

NERSA CONSULTATION PAPER

Eskom's request for an extension of the temporary amendment to Samancor Chrome Limited and Glencore-Merafe Chrome Venture ferrochrome smelters' Negotiated Pricing Agreement Take-or-Pay Terms

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1. INTRODUCTION

- 1.1. This consultation paper outlines Eskom's request for the extension of the Take-or-Pay (TOP) waiver for the Negotiated Pricing Agreements (NPAs) applicable to Samancor Chrome Limited and Glencore-Merafe Chrome Venture for a period of 12 months.
- 1.2. In October 2023, the National Energy Regulator of South Africa (NERSA) approved Eskom's six-year NPAs with Samancor Chrome and Glencore-Merafe Venture for their ferrochrome smelter operations (six for Samancor and four for Glencore) in alignment with the Electricity Pricing Policy and the Interim Long-Term NPA Framework. Eskom implemented the approved NPAs with effect from 1 January 2024.
- 1.3. In approving the NPAs, NERSA imposed a condition requiring each customer's ferrochrome smelters to be liable for a minimum consumption payment equivalent to 70% of normal consumption, measured over a calendar quarter and adjusted for demand response and substantiated technical events. This condition was introduced to ensure demand certainty and is consistent with section 10.11.1 of the Framework, which requires the formulation of an appropriate mechanism to prevent applicants from reducing electricity consumption due to market conditions while not contributing the required revenue.
- 1.4. This condition effectively constitutes a TOP clause in the NPAs, requiring each smelter to consume a minimum quantity of electricity per calendar quarter. Where a smelter consumes less than the stipulated minimum in any quarter, the customer remains liable for payment to Eskom irrespective of prevailing market conditions.
- 1.5. Since late 2024, international ferrochrome (FeCr) prices have declined significantly due to global oversupply and increased competition from Chinese producers benefiting from subsidised electricity tariffs. Electricity costs account for approximately 35 to 40% of ferrochrome production costs, materially reducing the competitiveness of South African smelters.
- 1.6. In February 2025, Samancor and Glencore-Merafe declared hardship in terms of the TOP provisions of their NPAs due to adverse market conditions.
- 1.7. In response, NERSA approved a six-month temporary TOP waiver, at smelter level, in July 2025, which was implemented in August 2025. While Eskom indicated its intention to continue the waiver, NERSA has indicated that the waiver expires on 31 January 2026 and that any extension therefore requires a new application.

2. DISCUSSION

- 2.1. Samancor and Glencore-Merafe are companies based in South Africa (SA) operating several ferrochrome smelters across three provinces, namely Mpumalanga, Limpopo and North-West, together with a number of chrome ore mines. Collectively, they constitute the world's largest integrated ferrochrome producer, accounting for more than half of SA's ferrochrome output and are some of Eskom's key industrial customers.
- 2.2. The ferrochrome (FeCr) industry is a strategically important sector in South Africa, with smelting facilities predominantly located in rural areas where local beneficiation and economic activity are critical. Chrome ore is processed to produce FeCr, a key input in the manufacturing of stainless steel. Although SA holds approximately 70 to 80% of the world's chrome ore reserves, its declining competitiveness in the global FeCr market has resulted in a reduction in production capacity.
- 2.3. On 14 January 2026, NERSA received a letter from Eskom requesting approval for a 12-month extension of the approved TOP waiver, as the current waiver expires on 31 January 2026.
- 2.4. Eskom indicated that the smelters are unable to restart their furnaces under the prevailing market conditions without approval of the TOP waiver extension. The expiry of the current waiver therefore presents a significant risk, as it may result in customers seeking to terminate existing NPAs for the affected smelters. Such terminations and the potential closure of these smelters would have a substantial adverse impact on Standard Tariff Customers (STCs) and significant socioeconomic consequences, including job losses.
- 2.5. In light of the above, Eskom approached NERSA in January 2026 with a request for an extension of the Take-or-Pay waiver applicable to the Samancor and GlencoreMerafe ferrochrome smelters.
- 2.6. NERSA has previously approved the application of the waiving of the TOP provisions at the smelter level. In the current application, Eskom is requesting approval for the same approach and, accordingly, the request includes the following:
 - 2.6.1. **The 'Smelter TOP' option:** To retain the NPAs unchanged at the smelter level while permitting the temporary suspension of production at smelters that are uneconomical and unable to meet the minimum TOP threshold of 80 GWh at plant level
 - 2.6.2. **Period:** The proposed TOP waiver extension would apply for a period of 12 months from the date of approval by the Energy Regulator, should such approval be granted.
- 2.7. As the approval of NPAs is subject to a public process, the Energy Regulator is required to conduct a consultation process on any request for the relaxation or

amendment of NPA terms prior to considering the application and making a final determination.

- 2.8. NERSA has been requested to process the application on an expedited basis to facilitate the early operational restart of the affected smelters. Notwithstanding this request, and in line with the requirements of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ('PAJA'), NERSA is required to conduct a full public participation process.
- 2.9. Accordingly, NERSA invites all interested stakeholders to submit written comments on Eskom's request for the extension of the temporary amendment to the Take-or-Pay terms of the NPAs applicable to the Samancor and Glencore-Merafe ferrochrome smelters.

3. STAKEHOLDER QUESTIONS

- 3.1. NERSA invites stakeholders to provide comments on Eskom's request for the extension of the temporary waiver of the TOP requirement at the smelter (plant) level. Under this option, customers may temporarily suspend production at smelters that are uneconomical.

Stakeholder question #1

Do you agree that this option should be extended to the ferrochrome smelters, and do you think that it would still achieve the objectives of the NPAs?

Stakeholder question #2

What risks could arise if NERSA allows this option, and how could such risks be effectively mitigated?

Stakeholder question #3

Should NERSA consider adopting the Smelter TOP approach in future NPA applications?

Stakeholder question #4

Should the electricity tariff relief requested by the smelters to support their sustainability be approved, would the TOP waiver request still be required?

4. CONSULTATION PROCESS TO BE FOLLOWED

- 4.1. NERSA is currently assessing Eskom's request for the extension of the TOP waiver for Samancor and Glencore-Merafe, with the aim of finalising a decision by 10 April 2026.

4.2. Prior to making a decision, NERSA must conduct a public participation process, which includes stakeholder consultations. As part of this process, NERSA invites stakeholders to provide comments on the issues raised in this consultation paper, as well as on any other matters they consider relevant.

4.3. All comments received will be collated and carefully considered in the decisionmaking process. The table below provides an overview of the consultation and decision-making process.

Table 1: The proposed consultation and approval process

DRAFT HIGH-LEVEL INDICATIVE TIMELINES FOR THE APPROVAL PROCESS	
ACTIVITY/TASK	DATE
Submission to the Electricity Subcommittee for the publication of Eskom's request for the extension of the temporary amendment to the Samancor and Glencore-Merafe ferrochrome smelters' NPA Take-or-Pay terms	3 February 2026
Publication of consultation paper on the NERSA website and in newspapers	5 February 2026
Closing date for stakeholder comments	10 March 2026
Public hearing	13 March 2026
Special Electricity Subcommittee for recommendation to the Energy Regulator on Eskom's request for the extension of the temporary amendment to Samancor and Glencore-Merafe ferrochrome smelters' NPA Take-or-Pay terms	16 March 2026
Special Energy Regulator decision on Eskom's request for the extension of the temporary amendment to the Samancor and Glencore-Merafe ferrochrome smelters' NPA Take-or-Pay Terms	18 March 2026
Communication of decision to Eskom	20 March 2026
Publication of NERSA decision	3 April 2026

5. CONCLUSION

5.1. Members of the public are invited to submit written comments on Eskom's application for the extension of the TOP waiver of the NPAs. Comments should be addressed to NERSA, for the attention of **Ms Buyiswa Mabinya** and/or **Ms Kwena Matlou**, using the contact details below:

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