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# South Africa's energy goals depend **on grid expansion.**

**The national grid is not built for renewables, and it shows.**
South Africa's electricity grid was never designed to support a decentralised, renewable-powered economy. Originally built to transmit power from centralised coal-fired power plants in specific regions, the grid is now overwhelmed by a surge of wind and solar projects seeking connection. More than 80% of grid capacity in solar- and wind-resource-rich provinces like the Northern and Western Cape is fully allocated, stalling the further roll-out of renewable technology. This continuing grid constraint is costing the country momentum, investment, low-cost energy, and the opportunity to transition to a sustainable energy future. If we do not address this decisively, the knock-on effects will be increasingly felt in the broader economy.

**We have outgrown the grid but delays and unpredictability are hurting efforts to invest in it.**
According to Eskom, more than R388 billion is needed to upgrade and modernise the country's transmission and distribution infrastructure. That level of investment cannot, and should not, rest solely on the utility's already stretched balance sheet. The delays in Bid Windows 6 and 7 of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) have already illustrated the cost of inaction and are hurting investor confidence. Developers spent time, resources, and capital preparing their bids, only to see fewer than anticipated preferred bidders because the national grid could not support the pipeline. While some of these projects may shift into private sector channels, the fundamental constraint remains unchanged: without transmission capacity, energy ambitions have stalled.

On-the-ground challenges further compound the issue. The Interim Grid Capacity Allocation Rules (IGCAR) process, which assesses the technical feasibility of a connection, is long, expensive, and inconsistent. Land access and permitting can also become a bottleneck, as delays in securing servitudes and environmental permits can halt progress for months. For project lenders and equity investors alike, this creates undesirable uncertainty. Resource planning, capital allocation, returns, and deal preparation all depend on predictable closing timelines.

**Credible solutions to invest in the grid exist but more structural reform is required.**
Some interim solutions have emerged. Curtailment regulations have been introduced in parts of the Eastern and Western Cape to help ease congestion. The Independent Power Producer Office has launched a battery storage procurement programme to help balance the grid during peak and off-peak cycles. However, a new long-term approach is urgently needed. The Independent Transmission Project (ITP) model, currently being developed with the support of the World Bank, offers a credible way forward. It enables capital to be moved at scale and allows private developers to finance, build, and operate transmission lines before transferring them back to Eskom, unlocking capital without sacrificing long-term national control. The model has worked in Brazil, India, and Peru. There's every reason to believe it can work here too.

Much will depend on the structure of the accompanying credit guarantee vehicle. For lenders, this is the make-or-break element. Who underwrites the risk? How is it rated? Which payment scenario does it cover? While buyer default is addressed, seller default, which is material to the transaction structuring, is not mentioned. The legal mechanism for calling the guarantee must be clear, predictable, and fair. Anything less will compromise lender and investor confidence and limit participation.

**Nedbank is actively shaping solutions and supporting reform.**
At Nedbank Corporate and Investment Banking, we are lending our voice to these conversations by discussing how to shape the guarantee structure to meet the criteria of commercial banks.

see money differently

We have funded dozens of renewable and infrastructure projects over the years, and we understand the balance of risk that must be struck for capital to move at scale. The unbundling of Eskom, and transitioning into separate generation, transmission and distribution entities, must be finalised. Without that separation, the perception of conflict will persist, and investor interest will remain cautious.

Structural reforms will determine the future of both the sector and the South African economy.
As with REIPPPP-embedded community development, empowerment ownership, and local procurement, the ITP will need to carry forward those social outcome principles. But expectations must be realistic. For example, overly rigid local content rules could do more harm than good unless paired with meaningful investment in domestic manufacturing capacity.

**There are real opportunities, if we move fast.**
That is not to say there are no opportunities. On 28 March 2025, the Minister of Electricity and Energy published a ministerial determination confirming the procurement of approximately 1 164 km of 400 kV transmission powerlines, with associated transmission infrastructure under tendering procedures. The minister also released draft regulations that outline how private investors can participate in developing South Africa's transmission network. The regulations are intended to support the roll-out of 5 840 km of new transmission lines – the first phase of a broader plan to expand the grid by 14 000 km by 2032 – beginning with an initial 1 164 km pilot project across 7 key corridors.

Transmission infrastructure requires significant quantities of steel, creating openings to support the local mining and manufacturing sectors. With the right policy signals, a grid expansion programme could double as an industrial stimulus, building both energy security and economic depth.

**Nedbank plays a leading role in South Africa's energy transition.**
At Nedbank Corporate and Investment Banking, we are proud of the work our team has done. In Round 7 of the REIPPPP and battery storage programme, we were mandated on 14 of the 16 preferred bids. That is not a coincidence. It reflects our deep sectoral knowledge, strong partnerships, and ability to structure bankable projects under challenging conditions. We are not just funding infrastructure – we are helping shape it.

South Africa has the talent, the capital, and the will to lead a Just Energy Transition. But without a modern and inclusive grid, that vision will remain out of reach. The time to act is now because the longer we wait, the more we lose.