position 14(f) of the Electricity Pricing Policy (EPP, 2008), which assigns responsibilities to the DEE for developing and updating the framework governing negotiated pricing agreements (NPAs), including the applicable application process, assessment methodologies and evaluation criteria.

This Framework does not approve any tariff, amend any licence condition, confer any entitlement on an applicant, or bind the National Energy Regulator of South Africa (NERSA). It establishes the policy principles, eligibility requirements, assessment methodology, governance processes and minimum contractual requirements applicable to CTAs concluded between Eskom and "Smelters"¹. Any CTA constitutes a regulated tariff arrangement only if, and to the extent that, it is approved by NERSA in accordance with the applicable legislative and regulatory framework.

This Framework operates within, and does not derogate from, the statutory framework established by the Electricity Regulation Act (Act No. 4 of 2006, as amended by, inter alia, the Electricity Regulation Amendment Act 38 of 2024) (the Act). In particular:

(a) Regulatory approval of CTAs

Every CTA offered under this Framework remains subject to NERSA approval in terms of section 15(3) of the Act, which authorises NERSA, in prescribed circumstances, to approve a deviation from the approved tariffs. A CTA constitutes a regulated tariff deviation and must be considered together with NERSA's tariff-setting function in section 4(a)(ii) and the licence-condition mechanism under section 14(1)(d). Accordingly, CTAs are regulated transactions requiring NERSA approval and do not constitute direct supply agreements or competitive market outcomes as contemplated in section 15(4) of the Act, which is expressly reserved for tariffs charged pursuant to a direct supply agreement or arising as an outcome of a competitive market.

(b) Non-discrimination and equal application

The pre-qualification criteria and evaluation process set out in this Framework are intended to ensure compliance with the non-discrimination requirements of the Act. Section 15(1)(d) requires that tariffs must not unduly discriminate between customer categories, while section 21(2) prohibits licensee discrimination between customer categories except for objectively justifiable and identifiable differences approved by the Regulator.

Any customer forming part of the approved Cohort that satisfies the pre-qualification criteria in Section 2 is eligible to apply for a CTA on the same basis as all other Cohort participants. The restriction of this Framework to the approved Cohort reflects a policy decision by the DEE to implement a targeted pilot intervention based on identified load retention risks and does not create an entitlement to a CTA and preclude future extension of the Framework to similar customers.

¹ Note: For the purposes of this framework, 'Smelter' refers to a facility whose principal production process is the electrothermal or electrolytic reduction of mineral feedstock, the melting of metal or mineral feedstock in an electric arc furnace (EAF), submerged arc furnace (SAF), electrolytic reduction cell, or comparable furnace or cell, or the primary or secondary production of iron or steel, including by an integrated blast furnace and basic oxygen furnace process. It applies irrespective of the principal product, and includes facilities with downstream rolling, casting or finishing operations.

(c) Funding and subsidy mechanisms

The determination of the funding or cost-recovery mechanism applicable to any CTA is a policy matter for explicit determination by the DEE and, where applicable, the Shareholder and National Treasury.

Section 15(1)(e) of the Act permits the cross-subsidisation of tariffs to certain customer categories and provides the statutory foundation for any pass-through funding mechanism that the Shareholder may direct in support of the CTA. The affordability and tariff implications of any such funding arrangement remain subject to consideration through National Treasury's published assessment processes and NERSA's tariff determination procedures.

Prior to submission of any CTA to NERSA, the DEE shall confirm the applicable funding mechanism, including the identity of the party bearing the subsidy cost and the value attributable to each funding source. No CTA shall be submitted to NERSA unless the funding mechanism has been identified, quantified and recorded in the Stage 3 Corporate Finance Memorandum and the Stage 5 approval documentation.

This Framework establishes a staged assessment process wherein an applicant must first satisfy the six eligibility criteria, outlined in Section 2, which operate as pre-qualification requirements intended to establish whether a prima facie basis exists for Eskom to assess the application. Pre-qualification creates no entitlement to a concessionary tariff.

Where an applicant pre-qualifies, Eskom shall apply the Load Retention Test, outlined in Section 3, to determine whether the proposed CTA is financially preferable to the loss of the customer's load entirely. Where the Load Retention Test is satisfied, Eskom may offer a CTA in accordance with this Framework.

The determination of the applicable funding mechanism in respect of any CTA shall in every case be an explicit policy decision of the DEE. Nothing in this Framework shall be interpreted as creating a presumption that the cost of tariff relief is to be absorbed by Eskom. Where the Load Retention Test is not satisfied, Eskom shall refer the application to the DEE to determine whether customer retention can be justified in broader industrial policy, strategic economic or developmental grounds as set out in Section 5 of this Framework.

This Framework is limited to the following seven applicants: Columbus Stainless, ArcelorMittal South Africa (Vanderbijlpark Works), Transalloys, Newcastle Calcium Carbide and Alloys (NCCA), Ferroglobe South Africa (eMalahleni Smelter), Scaw South Africa, and Kamal CISCO (the Cohort).

The Cohort accounts for approximately 3,3 TWh of Eskom Distribution's annual electricity sales. The individual consumption and preliminary data are summarised in Section 2, **Error! Reference source not found.** Its inclusion is based on Eskom's Board-approved finding that Eskom would be worse off over the next three to five years if the load associated with these customers were lost.² While the analytical methodology set out in this Framework could, in principle, be applied to other electricity-intensive customers, the DEE has deliberately restricted the application of this Framework to the Cohort in order to evaluate the effectiveness of the intervention, to allow for further stakeholder engagement and consider longer-term sector-specific solutions before any broader implementation is contemplated.

² G. Dumakude, "Load Retention Pricing Proposal for the Remainder of the Smelters," submission to the Eskom Board, Annexure A, doc. no. 240-123782330, rev. 4 (Eskom Holdings, April 29, 2026).

This Framework is aligned with the policy structure established under the Short-term and Interim Long-term NPA Frameworks (the NPA Framework) issued by the Department of Mineral Resources and Energy in September 2020, which is also applicable to other customer categories. However, this Framework departs from the NPA Framework in relation to two important aspects. Firstly, eligibility is restricted to the Cohort and subject to the six qualifying criteria set out in Section 2. The term of the CTAs is three to five-year agreements (not long-term or open-ended concessions). The CTAs are pricing arrangements between Eskom and eligible customers that deviate from the approved tariff. They are regulated transactions requiring NERSA approval under section 15(3) of the Electricity Regulation Act, read with NERSA's tariff-setting function under section 4(a)(ii) and the licence-condition mechanism under section 14(1)(d). CTAs are not direct supply agreements or competitive market outcomes within the meaning of section 15(4) of the Act.

For the avoidance of doubt, this Framework creates no right or entitlement to a CTA. A CTA shall become effective only after all prescribed Eskom governance, Shareholder and regulatory approvals have been obtained, including approval by NERSA where required by law.

1.1 Policy rationale: clarifying Eskom's dual mandate.

Eskom is a state-owned company whose strategy and shareholder governance framework recognise both financial sustainability and the need to support broader developmental, industrial and socio-economic objectives in a manner that is transparent, lawful and consistent with its governance and regulatory obligations. At times, this mandate can be misinterpreted as an expectation that Eskom absorbs the cost of industrial policy decisions. For example, by extending concessionary tariffs to retain strategic load and recovering the cost from other customers, or absorbing costs onto its own balance sheet, thereby weakening the entity's financial position. This framework is intended to correct that interpretation by distinguishing clearly between two questions:

- Whether retaining load at a concessionary tariff is commercially justified. This is a matter for Eskom, determined by the methodology this framework prescribes.
- Who bears the cost of the implicit subsidy when there is no commercial justification. This is a matter to be determined through the applicable shareholder, fiscal and regulatory processes, depending on whether the proposed recovery route is fiscal funding, Eskom balance-sheet absorption, or recovery through regulated tariffs.

An evidence-based finding that a CTA is loss-limiting may support Eskom's commercial justification for recommending a CTA, subject to Board approval, shareholder approvals where required, and NERSA's statutory determination.³

³ This position is a direct consequence of Eskom's existing legal and policy status and does not create a new rule for the purpose of this framework. It rests on: firstly, Eskom's fiduciary duties as a state-owned company incorporated under the Companies Act and governed by the PFMA as a Schedule 2 major public entity, which include preserving its financial sustainability; secondly, Eskom's shareholder compact and the Government's stated policy position requiring the utility to operate on a financially sustainable basis and, over the MYPD cycle, to break even at a minimum; and thirdly, the constitutional and statutory allocation of decisions on the fiscal treatment of industrial-policy interventions, which is reserved to the Executive acting through the shareholder on National Treasury's advice, under section 213 of the Constitution and section 38 of the PFMA. The framework's role is to make that boundary operative in the specific context of CTAs by requiring that any deviation (through balance-sheet absorption, pass-through, or hybrid mechanisms) be affirmatively directed by the shareholder rather than backed into by default.

1.2 The commercial load retention test (the Load Retention Test)

A concessionary tariff creates limited value for Eskom, as it is set below the NERSA-approved tariff, which is Megaflex in respect of this Cohort; it will always represent a loss relative to full cost recovery. However, a concessionary tariff that leaves Eskom better off than losing the load entirely could still have a commercial justification – it is loss-limiting by preventing customer attrition and reducing sunk costs. The Load Retention Test is satisfied where the proposed tariff clears at least one of the following two commercial viability requirements.

- **First commercial viability requirement:** where unavoidable take-or-pay commitments exist. Where Eskom carries material take-or-pay obligations for primary energy (such as coal) or for electrical energy (Section 34 Independent Power Producer (IPP)), an incremental reduction in system load may leave Eskom unable to utilise all its contracted volumes. This exposes the utility to stranded contractual costs that cannot be recovered through the standard tariff on a reduced load base. In this context, load loss does not eliminate the cost; it compounds the exposure.

For this requirement, contracted commitments are allocated to the load at risk according to the methodology outlined in Section 3.5.1 of this framework, recognising that only the genuinely stranded portion, after redispatch optimisation across the residual fleet, should be attributed. Any tariff that recovers some portion of this allocated commitment converts what would otherwise be an unrecoverable stranded cost into incremental revenue. Therefore, the loss is reduced. Eskom is better off with the customer than without them, and the CTA can be commercially justified on this basis. The volume of capacity from the IPPs undertake-or-pay obligation is forecasted to increase substantially over the next five years; the first requirement's relevance therefore does not diminish over time but potentially shifts in composition from coal to IPP exposure and remains relevant once the Central Purchasing Agency bids these contracts into the competitive wholesale market.

- **Second commercial viability requirement:** where there are no surplus contractual commitments.

Where the loss of a customer's load does not expose Eskom to contracted volumes it cannot utilise within its generation programme, the emphasis shifts to avoidable cost recovery. The applicable test is whether the revenue generated by the proposed tariff exceeds Eskom's genuinely avoidable future costs of supply. This includes those costs that would not be incurred, or could be avoided, in a permanent load-loss scenario. Over a three- to six-year CTA horizon, avoidable costs would typically include uncontracted coal procurement, variable operations and maintenance costs on dispatchable plant, carbon tax on generation, capital expenditure on network augmentation or new capacity that would no longer be required, and the costs of maintaining coal plants in warm or cold reserve that could instead be permanently decommissioned if system load declines materially. Where the tariff clears this threshold, it generates a positive contribution to the recovery of sunk fixed and capital costs that would otherwise go unrecovered. The loss relative to the load-loss counterfactual is reduced. The CTA can be commercially justified on this basis.⁴

⁴ Note: The avoidable forward cost is broader than Short Run Marginal Cost. SRMC is the cost of producing one more unit at the current moment and reduces essentially to fuel and variable O&M on the marginal station. The avoidable forward cost is what Eskom would avoid over the CTA term if the load were lost: it includes the SRMC components but adds load-

1.3 Where a CTA is commercially justified.

Even where a CTA can be commercially justified on the Load Retention Test, the implicit subsidy and the revenue shortfall in relation to the NERSA-approved standard tariff for the relevant customer category must be quantified, transparently reported, and provided to the shareholder as well as the National Treasury. The cumulative value of subsidies extended across the active CTA Cohort has direct implications for Eskom's revenue adequacy, financial sustainability, and the burden on the fiscus.

The methodology through which the subsidy cost is recovered is not a decision Eskom makes unilaterally, and it is not binary. The available methodology is not exclusive, as a CTA Cohort may be funded through any combination of:

- **Pass-through to other electricity consumers through the standard tariff.** Available only where the shareholder, on National Treasury's advice, has expressly directed that the CTA Cohort be funded, in whole or in part, through this mechanism, and accompanied by a published affordability and distributional impact assessment prepared by National Treasury.
- **Direct fiscal transfer** through the budget, appropriated under section 38 of the Public Finance Management Act.
- **Eskom balance-sheet absorption**, structured as an explicit time-bound revenue shortfall and assessed by National Treasury against Eskom's financial headroom under its existing debt agreements and MYPD position before it can be directed. Absorption is not a default and applies only where affirmatively directed by the shareholder.
- **Indirect fiscal support**, which may include payment arrangements such as a waiver of guarantee requirements, arrear debt-service rescheduling, or similar balance-sheet measures that offset foregone revenue without budget appropriation.
- **Hybrids** combining any of the above.

The DEE retains discretion to substitute or combine methodologies, but any deviation from the fiscal-transfer default is affirmative rather than implicit. It requires an explicit DEE direction, on National Treasury's advice, and is disclosed in the Stage 3 memorandum (see section 3.5) together with the rand value attributable to each mechanism. Where any portion of the subsidy is to be recovered through pass-through to non-CTA customers, the shareholder direction is accompanied by a published assessment, prepared by National Treasury, of the anticipated affordability and distributional consequences of that pass-through on non-CTA customer categories. That assessment forms part of the record accompanying Eskom's revenue application to NERSA and is available to participants in the tariff determination process. The recovery of any portion of the CTA subsidy cost through regulated tariffs requires a separate NERSA tariff determination through the standard MYPD process. This framework does not authorise, and Eskom shall not effect, recovery of CTA-related revenue shortfalls through the standard tariff except pursuant to a NERSA determination that expressly provides for such recovery.

The methodology selected, the parties bearing the cost, and the rand value attributable to each are also disclosed in annual shareholder reporting.

specific forward costs that SRMC excludes such as, network or capacity expenditure that would no longer be required, carbon tax on future generation that would not occur, and reserve plant that could be decommissioned. The second hurdle therefore captures the full forward economic position relative to load loss.

A broader policy assessment and response

Government's involvement extends beyond the funding question to the broader policy response. A concessionary electricity tariff is one of several instruments available to support energy-intensive industries. Trade policy measures, energy efficiency incentives, industrial financing, and carbon tax relief are complementary mechanisms that may reduce the quantum of tariff support required or improve the customer's long-term viability independently of the electricity price.

There are several drivers for loss of competitiveness in the smelter sector. These include, amongst others, structural challenges such as deterioration in rail and port logistics, the cost and reliability of bulk water supply, the cost of imported reductants, carbon border adjustment mechanisms in destination markets, structural shifts in global commodity demand, and strategic subsidisation of competing producers in major markets. A concessionary electricity tariff cannot address these drivers, and in some cases, will only be postponed rather than resolve the underlying commercial viability problem. Understanding which constraints are electricity-specific and which are structural is therefore essential: where structural drivers are binding, tariff relief alone will not restore profitability, and support must be paired with targeted interventions on the binding constraint (e.g., trade policy measures, logistics reform, water-tariff support, or sector-specific financing) rather than an electricity tariff concession in isolation.

In these cases, Government will consider a more comprehensive and coordinated support package, drawing on the full range of instruments available across departments and addressing the binding constraints on the operation's viability. Such an intervention would require clear commitment across government to deploy complementary measures alongside, or where appropriate in partial substitution for, tariff relief.

Where a CTA cannot be commercially justified

Where a concessionary tariff cannot be commercially justified on the Load Retention Test, government may independently assess whether the retention of the relevant industrial capacity can be justified on broader industrial policy or public interest grounds. Where support is justified solely on those grounds, the associated cost should not be borne by Eskom. In such circumstances, Government will determine the appropriate and transparent mechanism. The criteria that could apply in making that assessment are set out in Section 5.

1.4 Legal nature and relationship with existing supply agreements

A CTA is a NERSA-approved supplementary agreement to the existing Electricity Supply Agreement (ESA) that implements the concessionary tariff and related commercial obligations. It amends only those provisions expressly addressed in the CTA, with all other ESA provisions remaining in force. The CTA does not affect any existing Eskom rights, including debt recovery, security requirements, credit-management measures or existing defaults, unless separately agreed in writing by Eskom.

2 ELIGIBILITY CRITERIA

The six criteria set out in section 2 are pre-qualification criteria for bilateral CTA negotiation. They are designed to establish, at low cost and with minimum burden on the applicant, whether there is a prima facie basis for Eskom to engage.

This framework applies only to the Cohort identified in Section 1, and the criteria operate here solely to confirm the eligibility of those applicants; no wider application is authorised unless DEE extends the approved scope of this framework.

All six criteria must be satisfied before Eskom commits to a bilateral CTA negotiation and the associated full netback analysis. An applicant that satisfies all six criteria will be invited to proceed. Eskom retains full commercial discretion over whether ultimately to offer a CTA and the applicable commercial terms. Compliance with the pre-qualification criteria does not create any entitlement to a concessionary tariff. Nothing in this framework constrains Eskom's discretion to decline an application at any stage, including after pre-qualification, where commercial circumstances or shareholder direction so require.

These criteria establish whether a prima facie case exists for Eskom to engage on load retention for a given customer. They do not determine whether the tariff the customer can afford is one at which Eskom would be commercially better off retaining the load that is, the Load Retention Test described in Section 1, which, as outlined in Section 3, is conducted by Eskom Corporate Finance during the bilateral negotiation phase, not at pre-qualification. Criterion 4 determines whether the customer's affordable tariff falls below the applicable standard tariff; whether it also clears Eskom's relevant cost floor is a separate question addressed downstream.

The thresholds adopted were calibrated on data submitted by the current Cohort, whose data is presented in **Error! Reference source not found.**, together with a high-level analysis of 2025 consumption across Eskom's 90 Key Industrial Customers (KICs). The pre-qualification thresholds in Criteria 1 and 2 set out in *Table 1* shall be reviewed at intervals of not more than five years, or earlier where a material change in the composition of Eskom's key industrial customer base, the applicable standard tariff structure, or the industrial policy framework warrants review. Any revision to the thresholds is a policy matter for DEE, in conjunction with Eskom and National Treasury, and applies prospectively to applications submitted after the revised thresholds take effect. Table 1 sets out the prequalification criteria for the CTA bilateral negotiations.

Table 1: Pre-qualification criteria for CTA bilateral negotiation

Criterion	Key test	Precedent
1 Electricity intensity	Electricity costs $\geq$ 10% of total variable cash costs (electricity inclusive), at the operation level, on the most recent audited financial year or a historical average where the recent year reflects curtailment. Integrated producers may qualify on a lower threshold where the integrated nature of the operation explains the failure to clear 10% on entity-level data. Chief Financial Officer (CFO)-certified calculation supported by management accounts are required for pre-qualification.	International intensity thresholds use different denominators and are not directly comparable; the 10% threshold is calibrated to the load-retention rationale and the South African Cohort.
2 Minimum consumption threshold	Eskom-grid consumption $\geq$ 100 GWh per annum on a steady-state, fully ramped basis. Where current consumption is curtailed, the applicant must demonstrate steady-state consumption based on historical data and a credible Chief Executive Officer (CEO)-signed ramp plan.	Hydro-Quebec Rate L (5 MW industrial-tariff eligibility, different use case); United Kingdom Energy Intensive Industries (EII) Compensation

Criterion		Key test	Precedent
			Scheme (UK EII) (for carbon cost relief).
3	Trade exposure and price-taking status	The applicant's product is a globally traded commodity with one or more published global or regional price indices, and realised selling prices are materially correlated with those indices over the most recent 36 months. Long-term offtake or group sales arrangements must be disclosed and reconciled to the index.	Regional commodity price indices (Fast markets, CRU Group (CRU), Platts, Shanghai Metals Market (SMM), Asian Metal, London Metal Exchange (LME)).
4	Demonstrated economic hardship (preliminary netback viability test)	CFO-signed netback summary, in the Eskom-provided template, showing that the maximum tariff the applicant can support falls below the applicable standard tariff. Three tariffs are computed: i) hard-cash (cash recovery only, Depreciation and Amortisation (D&A) excluded), ii) break-even (full cost recovery, zero Return on Equity (ROE)) and iii) viable-at-target-ROE.	Cash-cost recovery anchor consistent with restructuring and project-finance practice.
5	Non-electricity input costs and related-party charges	i. CFO-signed assurance that material third-party non-electricity inputs (raw materials, consumables, labour, contracted services, non-electricity energy) are procured on competitive market terms, with related-party-sourced inputs flagged. ii. Itemised disclosure of all material related-party charges (management fees, head-office allocations, technical service fees, royalties / IP / trademark fees, intra-group financing, intra-group sales of inputs or finished products) with a brief description of what each charge corresponds to. <i>Eskom decides at Stage 4 whether to recognise each charge in whole, in part, or not at all; default for inadequately substantiated items is exclusion.</i>	Eskom-specific. Methodology informed by transfer-pricing practice and guidelines.
6	Take-or-pay commitment	Acceptance of a take-or-pay obligation in respect of a defined minimum annual volume of Eskom-supplied electricity over the CTA term. Should be accepted in principle at pre-qualification and contractually at Stage 5. The indicative parameter is 80% of contracted volume, adjusted for the applicant's historical volatility and the depth of the concession (a deeper concession warrants a higher take-or-pay floor). Requires payment for the contracted minimum regardless of actual draw.	Standard long-term electricity supply agreement practice. Calibrated to preserve load-retention value to Eskom over the CTA term. Legally more robust than a supplier-exclusivity restriction

Table 2 illustrates the indicative pre-qualification data for the current CTA applicant Cohort.

Applicant	Electricity costs as % of total variable costs (ZAR/t)	Annual consumption — current (GWh)	Annual consumption — fully ramped (GWh)	% of total domestic sales, fully ramped consumption (172 TWh/yr)	% of total KIC sales, fully ramped consumption (68.4 TWh/yr)
Columbus Steel (Pty) Ltd	16.8%	472	569	0.3%	0.8%
AMSA Vanderbijlpark	12.8%	1 155	1 165	0.7%	1.7%
NCCA / NSSA	33.6%	-	253	0.1%	0.4%
Kamal Cisco	26.9%	40	111	0.1%	0.2%
Transalloys (Pty) Ltd	50.4%	769	810	0.5%	1.2%
Ferroglobe SA: eMalahleni Smelter	62.5%	166	394	0.2%	0.6%
Scaw South Africa (Pty) Ltd	15.2%	664	664	0.4%	1.0%

Sources: Applicant submissions. Electricity costs as % of total variable costs are calculated as electricity cost per tonne (ZAR/t) divided by total variable cost per tonne (ZAR/t). Eskom Distribution sales data (total domestic sales of 172 TWh/yr; total key industrial customer sales of 68.4 TWh/yr). Note: Annual consumption figures reflect potential future steady-state consumption once each operation is fully ramped, not current curtailed levels. NCCA is in the commissioning and production phase. KIC = Key industrial customer.

2.1 Criterion 1: Electricity intensity

Test:

Electricity costs $\geq$ 10% of total variable cash costs (electricity inclusive), measured on the most recent audited financial year or a historical average where the most recent year reflects production curtailment.

Unit of assessment

The test is applied at the level of the operation with respect to which the CTA is sought. Typically, a single smelter or an integrated facility at a single site. For most applicants, this unit is not the legal entity at which audited annual financial statements are produced; data is therefore provided on a CFO-certified basis from the applicant's management accounts, reconciled to the audited statements of the legal entity that owns the operation. The framework does not require, and will not accept, assessment at a sub-operation level (for example, melt-stage only within an integrated site), because the related-party transfers, joint-cost allocations, and shared-overhead arrangements that would be required to construct sub-operation accounts cannot be reliably verified.

Rationale

Where electricity is a small share of an operation's variable cost base, even a significant tariff concession will not materially affect viability, and a CTA is not the right instrument. The 10% threshold is set at a level that screens out operations for which electricity is not a material cost driver. For integrated operations, the entity-level denominator captures downstream conversion and finishing activities whose electricity component is modest; the threshold is calibrated with this in mind and remains low enough to capture genuinely electricity-intensive integrated producers.

Exception for integrated producers

Where an applicant operates an integrated facility comprising upstream electricity-intensive operations (e.g., melting, smelting, electrolysis) and downstream conversion or finishing operations (e.g., casting, rolling, fabrication), and the operation falls below the 10% threshold on entity-level data, Eskom may admit the application to the next stage of evaluation where the applicant can demonstrate that the integrated nature of the operation, rather than an inherently modest exposure to electricity costs, accounts for the failure to clear the threshold.

Where this exception is invoked, the netback and commercial test at subsequent stages are conducted on the integrated operation as a whole, on the same CFO-certified, reconciled basis applicable to other applicants. No sub-operation netback is permitted.

International precedent

International schemes referenced here about giving industry relief from carbon-related electricity cost increases, and as such, use different denominators and are not directly comparable. The UK EII Compensation Scheme uses 20% of gross value added; the European Union Emissions Trading System (EU ETS) State Aid Guidelines apply a combined trade-times-emissions intensity metric exceeding 0.2. The 10% threshold proposed here is calibrated to the load retention rationale and to the South African Cohort.

Evidentiary standard

CFO-certified calculation of the intensity ratio at the operation level, supported by management accounts. Reconciliation to the audited financial statements of the legal entity that owns the operation is required at Stage 4 but not at pre-qualification. At this stage, the CFO certification carries the assurance burden, and the applicant accepts contractual liability for material misrepresentation.

2.2 Criterion 2: Minimum consumption threshold

Test

Eskom-grid consumption ≥ 100 GWh per annum on a steady-state, fully ramped basis. Where current consumption is curtailed, the applicant must demonstrate steady-state consumption based on historical data and a credible ramp plan.

Rationale

The CTA process imposes material analytical and administrative costs on both sides; a minimum scale ensures those costs are proportionate to the load retention benefits. The threshold also serves as a coarse proxy for the materiality of the load to Eskom's overall revenue position.

Note on the threshold: a 100 GWh threshold qualifies 39 of Eskom's 90 key industrial customers and captures 94.4% of total KIC consumption (29.6 TWh, or 17.2% of Eskom Distribution's domestic sales). Raising the threshold to 200 GWh reduces the pool to 23 but still captures 87.3% of KIC consumption (27.4 TWh) (Table 2). As this is one of six pre-qualification criteria, the pool proceeding to full assessment will be smaller still.

Table 2 Qualifying customers (criterion 2) by annual consumption (FY2026) (FY2026 data)

Per annum consumption	No. of KIC customers	% of KIC customers	Total consumption (TWh)	% of KIC consumption	% of Eskom Dx total domestic sales
>100 GWh	39	43.3%	29.6	94.4%	17.2%
>200 GWh	23	25.6%	27.4	87.3%	15.9%
>300 GWh	17	18.9%	25.9	82.5%	15.0%
>400 GWh	12	13.3%	24.2	77.1%	14.1%
>500 GWh	9	10.0%	22.9	72.9%	13.3%
>600 GWh	8	8.9%	22.3	71.2%	13.0%
>700 GWh	7	7.8%	21.7	69.1%	12.6%
>800 GWh	6	6.7%	20.9	66.7%	12.2%
>900 GWh	5	5.6%	20.1	64.1%	11.7%
>1 000 GWh	5	5.6%	20.1	64.1%	11.7%

International precedent

Minimum-scale thresholds are common in industrial tariff design, though their function varies. Hydro-Québec's Rate L applies to industrial contracts with a minimum billing demand of 5,000 kW (approximately 35–40 GWh annually at typical industrial load factors); this is the eligibility threshold to access the standard large-industrial tariff, not a concessionary instrument. Rate L is open to any industrial customer meeting the 5 MW threshold and is the published industrial tariff schedule, broadly analogous in function to Eskom's Megaflex or large-customer tariffs, not to a CTA.

Concessionary support in Quebec is provided separately from Rate L, through the Ministère des Finances' Financial Assistance for Investment Program. That programme offers electricity bill discounts of up to 20% for four years, conditional on the recipient undertaking eligible capital investment in productivity, energy efficiency, or process modernisation. Eligibility turns on the scale of proposed investment relative to electricity spend, not on a minimum consumption threshold.

The South African framework's 100 GWh threshold, therefore, serves a different purpose: it ensures that the bespoke and analytically intensive CTA negotiation process is reserved for loads whose magnitude justifies the cost of that process. The UK EII scheme is a closer comparator in spirit (it filters which industrial customers receive carbon-cost relief) but applies its threshold against gross value added rather than against absolute consumption.

Evidentiary standard

Eskom billing records for the most recent 12 months (or historical average), and where the test is satisfied on a fully ramped basis, a CEO-signed production ramp plan.

2.3 Criterion 3: Trade exposure and price-taking status

Test

The applicant's product is a globally traded commodity with one or more published global benchmark prices or regional price indices, and the applicant's realised selling prices are materially correlated with those indices over the most recent 36 months.

Rationale

A concession is only warranted where the customer cannot pass electricity cost increases through to product prices. Price-taking commodity producers bear the full incidence of input cost shocks; firms with pricing power recover cost increases through the market and do not face a genuine viability threat from the standard tariff.

Regional/global reference prices or indices

The Cohort's products are traded against well-established global benchmark prices or regional price indices: ferro-silicon, ferro-chrome and ferro-manganese against the European and US benchmarks published by Fastmarkets and CRU, with Asian reference points from SMM and Asian Metal; stainless flat product against European (CRU, MEPS) and Asian indices, with the alloy surcharge tied to LME nickel and Fastmarkets ferro-chrome; carbon steel longs (billet, rebar, wire rod) against Platts, Fastmarkets and CRU regional benchmarks, with Black Sea export billet the most-cited reference for South African export pricing. The applicable benchmark price or indices for each applicant should be specified in the eligibility submission.

Evidentiary standard

Nomination of the applicable regional index or indices, supported by a price realisation analysis showing that the applicant's realised selling prices are materially correlated with the nominated index over the most recent 36 months. Where the applicant's pricing reflects long-term offtake contracts, group sales arrangements or other structural deviations from spot pricing, those arrangements must be disclosed and their effect on realised prices reconciled to the index.

2.4 Criterion 4: Demonstrated economic hardship: preliminary netback viability test.

Test

Preliminary evidence that the maximum tariff the applicant's current economics can support falls below the applicable standard tariff. Where it does, there is a prima facie viability case. Where it does not, the case for a concession does not arise.

Scope

Criterion 4 is a customer-side test only: it establishes the upper bound of any concessionary tariff and confirms it sits below the standard tariff.

Rationale

The full netback analysis is potentially time-consuming for both sides and should be undertaken only where there is a credible prima facie case. Criterion 4 establishes that case quickly from the customer side, filtering out applicants that face no genuine viability threat from the standard tariff.

Preliminary submission

A CFO-signed data netback summary, in an Eskom-provided template, showing realised commodity price, production volume, electricity cost per unit at the standard tariff, total cash operating cost per unit, resulting margin per unit, and the customer-affordable tariff at the viability threshold defined in the template. Eskom will require the consumer to submit a more detailed five-year business plan during bilateral negotiations.

Outcome

If the customer-affordable tariff is below the standard tariff, Criterion 4 is satisfied (subject to the other criteria). Otherwise, the application is declined at pre-qualification, and the applicant continues on standard terms.

Methodological note

Customer-affordable tariff definitions. The Stage 4 netback model produces three customer-affordable tariff values for each year and production volume scenario in the grid, ranked from highest to lowest:

- **Hard-cash tariff.** The highest tariff the customer can sustain while still covering cash outflows (variable costs, electricity, cash fixed costs, debt service). Depreciation and amortisation are excluded. At this tariff, the operation is cash-positive but earns no profit and does not recover capital.
- **Break-even tariff.** The tariff at which revenues fully cover all costs, including depreciation, amortisation, and financing. Zero accounting profit; capital recovered through depreciation; no return on equity.
- **Viable-at-target-ROE tariff.** The tariff at which the operation additionally earns a defined return on equity (initially 14.5%, pending Board confirmation). The lowest of the three customers affordable tariffs.

Use in the framework.

- **Criterion 4 (pre-qualification).** *Satisfied where the standard tariff exceeds the hard-cash tariff — i.e. where the customer is making a cash loss at the standard tariff and therefore has a prima facie viability case.*
- **Subsidy reporting.** *Stage 3's implied subsidy calculation reports the revenue shortfall against the NERSA-approved Megaflex tariff at all three customer-affordable tariff levels, so the Board and shareholders see the range.*

2.5 Criterion 5: Non-electricity input costs and related-party charges

Criterion 5 has two parts, addressing distinct issues that have a bearing on the integrity of the netback. Part (a) addresses the applicant's procurement of non-electricity inputs from third parties; part (b) addresses charges between the applicant and related entities within its corporate group.

Part a: Non-electricity input costs at market-related prices.

Test

The applicant confirms in writing that all material third-party non-electricity inputs (raw materials, consumables, labour and contracted services, energy other than electricity) are procured on competitive market terms. Any material input sourced from a related party is flagged at this stage and itemised under Part (b).

Rationale

A netback-based concession asks Eskom to absorb part of the gap between the applicant's cost base and the price its product can command. That logic only holds if the cost base reflects efficient procurement. The pre-qualification standard is a CFO-level assurance plus disclosure of related-party sourcing; full benchmarking against published indices is reserved for the Stage 4 business plan and is not required at pre-qualification. If an applicant's coking coal, scrap steel, or other major non-electricity input is sourced at above-market prices from a related party, the resulting margin pressure is not a viability threat from Eskom's tariff; it is a transfer pricing artefact. Eskom's CTA should not absorb that artefact, and Criterion 5 is the mechanism by which it is screened out.

Evidentiary standard

A signed CFO assurance that material third-party inputs are procured on competitive market terms, accompanied by a list of any inputs sourced from related parties (with those items also captured under Part (b)). Detailed price-benchmarking against published indices is required at Stage 4, not at pre-qualification.

Part b: Itemised disclosure of related-party charges.

Test

All material charges between the applicant and entities in its corporate group are itemised, with a brief description of what each charge corresponds to and the quantum claimed in the netback.

Categories.

Management fees and head-office allocations; technical service fees; royalties, IP licensing and trademark fees; intra-group financing and treasury charges; intra-group sales of raw materials or other inputs; intra-group sales of finished products; and any other material charge or transfer between the applicant and related parties.

Default treatment

Eskom decides at Stage 4 of the CTA evaluation process whether to recognise each itemised charge in the netback, in whole, in part, or not at all. Charges that are not adequately substantiated, or that Eskom is not satisfied represent genuine economic costs of the operation, will be set to zero in the netback. The framework deliberately does not prescribe a methodology for adjudicating arm's-length pricing or transfer pricing comparables: the burden of justifying inclusion sits with the applicant, and Eskom's default position, where that justification is absent or unconvincing, is exclusion.

Rationale

Related-party charges are the largest single category of items capable of materially distorting the netback. Tax compliance does not by itself establish that a charge is one that Eskom should subsidise (a royalty defensible for SARS may still represent margin extraction that inflates the customer-affordable tariff). Itemisation puts these charges in front of Eskom for an explicit decision rather than burying them in fixed costs.

Evidentiary standard

An itemised schedule of related-party charges, with a short description for each line of the underlying service, asset or transaction the charge corresponds to. Certification follows the certification standard adopted for the netback submission as a whole.

2.6 Criterion 6: Commitment to a take-or-pay volume sufficient to underwrite the load retention case.

Test

Acceptance, in principle at pre-qualification and contractually at Stage 5, of a take-or-pay obligation in respect of a defined minimum annual volume of electricity procured from Eskom over the term of the CTA. The take-or-pay volume is calibrated to the load on which the CTA's commercial justification is based and is the mechanism by which Eskom is protected against subsequent substitution of self-generation, third-party wheeling, or new PPAs that would erode the load retention value of the concession.

Rationale

The financial justification for a CTA rests on the load retention value to Eskom. A customer that secures a CTA and subsequently substitutes self-generation or third-party procurement for Eskom supply reduces that value over the term, leaving Eskom with the cost of the concession but without the offsetting load retention benefit. The take-or-pay obligation preserves the symmetry of the bargain — Eskom forgoes revenue relative to the standard tariff in return for retained load, and the applicant accepts an obligation to consume (or pay for) the volume on which the concession is predicated.

Calibration of the take-or-pay volume

The take-or-pay volume is set in the Stage 5 negotiation, having regard to: (i) the historical consumption profile of the operation; (ii) the production volume scenario on which the customer-affordable tariff has been calculated (typically the central case in the Stage 4 business plan); (iii) the structural variability of the applicant's production (commodity-cycle exposure, technical operating ranges); and (iv) the depth of the concession (a deeper concession warrants a higher take-or-pay floor). The framework's current indicative parameter is 80% of contracted volume, but this should be tested against the applicant's historical volatility and adjusted up or down accordingly.

Sliding scale

The strictness of the take-or-pay obligation may be calibrated to the depth of the concession. Deeper concessions warrant higher take-or-pay floors to preserve the load retention value; more modest concessions may accommodate lower floors with corresponding flexibility for alternative supply. The relationship between concession depth and take-or-pay floor is set in the Stage 5 negotiation parameters.

Legal review

The take-or-pay formulation does not restrict the applicant's right to self-generate or to procure from third parties; it requires the applicant to pay for a defined minimum volume of Eskom supply regardless of whether the applicant draws that volume. This is legally more robust than an exclusivity restriction and is consistent with standard commercial practice in long-term electricity supply agreements.

Evidentiary standard

Acceptance of the take-or-pay principle is recorded in the Stage 1 eligibility declaration. The specific take-or-pay volume, indexation provisions, and any hardship-related relief mechanisms are negotiated and finalised at Stage 5 and captured contractually in the CTA, with associated reporting obligations and audit rights. Captured contractually in the CTA, with associated reporting obligations and audit rights.

3 EVALUATION FRAMEWORK FOR CONCESSIONARY TARIFF AGREEMENT APPLICATIONS

3.1 Purpose

This Section sets out the internal evaluation process by which Eskom shall assess CTA applications.

This framework is designed to achieve five objectives:

- i. To filter applications efficiently, so that the analytical effort required of Eskom and the applicant is proportionate to the likelihood of a commercially viable outcome.
- ii. To allocate decision rights clearly between Eskom Distribution, Eskom Corporate Finance, the Board, and the shareholder.
- iii. To ensure that every CTA negotiation is informed by an explicit quantification of the implied subsidy and a defensible commercial test.
- iv. To ensure that applications which cannot be commercially justified are routed transparently to the state support pathway rather than being absorbed silently into Eskom's tariff structure.
- v. To ensure that the analytical record on which each CTA is approved is preserved and made available to the shareholder for post-implementation review.

3.2 Process overview

The evaluation and approval of a CTA involve two distinct roles. Eskom, acting through the five-stage process set out in this section, conducts the commercial assessment against the framework's pre-qualification criteria and the Load Retention Test, negotiates the CTA with the applicant, and recommends the resulting tariff and CTA terms for regulatory approval. NERSA independently approves or declines the CTA under section 15(3) of the Electricity Regulation Act, read with sections 4(a)(ii) and 14(1)(d), based on compliance with this framework and with the shareholder direction on the funding mechanism issued under section 1.3. No CTA takes effect until it has been approved by NERSA. The framework does not fetter NERSA's statutory discretion; the analytical and evidentiary requirements set out for the five-stage process are directed at ensuring that NERSA receives a complete and standardised record on which to conduct its assessment.

The evaluation process comprises five sequential stages, each with a defined owner, a defined output and a decision gate. An application may exit the process at any stage, either because it has cleared all gates and proceeds to contract, or because it has failed a gate and is either declined or referred to the state support pathway.

Table 3 CTA application evaluation: five-stage process summary

Stage	Activity	What is done	Decision owner	Gate / off-ramp
1	Pre-qualification	Customer confirms acceptance of pre-qualification criteria and submits supporting data; Eskom Distribution screens for completeness and prima facie eligibility against the six criteria in Section 3. <i>Eskom undertakes to complete the pre-qualification screen within 60 business days of receipt of a complete application.</i>	Eskom Distribution (CTA case manager)	Pass: proceed to Stage 2. Fail: application declined; refer to State Support pathway (Section 5).
2	Preliminary netback analysis	Eskom Distribution conducts a preliminary netback analysis on the data submitted, solving for the maximum tariff the customer can afford while remaining viable on its current economics.	Eskom Distribution (analytical team)	Pass: proceed to Stage 3. Fail (no viable customer-affordable tariff): refer to State Support pathway.
3	Commercial viability and subsidy quantification	Eskom Corporate Finance applies the Load Retention test to the preliminary tariff and separately quantifies the cost-to-serve, the NERSA-approved tariff, and the implied subsidy.	Eskom Corporate Finance	Pass either requirement: proceed to Stage 4. Fail both: refer to the State Support pathway with subsidy quantum disclosed.
4	Full business plan and verification	Customer submits a five-year business plan extending the preliminary netback analysis, with sensitivities on key input and output drivers, certified by the CFO or by an independent auditor (<i>Board to direct on standard required</i>).	Eskom Distribution and Corporate Finance (jointly); reviewed against shareholder-approved policy	Pass: proceed to Stage 5. Material adverse findings on netback inputs: revert to Stage 2 for re-computation on verified data. Material adverse findings on applicant conduct or fundamental viability: decline.
5	Bilateral negotiation and contracting	Negotiation of CTA terms — tariff path, take-or-pay, financial security, upside sharing, audit rights and term — within the parameters set by the preceding stages and applicable Eskom delegations.	Eskom Distribution (commercial lead) with Corporate Finance and Legal	Signature of CTA, subject to Board and (where required) shareholder approval.

3.3 Stage 1: Pre-qualification

Owner

Eskom Distribution (CTA case manager).

Objective

The objective is to confirm that the applicant satisfies the CTA pre-qualification eligibility criteria, has provided the data required to conduct a preliminary netback analysis, and presents a prima facie eligible case.

3.3.1 Customer-side activity

The applicant submits a written application accompanied by:

- A signed CTA eligibility declaration confirming, criterion by criterion, that the applicant meets (or expects to meet) each of the six pre-qualification criteria and identifying the supporting evidence on which each declaration is based.
- The data required for the preliminary netback analysis, in the format prescribed by Eskom: realised commodity price (most recent 12 months and three-year average); production volumes (current actual, minimum technically viable, and maximum nameplate); electricity consumption per tonne of sellable product; cash operating cost per tonne (electricity-inclusive and electricity-exclusive). All data is CFO-certified from the applicant's management accounts. Reconciliation to the audited financial statements of the legal entity that owns the operation is required at Stage 4 but not at pre-qualification.
- Documentary evidence supporting the trade exposure declaration (Criterion 3), benchmark price data and, where available, sectoral trade-intensity calculations.
- Independently audited financial statements for the three most recent complete financial years.
- Eskom account number(s) and point of supply details, against which Eskom will independently verify the metered consumption history that will form the baseline for calibrating the take-or-pay volume at Stage 5 (Criterion 6).
- A signed acknowledgement of the take-or-pay principle under Criterion 6, with specific take-or-pay parameters to be negotiated at Stage 5.

3.3.2 Eskom-side activity

The Distribution CTA case manager screens the application for completeness within ten business days of receipt of the application and confirms in writing whether the application is complete or whether further information is required. The 60-day period runs only from the date a complete application is received.

The case manager then performs a desk-based eligibility screen against each of the six pre-qualification criteria, drawing on the applicant's submission and on Eskom's own records. The output of this stage is a short eligibility memorandum addressed to the Distribution commercial lead.

3.4 Stage 2: Preliminary netback analysis

Owner

Eskom Distribution analytical team.

Objective

The objective is to estimate, on the data submitted, the maximum electricity tariff that the applicant can afford while remaining commercially viable on its current economics.

3.4.1 Methodology

The preliminary netback analysis fixes the applicant's commodity price and production volumes as exogenous inputs, and solves for the maximum supportable electricity tariff at three viability thresholds:

- **Hard-cash tariff.** The tariff at which the operation covers its cash outflow (variable costs, electricity, cash fixed costs, debt service). Depreciation and amortisation are excluded as non-cash items. At this tariff the operation is cash-positive but earns no profit and does not provide for capital recovery. This is the highest of the three customer-affordable tariffs and the starting point for the Stage 5 negotiation.
- **Break-even tariff.** The tariff at which revenues fully cover all costs, including depreciation, amortisation, and financing. Zero accounting profit; capital recovered through depreciation; no return on equity. This is the primary reference for the Load Retention Test under Criterion 4 the tariff at which the operation is just commercially sustainable on its current economics.
- **Viable-at-target-ROE tariff.** The tariff at which the operation additionally earns a defined return on equity (initially 14.5%, pending Board confirmation against a defensible benchmark typically the applicant's audited cost of equity, or the South African industrial-sector median pre-tax ROE). The lowest of the three customer-affordable tariffs and the negotiation ceiling from the applicant's perspective.

The three tariffs define a hierarchy that bounds any subsequent negotiation. An applicant whose viable-at-target-ROE tariff exceeds the standard tariff has no viability case for a concession. An applicant whose hard-cash tariff falls below the standard tariff has a prima facie case under Criterion 4. Hard cash is the absolute floor below which Eskom should not contract; sustained operation at hard cash implies progressive consumption of the capital base and is therefore appropriate only for shorter CTAs tied to a credible recovery path.

All volumes are expressed on a sellable-production basis, and electricity consumption on a kWh-per-tonne-of-sellable-product basis. The equity base used for the target-ROE calculation is the book equity attributable to the operation, taken from CFO-certified management accounts; the allocation methodology must be disclosed and applied consistently across all three tariff calculations.

The analysis is conducted across three production volume scenarios: current actual, minimum technically viable, and maximum nameplate capacity. The output is a 3×3 grid of customer-affordable tariffs (three tariff anchors $\times$ three volume scenarios), together with sensitivities to commodity price and to production volume.

Important framing. *The output of this stage is the tariff the customer can afford. It is not yet the tariff at which Eskom is willing to supply.*

3.4.2 Output

The Stage 2 output is a preliminary netback memorandum addressed to Eskom Corporate Finance, summarising:

- The customer-affordable tariff range across the three volume scenarios, with central case and sensitivities;
- The applicant's relative position against the standard tariff (i.e. the magnitude of the gap that any CTA would need to bridge);
- The data quality and key analytical assumptions underlying the estimate, flagging any items that should be tested in Stage 4;
- An estimate of the contracted volume the applicant would offer which feeds the Stage 3 commercial assessment.

3.4.3 Related-party complexity and data quality.

The netback analysis (Stages 2 and 4) aims to establish the customer-affordable tariff by working backwards from the applicant's actual output prices and input costs. In practice, most smelters are subsidiaries or divisions of larger groups with significant upstream and downstream related-party relationships. Raw materials may be sourced from group mining operations at transfer prices that differ from arm's-length market rates; finished product may be sold through group distribution or trading entities at margins that are extracted upstream; financing may flow through group treasury; and group-level shared services (Research & Development, corporate overhead, logistics) may be allocated to the smelter on a cost-plus basis that obscures the operation's standalone viability.

Establishing the applicant's true customer-affordable tariff therefore may require netback analysis at multiple levels: not only the smelter itself and its direct downstream operations (e.g. integrated mill), but also the related-party sales channels and parent group through which margin is being captured. For example, where the smelter sells through a related-party trading or distribution entity, the netback must be computed both at smelter level (to identify the smelter's standalone viability) and at the consolidated group level (to understand where margin is actually being earned and on what basis it is being allocated back to the smelter).

Stage 2 approach

The preliminary netback at Stage 2 establishes a baseline view at multiple levels: (i) the smelter's standalone economics (smelter alone); (ii) the smelter plus direct downstream operations where integrated (e.g. smelter plus mill); and (iii) the full chain including related-party sales channels and parent where material. This multi-level analysis reveals where margin is actually being captured and where related-party pricing distorts the apparent viability of the smelter itself.

As the analysis progresses, the applicant is required (under Criterion 5, related-party charge transparency) to disclose the basis on which all material related-party transactions are priced, the arm's-length benchmark for each transaction (including sales margins at distribution/trading level), and the reconciliation between actual related-party pricing and the benchmark. The Stage 2 netback outputs are labelled as provisional: they reflect disclosed related-party pricing as it currently stands and are refined through Stage 4 once benchmark disclosure is complete.

Stage 4 approach

By Stage 4, the applicant is required to have provided full disclosure of related-party transactions at all levels and their pricing basis. The Stage 4 business plan reflects the smelter's standalone economics on an arm's-length basis, with all related-party transactions — at smelter, integrated operation, sales channel, and parent level — normalised so far as possible to market rates. This normalisation is essential to the integrity of the netback analysis: Eskom cannot determine a reliable hard-cash tariff

floor if the applicant's apparent cost structure is inflated by related-party overcharging, or if margin is being extracted from the smelter by related-party sales channels or the parent on terms that differ from arm's-length benchmarks. The normalised cost stack is the foundation on which the netback is run and the customer-affordable tariff range determined.

The Stage 4 analysis also establishes, for purposes of the upside-sharing mechanism (Stage 5), what the applicant's actual standalone margin is once related-party distortions are removed. This becomes the reference point against which subsequent margin improvement is measured.

Where an applicant cannot or will not provide satisfactory disclosure of related-party transactions at all material levels by the end of Stage 4, or where material related-party margins or charges cannot be substantiated against arm's-length benchmarks, Eskom applies a conservative approach: any margin or charge that cannot be reliably justified is excluded from the customer-affordable tariff calculation. This protects Eskom against overstatement of the applicant's viability and ensures that the tariff is calibrated to the smelter's genuine standalone economics, not to inflated related-party pricing.

In cases where the applicant's disclosure is materially incomplete or where related-party pricing cannot be substantiated at all, Eskom may decline the application on the grounds that reliable commercial assessment is not possible.

3.5 Stage 3: Commercial viability and subsidy quantification

Owner

Eskom Corporate Finance.

Objective

The objective is to assess whether retaining the load at the customer-affordable tariff is commercially preferable to losing it; to quantify the implied subsidy relative to the NERSA-approved Megaflex tariff; and to evaluate the combined impact of the proposed CTA Cohort on Eskom's financial sustainability.

This stage comprises three analytical workstreams presented together in a single Corporate Finance memorandum.

Workstream A answers the commercial question: does the CTA make business sense for Eskom (Load Retention Test)? Where Workstream A passes, Workstreams B and C follow.

Workstream B answers the disclosure question: how large is the subsidy that the CTA implies, and on whom does it ultimately fall (cost-to-serve and per-applicant subsidy quantification)?

Workstream C answers the question of sustainability: what is the combined financial impact of the proposed CTA Cohort on Eskom's position, and what does this imply for the cost recovery mechanism (Cohort-level analysis)?

3.5.1 Workstream A: The commercial Load Retention Test

Corporate Finance compares the customer-affordable tariff (the Stage 2 output) to the two commercial viability requirements set out in Section 1 of the CTA framework:

- **First requirement (unavoidable commitment recovery)**
Where Eskom carries material take-or-pay or minimum offtake obligations — whether for contracted coal volumes or for power procurement from IPPs under existing take-or-pay

arrangements the customer-affordable tariff is compared to the unavoidable cash cost of supply to the load. This is primarily the share of contracted commitments (coal supplies or renewable energy) that would otherwise be stranded if the applicant's load were lost. A tariff above this floor converts a stranded cost into incremental revenue, and the CTA is commercially justified on this basis.

- **Second requirement (avoidable cost-plus fixed cost contribution).** Where unavoidable commitments are absent or immaterial, the customer-affordable tariff is compared to Eskom's avoidable future cost of supply over the proposed CTA term uncontracted coal procurement, variable operations and maintenance on dispatchable plant, carbon tax on generation, and any avoidable network or capacity expenditure. A tariff above this floor generates a positive contribution to sunk fixed and capital costs, and the CTA is commercially justified on this basis.

The applicable requirement may vary year-by-year as take-or-pay contracts expire and generation capacity is decommissioned. Corporate Finance applies the year-by-year cost values from the Financial Analysis table (described below) and reports the result for each year of the proposed CTA term.

Treatment of concurrent CTA applications under the first requirement.

Where multiple CTA applications are under simultaneous assessment, the first requirement is computed on the basis that all applicants in the Cohort would be lost in the absence of CTAs. The total stranded cost exposure associated with concurrent loss of the Cohort is allocated across applicants on a defined basis (set out in the Financial Analysis table), and each applicant's first requirement is assessed against its allocated share.

Financial Analysis table: Load Retention Test data

The commercial Load Retention test at Stage 3 is conducted against year-by-year values set out in the Financial Analysis of Load Retention Test Data, prepared by Corporate Finance as an appendix to the Stage 3 memorandum and approved by the Board annually. It operationalises the Load Retention Test at applicant level on the basis that the relevant commercial question is: does retaining this load improve Eskom's cash position relative to losing it?

The two requirements are alternative tests: a CTA is commercially justified where the customer-affordable tariff clears either requirement. The Financial Analysis contains, year by year, the five-year CTA horizon:

- **First requirement (unavoidable commitments).** The schedule of coal and IPPs take-or-pay commitments, the methodology for allocating stranded exposure to applicant loads under the Cohort-loss counterfactual, and the per-applicant allocated floor. The portfolio-level analysis follows the methodology Corporate Finance applied for the ferrochrome case, disaggregated to per-applicant allocation.
- **Second requirement (avoidable costs).** The avoidable forward cost of supply if the load were lost over the CTA term: variable generation cost, avoidable network and capacity expenditure, carbon tax on future generation that would not occur, and reserve plant savings. Together with the system cost recovery components (National Transmission Company South Africa (NTCSA), Distribution (Dx), losses, legacy charges), this gives the delivered cost floor.

- **Cost-to-serve and the NERSA-approved tariff.** Used in implied subsidy quantification regardless of which requirement applies. Per-kWh subsidy is reported at each customer-affordable tariff level (hard-cash, break-even, viable-at-target-ROE).

The Financial Analysis identifies, for each year of the CTA term, which requirement applies — the position may shift mid-term as commitments expire. The methodology is disclosed to the shareholder and to applicants on request; year-by-year values are not disclosed to applicants. Material changes to inputs trigger an out-of-cycle update, approved by the Board.

3.5.2 Workstream A approvals after commercial assessment

Where the CTA passes Workstream A (Load Retention Test), Eskom recommends to the Board that the application proceeds to Stage 4. Workstreams B and C provide the Board and shareholder with the subsidy quantum and financial sustainability analysis needed to make an informed decision on whether to grant a negotiation mandate at the end of Stage 4.

Where the CTA does not pass Workstream A, Eskom declines the application and refers it to government, together with the full analytical record. Workstreams B and C are not conducted.

3.5.3 Workstream B: Cost-to-serve and implied subsidy.

In parallel, Corporate Finance quantifies:

- The cost-to-serve for the applicant's load, on a fully allocated basis including primary energy, generation O&M, transmission, distribution, and a return on assets;
- The NERSA-approved tariff that would apply to the load on a stand-alone basis;
- The implied subsidy (defined as the revenue shortfall relative to the NERSA-approved tariff) at the customer-affordable tariff established in Stage 2, expressed both per kWh and as a total Rand value over the CTA term;
- An assessment of where the cost of that subsidy ultimately falls against Eskom's revenue requirement (and therefore on other consumers through the standard tariff), against Eskom's balance sheet (as a revenue shortfall), or against the fiscus (through reduced returns to the shareholder or, in extreme cases, recapitalisation requirements).

The suggested format of the analysis output produced under workstream B, that will need to be updated for annual shareholder reporting, is presented in Appendix A.

This quantification matters even where the commercial test passes; a CTA that clears the two-requirement commercial test is commercially preferable to load loss, but it is not costless. The subsidy quantum represents revenue Eskom forgoes relative to a counterfactual in which the standard tariff applies; and the cumulative quantum of subsidies extended across all CTAs has direct implications for Eskom's revenue adequacy, balance sheet and the fiscus. Quantification at this stage ensures that the Board, and where appropriate the shareholder, is making the CTA decision on a fully informed basis, with explicit visibility of where the cost is being absorbed.

3.5.4 Workstream C: Analysis of the impact on Eskom's financial sustainability.

In addition to the per-applicant Workstream A and Workstream B outputs above, Corporate Finance prepares a Cohort-level analysis at Stage 3 which assesses the combined impact of the proposed CTAs (the new applicant Cohort) on Eskom's financial position. The Cohort analysis is provided to the shareholder and to National Treasury as part of the Stage 3 disclosure pack, and addresses, year by year, the proposed CTA terms:

- Cohort impact on EBITDA and operating cash flow, measured against the load-loss counterfactual (what Eskom's position would be if all applicants in the Cohort were lost).
- Effect on debt service and liquidity headroom: interest cover, cash interest cover, and months of liquidity, before and after the Cohort.
- Capex affordability: whether the Cohort's cash contribution supports or erodes Eskom's funded capex programme over the term.
- Cumulative foregone revenue against the NERSA-approved tariff and the implied uplift to the standard tariff (or call on the fiscus) required to close it, expressed per kWh and in aggregate.

The Cohort analysis is the basis on which the shareholder and Treasury assess the framework's sustainability implications and is the input that determines how the implicit subsidy that arises is funded.

3.5.5 Periodic and event-driven review of the framework

The framework is reviewed at intervals of not more than five years from the date of publication, or from the date of the most recent revision, whichever is later.

In addition to the scheduled review, the framework is reviewed on the occurrence of any of the following events:

- a material change in the composition or scale of the active CTA Cohort, whether through new applications, terminations, or material renegotiations of existing CTAs;
- a material change in the standard tariff structure applicable to CTA customers, or in the design of the electricity market within which Eskom operates;
- a material change in the industrial policy framework relevant to the CTA Cohort, or in the fiscal envelope directed by the shareholder in respect of the funding of the CTA book; or
- a material adverse finding in the annual performance report referred to under 3.5.[x].4.

A review of the framework is led by DEE, in conjunction with Eskom and National Treasury. In conducting the review, DEE consults NERSA on any matters within NERSA's regulatory ambit or on which NERSA's operational experience of CTA filings would inform the review. Any revision to the framework or to the pre-qualification thresholds in section 2 is adopted by DEE and applies prospectively to applications submitted after the revision takes effect. CTAs concluded under the framework prior to any such revision continue in force on their existing terms. NERSA's statutory role under sections 4(a)(ii), 14(1)(d), and 15(3) of the Electricity Regulation Act is exercised through the tariff determination process on individual CTA filings.

Eskom submits an annual performance report on the active CTA book to the shareholder, in the format set out in Appendix A. The report covers per applicant and in aggregate:

- actual consumption against contracted volume, including take-or-pay position and relief events under section 3.7.5;
- tariff paid, and any adjustments during the reporting period;
- implied subsidy quantum per kWh and in aggregate rand value, reconciled to the funding mechanism directed under section 1.3;
- compliance with CTA terms, including Stage 4 business plan milestones (see section 3.6.1) and any events of default or renegotiation triggers activated during the reporting period; and

- e. any matters that in Eskom's assessment warrant an out-of-cycle review of the framework.

The annual performance report is a standing input to any scheduled or event-driven review of the framework. Eskom provides the report to NERSA on request as part of the ordinary supervision of CTAs approved under section 15(3) of the Act.

3.5.6 Review of the framework's policy basis on revision of underlying policy instruments

Where the EPP is revised, or where any other policy instrument on which the framework depends is materially amended, superseded, or repealed, DEE reviews the framework and confirms the continued validity of its policy basis within three months of the publication of the revised or replacement instrument.

The review addresses:

- a. whether the framework's policy basis under Policy Position 14(f) of the EPP (2008), or any successor provision in a revised EPP or other instrument, remains sound;
- b. whether any renumbering, reformulation, or substantive change to the underlying policy instrument requires consequential amendments to the framework; and
- c. any transitional or grandfathering arrangements applicable to the framework and to CTAs approved under it, as provided for in the revised or replacement instrument.

CTAs concluded under this framework prior to the publication of a revised or replacement policy instrument continue in force on their existing terms. Any grandfathering treatment applicable to this framework or to CTAs approved under it is a matter for the revised or replacement policy instrument. The framework's own review is directed at forward operation of the framework and does not affect the validity or terms of existing CTAs.

The review is separate from, and does not trigger, the scheduled or event-driven review of the framework's substantive content. Where the review under this section identifies matters that also warrant a substantive review of the framework, DEE may initiate that review.

3.6 Stage 4: Full business plan and verification

Owner

Eskom Distribution and Corporate Finance jointly; commercial lead in Distribution.

Objective

The objective is to validate, on independently certified data, that the proposed concessionary tariff returns the applicant's business to sustainable viability over a five-year horizon, that operating cash flows are sufficient to cover capex, working capital and debt service over the term, and that the conclusion is robust to plausible adverse movements in the principal drivers.

Stages 1 to 3 are conducted on a preliminary basis with CFO-certified data, deliberately keeping pre-qualification costs proportionate. Stage 4 is the diligence stage: the analytical work is full-scale, the data is independently verified, and the output is the analytical record on which the Board ultimately approves (or declines) the CTA.

Analytical framing

The Stage 4 submission provides the validated assumptions and financial projections that Eskom uses to confirm the Stage 2 netback and test viability. It extends the single-period preliminary analysis across five years and three production volume scenarios. The applicant builds a five-year P&L and cash flow on a preliminary tariff path proposed by Eskom, showing whether the operation reaches cash-positive and moves toward breakeven. Eskom Corporate Finance then conducts the multi-period netback (the 3 × 5 grid of customer-affordable tariffs under different scenarios) and stress-tests the applicant's projections against downside commodity prices, volumes, and FX. The outcome is a verified view of whether the proposed tariff is viable and at what margin i.e., whether the applicant can sustain the operation and service debt at that tariff, and what recovery path exists if market conditions improve or capex targets are hit. Stage 4 is like a due diligence model (Eskom validating the commercial case before contract signature). The concessionary tariff is calibrated to the hard-cash level and funds sustaining capex only. It does not underwrite growth or efficiency capex; any such investment during the CTA term is expected to be self-funded or supported through separate industrial-policy instruments.

3.6.1 Customer-side submission

The applicant submits updated assumptions and a five-year financial projection for the five-year CTA term, built on a preliminary tariff offer from Eskom. The submission must include:

- **Updated assumptions per Appendix B:** production volumes (three scenarios), commodity prices (referenced to regional index), FX, variable and fixed costs, sustaining and modernisation capex, debt service, and working capital. All assumptions substantiated with three years of historical data and benchmarked to third-party sources.
- **Five-year P&L and cash flow** at the preliminary proposed tariff, showing operating cash flow, free cash flow, and when the operation reaches breakeven or positive cumulative cash generation.
- **Modernisation capex detail:** for each material efficiency project cost, timeline, expected kWh/t reduction, source of funding to enable scenario testing of improved recovery if targets are achieved.
- **Related-party charge schedule per Criterion 5(b),** with all material transactions benchmarked to arm's-length rates.
- **Performance commitments:** operating, investment, and commercial commitments for the CTA term with KPIs and annual milestones.
- **Transition plan.** A structured plan addressing (i) the structural drivers of the applicant's current viability gap and their expected trajectory over the CTA term; (ii) the operational actions the applicant will take during the CTA term to reduce dependence on the concession, including procurement discipline, working capital management, product mix optimisation, maintenance discipline, and any self-funded modernisation the applicant elects to pursue; and (iii) the market conditions under which the applicant expects to be viable at the standard approved tariff at the end of the CTA term. The transition plan does not commit the applicant to a specific end-state tariff but forms part of the analytical record against which any subsequent renewal application is assessed.

Eskom will conduct netback confirmation, sensitivity analysis (commodity price, volume, FX downside), and recovery-path modelling on the basis of these assumptions.

3.6.2 Certification standard

The applicable certification standard is a matter for the Eskom Board (the Board) to determine, having regard to the materiality of the implied subsidy, the precedential significance of the CTA and the Board's risk appetite. Two standards are available:

CFO certification

The five-year business plan is signed by the applicant's chief financial officer, who certifies that the plan is consistent with the applicant's audited financial statements, that the assumptions are reasonable and supportable, and that the applicant accepts contractual liability for material misrepresentation.

Independent auditor certification

The plan and the underlying data are reviewed by an independent auditor, who issues a limited-assurance or reasonable-assurance opinion on the plan's preparation and on the consistency of the assumptions with available evidence. The cost of the engagement is borne by the applicant.

Since Group Annual financial statements alone are insufficiently granular to conduct a smelter-level netback analysis, the choice the Board faces are between CFO certification of the underlying line items (faster, no cost to the applicant, lower assurance) and independent auditor certification (higher assurance, paid for by the applicant). The Board may also adopt a combined approach, for example, CFO certification of the netback line items with an independent auditor opinion limited to specific high-risk items such as related-party transactions and intra-group sales prices.

3.6.3 Eskom-side review

Eskom reviews and verifies the applicant's Stage 4 business plan for consistency with the Stage 3 netback assumptions and accepts the plan for inclusion in the CTA filing to NERSA. Acceptance under this section does not constitute regulatory approval of the tariff or of the CTA, which remains subject to NERSA's determination under section 15(3) of the Act. Eskom conducts a structured review of the Stage 4 submission across five areas:

- Model integrity: formula tracing, internal consistency, reconciliation to audited financial statements.
- Central case validation: whether the applicant's assumptions are realistic, consistent with independent benchmarks (regional price indices per Criterion 3, input cost indices, FX views), and supported by three years of historical data.
- Related-party charge recognition: line-by-line review of the Criterion 5(b) schedule, with Corporate Finance determining the recognition treatment for each item (full, partial, or excluded based on arm's-length substantiation).
- Sensitivity resilience: whether the proposed preliminary tariff retains a margin against the customer-affordable tariff (Eskom-calculated) under combined adverse scenarios and principal single-driver downsides, with cumulative free cash flow remaining non-negative under those scenarios.
- Commitment plausibility: whether the operating, investment, and commercial commitments are realistic and consistent with the applicant's track record.

3.6.4 Stage 4 outputs

Distribution and Corporate Finance jointly produce a Stage 4 memorandum documenting the validated assumptions and completed netback analysis. The memorandum presents:

- i. Verified central case assumptions (volumes, prices, costs, capex, debt service) supported by three years of historical data and third-party benchmarks;
- ii. Treatment for all material related-party charges. The Stage 4 memorandum records Eskom's treatment of related-party charges disclosed by the applicant in the Stage 3 netback analysis. For each material related-party charge, the memorandum records the recognition treatment adopted by Eskom (full, partial, or excluded) and the resulting impact on the customer-affordable tariff. The details of each material adjustment are set out in the Related-Party Charges Schedule appended to the Stage 4 memorandum, in the format prescribed in Appendix [B]. The Schedule forms part of the CTA application package filed with NERSA under section 4 and is subject to NERSA's review as part of its assessment under section 15(3) of the Electricity Regulation Act.
- iii. The completed multi-period netback analysis (3 × 5 grid of customer-affordable tariffs across volume scenarios and years), establishing the hard-cash floor, break-even tariff, and viable-at-target-ROE tariff for each scenario;
- iv. Sensitivity analysis showing tariff resilience under combined adverse scenarios and principal single-driver downsides;
- v. Assessment of whether performance commitments are realistic and achievable;
- vi. Updated implied subsidy quantum based on verified data and Eskom-assessed related-party charge treatment.

The Stage 4 memorandum provides the netback floor tariff and sensitivity findings that inform the Stage 5 tariff negotiation. It forms part of the analytical record supporting the final CTA.

3.7 Stage 5: Bilateral negotiation and contracting.

Owner

Eskom Distribution commercial lead, with Corporate Finance and Legal in support.

Objective

The objective is to negotiate and execute a CTA on terms consistent with this framework, applicable shareholder oversight, and any specific conditions attached to Board or shareholder approval of the individual CTA.

3.7.1 Negotiation parameters

The Board mandate granted at the conclusion of Stage 4 sets the parameters within which the negotiation may proceed. Within those parameters, the negotiation covers, at minimum:

- **Tariff path.** The tariff level over the CTA term, including any indexation (annual adjustments linked to an agreed index, such as PPI or CPI) or step-up provisions (pre-agreed increases in the tariff at defined intervals as the applicant's financial position improves over the CTA term). **Contracted volume and take-or-pay commitment.** The CTA establishes (i) a contracted annual volume of Eskom supply, set with reference to the central case in the Stage 4 business plan; (ii) a take-or-pay floor as a percentage of contracted volume (indicatively 80%, calibrated to the applicant's historical production volatility and the depth of the concession); and (iii) the mechanism by which the take-or-pay floor is escalated, indexed, or relaxed over the term. The take-or-pay obligation is the principal commercial protection against the load retention value of the concession being

eroded by subsequent substitution of self-generation, third-party wheeling, or new Power Purchase Agreements (PPAs).

- **Financial security.** The form, value, and composition of security (bank guarantee, parent guarantee, asset security, or a combination) calibrated to protect Eskom against default on the take-or-pay obligation and consumed-volume payments. Security arrangements are set by Eskom Distribution, Corporate Finance, and Legal, having regard to the applicant's financial circumstances.
- **Upside-sharing mechanism.** The principles, indices, trigger thresholds, and sharing percentages by which Eskom participates in improvement to the applicant's operating economics during the CTA term (see Upside-sharing mechanism section below)
- **Reporting and audit rights.** Annual audited reports on production, consumption, and commodity prices throughout the term; and Eskom's right to commission an independent compliance audit at any time at the applicant's cost.
- **Term and early termination.** The CTA term (three to five years), any early termination rights, and deferred revenue recovery provisions. The concession is not open-ended; Eskom is compensated for foregone revenue if the applicant terminates other than through a qualifying hardship event.

3.7.2 Principles for designing an upside-sharing mechanism.

A CTA is calibrated to an applicant's current economics. Where those economics improve materially during the CTA term (e.g., through output price appreciation, currency depreciation, input cost reduction, or operational efficiency), Eskom should participate in the improvement. Eskom does not share downside risk; the applicant bears the full downside of adverse price or cost movements. The upside-sharing mechanism is the contractual instrument by which Eskom's participation in improvement is structured.

The framework adopts the following principles:

- **Output and input price triggers, index-based.** The mechanism should track genuine movements in the applicant's underlying economics. This requires separate sensitivity to output prices (the revenue side) and to key input costs (the cost side). Both should publish commodity price indices, not applicant-disclosed prices, to eliminate related-party disputes and prevent manipulation of the trigger mechanism by the applicant. Indices must be genuinely correlated with the applicant's actual output and input costs, not spuriously correlated price series. Where an index-based design does not exhibit a reasonably high level of correlation with the applicant's actual input and output costs, or is otherwise not considered appropriate, the applicant's reported EBITDA may be used as the basis for the mechanism instead. Use of this alternative requires appropriate mitigations, agreed between Eskom and the applicant at Stage 5; to address the self-reporting and verification risks inherent in an applicant-disclosed figure. The specific form of these mitigations for a given CTA is determined during Stage 4 and negotiated at Stage 5.
- **Calibrated to the netback at signing.** Reference thresholds above which upside-sharing triggers are set at Stage 5, derived from the Stage 4 business plan, and fixed for the CTA term. Where output prices exceed the reference level or key input costs fall below it, Eskom captures an agreed share of the improvement.
- **Sharing arrangement, with potential for NERSA-approved tariff convergence and recovery.** The split between Eskom and the applicant is negotiated at Stage 5, having

regard to the depth of the initial concession. A deeper concession (larger initial subsidy) warrants a higher Eskom share of subsequent margin improvement, potentially to the point where substantial improvement in underlying economics brings the effective tariff above the level of the NERSA-approved tariff. This above-NERSA-approved pricing compensates Eskom for subsidy previously provided in earlier periods of the CTA term. The applicant retains participation in upside but accepts that material improvement in underlying economics erodes the rationale for initial concession and triggers recovery of foregone revenue.

- **Downside risk borne by applicant.** The mechanism captures upside improvement only. If output prices fall or key input costs rise, the applicant bears the full impact. Eskom's concession at signing already reflects acceptance of load-retention risk; it does not extend to sharing operating or commodity risk with the customer.
- **Simple to administer and audit.** The mechanism must be capable of monthly or quarterly calculation and settlement without complex modelling or significant administrative burden. The formula should be transparent and verifiable against published indices and consumption data. Complexity that cannot be easily audited by the shareholder should be avoided.
- **Currency-neutral.** Where indices are USD-denominated, and the applicant's costs are ZAR-denominated, the mechanism should capture forex movements that affect the applicant's actual economics. The trigger should be expressed in ZAR to match the applicant's operating cost base, so that rand weakness automatically scales the threshold without requiring separate foreign exchange overlays or renegotiation.
- **Monthly assessment, periodic settlement.** Compute the triggers monthly on published index values to smooth short-term volatility, with settlement (quarterly or annual) to minimise administrative burden. The settlement process is set at Stage 5.

The specific indices, trigger thresholds, sharing percentages, and settlement mechanics, including, where the reported-EBITDA alternative is used, the applicable mitigations, are determined during Stage 4 and negotiated at Stage 5. The CTA contract specifies the methodology clearly enough that Eskom and the shareholder can verify compliance without reference to external models.

3.7.3 Commercial viability of the customer and renegotiation rights

The CTA is calibrated to the customer's financial position and operational performance as assessed at Stage 4. Material deterioration in either case during the CTA term may undermine the customer's viability. The CTA contract therefore includes operational triggers and provides Eskom with renegotiation or termination rights if material adverse changes occur. At Stage 5, Eskom and the applicant agree on triggers that prompt Eskom engagement:

- **Operational triggers.** Capacity utilisation falls below X% for two consecutive quarters; electricity offtake falls materially below the Stage 4 forecast; unplanned downtime exceeds Y days in any rolling 12-month period; or payment of tariffs is delayed beyond the standard contractual terms.
- **Parent/group-level triggers.** Parent company credit rating downgrade below investment grade; cessation of equity support, guarantees, or intercompany financing from the parent; or change of control or material change in ownership structure.
- **Structural triggers.** Regulatory suspension or closure order affecting the operation; material litigation that impairs operations; or notice of voluntary wind-down or sale.

On the occurrence of any trigger, Eskom initiates engagement with the customer to understand the circumstances and the customer's forward plan. If the deterioration is material and remediation is not credible, Eskom may:

- Require renegotiation of the take-or-pay commitment (with offsetting tariff adjustment to preserve load-retention economics);
- Invoke termination rights under the CTA; or
- Invoke termination rights under the CTA and transition the customer to the State Support pathway if the deterioration is temporary and government support may be warranted.

The specific triggers, thresholds, and engagement protocols are set out in the CTA contract and reviewed as part of the annual shareholder report on the CTA book.

3.7.4 Relief from take-or-pay obligations.

The take-or-pay obligation established under Criterion 6 and reflected in the CTA is subject to defined relief in the circumstances set out in this section. The purpose of these provisions is to ensure that the take-or-pay commitment remains enforceable in the ordinary course while not penalising the customer for events outside its control.

Relief is available in respect of the following circumstances:

- a) Force majeure. Events preventing the customer from taking supply are governed by the force majeure provisions of the existing ESA. Where a force majeure event also affects the customer's ability to meet CTA-specific obligations including take-or-pay commitments, performance targets, and upside-sharing triggers the CTA includes a bespoke force majeure clause agreed at Stage 5, aligned with but not limited to the ESA provisions.
- b) Eskom-side unavailability of supply. Periods during which Eskom is unable to make supply available, including planned or unplanned generation, transmission, or distribution outages. The customer must submit a request for adjustment, supported by the relevant details, prior to Eskom finalising billing for the relevant period, for Eskom's verification.
- c) Transmission constraints or regulatory curtailment. Periods during which the customer's supply is curtailed as a consequence of transmission constraints or regulatory instructions. This includes both voluntary curtailment under Eskom's load interruptibility programme where the customer is a participant, and mandatory curtailment under NRS048-9.
- d) Planned maintenance at the customer's operation. Scheduled maintenance events at the customer's operation, on prior written notice to Eskom of not less than 30 days and subject to an annual maintenance allowance calibrated at Stage 5. The annual allowance is set at Stage 5 having regard to the applicant's historical maintenance profile, industry benchmarks for equivalent operations, and the operational requirements of the customer's plant. Planned maintenance events in excess of the annual allowance do not qualify for relief.
- e) Unplanned maintenance at the customer's operation. Unscheduled maintenance events at the customer's operation, notified to Eskom as soon as reasonably practicable and in any event within the notification period set out below. Unplanned maintenance events are subject to the same annual maintenance allowance calibrated at Stage 5 referred to in paragraph (d), and events in excess of that allowance do not qualify for relief.

Relief operates as a reduction in the contracted take-or-pay volume for the period in question, applied consistently with Eskom's existing NPA methodology. Relief does not affect the CTA tariff or any other commercial term of the CTA.

The customer bears the evidentiary burden of demonstrating that a relief event has occurred and of quantifying the volume affected. For planned and unplanned maintenance events, a signed declaration from the customer detailing the maintenance conducted and the associated MWh not consumed satisfies this burden. The customer must notify Eskom of any claim for relief within 10 business days of the relevant event or, in the case of a continuing event, within 10 business days of its conclusion. Eskom retains full audit rights over the underlying operational and metering data on which the relief claim is based, exercisable at any time during the term of the CTA and for a period of three years thereafter.

Where the cumulative relief events in any 12-month period exceed a threshold to be agreed at Stage 5, Eskom is entitled to invoke its renegotiation rights under section 3.7.3. The purpose of this trigger is to ensure that persistent inability to take contracted volume prompts a fresh assessment of the load-retention rationale for the CTA. The renegotiation threshold is calibrated at Stage 5 having regard to the annual take-or-pay volume, the annual maintenance allowance under paragraphs (d) and (e), and the applicant's operational profile.

Nothing in this section limits or displaces any other right or remedy available to Eskom under the CTA, in law, or under the framework, including without limitation Eskom's rights on customer default, insolvency, or business rescue.

3.7.5 Stage 5 Approvals and Outcome

The Stage 5 negotiation produces a final CTA proposal (tariff path, term, take-or-pay, upside-sharing terms) informed by the Stage 4 netback floor tariff and sensitivity analysis. The Board approves each final CTA within delegated authority; the shareholder approves CTAs exceeding that authority on contracted value, implied subsidy quantum, or precedential significance.

At Stage 5 approval, the shareholder also determines the cost recovery mechanism for the implied subsidy: whether Eskom absorbs the cost on its balance sheet, the cost is passed through to other consumers via the standard tariff, direct fiscal support is provided by the state, or a combination thereof. This determination is informed by (i) Eskom's financial position and tariff trajectory; (ii) the magnitude of the implied subsidy relative to Eskom's revenue requirement; and (iii) any parallel fiscal support decisions by government. Once agreed, the cost recovery mechanism is disclosed to NERSA.

Following Board and shareholder approval, signed CTAs are submitted to NERSA for regulatory approval, either individually or as a Cohort. On receipt of the CTA submission, NERSA conducts its assessment under section 15(3) of the Electricity Regulation Act, read with sections 4(a)(ii) and 14(1)(d), and in accordance with NERSA's own rules of practice. NERSA's assessment is directed at, among other matters, verifying that the CTA has been prepared in accordance with the framework, that the funding mechanism has been directed by the DEE in accordance with section 1.3, and that the necessary Board and shareholder approvals have been obtained. NERSA retains full statutory discretion to approve, decline, or approve on amended terms.

The NERSA application package includes the Stage 3 Corporate Finance memorandum (implied subsidy quantification and cost recovery mechanism), the Stage 4 verified business plan and netback analysis for each applicant, and the Board's mandates. NERSA's public consultation process typically adds 6–8 weeks; CTAs take effect only upon NERSA approval.

The signed CTA(s), Stage 3 memorandum, Stage 4 netback analysis and business plan(s), and Board's mandate constitute the analytical record. This record is retained by Eskom and made available on a

strictly confidential basis to DEE and National Treasury for post-implementation review. The analytical record is not for public disclosure; it is an internal governance document made available solely to the shareholder and fiscal authority for oversight purposes.

3.7.6 Load interruptibility

Participation in Eskom's load interruptibility programme is a standard feature of a CTA. Interruptibility parameters (frequency, notice period, duration, minimum load, and any operational carve-outs) are negotiated at Stage 5 within the parameters of the programme in force at that time, calibrated to the operational and metallurgical constraints of the specific applicant, and recorded in the CTA. No separate compensation is payable to the customer for interruption events during the CTA term. The concessionary tariff reflects the load-retention value of the customer's participation in the programme. Interruption events do not automatically qualify for take-or-pay relief under section 3.7.4, except to the extent expressly recorded in the CTA. Material changes to the interruptibility programme during the CTA term apply to the customer only if the CTA is renegotiated to reflect them, without prejudice against Eskom's rights in system emergencies.

4 GOVERNANCE, TRANSPARENCY AND REVIEW

4.1 Decision rights

The Framework allocates decision rights as follows. Eskom Distribution owns Stages 1, 2 and 5 and acts as case manager throughout the assessment process. Eskom Corporate Finance owns Stage 3 and is jointly responsible with Distribution for Stage 4.

The Eskom Board approves progression to Stage 4 at the conclusion of Stage 3 where Workstream A has been satisfied and approves the final CTA at the conclusion of Stage 5.

The Shareholder approves CTAs that exceed the Board's delegated authority and determines the applicable cost recovery mechanism for any implied subsidy associated with the CTA.

(a) CTA satisfies the Load Retention Test

Where a CTA satisfies the two-requirement Load Retention Test, Eskom proceeds to Stage 4 (verified business plan and netback analysis).

Following completion of Stage 4 and successful Stage 5 negotiations, the CTA may be approved by the Board and, where required, the Shareholder. The signed CTA is then submitted to NERSA together with the Stage 4 netback analysis, verified business plan, Board mandate and the approved cost recovery mechanism.

(b) CTA does not satisfy the Load Retention Test

Where a CTA does not satisfy the Load Retention Test, Eskom shall decline the application and refer it to Government together with the analytical record supporting that conclusion.

Whether the customer receives fiscal support is a matter for Government, acting through the DEE, National Treasury and other competent authorities in accordance with applicable public finance and budgetary processes.

Where Government elects to provide support, the support shall constitute an explicit fiscal intervention under terms determined by the DEE and National Treasury. NERSA's involvement shall be limited to determining whether the resulting supply arrangement requires regulatory approval under applicable legislation.

4.2 NERSA Approval Process

Every CTA requires NERSA approval before it takes effect. NERSA approval is the binding regulatory requirement and follows Board approval and, where applicable, Shareholder approval.

Eskom may assess, negotiate and recommend a CTA in accordance with this Framework. NERSA retains full statutory discretion to approve, decline, approve on amended terms, impose conditions, request further information, require public participation, or determine that an application is not capable of approval. Nothing in this Framework, any Board approval, Shareholder approval, DEE policy position or Eskom recommendation fetters, limits, directs or predetermines NERSA's decision. Compliance with this Framework does not create any entitlement to tariff relief or to the approval of a CTA.

The NERSA application package shall include, at a minimum, the Stage 3 Corporate Finance Memorandum, the Stage 4 netback analysis, the verified business plan and the Board mandate, submitted in accordance with the confidentiality provisions set out in section 4.2.

In accordance with the applicable NPA framework, processing, assessment and approval timeframes are intended to align with NERSA's internal processes and may extend to approximately 120 days from submission of a complete application. While an indicative period of 6-8 weeks may be used for internal planning purposes in relation to public participation, the actual timeframe for NERSA's determination remains a matter for NERSA and depends on the completeness of the submission and any threshold legal or regulatory issues identified on receipt. Any applicant-facing timeline provided by Eskom shall therefore be indicative only and shall not be represented as a fixed or guaranteed regulatory turnaround time.

The actual timeframe for NERSA's determination remains within NERSA's discretion and depends on the completeness of the submission, consultation requirements, requests for additional information and any threshold legal or regulatory issues identified during review.

On receipt of a CTA application, NERSA is requested to confirm to Eskom whether the submission is complete and to notify Eskom of any threshold legal issue identified during its preliminary review. Where such an issue is identified, any indicative implementation timeline shall be suspended pending resolution of that issue and shall be recalculated from the date of resolution.

A CTA shall only become effective upon approval by NERSA.

4.3 Interim Period Reconciliation Mechanism

Recognising the financial distress facing certain applicants and the time associated with the regulatory approval process, each CTA may specify a commercial effective date, typically the date of Board

approval and, where applicable, Shareholder approval, from which the CTA's underlying commercial assumptions are assessed, including load-retention economics and take-or-pay commitments.

During the period between the commercial effective date and NERSA approval, the customer shall continue to be billed at the applicable NERSA-approved standard tariff.

Where NERSA approves the CTA, Eskom shall reconcile the customer's account by crediting the difference between the standard tariff paid and the CTA tariff approved by NERSA for the period from the commercial effective date to the date of NERSA approval. Such reconciliation shall be calculated strictly in accordance with the tariff and terms approved by NERSA.

The reconciliation mechanism shall form part of the CTA submitted to NERSA and shall be expressly included in the approval application to ensure that Eskom does not charge or implement an unapproved tariff prior to regulatory approval.

Where NERSA declines approval of the CTA or approves the CTA on materially different terms which the parties elect not to accept, no reconciliation or credit shall be applied, and the CTA shall be deemed never to have become effective. The customer shall remain liable for the applicable standard tariff for the entire interim period.

4.4 Commercial Discretion, Fairness and Transparency

A CTA is commercially justified where it satisfies the Load Retention Test. Within that threshold, Eskom retains discretion regarding the tariff proposed to an applicant, having regard to the applicant's netback viability and the strategic value of the load to Eskom.

Different applicants may therefore receive different CTA outcomes. Any differentiation must be based on objective, transparent and verifiable economic criteria, including netback viability, load-retention value, cost-to-serve, risk allocation and take-or-pay commitments.

To ensure consistency and defensibility:

- the Load Retention Test and netback methodology shall be applied uniformly across all applicants;
- central case assumptions shall be independently verified at Stage 4;
- all material assumptions, methodologies and related-party adjustments shall be disclosed to NERSA as part of the CTA application;
- applicant-specific financial information shall be submitted on a confidential basis, subject to NERSA's confidentiality requirements;
- load significance thresholds shall be established and published in advance;
- material fairness concerns shall be escalated to the Shareholder and the DEE for decision; and
- the Framework shall be reviewed periodically to ensure continued compliance with applicable regulatory and governance requirements.

This approach is intended to ensure that any tariff differentiation is founded on objective economic considerations and remains transparent, consistent and capable of regulatory scrutiny.

4.5 Subsidy disclosure and funding treatment

The implied subsidy is disclosed to the Board in every CTA approval submission. Cumulative implied subsidies across all CTAs that are in force are reported to the shareholder annually, with attribution of cost between standard tariff consumers, Eskom's balance sheet, and the fiscus. The annual report includes, for each CTA: contracted volume, actual consumption, take-or-pay floor, and any take-or-pay payments collected. This permits the shareholder to assess whether the CTA portfolio is delivering the load retention benefit on which concessions were predicated.

DEE and National Treasury may establish a default mechanism for funding the subsidy associated with CTAs, to apply across the portfolio rather than case-by-case. If agreed, it applies to all CTAs unless the Board and shareholder explicitly determine otherwise due to material precedential or fiscal considerations.

4.6 Confidentiality of applicant-specific commercial information

The framework distinguishes between aggregate information that is disclosed for public accountability and applicant-specific commercial information that is retained on the confidential analytical record.

Information disclosed publicly. The following aggregate information is disclosed through annual shareholder reporting on the CTA book and, where pass-through is directed, through Eskom's revenue application to NERSA:

- The number of CTAs in force and the sectors they cover;
- The cumulative implied subsidy quantum across the active CTA book, expressed per kWh and in aggregate rand value;
- The funding mechanism directed by the shareholder and the parties bearing the cost, with the rand value attributable to each;
- Where pass-through is directed, the National Treasury affordability and distributional impact assessment referred to in section 1.3.

Information remained as confidential. The following applicant-specific commercial information is retained on the confidential analytical record and is not disclosed publicly, but is made available to the shareholder, National Treasury, and NERSA in the exercise of their respective functions:

- The applicant's break-even tariff, hard-cash tariff, and viable-at-target-ROE tariff;
- The applicant's unit cost structure, commodity price assumptions, and production volume assumptions;
- Applicant-specific netback analyses and business plans;
- Related-party charge schedules and arm's-length benchmarking analyses.

Basis for confidentiality treatment. Disclosure of the applicant-specific information listed above would cause material commercial harm to the applicant and to the load-retention objective of the framework:

- Firstly, break-even and hard-cash tariffs identify the price levels below which South African producers are unable to sustain operations. Disclosure of these levels to international competitors, who compete with South African producers in globally priced commodity markets, would enable competitors to time predatory pricing, capacity expansions, or export volume decisions to exploit the disclosed vulnerability.

- Secondly, unit cost structures, commodity price assumptions, and volume assumptions are commercially sensitive information whose disclosure would prejudice the applicant's competitive position in input procurement, output sales, and commercial negotiations with counterparties.
- Thirdly, disclosure would undermine the framework's load-retention purpose. If the framework's operation causes the very information it depends on to become public, applicants will either withhold that information (making the framework unworkable) or accept the competitive harm (accelerating the closures the framework is designed to prevent).

Route for testing confidentiality claims. Where a CTA is filed with NERSA, confidentiality claims over specific documents or data are made in accordance with NERSA's rules of practice governing confidential information and are tested through NERSA's established procedures. Any dispute over a confidentiality determination by NERSA is subject to review under the Promotion of Access to Information Act. The framework does not displace or abbreviate these procedures.

4.7 Periodic review

DEE reviews this framework at intervals not exceeding five years, or earlier where material regulatory change affects the framework's assumptions.

Eskom reports to DEE annually on the framework's operation (including the active CTA book, the cumulative implicit subsidy, and any matters bearing on the triggers above) so that DEE can determine whether an earlier review is warranted. Any amendment to the framework is made by DEE. Where a review results in material amendment, the revised framework is subject to the same approval pathway as the original.

5 WHERE A CTA CANNOT BE COMMERCIALY JUSTIFIED

Where an application does not satisfy the commercial Load Retention Test, it falls outside the scope of this framework. Eskom's mandate under this framework extends only to retaining load were doing so is commercially loss-limiting; it does not extend to supporting operations that fail that test.

Such cases may nonetheless raise questions of industrial policy or public interest that warrant consideration by government. Where they do, the matter is referred to by the relevant authorities (National Treasury and the Department of Trade, Industry and Competition, alongside this Department) for assessment under their respective mandates and established processes. This framework does not direct or duplicate that assessment.

Two principles apply to any support that may follow. First, where the state elects to provide support, it is funded through an explicit fiscal mechanism and not through Eskom's tariff structure or balance sheet. Second, Eskom's role in any resulting arrangement is operational: it may supply the customer with a defined tariff, with the difference between that tariff and its commercial floor met through the fiscal mechanism, but it is not the funder. Eskom's analytical record from its assessment of the application is made available to the responsible authorities to inform their consideration.

APPENDIX A. STAGE 3 COHORT ANALYSIS: ILLUSTRATIVE OUTPUT

TEMPLATE

This appendix illustrates the format of the analysis output produced at Stage 3 and updated for annual shareholder reporting. It is operational, not normative: the format may be refined by Eskom Corporate Finance and Distribution as the framework matures. The content of the Cohort analysis is specified in Section 3.5.3 and 3.5.4 (Stage 3, Workstream B); this appendix shows the form that content takes when delivered to the shareholder.

Table A.1: Implied subsidy across the active CTA Cohort

Applicant	Stage	Approved/ proposed tariff (c/kWh)	Cost- reflective tariff (c/kWh)	Implied subsidy (c/kWh)	Annual volume (GWh)	Annual implied subsidy (R m)	CTA term (yrs)	Cumulative implied subsidy (R m)
Applicant A	Stage 5 (signed)	[]	[]	[]	[]	[]	[]	[]
Applicant B	Stage 4 (in negotiation)	[]	[]	[]	[]	[]	[]	[]
Applicant C	Stage 3 (commercial test)	[]	[]	[]	[]	[]	[]	[]
...								
Cohort total						[]		[]

The cost-reflective tariff reference is the NERSA-approved tariff for the applicable customer category. Annual volumes are stated on a fully ramped basis. The cumulative implied subsidy over term is calculated on the proposed or signed CTA tariff path; where the tariff steps over time, the calculation reflects the actual tariff path, not the Year 1 tariff held constant.

APPENDIX B. STAGE 4 BUSINESS PLAN REQUIREMENTS

The Stage 4 Five-Year Business Plan submitted by the applicant must cover the following. The organisational level at which the analysis is conducted will be determined during Stage 2 and 3, depending on the applicant's group structure and the related-party relationships that materially affect the smelter's viability. For example: where the smelter is integrated with a downstream mill, analysis is conducted at the smelter-plus-mill level. Where the smelter sells through a related-party sales or trading agent, analysis includes both the smelter-standalone level and the smelter-plus-sales-channel level. The objective is to ensure that the business plan reflects the applicant's true standalone economics, with all related party distortions normalised to arm's-length rates.

B.1. Production and sales volumes (five-year forecast)

- **Production volumes:** three years of actual production (tonnes per year) plus five-year forecast with three scenarios (minimum, current, maximum) linked to historical volatility and capex plans.
- **Sales volumes:** three years of actual sales (tonnes per year) plus five-year forecast. If sales differ materially from production (due to inventory build-down or third-party supply), reconcile the difference and explain the timing and rationale.
- **For integrated operations (smelter + mill):** provide both intermediate product volumes (smelter output in tonnes) and final product volumes (mill output in tonnes), with the conversion ratio between them.

B.2. Commodity prices and variable costs (five-year forecast)

- Commodity price assumptions anchored to a published regional index (Criterion 3). Provide 36-month historical index data and applicant's realised price in that period to show price-realisation correlation.
- Variable cost assumptions per tonne (raw materials, electricity, consumables) benchmarked to published input cost indices or supplier quotes. FX assumptions (ZAR/USD) for the five-year period.

B.3. Fixed costs (five-year forecast)

Three years of actual fixed costs (labor, maintenance, utilities, G&A) showing the run rate. Five-year forecast with explicit inflation assumptions for each category.

B.4. Related-party transactions

- Schedule of all material related-party charges: counterparty, basis of calculation, three-year history.
- For each material transaction: arm's-length benchmark (from transfer pricing documentation, comparable pricing, or expert report) and explanation of any variance from market rate.
- Where integrated with downstream or sales operations: netback at both standalone and integrated levels showing where margin is earned and allocated.

B.5. Balance sheet and debt profile

- Outstanding debt: total principal amount allocated to (or applicable to) this operation.
- Cost of debt: weighted average cost of debt (WACD) for the CTA term. Confirm whether debt is from third parties or from related parties (parent company, group financing).
- Interest payable: annual interest expense allocated to this operation for each year of the CTA term (principal amount $\times$ WACD).
- Working capital: historical working capital as % of revenue (from three years of AFS) and forecast working capital requirements for the CTA term (cash, receivables, inventory, payables).
- Sustaining capex: annual capex required just to maintain current production capacity and meet regulatory/environmental obligations, separate from growth capex. Historical spend (three years) and forecast for CTA term.
- Modernisation capex: capex for energy efficiency improvements (e.g., equipment upgrades, process optimisation) that reduce kWh per tonne. For each material modernisation project: cost, timeline, expected efficiency gain (% reduction in kWh/t), and source of funding.

B.6. Supporting documentation

- Three years of audited annual financial statements.
- Corporate group structure and material related-party agreements with pricing explicit.
- Transfer pricing documentation (SARS TP study or comparable uncontrolled pricing analysis).

Eskom will conduct the netback analysis and sensitivity testing on the assumptions provided. The applicant provides facts (volumes, prices, costs, FX); Eskom determines the recovery tariff. Assumptions that cannot be substantiated against arm's-length benchmarks or third-party evidence are excluded.

APPENDIX C. RELATED-PARTY CHARGES SCHEDULE

This Schedule accompanies the Stage 4 memorandum in every CTA application. It records Eskom's treatment of related-party charges disclosed by the applicant in the Stage 3 netback analysis.

For each material-related party charge, the Schedule records:

- a. Description of the charge: the nature of the transaction (management fee, technical service fee, procurement arrangement, licensing or royalty payment, shared services allocation, intra-group financing charge, or other), and the identity of the related counterparty (parent, subsidiary, or common-control entity), including its jurisdiction of incorporation.
- b. Applicant's reported figure: the rand value of the charge as reported by the applicant in its Stage 3 submission, and the basis on which the applicant calculates or allocates the charge.
- c. Assessment method. The method by which Eskom has tested the arm's-length character of the charge. Where independent third-party benchmarks are available (comparable market pricing, industry-standard cost allocation percentages, applicable transfer pricing methods under South African Revenue Service guidance and OECD Transfer Pricing Guidelines, or internal Eskom benchmarks for equivalent services), Eskom applies those benchmarks and records the specific benchmark used and its source. Where no independent third-party benchmark is available, Eskom applies a default recognition percentage to the applicant's reported figure, reflecting the residual uncertainty as to the arm's-length character of the charge. The applicant may support recognition above the default percentage by providing evidence of the charge's arm's-length character, such as transfer pricing documentation, comparable third-party invoices, or an independent expert opinion. Eskom's decision to accept, adjust, or reject the applicant's supporting evidence is recorded in the Schedule under item (e).
- d. Recognition treatment. Whether Eskom has recognised the charge in full, in part (with the adjusted rand value recorded), or excluded the charge in full from the netback analysis.
- e. Rationale. A short statement of the reasoning for the recognition treatment adopted, addressing (i) the method applied under item (c), (ii) any material divergence between the applicant's reported figure and the benchmark or default recognition percentage, and (iii) any adjustments made to reflect commercial substance rather than form.

The Schedule concludes with the aggregate impact of all related-party charge adjustments on the customer-affordable tariff, expressed in c/kWh (to two decimal places) and as a rand value over the CTA term. The Schedule does not attribute tariff impact to each charge.

Materiality is assessed by Eskom in each application, having regard to the scale of the applicant's operations, the size of the charge relative to the applicant's total costs, and the potential impact of the recognition treatment on the customer-affordable tariff. Charges that Eskom does not consider material in the specific application context may be aggregated in a single line of the Schedule.

The default recognition percentages applied under item (c) are set out in Eskom's internal netback methodology and reviewed periodically. The percentages are not set out in this framework because they are a matter of finance methodology rather than framework policy and are recalibrated over time

as market data improves. The percentages applied to each charge are, however, disclosed in the Schedule and are subject to NERSA's review as part of the CTA filing.

The Schedule is signed off by Eskom's Chief Financial Officer or delegated authority prior to inclusion in the CTA application package. Where Eskom's recognition treatment relies on independent third-party benchmarks, the source documentation is retained for NERSA audit and made available to NERSA on request.

6 EXECUTION

Signed at Pretoria on this 11 day of August 2026

Signature: _____

Name: DR. K RAMOKGOPA, MP

MINISTER

DEPARTMENT OF ELECTRICITY AND ENERGY