Ministry of Energy

DRAFT
TRADING GUIDELINES

Date of Submission: 8th August 2025

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1. INTRODUCTION

1.1 Objective

These Trading Guidelines (the 'Guidelines') define the trading arrangements in the Open Access Market. They provide an overview of the Open Access Market trading mechanisms, which Parties to the Market Participation Agreement shall comply. They aim to explain the underlying market concepts for Market Participants and other stakeholders on the key aspects of the Open Access Market and thereby also understand the Market Guidelines.

1.1.1 Market Participants

Users of the Guidelines include all Market Participants, such as:

a). National Power Utilities
b). Independent Power Producers (IPPs)
c). Transmission Network Service Providers (TNSPs)
d). Distribution Network Service Providers (DNSPs)
e). Intermediary Power Traders
f). Eligible Sellers (EEs)
g). Constable Consumers (CCs)
h). Energy Storage Systems (ESS)
i). Market Operator (MO)

1.1.2 Amendments and Compliance

These Guidelines may be amended from time to time by the Market Operator (MO) as necessary and shall be read in conjunction with the other Governing Documents. The formal rights and obligations for all Market Participants are set out in the Market Guidelines. If the Trading Guidelines conflict with the Governing Documents, the Governing Documents shall take precedence.

1.2 Definitions and Abbreviations

1.2.1 Definitions

Save as expressly defined, words, expressions and abbreviations defined in the Market Guidelines shall have the same meanings when used in this Procedure.

1.2.2 Abbreviations

Abbreviation	Description
CCs	Contestable Consumers
COD	Commercial Operation Date
DNSPs	Distribution Network Service Providers
EEs	Eligible Sellers
ERB	Energy Regulation Board
ESS	Energy Storage Systems
GWPA	Regional Power Pool Gateway Participation Agreement
IPPs	Independent Power Producers
kWh	Kilowatt-hour
MO	Market Operator
MP	Market Participant
MW	Megawatt
MWh	Megawatt-hour
NDA	Non-Disclosure Agreement
SAPP	Southern Africa Power Pool
SO	System Operator
TNSPs	Transmission Network Service Providers
USD	United States Dollar
ZAR	South African Rand
ZMW	Zambian Kwacha

2. MARKET STRUCTURE AND TRADING ARRANGEMENTS

The Open Access Market has been designed to facilitate the efficient trading of electricity, ensuring that both large and small participants have the opportunity to engage in the market. This market structure supports the objectives of the Electricity Act (Open Access Regulations) and the Market Guidelines.

2.1 Description and Structure of The Market

The Open Access Market is designed to facilitate both bilateral and competitive trading of electricity in Zambia. The market structure and trading arrangements are governed by the Electricity Act (Open Access Regulations), Energy Regulations Act and the Market Guidelines. The market is divided into two main segments, namely bilateral trades and competitive market trades.

2.1.1 Bilateral Trading Mechanism

If a Market Participant is party to a bilateral agreement, pursuant to which power is traded into, out of or across Zambia, such Market Participant shall register the trade details with the MO, in accordance with the Market Guidelines. This includes:

a). Volumes and times of delivery
b). Points of supply and delivery
c). Dates of effectiveness and expiration
d). Whether the contract is firm or non-firm
e). Wheeling arrangements

Registration shall formally be done, through email, letter or other approved channels, immediately after the contract is finalized and, if possible, at least a month before the start date of the trade or commercial operation date (COD), but in any event no later than [three business days] prior to the start of trade or COD (as applicable)]. The registered information is aimed at ensuring transparency and compliance with market regulations and the efficient management of transmission and distribution capacity. It also allows the MO to monitor and manage the trades effectively, maintaining the integrity of the market. Additionally, this information shall be shared with all Market Participants through selected media, such as the MO's website. and ensure that any Confidential Information shall be held in accordance with sub-clause 2.6.1

2.1.2 Competitive Trading Mechanism

Competitive short-term trading in the Open Access Market shall initially be conducted through the Southern Africa Power Pool (SAPP) market and may expand to other regional markets subject to appropriate regulatory arrangements. This shall be done in two ways:

a). *An ES or CC trades as a Market Participant (as per the SAPP definition of Market Participant) on SAPP Market:*

Market Participants who meet the SAPP requirements can apply to become SAPP Market Participants and trade directly on the SAPP market.

b). *Participation through the Market Operator*

Market Participants who do not meet the SAPP requirements or opt not to seek direct SAPP membership have the opportunity to trade through the MO. The MO shall aggregate their order and thereby enable them to indirectly participate in the SAPP market. The MO shall not trade on its own behalf, nor be allowed to change any order.

2.2 Minimum Thresholds

To provide a comprehensive understanding of the market dynamics and participation requirements, it is essential to highlight the minimum thresholds for trading in both the Open Access Market and the SAPP market.

2.2.1 Open Access Market minimum threshold for trading

The Open Access Market allows for the participation of ESs/CCs with a minimum trading threshold of 1MW. This threshold is designed to encourage a broader range of participants, including Independent Power Producers (IPPs), Intermediary Power Traders, National Power Utilities, large power users Transmission and Distribution Network Service Providers (procurement of losses), and others.

2.2.2 Southern Africa Power Pool market minimum threshold for trading

The SAPP Market has its own defined requirements to become a Market Participant. ESs/CCs who wish to trade directly on the SAPP Market shall meet their requirements. However, those ESs/CCs who do not meet the requirements have the option to trade through the MO.

2.3 Trading - Physical Bilateral Contracts

Physical bilateral contract nominations shall be managed according to the following rules:

2.4.1 Nomination Rules

a). *Submission*

An Eligible Seller shall submit bilateral trading nominations to the Market Operator Unit for each delivery day, following the data specification and timings issued by the MO from time to time, in accordance with this Guideline.

b). *Binding Nominations*

In respect of any hour on a delivery day, the nomination most recently submitted by an Eligible Seller no later than the applicable day-ahead deadline will be binding.

c). *Timeliness*

Only nominations submitted by the submission deadline specified in section 2.7 below shall be valid.

d). *Form Completion*

The bilateral nominations form shall be completed in full to be valid. The MO shall make this form available as a physical or electronic copy to all Market Participants, and preferably with an online version for accessing and completing online.

e). *Rejection of Invalid Nominations*

Invalid or faulty nominations shall be rejected by the MO and the relevant Eligible Seller (ES) will be informed immediately.

f). *Volume Limits*

The volumes of energy may vary for different hours of the day but may not exceed the licensed capacity of the Eligible Seller (if applicable) in any one hour.

g). *Hourly Schedules*

Bilateral trading schedules must specify the traded volume for each hour in which trading will occur.

h). *Increment/Decrement*

The smallest increment for national bilateral trading nominations or schedules shall be 0.1 MWh (100 kWh). For regional bilateral trading, it shall be 1 MWh (1000 kWh).

i). *Energy Volume*

Each nomination shall clearly state the volume of energy in MWh.

j). *Multiple Counterparts*

If an Eligible Seller has more than one Contestable Consumer as counterpart, each nomination shall clearly state the amount of energy in MWh attributed to the different

Contestable Consumers, and the total of the nominations shall always add up to the total quantity from the Eligible Seller.

k). *Invalid Total*

If the nomination does not add up to the same sum, the nomination by the Eligible Seller shall be deemed invalid.

2.4.2 Consumer View Rights

The MO shall allow Market Participants to view their own nominations and schedules, but they will not be allowed to amend their nominations and schedules beyond the deadline provided in section 2.7 of this Guideline.

2.4.3 Automated Notification

After receipt of a bilateral trade nomination by an Eligible Seller, the Market Operator shall confirm receipt by means of an automated electronic notification.

2.4 Trading – Regional Power Pools Markets

2.5.1 Trading gateway

a). The MO shall be registered as a Member on SAPP, in accordance with the SAPP requirements.

b). The Market Operator shall provide and maintain a simple tool or mechanism to allow Market Participants a gateway to access the SAPP markets. The tool shall be developed by the MO.

c). The MO shall not trade on its own behalf.

d). The gateway shall be maintained for ESs/CCs who are not SAPP members that would like to trade in the SAPP short-term markets.

e). Any ESs/CCs utilizing this gateway shall sign the Regional Power Pool Gateway Participation Agreement (GWPA), the form of which is annexed to the Market Participation Agreement, with the MO, agreeing to adhere to the rules of the SAPP. This aims to ensure that the MO can transfer the same requirements applicable to it at SAPP level to the Market Participant for whom it is performing this service. This registration procedure will follow the generic admission process as defined in the Market Guidelines.

f). Each of the Market Participants the MO is representing shall be defined as a portfolio in the SAPP market under the MO's SAPP trading account.

g). These Market Participants shall use the relevant market template to submit their order to MO.

h). Through the gateway, the MO shall collect the individual orders from national Market Participants participating on the SAPP through the MO and shall submit each of them to the SAPP Market Operator, without making any changes, as a separate order using the relevant Market Participant portfolio.

i). Upon receipt of the market results from SAPP, the MO shall distribute the results to the participating those Market Participants who participated on SAPP through the MO. Payment obligations shall follow the timings and rules of the SAPP Market Book of Rules.

j). Where necessary, the MO may outsource its functions but shall ensure that the entity to which this responsibility is delegated to shall abide by these guidelines and all other Governing Documents.

k). Administration Fee

The MO shall levy an administration fee for this service. This fee shall be determined from time to time by the MO and approved by the ERB. The MO will also pass on to the relevant Market Participant any fees and charges that are imposed upon it by SAPP in accordance with the SAPP rules.

2.5 Bilateral Trades Register

2.6.1 Confidentiality

The MO shall maintain a secure register of all bilateral trades.

2.6.2 Information Dissemination

Information on bilateral trades may be disseminated to relevant stakeholders while maintaining confidentiality. Encrypted communication channels and access controls shall be used, except for public information.

2.6 Trading Timelines and Gate Closure

2.7.1 SAPP Trading Gate Closure

Bid submissions shall be done at least an hour before the SAPP market trading gate closure as defined in the relevant SAPP Market Book of Rules:

A detailed table of all relevant gate closures and other timelines shall be maintained on the MO website.

2.7.2 Bilateral Trades

Nominations for bilateral trades must be submitted to the MO at least [10] hours before the delivery day.

2.7 Energy Scheduling and Imbalances

2.10.1 Scheduling

Based on the bilateral nominations and the matched market trades, the MO shall schedule power flows for the next hour, day, week, month, etc., as the case may be.

2.10.2 Imbalances

It is recognized that power flows tend to deviate from schedule. In the event that this occurs, and/or that the power supplied by Eligible Sellers on the market ends up being consumed elsewhere other than the intended destination as per market trades or that the power consumed on the market came from somewhere other than the intended source as per market trades; the Market Operator shall not make any adjustments to the trades for the respective hour, and any imbalances shall be dealt with in the imbalance settlement mechanism as developed and agreed from time to time and operated by the SO.

2.8 Financial Rules

2.11.1 Currency of transactions

The currency of domestic bilateral trades shall be the United States Dollar (USD) or the Zambian Kwacha (ZMW) as agreed by the parties. For SAPP trades, United States Dollar (USD) and Southa African Rand (ZAR) are the only possible currencies.

2.11.2 Transaction security requirements

a). To protect the MO from any financial exposure in relation to the orders it places for Market Participants on SAPP, the MO shall maintain collateral accounts for each relevant Market Participant at an appointed clearing bank in Zambia.

b). Each Market Participant shall have the option of having a maximum of 2 (two) accounts, a USD account, and a ZMW account.

c). The MO shall be the sole signatory to these accounts and Market Participants shall deposit directly into their respective accounts.

d). The bank account administrative charges shall be passed through to the Market Participants.

e). The required security amount should be enough to cover the projected costs of each Market Participant's energy purchases, associated SAPP fees and MO administration charges. The collateral requirements in relation to SAPP energy purchases and SAPP fees shall be calculated based on the same methodology used by SAPP.

f). The minimum balance in the transaction account shall not be less than US$ 5 000 or ZMW equivalent.

g). Transactions in ZMW shall be converted to USD at the prevailing exchange rate of the [Bank of Zambia] unless otherwise determined by the ERB.

2.11.3 Management of Security

a). The MO shall monitor and ensure that the required security amount is maintained.

b). Any interest accruing from this account will be credited to the Market Participant. Payment of settlement amounts can be made from the clearing account, but the Market Participant must ensure that the balance on the clearing account remains at or above the level specified in section 2.11.2(f) above.

c). Market Participants shall ensure that sufficient security is lodged with the MO in their respective transaction accounts before they submit bids to the MO to place on SAPP.

d). The MO will notify any Market Participant that submits a bid that exceeds the security it has provided and may refuse to place a bid on SAPP which would exceed such security.

2.11.4 Internal Controls

The MO shall ensure that control mechanisms are in place to reduce both the risk of fraud and the risk of errors in the operation of the Open Access Market.

3. CONFIDENTIALITY AND INFORMATION DISSEMINATION

4. REGULATORY COMPLIANCE

4.1 Licensing

Each ES/CC shall hold a trading licence issued by the Energy Regulation Board (ERB).

4.2 Compliance

All trading activities shall comply with the Governing Documents as amended from to time.

5. MARKET SURVEILLANCE AND MONITORING

5.1 Market Operator

The MO shall monitor market activities to ensure compliance with the Market Guidelines and the SAPP Market Conduct Rules and to ensure fair-trading practices.

5.2 Reporting

Regular reports shall be generated and shared with the ERB - Market Surveillance Unit and other relevant authorities.

6. DISPUTE RESOLUTION

Disputes among Market Participants shall be resolved in accordance with the Market Participant Agreement.

7. MARKET GOVERNANCE

The market governance is set out in the Market Guidelines and the Open Access Regulation and will apply accordingly.