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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 2149

Mr K M N Gigaba (ANC) to ask the Minister of Trade, Industry and Competition:

- (1) In light of the recent amendment to the Energy Users Block Exemption, published for public comments in March 2025, what are the merits of the block exemptions given that the technical and structural root causes of electricity supply constraints can be eliminated without the need for a general exemption of energy suppliers and energy users from the Competition Act, Act 89 of 1998;
- (2) whether the block exemptions are made solely on the grounds of security of supply of electricity and the economic stability of the sector; if not, what is the position in this regard; if so, what are the relevant details? NO2149E

REPLY:

I have been advised by the Competition Commission (CC) as follows.

- (1) The purpose of the block exemptions, both for energy suppliers and energy users, is **not** to address or resolve the technical or structural root causes of electricity supply constraints in South Africa. These root causes of the electricity supply constraint which include infrastructure limitations and generation capacity shortfalls, fall within the domain of the Ministry of Electricity and Eskom.

The immediate strategic objective of the energy block exemptions is to mitigate the economic effects of the energy supply constraints by enabling industry collaboration

necessary to support and complement the current governmental measures and initiatives aimed at stabilising electricity supply in South Africa.

The Energy Suppliers Block Exemption is aimed at enabling collaboration between energy suppliers in order to:

- increase and optimise the supply of energy in the market;
- reduce costs of energy supply; and
- secure shared or adjacent sites, infrastructure, equipment and facilities.

The Energy Users Block Exemption is aimed at enabling collaboration among energy users to:

- secure backup or alternative energy supply;
- reduce energy costs;
- promote the optimisation and efficient use of energy supply; and
- secure shared or adjacent sites, infrastructure, equipment and facilities.

The block exemptions allow for collaborative engagements and information-sharing among energy suppliers and users, within strictly defined limits.

Under the Energy Suppliers Block Exemption, the types of agreements covered include:

- joint investment in shared energy infrastructure;
- joint financing and risk-sharing in energy projects;
- joint training and skills development initiatives;
- collaboration on optimising the level and timing of energy supply;
- joint negotiation and purchasing of energy supply inputs; and
- joint procurement and sharing of security services for purposes of securing infrastructure.

Under the Energy Users Block Exemption, energy users may:

- jointly procure backup or alternative energy supply, including power purchase agreements;
- share backup and energy generation capacity, including energy generation equipment;

- jointly negotiate and purchase energy and related product and services;
- jointly finance or purchase backup and alternative energy supply;
- jointly procure and share security services for purposes of securing infrastructure, equipment and facilities;
- engage in energy use, saving and optimisation initiatives to limit operational downtime and reduce energy demand; and
- jointly plan, coordinate, maintain and monitor the performance of energy-related installations.

However, the block exemptions do not exempt Energy Users or Energy Suppliers to fix selling prices of goods or service to customers or consumers; engaging in collusive tendering; or practicing resale price maintenance.

To ensure accountability and transparency all exempted agreements are monitored by Commission and **the dtic**.

- (2) As pointed out in the answer to question 1 above, the strategic objective of the Energy Users Block Exemption is to enable industry collaboration with a view of mitigating the economic effects of the electricity supply constraint on industries.

The proposed amendment to the Energy Users Block Exemption seeks to expand the scope of the Energy Users Block Exemption to enable joint or collective negotiation of negotiated price agreements with energy suppliers for industries in distress.

The intention of the proposed amendment to the Energy Users Block Exemption is to contribute to the other government initiatives aimed at arresting deindustrialisation particularly in energy-intensive sectors where energy costs represent a significant component of operational costs. The challenges faced by industries in distress have placed employment, local value chains, and export competitiveness at risk.

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