



Navigating the regulatory landscape for early-stage embedded generation projects

Guidance for South African municipalities

June 2025

UK PACT

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Executive summary

Municipalities need to navigate a complex web of national and local legislation when developing an embedded generation project. Doing this successfully at the early stages is crucial for making key decisions about site location, ownership, and financing. It is also important for identifying and avoiding fatal flaws that would stop the project from progressing. Thus, the purpose of this report is to help municipalities understand the regulatory landscape during the early (prefeasibility) stages of embedded generation projects. The report focuses first on current legislation (Section 2) before taking an in-depth look at upcoming changes to the landscape ([Section 3](#)).

Current regulatory requirements

The following pieces of legislation are relevant to decision-making and planning at the early stage of embedded generation projects:

For project ownership and financing:

- Municipal Systems Act 32 of 2000
- Municipal Finance Management Act 56 of 2003

For site identification and selection:

- Spatial Planning and Land Use Management Act 16 of 2013, localised in the Municipal Planning By-Law
- National Environmental Management Act 107 of 1998
- National Heritage Resources Act 25 of 1999

For licences and permits:

- Electricity Regulation Act 4 of 2006, enforced by the National Energy Regulator of South Africa
- Electricity Regulation Amendment Act 38 of 2024

Provisions of the legislation above may be enforced when a project is at a more mature stage of development. However, hurdles such as approvals, assessments, permits and licences take time and resources. Understanding, preparing and budgeting for them early on is an important step that municipalities should take to ensure the ultimate success of a project.

Signposting future changes

The reform of South Africa's electricity sector post-2024 through the Electricity Regulation Amendment Act 38 of 2024 introduces new opportunities for municipalities. While its implementation is ongoing, these opportunities include grid access and wheeling, expanded procurement options including procuring power directly from Independent Power Producers (IPPs), and municipalities generating and selling power themselves. Municipalities can aim to harness these opportunities by proactively engaging with regulatory processes, building their technical and regulatory capacity, working to understand and mitigate new risks, and collaborating with other municipalities and stakeholders. However, the changes in the definition of electricity reticulation and distribution power systems, are being challenged on the grounds that it is encroaching on municipalities' exclusive right to distribute electricity under the Constitution, which could result in a loss of revenue and increasing debt for municipalities. As a result, these definitional changes have been suspended until addressed.

Beyond the market structure, other reforms are also underway which will impact how municipal electricity projects are procured and financed. Ring-fencing of municipal electricity revenue has been signalled by National Treasury, who is also deliberating regulatory changes to better enable municipal public-private partnerships. National Treasury and the Presidency are also expected to eventually announce municipal support programmes under the Just Energy Transition (JET) Investment Plan and JET Implementation Plan, which will assist in developing a pipeline of financially viable municipal energy transition projects.

Together, these reforms represent a concerted policy move towards a fundamentally more enabling environment for municipal energy generation. To build the necessary capacity and strategically leverage these opportunities, proactive engagement is required from municipalities.

This report is produced through the Just Municipal Embedded Generation project, which is a UK PACT (Partnering for Accelerated Climate Transitions) project, governed and funded by the UK Government's Foreign, Commonwealth and Development Office (FCDO) and the Department for Energy Security and Net Zero (DESNZ) through the UK's International Climate Finance.

JMEG is implemented by ICLEI Africa in partnership with the Development Bank of Southern Africa (DBSA) and through working with six municipalities across the country to prepare embedded generation projects. The report and its companion, Financing and ownership models for embedded generation: Guidance for South African municipalities should be consulted in tandem.

Abbreviations

DBSA	Development Bank of Southern Africa
EGIP	Embedded Generation Investment Programme
EIA	Environmental Impact Assessment
ERA	Electricity Regulation Act
ERAA	Electricity Regulation Amendment Act
IDP	Integrated Development Plan
IPP	Independent Power Producer
JET-IP	Just Energy Transition Investment Plan
JMEG	Just Municipal Embedded Generation
MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
NEMA	National Environmental Management Act
NERSA	National Energy Regulator of South Africa
PPA	Power Purchase Agreement
PPP	Public Private Partnership
PV	Photovoltaic
SPLUMA	Spatial Planning and Land Use Management Act
UK PACT	United Kingdom Partnering for Accelerated Climate Transitions

Disclaimer

The report is intended to provide municipalities with general information and comparative insights to support decision-making. It does not constitute legal, financial, or procurement advice, and municipalities are encouraged to seek expert support where appropriate for model implementation.

A nighttime cityscape featuring a prominent skyscraper with a grid-like facade, illuminated against a dark sky with a hint of sunset. The foreground shows a curved building with a textured, metallic facade and a street with light trails from moving vehicles. The image is overlaid with a large blue diagonal shape on the left and a red diagonal shape on the right.

1

Introduction



1.1 Project overview

The Just Municipal Embedded Generation (JMEG) project is a two-year (2024–2026) UK PACT (Partnering for Accelerated Climate Transitions) project, which is governed and funded by the UK Government's Foreign, Commonwealth and Development Office (FCDO) and the Department for Energy Security and Net Zero (DESNZ) through the UK's International Climate Finance. UK PACT-funded projects in South Africa aim to drive South Africa's just transition to a low-carbon economy by building capacity, advancing policy, and financing climate-related projects. It focuses on skills development, institutional strengthening, and scalable solutions to accelerate climate action.

JMEG is the second phase of the [Alternative Financing for Municipal Embedded Generation](#) (AFMEG) project, which was implemented between 2021 and 2022. JMEG focuses on supporting municipalities in South Africa with developing embedded generation projects. This includes the preparation of pre-feasibility studies, financial models, and regulatory guidance. Additionally, the project has a strong capacity-building component to equip municipal officials with the knowledge and tools necessary to navigate the embedded generation landscape effectively. JMEG is implemented by ICLEI Africa, a network of local and regional governments committed to sustainable urban development, in partnership with the Development Bank of Southern Africa (DBSA).



1.2 Shifts for municipalities in an evolving electricity landscape

South African municipalities find themselves at a critical juncture in a changing electricity sector. Historically, their role has primarily been to distribute power supplied by Eskom (DMRE, 2024). This dependence on a single supplier is no longer sustainable, especially when faced with dramatic increases in Eskom's bulk electricity tariffs, its unreliable supply, and the growing trend of large customers defecting from the grid (SA REIT, 2023; University of Pretoria, 2024). The resulting loss of electricity revenue, which has historically cross-subsidised other essential services, threatens the financial health of municipalities and impacts vulnerable households (Ledger, 2024; NERSA, 2025).

In response, South Africa's energy policy landscape has begun a profound and accelerating transformation. Recent and ongoing reforms mean that municipalities are becoming more active participants in the energy sector. This allows municipalities to pursue energy security and financial sustainability through embedded generation.

1.2.1 Purpose of the report

The report serves as a practical guide to the regulatory landscape for early-stage municipal embedded generation projects in South Africa. Its objective is to simplify the complex policy environment, providing clear, actionable guidance to support municipal officials across departments. In particular, the report helps to identify and avoid potential regulatory fatal flaws in an embedded generation project before significant resources are committed to its development.

Section 2 introduces the relevant regulatory provisions and outlines the steps and considerations needing to be made at the prefeasibility stage.

Section 3 then highlights key legislative shifts, showing how recent reforms are creating significant new opportunities for municipal embedded generation.

The report is a core component of an integrated support framework which includes the JMEG report, Financing and ownership models for embedded generation: Guidance for South African municipalities. The companion report assists municipalities in selecting a financing and ownership structure for embedded generation that is tailored to their unique context and strategic objectives. Together, these reports assist municipalities in confidently making critical early-stage decisions around embedded generation projects.





2

Regulatory requirements for embedded generation projects at the pre-feasibility stage

This section focuses on the legislative framework that is most important during the pre-feasibility stage. Box 1 on the next page explains the meaning of pre-feasibility within the project development process.

The regulations detailed in this section require direct engagement and compliance to assess project viability and navigate towards the full feasibility stage. This selection is not exhaustive, but has been carefully curated and draws on ICLEI Africa's project development expertise

and the JMEG project's direct engagement with municipalities and the Development Bank of Southern Africa (DBSA).

Municipalities engaging with this report are encouraged to take a cross-departmental approach in order to form an integrated understanding of embedded generation project development. The section is structured to support this.



This section focuses on the legislative framework that is most important during the pre-feasibility stage. Box 1 below explains the meaning of pre-feasibility within the project development process.

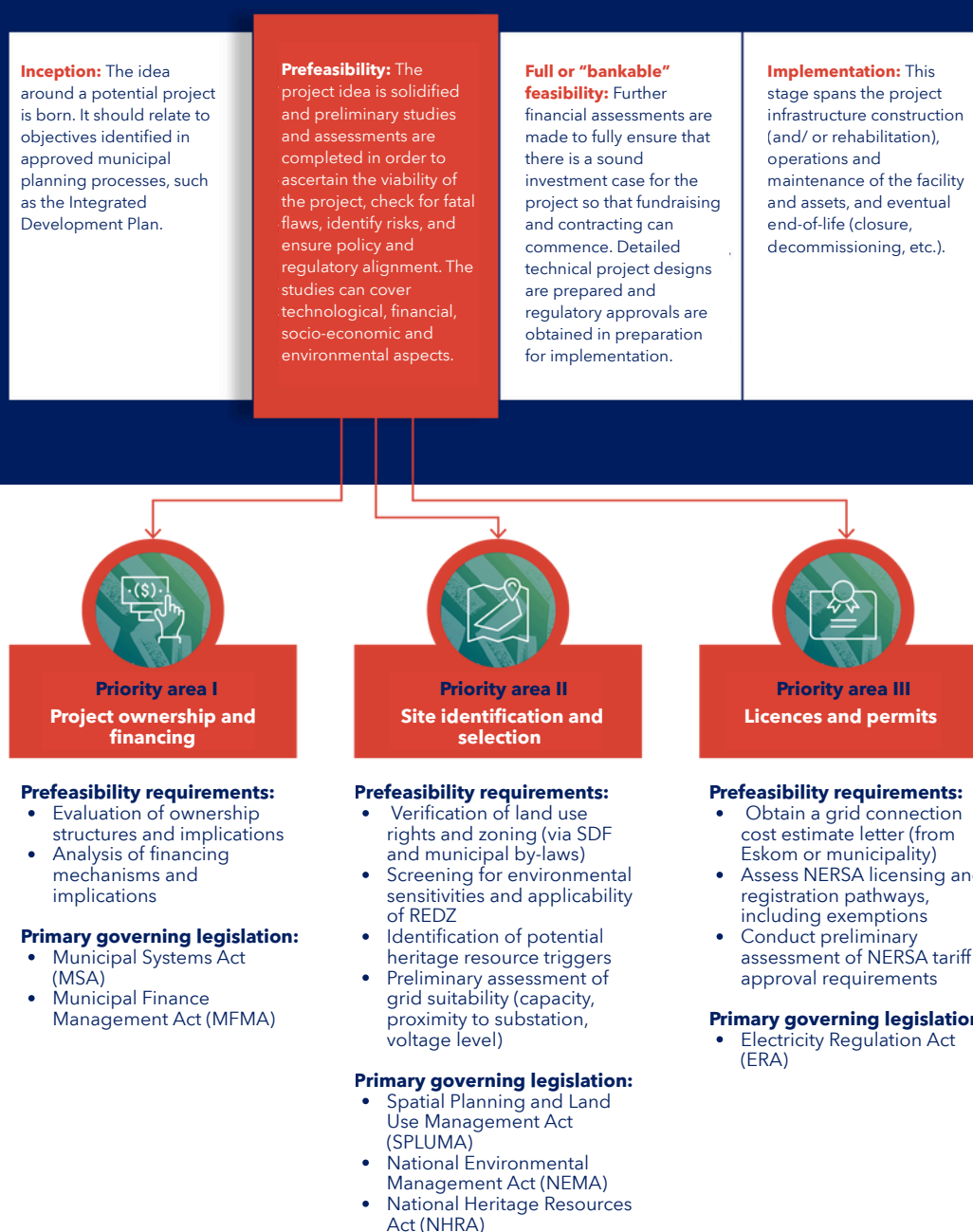
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Box 1: Stages of the project development process

The process of developing an infrastructure project out of an initial idea involves several important stages, although their distinctions and descriptions do not seem to be entirely standardised across sectors and stakeholders. The description below, drawn from experience within the JMEG project, serves to create a common understanding for this report and bridge the gaps between financial and municipal terminology and methodology.





2.1 Project ownership and financing

Electricity provision, as a municipal service, is subject to the Municipal Systems Act 32 of 2000 (MSA) and the Municipal Finance Management Act 56 of 2003 (MFMA), as seen in Box 2 below.

Box 2: Legislative provisions relevant to project ownership and financing

Municipal Systems Act 32 of 2000 (MSA):

- Governs municipal planning, service delivery, and community participation
- Mandates the creation of an Integrated Development Plan (IDP)
- Requires alignment of electricity projects with the IDP

Municipal Finance Management Act 56 of 2003 (MFMA):

- Dictates regulatory path for electricity projects
- Establishes treasury standards for local governments
- Allows for and governs different financial and ownership structures of municipal embedded generation projects, for example:
 - Section 33 governs all “contracts having future budgetary implications”
 - Municipal debt financed projects are governed by section 46 (“long-term debt”) and section 47 (“conditions applying to both short-term and long-term debt”)
 - Section 120 stipulates the “conditions and process for public-private partnerships”.

At the prefeasibility stage:

Municipalities should be aware that the **MSA** and **MFMA** do allow for different ownership and financing structures for municipal embedded generation, as long as the requirements within the acts and their respective regulations are met. Different options have specific requirements and thus require different amounts of time and capacity resources from the municipality. It is important to be aware of these when selecting a suitable ownership and financing structure. For guidance on this assessment, municipalities can consult the companion report, [Financing and ownership models for embedded generation: Guidance for South African municipalities](#).

It is important to note the streamlined process for procurement of power from Independent Power Producers (IPPs). In 2022, National Treasury confirmed that municipalities can procure power from IPPs using their standard municipal supply chain management processes (National Treasury, 2022). This applies when the municipality does not take any site or development risk, thus distinguishing the project from a PPP. The project will still require registration with NERSA as per the ERA, and municipalities must still rigorously comply with section 33 of the MFMA for any long-term contract.





2.2 Site identification and selection

The selection and use of land for an embedded generation project must comply with the national-level Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA). Locally, land use and planning are governed by the municipal planning by-law, which is aligned with SPLUMA and the relevant provincial legislation. Environmental management is governed by the National Environmental Management Act 107 of 1998 (NEMA), while heritage matters are governed by the National Heritage Resources Act 25 of 1999 (NHRA). These legislative provisions are further detailed in Box 3 below.

At the prefeasibility stage:

A site for the embedded generation project will need to be identified; this is both a technical exercise and a strategic decision. It involves considering land ownership, current and future land use and planning, environmental and heritage sensitivities, and technical factors relating to the electricity grid. Undertaking a comparative site assessment may assist in choosing between multiple available land parcels for further due diligence and feasibility assessments.

Planning and land use

To ensure compliance with SPLUMA, municipal planning by-laws must guide site selection. The municipality should consult its own Spatial Development Framework (SDF) in particular, along with relevant municipal reports and documents. The land surrounding a potential site should also be considered.

In particular, the municipality should:

- Ensure the site is not part of an ongoing or planned project or development, or earmarked for such.
- Determine the zoning of the site and whether it has any title deed restrictions.
 - If the site is not appropriately zoned, a rezoning application is required, which would include a public participation process as per the municipal planning by-law. Similarly, title deed restrictions will require a planning application.
- Consult the zoning scheme to determine any additional restrictions or factors for consideration regarding the site.

Box 3: Legislative provisions relevant to site selection

Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA):

- Governs all land use planning and management
- Promotes sustainable development and aims to address historical spatial imbalances
- Mandates the creation of a Spatial Development Framework (SDF), ensuring municipalities manage land use within their jurisdictions

Municipal Planning By-Law:

- Enforces SPLUMA's principles and regulations at the local level
- Provides final authority on whether land can be used for an embedded generation project
- Stipulates processes required to obtain land use rights, e.g., zoning

National Environmental Management Act 107 of 1998 (NEMA):

- Ensures sustainable and equitable development, as well as co-operative environmental governance
- Is supported by a framework of regulations which defines activities which require environmental authorisation through the process of Environmental Impact Assessments (EIAs)

National Heritage Resources Act 25 of 1999 (NHRA):

- Sets principles for governing heritage resources management
- Requires a Heritage Impact Assessment (HIA) for developments that may affect heritage resources

Environmental and heritage considerations

To ensure compliance with **NEMA** later on in the project development process, the municipality should identify triggers present on and around the site that might warrant completing an EIA and obtaining environmental authorisation. Information such as EIA triggers and the site's environmental sensitivity rating can be checked using the DFFE National Web-Based Environmental Screening Tool (DFFE, 2021b).

Completing an EIA can be time and resource intensive. To speed up the country's energy transition, the Department of Forestry, Fisheries, and the Environment (DFFE) has implemented two instruments to assist renewable energy projects:

- Renewable Energy Development Zones (REDZs): These are large geographical areas that have been pre-assessed and identified as having high renewable energy potential and low environmental sensitivity (DFFE, 2021a).
- The Norm for the Exclusion of the Development and Expansion of Solar Photovoltaic facilities in areas of Low or Medium Environmental Sensitivity: This is a legal tool that allows solar projects located in areas officially mapped as having "low" or "medium" environmental sensitivity to be excluded from the requirement of a full EIA, provided they comply with a set of prescribed environmental standards (DFFE, 2024).

By locating a proposed embedded generation project within a REDZ or an area that qualifies for the solar PV exclusion norm, municipalities can bypass the need for a full EIA process later in the project's development. This can be replaced by a much simpler registration and compliance verification procedure (DFFE, 2021a).

To ensure compliance with the **HRNA**, municipalities should identify triggers on and around the site that might warrant a HIA being required.

Site suitability assessments will help determine the likely regulatory path, timeline, and costs associated with securing the required planning, environmental and heritage authorisations.

This information is important to obtain before undertaking a full feasibility assessment of the embedded generation project.

Technical factors relating to the electricity grid infrastructure

An important step in site selection, and a due diligence requirement at the pre-feasibility phase, is a preliminary assessment of the technical suitability of the surrounding electricity grid infrastructure. This assessment is important in avoiding locations where connection costs or grid capacity could be prohibitive.

Key factors to consider during this assessment include:

- Grid capacity, where the primary consideration is whether the existing grid infrastructure has sufficient capacity to accommodate the additional power that will be generated by the project. Eskom's Generation Connection Capacity Assessment (GCCA) is a useful resource in identifying areas with available grid capacity (Eskom, 2023).
- Proximity to substation is a key cost determinant, as shorter distances reduce the need for new power lines.
- Voltage level at the point of connection is also an important consideration. Connecting to a higher voltage line can allow for a larger generation capacity, while a low voltage connection may not be sufficient to accommodate the project's additional power (Thopil et al., 2018; NERSA, 2022).
- The grid's stability and ability to handle fluctuations from intermittent renewable energy sources is also crucial to assess before embarking on embedded generation projects of this nature (Thopil et al., 2018).
- A grid impact study is a formal requirement for larger projects (SEA, 2021). At the pre-feasibility phase, it is important to understand the potential scope and cost of such a study.



2.3 Grid licences and permits

While the technical grid infrastructure factors listed above form important strategic assessments, grid licencing and permitting requirements are the formal administrative actions that follow the initial strategic site selection decisions. This process requires engagement with regulatory bodies like Eskom and the National Energy Regulator of South Africa (NERSA) to fulfil relevant regulatory requirements governed by the Electricity Regulation Act 4 of 2006 (ERA) and the Electricity Regulation Amendment Act 38 of 2024 (ERAA). Box 4 below details the ERA and NERSA further, while the ERAA is unpacked in Section 3.1.

Box 4: Legislative provisions relevant to permits and licencing

Electricity Regulation Act 4 of 2006 (ERA):

- Provides the foundational legal framework for the entire electricity sector
- Establishes NERSA and grants its authority
- Defines the roles of electricity generation, transmission, and distribution
- Sets the framework for licencing and registration, mandating that all generation facilities require a licence unless formally exempted

National Energy Regulator of South Africa (NERSA):

- Enforces regulations set out in the ERA
- Issues generation licences and manages registrations
- Manages approval system for municipal electricity tariffs

The process of obtaining a cost estimate is a foundational step within the pre-feasibility stage and in assessing project viability, ultimately informing the final approval of a grid connection application sought at the full feasibility stage. This process is determined by whether the proposed project will connect to the municipal grid or the Eskom grid, a factor which is determined during site selection (Section 2.2).

This distinction will dictate the appropriate authority, the application process, and the relevant technical requirements.

- For connections to a municipal network, the application must be lodged with that specific municipal electricity department
- For connections to the Eskom network, the application must be made directly to the Eskom Distribution Division

For a formal application to proceed, municipalities will need to provide information already prepared during previously mentioned pre-feasibility steps, including:

- A comprehensive site plan and proof of land use rights (Section 2.2)
- Results from preliminary environmental screening (Section 2.2)
- Details of the proposed financing and ownership structure (Section 2.1)

NERSA's critical role

Understanding the applicable NERSA requirements is also a key pre-feasibility planning requirement, as these will influence the project timeline and budget. While the ERA established a default requirement for all generation facilities to have a generation licence, the following exemptions have been introduced:

- Generation facilities up to 1 MW are exempt from requiring a licence but must be registered with NERSA (DMRE, 2021)
- Generation facilities between 1 MW and 100 MW are also exempt from licencing but must undergo a more detailed registration process with NERSA (DMRE, 2021)

Exempt projects must still plan for obtaining connection approval from the distributor, and must subsequently use that to complete the NERSA registration process.

It is also necessary to investigate, model, and plan for compliance with NERSA's tariff-setting framework to determine if a project is financially viable (NERSA, 2021). While the formal application to NERSA for tariff approval comes later, the pre-feasibility study must identify what will be required for that application. This includes understanding the data requirements for a cost of supply study, which NERSA requires as evidence to approve cost-reflective tariffs (NERSA, 2016). Planning for this data collection and the cost of the study should be factored into the pre-feasibility budget and timeline.

A close-up, low-angle shot of solar panels on a roof, with a blue sky and trees visible in the background. The panels are tilted and reflect the sunlight. A large blue diagonal shape covers the bottom left, and a red diagonal shape covers the bottom right.

3

Leveraging opportunities in upcoming changes for embedded generation

This section moves focus from the established regulatory framework to upcoming legislative and policy reforms. For municipalities, understanding these shifts can help harness embedded generation to leverage new revenue streams, enhance energy security, and drive local economic development.

The following section is an overview of reforms that have yet to be fully implemented but which will further transform South Africa's electricity sector.



3.1 Changes in the structure of the national electricity sector

The foundational structure of the electricity market is in the process of being updated, primarily through the Electricity Regulation Amendment Act 38 of 2024 (ERAA) (Republic of South Africa, 2024). This Act facilitates a transition away from a single-buyer model and establishes new ways for municipalities to operate and procure power. Note, however, that aspects of implementation of the ERAA are still to be resolved before the Act fully enables change in the sector.

Future opportunities for municipalities

The ERAA creates an independent company to run the national electricity grid, called the National Transmission Company South Africa (NTCSA), which is separate from Eskom's power generation business (ESI Africa, 2024). This reform is explicitly aimed at replacing Eskom's monopoly and fostering competition, ensuring fair grid access for all producers and helping to reduce energy costs (ESI Africa, 2024; Brewis et al., 2025). For municipalities, this is a pivotal shift. In the future, it should be simpler and fairer for them to buy electricity from an Independent Power Producer (IPP) located anywhere in the country (National Energy Regulator of South Africa, 2025).

The ERAA also allows for the creation of a competitive trading platform, where electricity can be bought and sold on a short-term basis (van der Poel, van der Vaart and Bracher, 2025). For municipalities, this introduces alternatives to relying solely on long-term (e.g., 20-year) Power Purchase Agreements (PPAs) with a single producer. Municipalities can now choose to buy electricity over shorter periods when prices are favourable, or to meet specific peaks in demand. The legislation introduces the role of a licenced trader that can buy electricity in bulk from multiple producers and then sell it to customers (Republic of South Africa, 2024; van der Poel, van der Vaart and Bracher, 2025). This opens a potential pathway for pioneering and well-capacitated municipalities to become traders themselves.

They could actively manage their own energy portfolio by buying power from various IPPs to create the most cost-effective energy mix for their consumers. The changes in the definition of electricity reticulation and distribution power systems under the ERAA have encountered opposition and have therefore been suspended, due to concerns that these definitional changes lead to an encroachment on municipalities' Constitutional and exclusive right to distribute electricity. The concern is that the implication of these definitional changes would be a loss of revenue and increasing debt for municipalities.



Future opportunities for municipalities

The practical details of the ERAA will be determined by NERSA and the NTCSA in the coming months and years.

- 1 Firstly, it is imperative that municipalities actively monitor these regulatory developments and participate in public consultation processes.**

A key document to monitor is the new Market Code developed by the NTCSA, which will officially govern the wholesale market processes (National Transmission Company South Africa, 2024).

The transition to a competitive market is a highly technical undertaking. Civil society groups have already raised concerns that the complexity of the Market Code creates a significant barrier to entry, risking the exclusion of non-expert voices (Energy Governance South Africa Network, 2025).

- 2 Thus, secondly, municipalities must proactively build internal capacity or secure external expertise to understand the implications of new market rules, tariff designs, and grid connection standards.**

For example, the open market structure will require municipalities to factor use-of-system charges, implemented by the NTCSA and approved by NERSA, into financial models for all energy projects.

- 3 Thirdly, the ERAA introduces significant new risks that municipalities must plan for. A critical change noted by legal and civil society experts is that the amended ERA has no direct appeal mechanism for NERSA decisions** (Energy Governance South Africa Network, 2025).

This means that if a municipality disputes a licence condition or tariff ruling, their only recourse is to approach the High Court, which can be costly and time-intensive process. Furthermore, the initial drafting workshops for the Market Code have seen very limited representation from municipalities and civil society (Energy Governance South Africa Network, 2025). The risk is that rules will be designed to favour large, established players. Municipalities must demand a seat at the table during these formative stages to prevent being locked into a disadvantageous system.

- 4 Finally, given the high stakes and technical complexity, municipalities should not act in isolation.**

Forming working groups through SALGA or other inter-governmental forums can help pool resources, share knowledge, and develop a unified position when engaging with NERSA and the NTCSA. Collaboration can provide smaller municipalities with the collective power to have more influence.





3.2 Changes in procurement and finance

Beyond the market structure, reforms are underway to address how municipal energy projects are procured and financed.

Improved bankability through ring-fencing utilities

There is a push from National Treasury and the Department of Cooperative Governance and Traditional Affairs (CoGTA) for municipalities to ring-fence their electricity distribution businesses (Department of Cooperative Governance, 2025). This involves legally and financially separating the utility's revenues and operations from the main municipal account, enhancing credibility and bankability. This reform will help unlock private sector investment in municipal energy projects.

Although this national mandate is not yet finalised, municipalities can begin to initiate financial modelling to understand the impact of ring-fencing their electricity utilities and can engage with the council to build support for a more sustainable and independent electricity service delivery model. At the same time, they will need to understand the implications of ringfencing this revenue, specifically on the non-electricity services that electricity revenue is used to cross-subsidise.

Better enabled public-private partnerships

National Treasury is undertaking a review of the MFMA PPP regulations (Municipal Regulation 309), predicted to be finalised within 2025 (National Treasury, 2025). Changes to the national and provincial-level PPP regulations (National Treasury Regulation 16) have already come into effect (Odendaal, 2025). While the intent is to align the municipal regulations with this change, the two amendments are following separate processes (Parker, 2024).

The municipal regulation amendments aim to speed up the approval process for projects with a total estimated cost under R2 billion. Under the current regulations, municipalities need to solicit the views and recommendations of National Treasury and the relevant provincial treasury when undertaking municipal PPP projects. It is now proposed that for projects under the R2 billion threshold, municipalities instead consult the PPP Advisory Unit within the Government Technical Advisory Centre (GTAC) (National Treasury, 2024). As before, this consultation will need to be sought before the municipality invites bids for the PPP, as well as after bid evaluation (before a final award is made).

However, there is some scepticism around whether these amendments will actually reduce the administrative burden and timeframe for smaller-project approvals, particularly as the PPP Advisory Unit may still be expected to consult National Treasury (Odendaal, 2025). Aspects of the proposed amendments may still change, and municipalities should consult the amended regulations once they are released.

Access to new streams of concessional finance

The Just Energy Transition Investment Plan (JET-IP) and JET Implementation Plan provide South Africa's medium term framework for transitioning to a just, low-carbon economy, and are establishing dedicated funding windows and technical support facilities for municipalities (The Presidency, Republic of South Africa, 2022). The intention is to improve access to financing, including the potential for grants, technical assistance, and low-interest, long-tenure concessional loans, which could make previously un-bankable projects financially viable.

Municipalities should actively monitor announcements from the Presidency and National Treasury regarding the launch of municipal support programmes under the JET-IP. They can also work to prepare a pipeline of projects that align with the JET-IP's goals.



3.3 Aligning with national industry goals

The South African Renewable Energy Master Plan (SAREM) aims to build a domestic manufacturing value chain for renewable energy components (Republic of South Africa, 2025). This provides a direct link between municipal procurement and local industrial development. By aligning their projects with these national goals and including specific criteria for local content and socioeconomic development in their procurement documents, municipalities can turn electricity projects into powerful tools for creating local jobs and ensuring the economic benefits of the energy transition are retained within the community.

Municipalities can proactively update their tender and procurement document templates to include scoring for local content, job creation, skills development, and other socioeconomic factors. This allows municipalities to strategically align with Just Energy Transition principles and ensure that projects deliver maximum public value.





4 Conclusion

This report is intended to be an easily usable guidance document to equip municipalities in navigating the changing policy and regulatory landscape as it pertains to infrastructure projects, such as embedded generation projects in municipalities. This guidance specifically aims to support municipalities at the early stage of project preparation to identify early on, the policy and regulatory requirements and the work that lies ahead for project development and implementation. Highlighting the relevant legislation at the pre-feasibility stage is essential to adequately prepare for an embedded generation project's full feasibility and due diligence stages through planning and budgeting for the necessary assessments and authorisations.

Municipalities are operating in a rapidly shifting environment and it is therefore in their interests to keep a finger on the pulse as the reforms to the electricity sector take shape. Municipalities interested in the potential and benefits of embedded generation should monitor the significant market restructuring being driven by the new ERAA. Remaining engaged and up-to-date can assist municipalities to not only harness emerging opportunities but also to help shape future policy, cementing their role as active agents in South Africa's just energy transition.





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