



# **Annual Performance Plan 2013/14 - 2015/16**

**31 January 2013**

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# Foreword

The National Energy Regulator of South Africa (NERSA) was established on 1 October 2005. In terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), its **mandate is to** regulate the electricity industry in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), regulate the piped-gas industry in terms of the Gas Act, 2001 (Act No. 48 of 2001), and regulate the petroleum pipelines industry in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003). NERSA must perform such other functions as may be assigned to it by or under these Acts.

In regulating the electricity, piped-gas and petroleum pipelines industries, NERSA adheres to the regulatory principles of transparency; neutrality; consistency and predictability; independence; accountability; integrity; and efficiency.

The Annual Performance Plan of NERSA for the period 2013/14 . 2015/16 is informed by the approved five-year Strategic Plan (2012/13 . 2016/17). It reflects government's long term plans as outlined in the medium-term expenditure framework (MTEF). The Plan incorporates the Department of Energy's contribution to the 12 outcomes of government, as well as NERSA's contribution to the relevant outcomes.

Priorities which have guided the development of the Annual Performance Plan are as stated in the Strategic Plan. These pertain to the challenges South Africa faces regarding security of supply, especially within the electricity and petroleum industries, therefore requiring a focus on new electricity generation capacity as well as the full commissioning of the new multi-product pipeline.

Energy infrastructure, especially in the electricity industry, requires major refurbishment and in certain cases replacement. The growth of the gas market in South Africa remains a challenge, given the paucity of domestic natural gas and the substantial investment cost involved for new entrants. A priority for NERSA is to facilitate infrastructure investment through predictable and transparent regulation.

The need to diversify the energy sources in this country, with the emphasis shifting towards sustainability into the future, the introduction of renewable energy, gas and independent power producers into the grid, will be a priority for the times ahead.

NERSA will also prioritise facilitation of the entry of other players into the sector, particularly given the generally monopolistic nature of the electricity, piped-gas and petroleum pipelines industries, as well as balance the needs of all stakeholders.

Increasing levels of poverty and unemployment necessitate the focus on pro-poor regulation in a bid to ensure affordability and accessibility of energy to the poor.

Performance targets have been set against each strategic objective outlined in the Strategic Plan. Specific, measurable, achievable, realistic and time-bound key performance indicators will ensure achievement of the strategic objectives.

Adequate resourcing of the organisation as well as the quarterly performance reviews will facilitate the assessment of the overall performance of each programme against this Annual Performance Plan.

The Energy Regulator fully endorses this Annual Performance Plan and commits to supporting its implementation. I would like to take this opportunity to acknowledge the important work that the Regulator Members, management team and staff are executing and would like to encourage a collective and innovative spirit in implementing the legislative mandate of NERSA and future strategic programmes.

Cecilia Khuzwayo  
**Chairperson: NERSA**

# Official sign-off

It is hereby certified that this Annual Performance Plan was developed by the Energy Regulator with inputs from the Executive Management of NERSA. It was prepared in line with the approved Strategic Plan (2012/13 . 2016/17) of NERSA and accurately reflects the performance targets which NERSA will endeavour to achieve given the resources made available in the budget for 2013/14.

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# **Part A: Strategic overview**

# 1. Updated situational analysis

This Annual Performance Plan has been developed based on the approved Strategic Plan (2012/13 . 2016/17). NERSA undertook an environmental scan to assess the factors within the performance environment which would impact on the execution of its mandate through the implementation of the Annual Performance Plan.

## 1.1. Performance environment

The environmental factors are considered within the context of NERSA, through the regulatory regime, facilitating economic development for:

- Security of energy supply;
- Investment in infrastructure;
- Competitive functioning of the industry; and
- Affordability and access.

The following significant global trends will impact on NERSA's work in one form or another:

- The escalation of the %secret Cyber war+into open battle in the cyber domain coupled with the growing presence of independent %armies+ of hackers sponsored by organised crime syndicates. This increases the risk of industrial espionage; and
- The deteriorating economic outlook of the world. The cost of energy is going to become a significant factor in driving any recovery of note.

With the current negotiations surrounding international agreements on climate change and biodiversity, the global community is involved in the collective responsibility and management of global ecological issues. South Africa is a signatory to the global and regional agreements and protocols on climate change.

South Africa is reliant on coal as the main primary energy source in electricity generation in the short to medium term. Coal is one of the major contributors to green house gas emissions. This poses a challenge to NERSA in balancing the electricity needs of the country with cleaner energy requirements at affordable costs.

The National Government's renewed sense of urgency and focus on accelerated delivery of services is evidenced in the quantum of targets set such as, amongst others, the 100% access to electricity by 2014. This places a burden on NERSA in facilitating the achievement of the targets.

The high unemployment rate and increasing levels of poverty directly impact NERSA as determination of pro-poor tariffs is impinged upon by the inability of citizens to pay for electricity services.

Much as it is down played, talks of nationalisation within the political arena coupled with the decrease of foreign direct investment into South Africa may compromise the ability of NERSA in promoting and facilitating investments into the energy infrastructure.

Uncertainty and mixed policy messages about investment could be contributing to the potential flight of capital out of South Africa. A case in point is the decision of Sasol to invest billions of dollars in shale gas in Canada.

The fact that regulatory control in the entire supply chain of the regulated industries is limited, raises issues of NERSA's strategic positioning as well as policy gaps. Political dialogue is necessary to influence policy changes in this regard.

The escalation of crude oil prices, as it pertains to the reliance of the energy sector on crude oil in so far as input costs are concerned exposes the energy sector volatility. This places a particular burden on NERSA in terms of promoting investment into energy infrastructure; promoting affordable access to energy; facilitating a conducive environment to the creation of competition within the industry and promoting the entry of HDIs.

The specific factors considered in the environmental scan are shown in the tables below:

Political Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. State led infrastructure expansion	• Security of supply	• Regulate in a manner that facilitate sustained security of supply
2. Direct political intervention in electricity pricing	• Uncertainty for investment	• Develop a strategic engagement framework with all role players • Communicate . particularly on how decisions are reached (Not only on website . more proactive)
<b>Piped-Gas Industry Regulation:</b>		
1. Delays in finalisation of legislative amendments and developments • Gas Act Amendment Bill served at Cabinet -May 2012 • DoE currently addressing cabinet's concerns	• Cost of gas may be too high • Deter entry into the gas market	• Continued proactive engagement
2. Lack of policy on gas infrastructure investment • DoE has taken an important step: Request for Information for gas fired electricity generation	• Uncertainty for investment	• Regulatory advocacy • Review of the Integrated Resource Plan 2101 or facilitate a section (34) of the Electricity Regulation Act determination by the Minister of Energy to increase Combined Cycle Gas Turbines • Continued NERSA dialogues initiative
3. Insufficient prominence of piped-gas in policy making • More clarity in requirements for gas infrastructure investment (partly due to Dialogues) • DoE Request for Information for gas fired electricity generation	• Uncertainty for investment	• Regulatory advocacy • Follow up NERSA dialogues and strategic engagements with stakeholders • Participate in the development of the Integrated Energy Plan
4. Insufficient gas trade initiatives between Sub-Saharan African countries	• SA may not reap rewards of proximity to significant gas finds in Mozambique,	• Consult with Government departments and other regulators

Political Factors	Impact if factor is not addressed	NERSA response to the factor
	Tanzania, Namibia and Angola	<ul style="list-style-type: none"> <li>• Push local source gas development (domestic gas resources that needs development)</li> </ul>
5. Developments in the Arab world	<ul style="list-style-type: none"> <li>• Gas market cannot grow</li> </ul>	<ul style="list-style-type: none"> <li>• Look at the referencing of the price of gas (reference against oil price may make gas less attractive as oil price rise)</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. State led infrastructure expansion <ul style="list-style-type: none"> <li>• Transnet Market Demand Strategy (R300 bn) possible higher risks</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of clarity on how expansion is funded . impact may be higher tariffs</li> <li>• Threats to security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor Transnet financial status</li> <li>• Possible need to intervene in petroleum pipeline regulatory asset base . competing modes of transport</li> <li>• Highlight the implications of the state led infrastructure expansion to the policy makers</li> </ul>
2. Possible consolidation of downstream petroleum regulation	<ul style="list-style-type: none"> <li>• NERSA may not be ready for this possible expansion of its mandate</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare and engage with DoE when it is ready</li> <li>• Be proactive</li> </ul>
<b>Cross-Cutting:</b>		
1. Developmental State	<ul style="list-style-type: none"> <li>• Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>• Assist DoE in creating awareness of policy</li> <li>• Proactive engagement with government</li> </ul>
2. Manage interface between different policy thrusts of Government (new growth path, IPAP2)	<ul style="list-style-type: none"> <li>• Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>• Make decisions that are not in conflict with the Acts</li> <li>• Identify points of contribution</li> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> <li>• Seek interaction with appropriate departments and structures</li> </ul>
3. Policy gaps and inconsistencies	<ul style="list-style-type: none"> <li>• Regulatory uncertainty</li> <li>• Lack of credibility of regulatory systems</li> </ul>	<ul style="list-style-type: none"> <li>• Review impact on NERSA's mandate</li> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> <li>• Highlight cost of projects, the impact and implications thereof e.g. Integrated Resource Plan</li> </ul>
4. Discussion / debate around nationalisation	<ul style="list-style-type: none"> <li>• Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>• Provide regulatory certainty through consistent decision making</li> <li>• Ensure investor confidence through our regulatory decisions and activities</li> <li>• Influence perception of investor risk (particularly in piped-gas)</li> </ul>
5. Review of millennium goals (2014)	<ul style="list-style-type: none"> <li>• NERSA may not assist the country in achieving its goals</li> </ul>	<ul style="list-style-type: none"> <li>• Regulate in such a manner that accessibility and affordability is enhanced</li> </ul>
6. Presidential review on the organs of state / creation of a super regulator and collapse all regulators	<ul style="list-style-type: none"> <li>• NERSA may cease to exist / be the base of the super regulator</li> <li>• Regulatory continuity and principles</li> <li>• Regulatory certainty</li> </ul>	<ul style="list-style-type: none"> <li>• Profile NERSA in the public arena</li> <li>• Affirm NERSA's effectiveness and positioning</li> <li>• Monitor debate</li> <li>• Influence the discussions</li> </ul>

Political Factors	Impact if factor is not addressed	NERSA response to the factor
		<ul style="list-style-type: none"> <li>• Engage with stakeholders</li> <li>• Stakeholder survey</li> <li>• Position NERSA as a low maintenance entity</li> <li>• Highlight the importance of an independent regulator</li> <li>• Improve on current performance</li> <li>• Understand regulatory environment, who are the other regulators</li> <li>• Help / teach / learn from them (other regulators)</li> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>

Economic Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Lack of competition in electricity supply industry	<ul style="list-style-type: none"> <li>• Impact on the ability of the Independent Power Producers to access the industry</li> <li>• High electricity prices to industrial consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Enforce Third Party Access</li> <li>• Proactively contribute to legislative amendments</li> </ul>
2. Electricity Price to commerce in the municipalities has reached a critical level	<ul style="list-style-type: none"> <li>• Commerce and industry closing down</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonise tariffs</li> </ul>
3. Impact of poverty	<ul style="list-style-type: none"> <li>• Lack of affordability and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on pro-poor regulation</li> </ul>
4. Perception of imbalance between supply and demand	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Allow primary energy cost as a pass through cost</li> </ul>
5. Increased consumption of energy by China	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Regulate the stock piles</li> <li>• Promote the introduction of renewable energy in the energy mix (taking into account its limitations)</li> <li>• Increase the number of days that the coal stock piles must be kept</li> </ul>
6. Inter-dependency of SADC on SA economy	<ul style="list-style-type: none"> <li>• SADC countries power plans not realised</li> </ul>	<ul style="list-style-type: none"> <li>• Create space to be able to facilitate the realisation of SADC countries power plans</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. Lack of competition in gas industry <ul style="list-style-type: none"> <li>• NERSA established competition is inadequate and approved maximum prices methodology, paving the way for implementation of max prices</li> </ul>	<ul style="list-style-type: none"> <li>• Barrier to competitive outcomes (price discrimination etc and access)</li> </ul>	<ul style="list-style-type: none"> <li>• Enforce Third Party Access</li> <li>• Enforce maximum prices methodology and Tariff Guidelines,</li> <li>• Proactively contribute to legislative amendments</li> </ul>
2. Insufficient investment and high cost of gas	<ul style="list-style-type: none"> <li>• No growth in the gas market</li> </ul>	<ul style="list-style-type: none"> <li>• Price certainty</li> <li>• Regulatory / policy certainty</li> </ul>

Economic Factors	Impact if factor is not addressed	NERSA response to the factor
investment (infrastructure and technology) <ul style="list-style-type: none"> <li>Maximum prices methodology</li> <li>Tariff guidelines</li> <li>DoE's Request for Information for additional gas fired electricity generation</li> </ul>		<ul style="list-style-type: none"> <li>Review of the Integrated Resource Plan 2101 or facilitate a section (34) of the Electricity Regulation Act determination by the Minister of Energy to increase Combined Cycle Gas Turbines to provide creditworthy off taker</li> </ul>
3. Lack of gas exploration - significant domestic gas finds would change the gas market entirely	<ul style="list-style-type: none"> <li>SA loses out on accessible and affordable fuel source</li> </ul>	<ul style="list-style-type: none"> <li>Consultation and advocacy</li> <li>Cooperate with other regulatory authorities</li> </ul>
4. Lack of regulatory certainty <ul style="list-style-type: none"> <li>Maximum prices methodology</li> <li>Previously: Tariff methodology</li> </ul>	<ul style="list-style-type: none"> <li>Deters investment in infrastructure</li> <li>Reduced investor confidence</li> </ul>	<ul style="list-style-type: none"> <li>Consistent decision making / Reasons for Decision and Regulatory Reporting Manuals</li> <li>Clarity to be provided by DoE its Integrated Resource Plan</li> </ul>
5. Tanzania and Mozambique found significant amounts of Gas	<ul style="list-style-type: none"> <li>SA may not reap rewards of proximity to significant gas finds</li> </ul>	<ul style="list-style-type: none"> <li>Consult with Government departments and other regulators</li> <li>Potential of country to country agreements</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. User pays vs. developmental state	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> </ul>
2. Pipeline volumes	<ul style="list-style-type: none"> <li>Public safety . safer transport mode</li> </ul>	<ul style="list-style-type: none"> <li>Monitor shift of volumes from other modes of transport</li> </ul>
3. Africa has 2 of the top 5 oil producing countries	<ul style="list-style-type: none"> <li>SA may not benefit from the oil in neighboring countries</li> </ul>	<ul style="list-style-type: none"> <li>Encourage country-to-country agreements</li> </ul>
4. Oil majors leaving SA	<ul style="list-style-type: none"> <li>May leave a gap in the market</li> </ul>	<ul style="list-style-type: none"> <li>Monitor the status of the oil majors in South Africa and act accordingly</li> </ul>
<b>Cross-Cutting:</b>		
1. Risk of US, EURO debt default and the impact on emerging markets	<ul style="list-style-type: none"> <li>Decisions not in line with global developments</li> <li>Funding of projects more challenging</li> </ul>	<ul style="list-style-type: none"> <li>Review of tariffs in line with developments</li> <li>Promote energy conservation</li> <li>Create public awareness</li> </ul>
2. Impact of environmental levies on prices	<ul style="list-style-type: none"> <li>Impossible to facilitate achievement of affordable energy services</li> </ul>	<ul style="list-style-type: none"> <li>Highlight impact of environmental levies to policy makers</li> <li>pro-poor+regulation</li> </ul>
3. Capital flight (foreign and local)	<ul style="list-style-type: none"> <li>Capital leaving SA</li> </ul>	<ul style="list-style-type: none"> <li>Create regulatory certainty</li> </ul>
4. Wave of industrial action and the impact	<ul style="list-style-type: none"> <li>Entities not prepared</li> </ul>	<ul style="list-style-type: none"> <li>Encourage entities to have better risk management interventions</li> </ul>

Regulatory Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Compliance monitoring and enforcement of licence conditions	<ul style="list-style-type: none"> <li>• Security of supply</li> <li>• Affordability and accessibility of electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate empowering legislation</li> <li>• MoUs with the appropriate departments that have more teeth+</li> <li>• Work with different institutions in the country such as National Treasury, Auditor-General</li> </ul>
2. Lack of cooperation from licensees (Municipalities)	<ul style="list-style-type: none"> <li>• Lack of credibility of regulator</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous engagement</li> </ul>
3. Information Asymmetry	<ul style="list-style-type: none"> <li>• Possible incorrect decisions taken due to lack of all relevant information available</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage compliance with Regulatory Reporting Manuals</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. Regulatory gaps and fragmentation of legislation (gas) (not regulating entire value chain)	<ul style="list-style-type: none"> <li>• Unnecessary regulatory burden</li> <li>• Unintended consequences (e.g. High distribution tariffs)</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>
2. Light handed approach of current regulatory framework and weak enforcement powers	<ul style="list-style-type: none"> <li>• Difficult to effectively enforce regulatory mandate</li> <li>• Inconsistent policy implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> <li>• Cooperate with other regulators to reduce confusion and unnecessary regulatory burden and cost</li> </ul>
3. Lack of experience in regulating new activities	<ul style="list-style-type: none"> <li>• Inappropriate regulation of new activities</li> </ul>	<ul style="list-style-type: none"> <li>• Research and benchmarking</li> <li>• Training</li> <li>• Study tours yielding positive results in staff performance</li> </ul>
4. Impact of the Regulatory Agreement and existing supply contracts <ul style="list-style-type: none"> <li>• Pricing investigations led to renegotiations of prices in 4 gas supply contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Continued manipulation of Market Value Pricing framework</li> <li>• Highly discriminatory prices</li> <li>• Stifling job creation particularly in SMMEs in downstream manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct impact study</li> <li>• Review existing contracts to ensure compliance to Gas Act</li> </ul>
5. Information asymmetry <ul style="list-style-type: none"> <li>• Regulatory Reporting System for financial data implemented</li> <li>• Regulatory Reporting System phase 2 (nonfinancial data) in the conceptualisation stage</li> </ul>	<ul style="list-style-type: none"> <li>• Possible incorrect decisions taken due to lack of all relevant information available</li> </ul>	<ul style="list-style-type: none"> <li>• Develop ways of collecting relevant data</li> <li>• Audits</li> <li>• Benchmarks</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Consistency in policy applications by different regulators	<ul style="list-style-type: none"> <li>• No Regulatory certainty</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonise regulatory methodologies (internally and externally)</li> <li>• Regulatory advocacy</li> <li>• Revive structures such as the SA Regulators Forum</li> </ul>
2. Multi-year petroleum tariffs	<ul style="list-style-type: none"> <li>• Impact on investor confidence</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare for applications</li> </ul>

Regulatory Factors	Impact if factor is not addressed	NERSA response to the factor
		<ul style="list-style-type: none"> <li>• Speed up tariff methodology harmonisation</li> </ul>
3. Benchmarking of petroleum tariffs	<ul style="list-style-type: none"> <li>• Tariffs not in line with international best practice</li> </ul>	<ul style="list-style-type: none"> <li>• Further investigations required</li> </ul>
<b>Cross-Cutting:</b>		
1. Insufficient coordination in regulating gas and electricity industries	<ul style="list-style-type: none"> <li>• Inconsistent policy messages deterring investment</li> <li>• Incorrect signals sent to the market</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen internal coordination and strategic interactions with government structures</li> </ul>
2. Management of concurrent jurisdiction	<ul style="list-style-type: none"> <li>• Regulatory overlap</li> <li>• No clear roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Conclude MoUs and MoAs with other regulators</li> <li>• Regulatory advocacy</li> <li>• Co-operate and help other regulators</li> <li>• Build closer relationships with other regulators</li> </ul>
3. Perception of independence of the Regulator	<ul style="list-style-type: none"> <li>• Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework with all role players</li> <li>• Communicate . particularly on how decisions are reached (Not only on website . more proactive)</li> </ul>

Social Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Electricity Resellers	<ul style="list-style-type: none"> <li>• Industry not sustainable</li> </ul>	<ul style="list-style-type: none"> <li>• Licence resellers</li> <li>• Develop rules</li> </ul>
2. Affordability	<ul style="list-style-type: none"> <li>• Lack of affordability and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Pro poor tariff setting</li> </ul>
3. NERSA's Impact on poverty	<ul style="list-style-type: none"> <li>• NERSA not contributing to Government's target to create a better life for all</li> </ul>	<ul style="list-style-type: none"> <li>• Inclining Block Tariffs (IBTs) and evaluation <ul style="list-style-type: none"> <li>○ Review and publicise</li> <li>○ Assess impact of IBTs</li> <li>○ Further research to include the %working poor+</li> </ul> </li> <li>• Possible money in tariff to train artisans</li> </ul>
4. Non-technical losses	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Customer education</li> <li>• Monitor non-technical losses</li> <li>• Highlight legislative gaps to policy maker</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. HDI participation	<ul style="list-style-type: none"> <li>• No meaningful transformation of gas industry</li> <li>• Renewed calls for nationalisation and increased compulsory BBBEE requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Licence conditions . define ways to implement mandate to enable HDSAs to become competitive via licence conditions</li> <li>• Enforce rules its information provision</li> </ul>
2. Skills development	<ul style="list-style-type: none"> <li>• Skills in SA not in line with demand of growing gas industries</li> </ul>	<ul style="list-style-type: none"> <li>• Continued participation in industry training on regulation</li> <li>• Stakeholder workshops</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Uncontrolled building on	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Increase pressure on licensees to</li> </ul>

Social Factors	Impact if factor is not addressed	NERSA response to the factor
pipeline servitudes		consult with municipalities
2. 3 <sup>rd</sup> party access to storage facilities (BEE)	• No 3 <sup>rd</sup> party access to storage facilities	• Develop a strategic engagement framework on developing legislation / policy changes
<b>Cross-Cutting:</b>		
1. Increase in service delivery protests (consumer activism)	• Alienated and marginalised communities • Potential increase in tariffs	• Customer education • Public consultation • Mediation • Funding mechanisms • Need for policy clarity on tariff reducing instruments (State of Nation address)
2. Resistance to energy infrastructure close to settlements	• Security of supply	• Ensure that it is ready for expropriation proceedings in terms of the Electricity Regulation Act

Technological Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Technological innovation e.g. Smart Grid	• Security of supply	• Set Rules • Monitor compliance • Protect user information • Customer education
2. Renewable Generation	• Security of supply • SA not meeting environmental targets	• Licence • Dispatch rules • Grid code
3. Shale Gas as primary energy source	• Security of supply	• Regulatory advocacy
4. Nuclear Generation	• Security of supply	• Licensing • Customer education • Skills upgrade for NERSA
<b>Piped-Gas Industry Regulation:</b>		
1. Regulatory framework lags technological innovation	• Unregulated gas activities (risk) • Deters entry and investment	• Develop a strategic engagement framework on developing legislation / policy changes • Incentivise through tariffs, prices and licensing
2. Lack of piped-gas infrastructure for new technology e.g. Compressed Natural Gas/ Liquefied Natural Gas	• Deters investment and growth of downstream industry	• Legislative amendments (e.g. CNG) • Request policy clarity (National Treasury on fuel levy)
3. Resistance to new gas sources and technologies (e.g. Shale Gas and hydraulic fracturing)	• SA misses out on significant domestic energy source	• Regulatory advocacy • Research • Proactive participation where possible (task teams)
4. New gas technology becoming flexible and more accessible globally	• SA misses out on opportunity to replace crude imports with domestic GTL	• Policies driving and encouraging investments in such technologies
<b>Cross-Cutting:</b>		

Technological Factors	Impact if factor is not addressed	NERSA response to the factor
1. Mode of transport is changing	<ul style="list-style-type: none"> <li>• NERSA lagging behind changes in technology</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and understand the impact of technological developments on revenue streams and households</li> <li>• Engage, research and understand</li> </ul>
2. Changes in technologies		

Environmental Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Environmental activism	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory Advocacy</li> </ul>
2. Embedded Generation	<ul style="list-style-type: none"> <li>• Municipal sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with stakeholders</li> </ul>
3. Growing awareness of environmental factors	<ul style="list-style-type: none"> <li>• SA not meeting its reduction in green house gas emission targets</li> </ul>	<ul style="list-style-type: none"> <li>• Utilise the Multi-Year Price Determination to facilitate contributing towards the reduction of green house gas emissions</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. Environmental activism, global warming, carbon taxes and emissions reduction	<ul style="list-style-type: none"> <li>• Gas market cannot grow</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory Advocacy to highlight that gas is a more attractive as an environmentally friendlier fuel</li> </ul>
2. Shale Gas . moratorium on hydraulic fracturing	<ul style="list-style-type: none"> <li>• SA misses out on shale gas potential</li> </ul>	<ul style="list-style-type: none"> <li>• Research</li> <li>• Regulatory Advocacy</li> <li>• Participate in national debate and task teams where possible</li> </ul>
<b>Cross-Cutting:</b>		
1. Environmental levies and Carbon tax	<ul style="list-style-type: none"> <li>• SA not meeting its environmental targets</li> <li>• Lack of affordability</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage and facilitate cooperation and coordination between decision making bodies</li> <li>• Allowing Transnet to recover land rehabilitation costs</li> <li>• Develop an integrated view going forward</li> </ul>
2. Delays in issuing environmental Impact Assessments	<ul style="list-style-type: none"> <li>• Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in the dialogue and educate the public regarding key environmental issues and NERSA decisions</li> </ul>

Legal Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Electricity Regulation Act and Electricity Pricing Policy under review	<ul style="list-style-type: none"> <li>• NERSA's views not taken into consideration</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory Advocacy</li> </ul>
2. Independent System and Market Operator Bill being discussed by the Parliamentary Portfolio Committee on Energy	<ul style="list-style-type: none"> <li>• NERSA's views not taken into consideration</li> <li>• NERSA not ready when the Independent System and Market Operator Bill becomes operational</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory Advocacy</li> <li>• Proactively start preparing for a change in structures</li> </ul>

Legal Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Process of amending of Gas Act	• NERSA's views not taken into consideration	<ul style="list-style-type: none"> <li>• Proactive participation in legislative process</li> <li>• Assist DoE in consultation and parliamentary processes</li> </ul>
2. Inconsistencies between Gas Act and Agreement as well as competition law <ul style="list-style-type: none"> <li>• Agreement ending in March 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Confusion and manipulation of loopholes</li> <li>• Forum shopping</li> </ul>	<ul style="list-style-type: none"> <li>• Manage inconsistencies</li> <li>• Alert policy maker to gaps in Act</li> <li>• MoA with Competition Commission</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Fragmentation of legislations . possible consolidation of downstream petroleum legislation	• NERSA may not be ready for this possible expansion of its mandate	<ul style="list-style-type: none"> <li>• Prepare and engage with DoE when it is ready</li> <li>• Be proactive</li> </ul>
<b>Cross-Cutting:</b>		
1. National Energy Regulator Amendment Bill	<ul style="list-style-type: none"> <li>• NERSA's views not taken into consideration</li> <li>• NERSA not ready when the National Energy Regulator Amendment Bill becomes operational</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory Advocacy</li> <li>• Proactively start preparing for a change in mandate</li> </ul>
2. Ability to influence supplementary legislation	• NERSA's views not included	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> <li>• Regulatory advocacy</li> </ul>
3. Compliance with regulatory requirements (Public Finance Management Act and others)		
4. Electricity and Gas reticulation in the constitution		
5. Fragmentation of legislations		

## **Challenges and Risks**

The environmental scan/situational analysis of NERSA's performance environment identified industry specific challenges and risks that have informed the review of the strategic objectives and the programmes as indicated in the Strategic Plan 2012/13 - 2016/17 and the Annual Performance Plan 2013/14-2015/15. The identified challenges are listed below in respect of each of the three industries being regulated by NERSA as well as with respect to the cross-cutting regulatory and organisational environment.

### **Electricity Industry Regulation**

#### **a) Challenges**

##### **(i) Demand and supply:**

- Lack of Generation Capacity to meet the demand;

- No new capacity will become available until the 4<sup>th</sup> quarter of 2012;
- Major investments still required (R14m . R35m/MW);
- Introduction of carbon taxes which will result in increase in electricity costs;
- Risks associated with the implementation of the Integrated Resource Plan (IRP2010);
- Implementation and funding of the IRP2010;
- Risk mitigation for late decisions or late projects;
- Energy efficiency and Demand Side Management (EEDSM)
  - Lowest cost option vs. short term buy back+solutions; and
  - Targets not achieved (8.5TWh/3000MW in 3 years).
- Lack of maintenance of the current generation fleet;
- Increased possibility of major failures;
- High load factors and no cover by insurance;
- Poor coal quality leading to partial load losses; and
- Ageing infrastructure.

*(ii) Transport and reliability:*

- Transmission system operating at maximum capacity;
- Possible interruptions due to system overload;
- Ageing infrastructure;
- Lack of system maintenance;
- Protection schemes test postponed;
- Transmission system expansion delays;
- Permits / authorisation delays;
- Limited permutations for power transfer/transportation; and
- Redundancy (N-1) compromised.

*(iii) Distribution and reticulation:*

- Eskom services divergence
  - Eskom supply areas vs. municipality supplied areas
- Non optimal maintenance of the distribution infrastructure;
- Lack of funds and capability in some areas;
- Varying tariffs, services, quality between licensees;
- Customer mix variations;
- Revenue collection and non technical losses;
- Different economic growth strategies within Municipalities;
- Distribution infrastructure operating at maximum capacity;
- System overload and interruptions; and
- Ageing infrastructure.

*(iv) Access, affordability, investments*

- Crafting an affordable price path
  - Security of supply vs. low cost power production vs. emissions
- Price increases still above inflation;
- Primary energy costs and availability
  - Renewable energy and Coal (quality and availability) vs. employment, economic growth and investment
- International competitiveness for exporting industries is still positive;

- Local industries will be negatively affected by the increase in electricity costs;
- Affordability of services threatened (bad debt and theft increased);
- Customisation of the Inclining Block Tariffs (IBTs);
- Renewable Energy increase (43% by 2030);
- The cost of renewable energy will be R50bn by 2016;
- Security of supply is not necessarily guaranteed by the introduction of renewable energy;
- Limited or no off-grid investments; and
- Access targets will not be met.

**(v) Legislative changes**

- National Energy Regulator Amendment Bill
  - Introduction of a new appeal process
- Electricity Regulation Amendment Bill
  - Clarity on introduction of new generation, transmission and distribution capacity
  - Changes in some processes such as price and performance standards setting
- Independent System and Market Operator Bill
  - Separation of system operations from Eskom
  - Separation of buying function from Eskom
  - Separation of Transmission Wires from Eskom

**b) *Risks***

**(i) Low reserve margin:**

- High load factors leading to high failure possibility; and
- Poor coal quality leading to partial load losses.

**(ii) Implementation and funding of the IRP 2010 - 2030:**

- Allocation of responsibilities (who does the building?); and
- Setting of deadlines / milestones of decisions.

**(iii) Other critical factors:**

- Refurbishment of the infrastructure; and
- Introduction of higher carbon taxes.

**c) *Priorities / mitigation strategies:***

In mitigating against these challenges and risks, the following priorities have been identified with regards to the regulation of the electricity industry:

- Finalisation and promulgation of IRP2010 implementation rules;
- Assignment of roles and responsibilities in the implementation of the IRP2010;
- Development of risk mitigation strategies;
- MYPD3 submission by Eskom and processing of the application;
- Public consultation and education planning;
- Analysis of MYPD2 results and impact;
- Customisation of the IBTs;
- Credit rating and access to funds for the new build programme;
- Compliance enforcement and monitoring;

- Accuracy of inputs and costs;
- Implementation of approved and funded projects;
- Licensing process streamlining for IPPs;
- IPP friendly evaluation process from tendering to licensing;
- Relieve demand and stress on the Eskom Balance sheet;
- Energy Efficiency and Demand Side Management;
- Facilitation of growth;
- Affordability enhancement;
- Contribution to the lessening of greenhouse gas emissions;
- Energy Conservation Scheme for emergency conditions;
- Avoiding blackouts and black starts; and
- Create space for maintenance of the generation fleet.

## **Piped-Gas Industry Regulation**

### **a) Constraints**

- The *Agreement Concerning the Mozambican Gas Pipeline between the Government of the Republic of South Africa and Sasol Limited, including Schedule One thereof* (the Agreement) prescribes Sasol's price setting methodology, certain tariffs, exclusivity conditions and a price capping mechanism until March 2014;
- Lack of alternative gas sources and investors;
- Highly compliance focused due to the Agreement and weak enforcement provisions of the Gas Act;
- Supposedly light handed tariffs and pricing but paradoxically requires more pro-active involvement;
- Creating market structure - preparing market for arrival of competition or new gas finds;
- Increasing electricity prices are rendering gas, such as Liquid Natural Gas (LNG), more attractive, especially for electricity generation;
- Difficult to promote natural gas as a greener source of energy with paucity of domestic gas finds;
- Chicken or egg cliché still holds true . anchor customer for LNG terminal remains elusive;
- Single largest hurdle in growing the gas market is the paucity of Natural Gas finds but the latest developments indicate government support for GTP; and
- Currently relying on Mozambican imports. Therefore growing supply is reliant on imports and domestic exploration.

### **b) Challenges**

- Limited domestic gas reserves;
- Limited access to available gas infrastructure (Rompco pipeline);
- Limited government policy advocacy for an increased usage of natural gas in the energy mix;
- Environmental concerns on Shale gas exploration;
- Lack of credible gas anchor customers;
- Other challenges:
  - Historically low electricity costs;
  - Supply concerns;

- Market value pricing by Sasol; and
- Low acceptance of piped-gas as a safe fuel source.
- Policy environment for regulators (e.g. E-tolls, Walmart, Shale gas moratorium) and the call for the nationalisation of mines);
- Loss of credibility and regulatory reputation can deter development of the gas market; and
- Lobbying by incumbents.

### **c) *Risks***

- Uncertainty on moratorium on shale gas exploration
  - Could steer potential investors away
- South Africa misses window of low Liquefied Natural Gas (LNG) prices
  - No significant uptake of LNG for electricity generation;
  - Open Cycle Gas Turbines (OCGT) stations not converted to Closed Cycle Gas Turbines (CCGT); and
  - The amount of electricity to be generated through CCGT has not been adjusted upward in the Integrated Resource Plan.
- Lack of policy drive on increase use of natural gas
  - Creates uncertainty about the future role of natural gas in the energy sector; and
  - South Africa likely to miss an opportunity to exploit gas developments in Mozambique and Tanzania.

### **d) *Priorities / mitigation strategies:***

In mitigating against these challenges and risks, the following priorities have been identified with regards to the regulation of the piped-gas industry:

1. Development of a gas market;
  - a. monitor trends alternative sources of supply (LNG, shale, CBM etc);
  - b. Continue the dialogues on impediments to gas infrastructure investment;
  - c. Participate in Gas Act review;
  - d. Combine licensing knowledge with national dialogue and advise DoE on ensuring an anchor customer for gas; and
  - e. Promote natural gas as an attractive option compared to other fuels).
2. Sending correct price signals;
  - a. Implement maximum pricing methodology;
  - b. Implement RRM to overcome information asymmetry;
  - c. Market value pricing investigations;
  - d. Tariff guidelines implemented for Sasol, Transnet, Rompco; and
  - e. Enforce pricing provisions of the Agreement.
3. Promote entry and competition;
  - a. Licence construction applications within statutory deadlines;
  - b. Licence conditions . excise undeveloped distribution areas;
  - c. Benchmark licence conditions;
  - d. Compliance framework implementation and monitoring;
  - e. Third Part Access enforcement and advocacy; and
  - f. Advocacy and coordination at exploration stage, e.g. liaising with PASA, INP.
4. Create regulatory certainty;
  - a. Build a reputation as a credible and predictable regulator;

- b. Provide incumbents and new entrants with documented decisions;
- c. Advocacy and stakeholder education;
- d. Facilitating entry, third party access and a clear tariff framework; and
- e. Assist DoE in GTP analysis.
- 5. Promote competition;
  - a. Reputation for curbing dominance by one player and leveling the playing field;
  - b. Analyse barriers to entry, including third party access enforcement and advocacy; and
  - c. Pro-active identification of opportunities in gas distribution and trading in particular.
- 6. Tariffs . linked to licence conditions and compliance projects;
  - a. Enforcement of the Regulator Reporting Manuals;
    - i. Account separation, non-discrimination and no cross subsidization (regulatory accounts); and
    - ii. True test of Market value pricing in this information (as suggested by resistance).

## **Petroleum Pipelines Industry Regulation**

### ***a) Challenges and Risks***

- The construction delays have resulted in increased capital costs which will attract higher tariffs. The challenge for NERSA will be in determining prudently incurred costs;
- Transnet announced large capital expansions in other divisions (apparently to be funded by tariffs). Will this lead to consumer resistance?
- Tariff increases may incentivise other modes of transport (road and rail) when pipelines need higher volumes. If this happens Government may intervene again (another levy?);
- Locational advantage for inland refiners is still somewhat controversial. Paradoxically higher pipeline volumes reduce locational advantage
- Applicants for storage construction licences need to find areas of low/no competition to remain competitive;
- Oil majors also want Multi-Year Tariff Determinations for storage tariffs as a lot of the tariffs that are set are not used in practice, since tankage is kept short, so there is in effect no 3<sup>rd</sup> party access to oil company sites;
  - Side effect - limiting opportunity for BEE players to get storage for new volumes
- Security of inland supply
  - Slug sizes are currently not an issue since the New Multi-Product Pipeline is currently transporting only one product;
  - However, since the pipeline is so much larger, any stoppage will have a bigger impact and any terminal facility will need to be able to handle larger volumes in the event that there is a need to compensate for someone who could not take their volume . oil companies increasing capacity
  - The continued use of the Durban Johannesburg pipeline is under investigation as a backup. Different options will be possible, depending on physical findings;
  - The availability of quality data remains a challenge, but the DoE is starting to release the data
- Benchmarking of tariffs for petroleum pipelines seems to be difficult as there are data limitations and comparable networks;
- Benchmarking of storage tariffs more promising;
- Third party access to storage is not working as the Act intended as Oil companies are vertically integrated;

- In terms of facilitating market entry NERSA is challenged by the fact that the Petroleum Pipelines Act is silent on competing applications;
- The issue of who bears the risk of delays in late delivery and cost over runs challenges NERSA in so far as fair allocation between customers and investors;
- The lack of unified petroleum regulation due to multiple regulators is resulting in boundary demarcation issues; timing of decisions (synchronizing); regulatory burden (e.g. different regulatory accounts) and licensees playing one off against another;
- Whilst the filling of posts and training particularly in financial skills takes place, NERSA will be partially reliant on consultants for the foreseeable future; and
- The lack of capacity and shortage of skills both within the organisation and within the SMME sector is putting a strain on the ability of NERSA to timeously process applications.

## ***b) Priorities / mitigation strategies***

In mitigating against these challenges and risks, the following priorities have been identified with regards to the regulation of the petroleum pipelines industry:

1. Tariffs:
  - a. Setting/approval of tariffs;
  - b. Review of tariff methodologies (pipelines and storage and loading facilities);
  - c. Publication of data;
  - d. Benchmarking;
  - e. Control Transnet's Expansion tariffs:
    - i. Regular update on project progress;
    - ii. Monitor project plan if there are any deviations;
    - iii. Monitor project budget;
    - iv. Review procurement; and
    - v. Determine costs % prudently incurred+.
  - f. Monitor Transnet's Possible Precarious Financial State;
  - g. Scrutinising the increase in Regulatory Asset Base;
  - h. Gearing to be consistent with previous decisions;
  - i. Monitor high increase in operational expenses; and
  - j. Start preparing for possible Multi-Year Tariff applications.
2. Licensing:
  - a. Timely decisions on applications for construction, operation, amendment of licences and revocation of licences.
3. Monitoring and compliance:
  - a. Monitoring and inspections of licences issued; and
  - b. Identification of and appropriate action against unlicensed facilities
4. Data collection and analysis;
5. Access:
  - a. Common carriage and 3<sup>rd</sup> party access: monitoring facilitation and enforcement.
6. Monitoring security of inland supply.

## **Cross-Cutting Regulatory**

### ***a) Challenges:***

- To manage the information asymmetry between NERSA and the licensees;
- To advise policy makers of NERSA views, policy gaps and NERSA's mandate;

- To identify and seek remedies to weaknesses and gaps in industry legislation experienced by NERSA;
- To consult government departments and economic regulators in pursuit of NERSA's strategic objectives. Publicize regulatory processes, frameworks and rules;
- To enhance NERSA's credibility, legitimacy, sustainability and image through quality decisions, consistent approach, consultation and information disclosure;
- To be constantly alert to shifts in NERSA's mandate;
- To coordinate NERSA activities with other regulators with concurrent jurisdiction;
- To keep abreast with new developments and adapting regulatory tools for increasing sophistication in the energy business;
- To assess NERSA's processes and methodologies against best in world practices through regulatory analysis, research, benchmarking and auditing; and
- To sustain the institutional memory of the Energy Regulator.

**b) Priorities:**

- Implementation of the Regulatory Reporting Manuals (Financial and Non-Financial);
- Impact assessment of regulatory decisions;
- Benchmarking of regulatory decisions;
- Consumer Education;
- Harmonisation of regulatory processes;
- Regulator communication with Policy Maker; and
- Improve access of customers to public hearing notices.

## **1.2. Stakeholder Analysis and Engagement**

NERSA is dependent on sound relationships with stakeholders based on trust and credibility. However, trust is built by keeping channels of communication open and clear, and by making sure that all publics have access to information, by consulting and listening to stakeholders and by being open, honest and transparent at all times.

The Stakeholder Analysis and Engagement will be aligned with the Integrated Communication Strategy and implemented according to the Action Plans within the Strategy. In order to understand the important stakeholders of NERSA as well as all factors impacting on the relationship between NERSA and its stakeholders, an approach was followed to segment stakeholders into specific groups:

### **1. Normative Stakeholder Group**

Normative groups provide the authority for NERSA to function and the organisation is dependent on their co-operation and goodwill. They are NERSA's stakeholders and are critical for NERSA in the accomplishment of its mission. They have the ability to influence the course of our regulatory functions or existence. These target groups include the Portfolio Committee on Energy; all Parliamentarians and government departments such as the Ministry and Department of Energy; Ministry and Department of Public Enterprises; Ministry and Department of Finance (National Treasury); Ministry and Department of Cooperative Governments and Traditional Affairs; National Planning Commission; Work streams established by the Inter Ministerial Committee; and Auditor-General. NERSA should be actively involved in interacting with decision-makers such as

Parliament and Government. Strategic partnerships with international donors, funders and communities such as NORAD, USAid, DFID, AUSAid, NZODA and Daneda are also vital for NERSA to operate more effectively and efficiently through the funding of capacity building and knowledge sharing projects.

The approach in dealing with these stakeholders is to keep them informed through regular consultation and monitoring of developments within the energy industry.

## **2. Functional Groups**

Functional groups directly affect many of the day-to-day activities of NERSA. Its most important target group is its employees because the credibility of NERSA is mainly determined by the output of its employees. Various employees interact on different levels and on a regular basis with external stakeholders and they act as the doors and windows of the organization. The better informed they are, the more efficient and credible NERSA is perceived to be. This means that well-informed, empowered and committed NERSA staff can play a very important role as ambassadors of the organisation. However, this group also includes Energy Regulator Members who have an influence on the functions and policies of the organisation, as well as interact on a strategic level with government and parliamentarians. The functional groups can be divided into the following sub-groups:

- A management public such as the Executive Management and Heads of Departments;
- A specialized public, which consists mainly of Functional experts & professionals in the technical, financial, economic, customer and support services areas who communicate horizontally and across channels within the organisation;
- An administrative public, which consists of people who work mainly with administrative tasks and who communicate across organisational boundaries.

NERSA's vision is to be a world-class leader in energy regulation. In order to achieve this vision, NERSA needs to keep their functional stakeholders informed and involved about developments within NERSA and the energy industry on a regular basis. This will ensure loyalty by staff and keep them motivated to perform effectively and efficiently.

An informed employee is an inspired, motivated and productive employee

## **3. Public groups**

Public groups are those dependent on the organisation for the rendering of a specific service and those who are affected by the decision-making of NERSA. They include the following:

- Utilities, Investors and Licencees  
Eskom, Eskom Enterprises, Metro Councils Local Municipalities, Other Distributors, Transnet, PetroSA, iGas, Shell, Transnet Pipelines, Sasol Gas, All big oil companies, Sasol Oil and Engen. It is mutually beneficial to maintain a meaningful relationship by sharing needs, perceptions and values. It is also important to share information on new projects, progress made on existing ones, successes and breakthroughs.
- Customers
  - Industrial: they are major stakeholders of NERSA and account for 35% of the electrical energy consumed in South Africa. They play an important role in the economic growth,

prosperity and development of South Africa. They have a major interest in the outcome of the management and restructuring of the electricity industry. NERSA needs to form close relationships with them through active involvement, engagement and participation in energy-related activities, which have a bearing on the business of energy intensive consumers;

- Commercial, agricultural, and residential (urban/rural): NERSA needs to form closer relationships with them through active involvement, engagement and participation; and
- Customer and end user forums need to be established for electricity customers as per Section 6 of the Electricity Regulation Act.

These stakeholders need to be engaged and encouraged to actively participate in the Energy Regulator's processes by being accessible, honest and transparent at all times. This will create credibility and confidence of NERSA's ability to effectively execute its mandate.

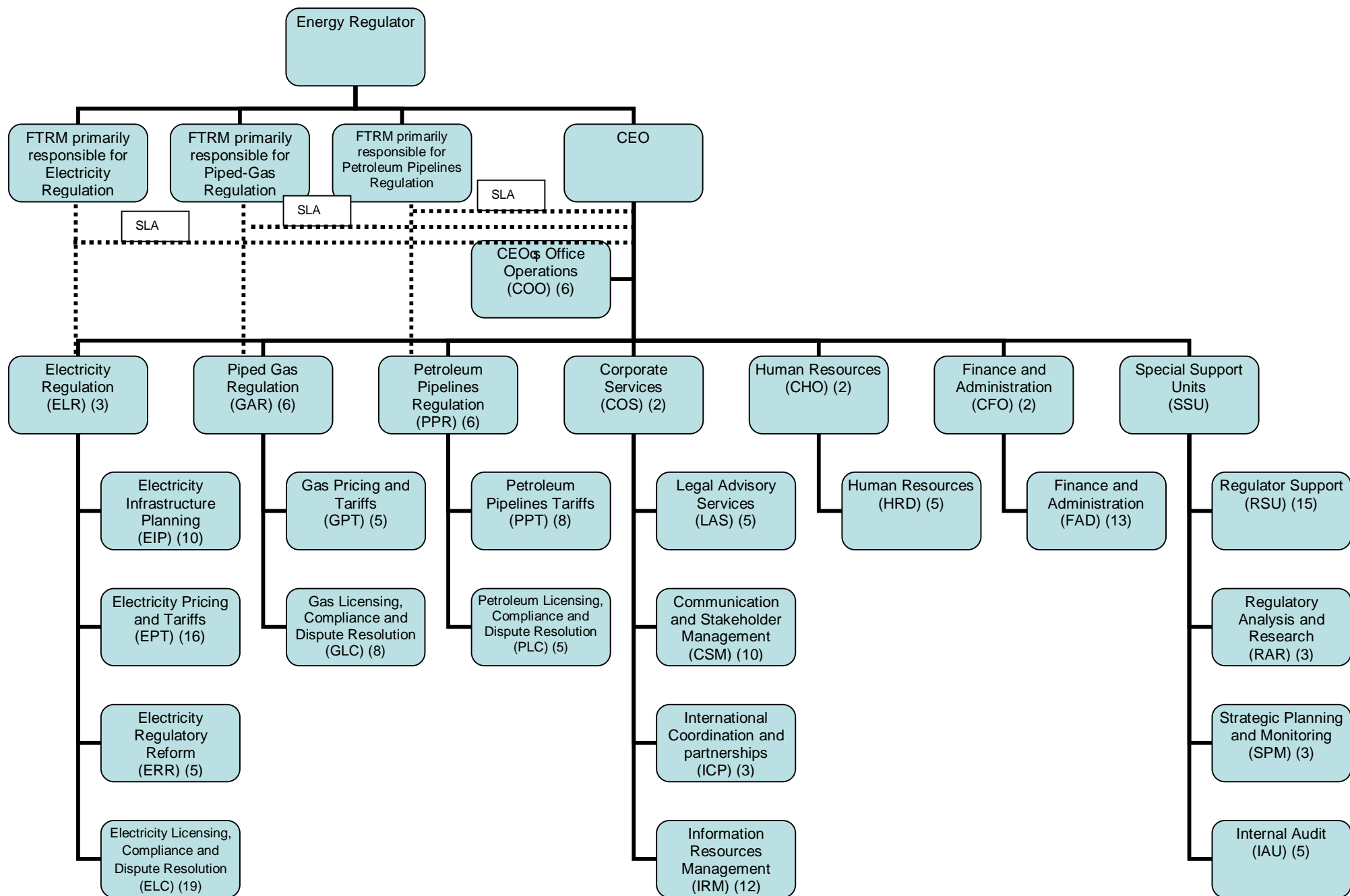
#### **4. Diffused groups**

Diffused groups are particular types of stakeholders who are concerned about protecting the rights of other people. They include the media; non-governmental organisations; community-based organisations; special interest groups such as academic institutions; associations/organisations/Unions; and political parties. NERSA needs to form closer relationships with them through active involvement, engagement and participation.

NERSA needs to engage and interact with these stakeholders as partners. In this regard, pro-active actions will be taken to respond to them and clarify to them NERSA's role and functions.

#### **1.3. Organisational environment**

Following is the approved NERSA Organisational Structure:



During 2011/12, NERSA managed to fill 82.5% of positions in the approved structure of 177 positions. This is indicating challenges of under capacitation. The lack of specialized industry specific technical skills in both core business and support functions makes NERSA utilise consultants from time to time. NERSA is committed to resourcing the organsiational appropriately to achieve its goals.

## Staff complement

The table below summarises the staff complement of NERSA.

DIVISION	DEPARTMENT	TOTAL NERSA
Electricity Regulation (ELR)	Executive	3
	Electricity Pricing and Tariffs (EPT)	16
	Electricity Licensing, Compliance and Dispute Resolution (ELC)	19
	Electricity Regulatory Reform (ERR)	5
	Electricity Infrastructure Planning (EIP)	10
Piped-Gas Regulation (GAR)	Executive	6
	Gas Pricing and Tariffs (GPT)	5
	Gas Licensing, Compliance and Dispute Resolution (GAC)	8
Petroleum Pipelines Regulation (PPR)	Executive	6
	Petroleum Pipelines Tariffs (PPT)	8
	Petroleum Licensing, Compliance and Dispute Resolution (PLC)	5
Finance and Administration (CFO)	Executive	2
	Finance and Administration (FAD)	13
Human Resources (CHO)	Executive	2
	Human Resources (HRD)	5
Corporate Services (COS)	Executive	2
	Legal Advisory Services (LAS)	5
	Communication and Stakeholder Management (CSM)	10
	International Co-ordination and Partnerships (ICP)	3
	Information Resources Management (IRM)	12
Specialised Support Units (SSU)	Internal Audit (IAU)	5
	Strategic Planning and Monitoring (SPM)	3
	Regulator Support RSU)	15
	CEO's Office Operations (COO)	6
	Regulatory Analysis and Research (RAR)	3
<b>Total Number of NERSA staff</b>		<b>177</b>

## Organisational challenges

The table below highlights the specific organisational challenges and mitigating strategies:

Organisational issues	Threat posed by the factor	Opportunity presented by the factor	NERSA response to the challenge
People	<ul style="list-style-type: none"> <li>• Ability to attract and retain requisite skills</li> <li>• Loss of skills within the industries</li> <li>• Need for critical and scarce skills</li> <li>• Growth ceiling within the organisation, there is no room for growth for certain skilled individuals</li> <li>• Employees experience working / operational environment hassles</li> </ul>	<ul style="list-style-type: none"> <li>• An opportunity exists to help employees to love their jobs and perform at an optimal level</li> <li>• Development of a management, leadership style and organisational culture</li> <li>• Development of key skills where possible</li> </ul>	<ul style="list-style-type: none"> <li>• Review of exit interviews - understand where skills are going to and the reasons thereof</li> <li>• Develop a uniform culture (NERSA is currently conducting a culture survey)</li> <li>• Encourage internal job rotations</li> <li>• Review current operations model (to amend organisational structure issues)</li> <li>• Review of findings from people and or organisational surveys conducted in the past and implementing relevant recommendations</li> <li>• Implement an Integrated Human Resource Strategy encompassing the following: <ul style="list-style-type: none"> <li>○ Attraction, Recruitment and Retention Strategies that will propose different approaches for ensuring that relevant skills are sourced for NERSA</li> <li>○ Remuneration Model that will address the key challenges of NERSA and ensure that relevant technical skills and expertise is developed within NERSA</li> <li>○ Reward and Recognition Programmes on the basis of Performance Management System</li> </ul> </li> </ul>
Processes	<ul style="list-style-type: none"> <li>• A gap exists in our institutional memory</li> <li>• Supply chain / procurement processes cripple operations and productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory processes need to be reviewed</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a balance between compliance and procurement efficiencies</li> <li>• Undertake a business process review exercise to streamline, automate, re-engineer, document and workshop with all users</li> </ul>
Enabling technology	<ul style="list-style-type: none"> <li>• NERSA has a culture of information over-load</li> </ul>	<ul style="list-style-type: none"> <li>• An opportunity exists to improve the current IT systems and integrate where possible - IT Architecture that will enable the development of a repository of information that will form the basis of a</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a comprehensive IT Strategy</li> <li>• Develop knowledge management processes and systems</li> <li>• Automate and send documents electronically</li> </ul>

Organisational issues	Threat posed by the factor	Opportunity presented by the factor	NERSA response to the challenge
		Knowledge Management System	<ul style="list-style-type: none"> <li>• Adopt a resourcing policy model</li> </ul>
Conducive working environment	<ul style="list-style-type: none"> <li>• NERSA has poor hygiene factors+such as lifts, safety regulations etc.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement an internal workspace enhancing strategy</li> </ul>

## 2. Revisions to legislative and other mandates

NERSA is the regulatory authority established in terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) with the mandate to undertake the functions of the National Electricity Regulator as set out in the Electricity Regulation Act, 2006 (Act No. 4 of 2006), undertake the functions of the Gas Regulator as set out in the Gas Act, 2001 (Act No. 48 of 2001), undertake the functions of the Petroleum Pipelines Regulatory Authority as set out in the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003) and to perform such other functions as may be assigned to it by or under these Acts. NERSA's mandate is anchored on the following four primary Acts:

- National Energy Regulator Act, 2004 (Act No. 40 of 2004);
- Electricity Regulation Act, 2006 (Act No. 4 of 2006) (ERA);
- Gas Act, 2001 (Act No. 48 of 2001); and
- Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

NERSA derives its revenue by, amongst others, imposing prescribed levies on the regulated industries following a prescribed transparent procedure. In this regard, the following Acts govern the imposition of such levies:

- Gas Regulator Levies Act, 2002 (Act No. 75 of 2002);
- Petroleum Pipelines Levies Act, 2004 (Act No. 28 of 2004); and
- Section 5B of the Electricity Act, 1987 (Act No. 41 of 1987).

Apart from the mentioned legislation that anchors NERSA's mandate and the imposition of levies, the following facilitating and all other legislation is also applicable to NERSA's conduct of its business:

- The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), which specifies the accounting of NERSA as a Section 3 Public Entity;
- The Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA), which determines the way that NERSA has to treat access to information;
- The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) (PAJA), which determines just administrative action of NERSA; and
- The Constitution.

### **Objects of the Acts**

Each one of the industry-specific Acts that NERSA is deriving its mandate from has certain objects that should be achieved if NERSA carries out its functions as defined in these Acts.

The objects of the Electricity Regulation Act as stipulated in Section 2 of the Act, are to:

- Achieve the efficient, effective, sustainable and orderly development and operation of electricity supply infrastructure in South Africa;
- Ensure that the interests and needs of present and future electricity customers and end users are safeguarded and met, having regard to the governance, efficiency, effectiveness and long-term sustainability of the electricity supply industry within the broader context of economic energy regulation in the Republic;
- Facilitate investment in the electricity supply industry;
- Facilitate universal access to electricity;
- Promote the use of diverse energy sources and energy efficiency;
- Promote competitiveness and customer and end user choice; and

- Facilitate a fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public.

The objects of the Gas Act as stipulated in Section 2 of the Act, are to:

- Promote the efficient, effective, sustainable and orderly development and operation of gas transmission, storage, distribution, liquefaction and re-gasification facilities and the provision of efficient, effective and sustainable gas transmission, storage, distribution, liquefaction, re-gasification and trading services;
- Facilitate investment in the gas industry;
- Ensure the safe, efficient, economic and environmentally responsible transmission, distribution, storage, liquefaction and re-gasification of gas;
- Promote companies in the gas industry that are owned or controlled by historically disadvantaged South Africans by means of licence conditions so as to enable them to become competitive;
- Ensure that gas transmission, storage, distribution, trading, liquefaction and re-gasification services are provided on an equitable basis and that the interests and needs of all parties concerned are taken into consideration;
- Promote skills development among employees in the gas industry;
- Promote employment equity in the gas industry;
- Promote the development of competitive markets for gas and gas services;
- Facilitate gas trade between the Republic and other countries; and
- Promote access to gas in an affordable and safe manner.

The objects of the Petroleum Pipelines Act as stipulated in Section 2 of the Act, are to:

- Promote competition in the construction and operation of petroleum pipelines, loading facilities and storage facilities;
- Promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines, loading facilities and storage facilities;
- Ensure the safe, efficient, economic and environmentally responsible transport, loading and storage of petroleum;
- Promote equitable access to petroleum pipelines, loading facilities and storage facilities;
- Facilitate investment in the petroleum pipeline industry;
- Provide for the security of petroleum pipelines and related infrastructure;
- Promote companies in the petroleum pipeline industry that are owned or controlled by historically disadvantaged South Africans, by means of licence conditions to enable them to become competitive;
- Promote the development of competitive markets for petroleum products;
- Promote access to affordable petroleum products; and
- Ensure an appropriate supply of petroleum to meet market requirements.

The objects of the National Energy Regulator Act as stipulated in Section 1 of the Act, is to:

- Establish a National Energy Regulator for the regulation of the electricity, piped-gas and petroleum pipelines industries

## **Regulations**

### **Electricity Industry Regulations**

The Electricity Regulation Act gives the Minister of Energy the power to make Regulations in terms of which NERSA must discharge its mandate. The Minister has published the following Regulations:

- Electricity Regulations for Expropriation on behalf of a licensee;
- Electricity Regulations for compulsory norms and standard for reticulation services;
- Electricity Regulations on deviation from set or approved tariffs; and
- Revised New Generation Regulations were issued on 4 May 2011.

### **Piped-Gas Industry Regulations**

The Gas Act gives the Minister of Energy the power to make Regulations in terms of which NERSA must discharge its mandate. The Minister published Regulations in terms of the Gas Act on 20 April 2007. These Regulations deal with, amongst others:

- third party access to transmission and storage facilities;
- expropriation procedures and timelines;
- mechanisms to promote historically disadvantaged South Africans;
- mediation and arbitration procedures; and
- price regulation principles and procedures.

### **Petroleum Pipelines Industry Regulations**

The Petroleum Pipelines Act gives the Minister of Energy the power to make Regulations in terms of which NERSA must discharge its mandate. The Minister published the Regulations in terms of Petroleum Pipelines Act on 4 April 2008. The Regulations deal with, amongst others:

- third party access to storage facilities;
- setting of tariffs for petroleum pipelines and approval of tariffs for petroleum loading and storage facilities;
- expropriation procedures and timelines;
- mechanisms to promote historically disadvantaged South Africans; and
- mediation and arbitration procedures.

#### **2.1. Policy mandates**

NERSA's mandate is further derived from written government policies developed by the Minister of Energy in terms of the Electricity Regulation Act, Gas Act and Petroleum Pipelines Act. According to the Electricity Regulation Act, Gas Act and Petroleum Pipelines Act, NERSA must make decisions that are not at variance with published government policy.

The relevant policies applicable are:

- White Paper on Energy Policy for South Africa of 1998;
- Electricity Pricing Policy (EPP) of the South African Electricity Supply Industry;

- Free Basic Electricity Policy; and
- White Paper on Renewable Energy Policy for South Africa of 2003;
- Energy Security Master Plan: Liquid fuels published by the Department of Energy in 1998 and 2007.

Section 36 of the Gas Act incorporates an Agreement between the Minister of Minerals and Energy, the Minister of Trade and Industry and Sasol Limited concerning the introduction of natural gas by pipeline from the Republic of Mozambique into South Africa (the Agreement). This Agreement concerns the regulatory regime applicable to one particular participant in the piped-gas industry, Sasol Limited, and binds the regulator by bestowing a special regulatory dispensation to Sasol Limited (Sasol) valid until to 25 March 2014 at the latest.

## **2.2. NERSA's contribution to Government's outcomes**

Over and above the above stated policies, NERSA is also expected to contribute to Government's twelve outcomes, which is based on Government's Medium Term Strategic Framework (MTSF) that clearly articulates the agenda of the Government. The set of 12 outcomes were developed to reflect the desired development impacts Government seeks to achieve, given Government's policy priorities. Each tier of government as well as public entities are required to base their own planning for the medium term expenditure framework on these priorities and outcomes. As a public entity NERSA will contribute to the following five outcomes that the Minister of Energy has committed to:

### ***Outcome 2: A long and healthy life for all South Africans***

NERSA contributes through:

- Offering advice/comment with regards to cleaner fuels;
- Driving renewable energy programmes and promoting the introduction of renewables and gas into the energy mix;
- In determining electricity pricing, NERSA has set aside 3.2c/kWh in the second Multi-Year Price Determination (MYPD2) for the Electrification Cross-subsidy;
- Taking affordability into consideration when setting and or approving tariffs and prices;
- Implementing inclining block tariffs for electricity consumers; and
- Regulating in a manner which facilitates security of supply.

### ***Outcome 4: Decent employment through inclusive economic growth***

NERSA contributes through:

- Licensing and the setting and/or approving of tariffs and prices. In this manner NERSA creates pre-conditions towards the achievement of this outcome;
- Setting renewable energy selection criteria, indicating that twenty decent jobs for every megawatt produced are required;
- Promoting companies that are owned and controlled by HDIs to become competitive; and
- Ensuring the sustainability of the coal industry as a large employer and job creator through the MYPD.

### ***Outcome 6: An efficient, competitive and responsive economic infrastructure network***

NERSA contributes through:

- Monitoring compliance and undertaking technical audits leading to regulatory efficiency;
- Setting and/or approving cost reflective tariffs and prices that encourage investment;
- Facilitating 3<sup>rd</sup> party access to facilities;
- Setting rules and frameworks that facilitate the building of new infrastructure; and
- Regulating in a manner which facilitates security of supply.

### ***Outcome 8: Sustainable human settlements and improved quality of household life***

NERSA contributes through:

- Creating an environment to attract investment to facilitate gas to power projects;
- Monitoring the implementation of the Integrated Resources Plan;
- Saving of electricity (MYPD1 and MYPD2);
- Participating in the Energy Sector Technical Committee that is preparing for the hosting of United Nations Climate Change of the Parties Conference (COP17);
- Verifying 1 Terrawatt hour (TWh) combined savings from Energy Efficiency and Demand Side Management (EEDSM) projects, including municipalities and Eskom;
- Taking affordability into consideration when setting and/or approving tariffs;
- Implementing inclining block tariffs; and
- Regulating in a manner which facilitates security of supply.

### ***Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced***

NERSA contributes through:

- Creating an environment to attract investment to facilitate gas to power projects;
- Monitoring the implementation of the Integrated Resources Plan;
- Saving of electricity (MYPD1 and MYPD2);
- Participating in the Energy Sector Technical Committee that is preparing for the hosting of COP17; and
- Participating in the competitive bidding process as part of its licensing mandate to introduce renewable energy, generated through independent power producers (IPPs) into the energy mix; and 1 Terrawatt hour (TWh) combined savings verified from EEDSM projects, including municipalities and Eskom.

### ***Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship***

NERSA contributes through:

- Improved regulatory processes; and
- Attraction, Recruitment and Retention Strategies that will propose different approaches for ensuring that relevant skills are sourced for NERSA.

### 2.3. Relevant court rulings

NERSA received a High Court application from Eskom on the Energy Regulator decision to award Midvaal an electricity distribution licence amendment. This pending decision by the High Court may have an impact on the contents of the Strategic Plan for the period 2012/13 . 2016/17.

### 2.4. Planned policy initiatives

Although policy formulation is outside of NERSA's realm of authority, specific policy gaps were identified that require ongoing dialogue and strategic engagement with the Department of Energy in order to ensure that there is alignment between NERSA's strategic direction and the Department's policy thrusts. In some instances policy is not clear on, for instance, what security of supply requirements are and who should pay for them or build the infrastructure, but NERSA is required to consider licence and tariff applications in which such considerations play a role.

Many questions arise, such as:

- Who should ultimately pay for additional spare capacity desired by the state for strategic reasons but which cannot be commercially justified at present?
- How will the envisaged integrated infrastructure network be operated?
- To what extent can supplies be imported?
- What is the role of the Energy Regulator and/or government in facilitating investment in import facilities?

The result is that economic regulators face difficult trade-offs.

NERSA advocates the implementation of the White Paper on Energy Policy of 1998 before the principles enshrined in the policy and suite of subsequent legislation are overhauled. As the Energy Regulator we are aware that the policies of 1998 and consequent suite of legislation (Gas Act, Petroleum Pipelines Act, National Energy Regulator Act and Electricity Regulation Act) which were developed between 2001 and 2006 have been actively implemented since the establishment of NERSA in October 2005. It is only now that we are able to give private investors some certainty regarding energy infrastructure investments and the level playing field we are expected to provide. Recent private sector licence applications in the piped-gas and petroleum pipelines industries are a testimony to the success of government's liberalisation policies.

The Electricity Regulation Act gives the mandate for competitive bidding of electricity generation capacity to the Department of Energy (DoE), following a Cabinet decision that private sector participation in the electricity industry be split 70:30 between Eskom and the private sector, with DoE procuring the plant and Eskom being the ~~off-taker~~ off-taker. The procurement by DoE took much longer than anticipated and in 2007 Cabinet decided that Eskom be designated as the single buyer of power from Independent Power Producers (IPPs) in South Africa and that Eskom will be responsible for ensuring that adequate generation capacity is made available and that 30% of the new power generation capacity is derived from IPPs.

Apart from the Regulations on the revised New Generation Capacity, promulgated in May 2011, no legislation or regulations have been promulgated in this regard.

The ability of NERSA to enforce compliance is constrained by a lack of policy to impose penalties in cases of non-compliance.

The energy industry lacks a single view of the regulatory authority as various energy industry supply chains are regulated by different authorities thus compromising the ability of co-ordinated regulatory oversight as a result of concurrent and/or adjacent jurisdiction.

There are developments in the three industries that are not covered by the current industry-specific Acts. For example, in the piped-gas industry there are new technological developments allowing for mobile storage of compressed natural gas that were not foreseen when the Gas Act was promulgated in 2001. Furthermore, with the experience arising from licence applications received in 2009, NERSA is aware that licensing is becoming increasingly complex, involving methodological analysis of financial, technical and legal considerations.

Experience has also shown that a review of the National Energy Regulator Act needs to be undertaken in order to ensure that the gaps that have been identified can be addressed.

### **3. Overview of 2013/14 budget and Medium Term Expenditure Framework (MTEF) estimates**

- 3.1. As per the requirements of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), the budget for the regulation of the electricity, piped-gas and petroleum pipelines industries has been ring-fenced in order to reflect the cost of regulating each industry appropriately. The approved ring-fencing methodology is based on the following principles:
- i. Costs that can be directly attributable to an industry-specific regulatory function will be charged directly to that function.
  - ii. Costs that are not directly attributable to an industry-specific regulatory function, but are incurred as common costs in order to support the three industry-specific regulatory functions, will be allocated between the three industry-specific regulatory functions using the ratio proportionate to the approved staff complement attributable to the industry-specific function:
    - The current ratio is 58% for the electricity industry regulation; 21% for the petroleum pipeline industry regulation; and 21% for the piped-gas industry regulation.
  - iii. This ring-fencing methodology will be reviewed in 2014/15 years. The Energy Regulator however has the discretion to review the ratios should there be indications of actual ratios varying by more than 5%.
- 3.2. The total NERSA Expenditure Budget amounts to R275 907 345 for 2013/14 (2012/13: R241 386 167) with the specific budgets for regulating the three industries being as follows:
- Electricity Industry: R 159 225 099 (2012/13: R 138 396 179)
  - Piped-gas Industry: R 56 942 531 (2012/13: R 51 024 667)
  - Petroleum Pipelines Industry: R 59 739 715 (2012/13: R 50 016 278)
- 3.3. This expenditure budget represents an increase of 14.3% over the expenditure budget for the National Energy Regulator for the financial year 2012/13, submitted to the Minister of Energy at the end of August 2011.
- 3.4. In the 2013/14 budget the levy payable by the licensed generators for the electricity regulation industry will be effectively reduced by a refund of surplus funds which existed at 31 March 2011 to the value of R 28.8 million and the refund of surplus funds that existed on 1 October 2005 of R13.4 million (to the electricity industry only).
- 3.5. Taking this into account, the total amount that NERSA will have to recover through levy income is R 236 785 743 for 2013/14 (2012/13: R 212 960 257) with the specific amounts to be recovered for the three industries being as follows:
- Electricity Industry: R 137 043 936 (2012/13: R 116 425 312)
  - Piped-gas Industry: R 48 808 067 (2012/13: R 47 063 616)
  - Petroleum Pipelines Industry: R 50 933 740 (2012/13: R 49 471 329)
- 3.6. The amount to be recovered through levy income represents an increase of 11.2% over the amount that had to be recovered for the financial year 2012/13, submitted to the Minister of Energy at the end of August 2011.

- 3.7. The expenditure estimates over the three year period 2013/14 . 2015/16 reflect an increase of 3.1% from 2013/14 to 2014/15 and 5.3% from 2014/15 to 2015/16.

## **4. NERSA Programmes and Purpose of each Programme**

### **4.1. Programme 1: Setting and/or approval of tariffs and prices**

The programme purpose is to set and/or approve tariffs, prices and charges in order to ensure a fair balance between the needs of the customer and the regulated entity. While the customer needs to be protected against misuse of monopolistic powers and unnecessary price hikes, the regulated entities needs to have sufficient income to ensure that they can continue operating as a going concern and have enough revenue for the maintenance and refurbishment of infrastructure.

### **4.2. Programme 2: Licensing and registration**

The programme purpose is to ensure the orderly development of the energy industry and to ensure that all activities related to all operations are licensed and registered as required by the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum pipelines Act, 2003 (Act No. 60 of 2003).

### **4.3. Programme 3: Compliance monitoring and enforcement**

The programme purpose is to ensure that all licensees in the three regulated industries fully comply with their licence conditions, including those relating to health, safety, security, environmental standards and requirements as well as any other standards and requirements prescribed by the relevant industry-specific legislation. The programme will also ensure compliance with directives to govern relations between a licensee and its end users. Compliance monitoring will be done in such a way that a fair balance between the interests of all stakeholders is encouraged and maintained.

### **4.4. Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints**

The programme purpose is to ensure that disputes and complaints between licensees or between licencees and customers or end-users are managed effectively and settled in a manner that is appropriate. This programme will also ensure that when needed, any mediation or arbitration required will be done within prescribed procedures.

### **4.5. Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries**

The programme purpose is to ensure the setting of appropriate rules, guidelines and codes of best practices in the quest to promote uniformity and standardise practices in the regulation of the three energy industries. This will facilitate the creation of investor confidence and lessen the regulatory burden on licencees. In order to achieve orderly investor confidence in the energy industries there must be standardised practices, which are the same for all participants and NERSA must maintain and safeguard these standards. This will facilitate investment in the energy industries, as investors and developers need a sound regulatory framework to ensure that they receive the expected returns for their investment.

#### **4.6. Programme 6: Establishing NERSA as an efficient and effective regulator**

The programme purpose is to ensure that systems, processes, procedures and resources are in place that will put NERSA in the position to appropriately advise policy makers on any matter relating to the effective and efficient regulation of the electricity, piped-gas and petroleum pipelines industries, thereby contributing towards the broader government objectives aimed at the economic development of the country. The purpose includes the development to skills, both internally and externally in energy regulation.

## 5. Link between Strategic Objectives and Programmes

The following table indicates the link between the strategic objectives as defined in the Strategic Plan (2012/13 . 2016/17) and the programmes as discussed above:

Strategic Objective	Programme
Regulatory environment facilitates investment in energy infrastructure	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator
Energy supply is certain and secure for current and future user needs	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
Fair competition exists within the energy industry	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
Regulatory certainty exists within the energy industry	Setting and/or approval of tariffs and prices
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator
Energy is accessible and affordable for all citizens	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
NERSA is established and positioned as a credible and reliable regulator	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator

The link between the programmes and the indicators are shown in the section below.

# **Part B: Programme and Sub- Programme Plans**

## 6. ELECTRICITY INDUSTRY REGULATION

### 6.1. Electricity Industry Regulation Programme 1: Setting and/or approval of tariffs and prices

#### 6.1.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To ensure financially sustainable supply of electricity by municipalities and private distributors	96% of tariffs applications of all licensed distributors set and approved	100% of tariffs applications of all licensed distributors set and approved.	100% of tariffs applications of all licensed distributors set and approved.	100% of tariffs applications of all licensed distributors set and approved.	100% of tariffs applications of all licensed distributors set and approved.
		Approved guideline and tariff benchmarks for 2012/13	Approved guideline and tariff benchmarks for 2013/14	Published Guidelines for Municipal tariff increases and Benchmarks for 2014/15	Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17
		Approved Regulatory Reporting Manual (RRM) implementation plan of 1 metro	Approved RRM implementation plans of 3 metros	Approved RRM implementation plans of 6 metros	Approved Regulatory Financial Reports (RFR) for 3 metros	Approved Regulatory Financial Reports (RFR) for 6 metros
2.	To ensure affordability of electricity supply to low-income households	Approved Inclining Block Tariffs (IBTs) for 56% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 71% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 80% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 85% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 90% of licensed distributors for residential customers
		Free Basic Electricity Rate for 2011/12 approved and communicated	Free Basic Electricity Rate for 2012/13 approved and communicated	Free Basic Electricity Rate for 2013/14 approved and communicated	Free Basic Electricity Rate for 2014/15 approved and communicated	Free Basic Electricity Rate for 2015/16 approved and communicated
3.	To facilitate the sustainability of electricity supply by Eskom	Approved Eskom MYPD2	Approved Eskom MYPD3	Report on Eskom's actual revenue recovery	Report on Eskom's actual revenue recovery	Report on Eskom's actual revenue recovery
		Approved Regulatory	Approved Eskom's Regulatory Financial	Approved Eskom's Regulatory Financial	Approved Eskom's Regulatory Financial	Approved Eskom's Regulatory Financial

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
		Reporting Manual (RRM) implementation plan of Eskom	Reports for 2011/12	Reports for 2012/13	Reports for 2013/14	Reports for 2014/15
		Approved Eskom retail tariffs (ERTSA) for 2012/13	Approved Eskom retail tariffs (ERTSA) for 2013/14	Approved Eskom retail tariffs (ERTSA) for 2014/15	Approved Eskom retail tariffs (ERTSA) for 2015/16	Approved Eskom retail tariffs (ERTSA) for 2016/17

### 6.1.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of tariff applications of all licensed distributors set and approved	96% of tariffs applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariffs applications of all licensed distributors set and approved.	100% of tariffs applications of all licensed distributors set and approved.	100% of tariffs applications of all licensed distributors set and approved.
2.	Annually published Guidelines for Municipal tariff increases and Benchmarks	Approved guideline and benchmarks for 2012/13	Approved guideline and benchmarks for 2013/14	Published Guidelines for Municipal tariff increases and benchmarks for 2014/15	Published Guidelines for Municipal tariff increases and benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and benchmarks for 2016/17
3.	Number of metrosq Regulatory Reporting Manual (RMM) implementation plans approved	Approved RRM implementation plan of 1 metro	Approved RRM Implementation plans of 3 metros	Approved RRM implementation plans of 6 metros	-	-
4.	Number of metrosq Regulatory Financial Reports (RFR) approved	-	-	-	Approved Regulatory Financial Reports (RFR) for 3 metros	Approved Regulatory Financial Reports (RFR) for 6 metros
5.	% of licensed distributors for residential customers with Approved Inclining Block Tariffs (IBTs)	Approved Inclining Block Tariffs (IBTs) for 56% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 71% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 80% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 85% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 90% of licensed distributors for residential customers
6.	Annually approved Free Basic Electricity Rate for Eskom	Free Basic Electricity Rate for 2011/12 approved and communicated	Free Basic Electricity Rate for 2012/13 approved and communicated	Free Basic Electricity Rate for 2013/14 approved and communicated	Free Basic Electricity Rate for 2014/15 approved and communicated	Free Basic Electricity Rate for 2015/16 approved and communicated
7.	Annually approved report on Eskom's actual revenue recovery	Approved Eskom MYPD2	Approved Eskom MYPD3	Annual report on Eskom's actual revenue recovery	Annual report on Eskom's actual revenue recovery	Final report on Eskom's MYPD3 performance
8.	Annually approved Regulatory Financial Reports of Eskom	Eskom's implementation plan approved	Approved Eskom's Regulatory Financial Reports for 2011/12	Approved Eskom's Regulatory Financial Reports for 2012/13	Approved Eskom's Regulatory Financial Reports for 2013/14	Approved Eskom's Regulatory Financial Reports for 2014/15
9.	Annually approved	Approved Eskom	Approved Eskom's	Approved Eskom's	Approved Eskom's	Approved Eskom's

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
	retail tariffs (ERTSA) of Eskom	retail tariffs (ERTSA) for 2012/13	retail tariffs (ERTSA) for 2013/14	retail tariffs (ERTSA) for 2014/15	retail tariffs (ERTSA) for 2015/16	retail tariffs (ERTSA) for 2016/17

### 6.1.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of tariff applications of all licensed distributors approved	Annual	100% of tariff applications of all licensed distributor approved	Analysed and approved tariff applications of all licensed distributors received.	Analysed and approved tariff applications.	Consultations with licensees and assistance offered to struggling municipalities	Adopted tariff review plan for next tariff cycle
				NERSA approved tariffs communicated to all licensed distributors	NERSA approved tariffs for all review applications communicated	-	-
				-	Published tariff book with all municipal tariffs	-	-
2.	Annually published Guidelines for Municipal tariff increases and Benchmarks	Annual	Published Guidelines for Municipal tariff increases and Benchmarks for 2014/15	-	Draft Consultation paper on the guideline and benchmarks for the municipal tariff increases and public Hearings held for the determination of the guideline and benchmarks for the municipal tariff increases	Published Guideline and benchmarks for municipal tariff increases	-
3.	Number of metrosq Regulatory Reporting Manual (RMM) implementation plans approved	Annual	Approved implementation plans of 6 metros	-	Approved implementation plans for 3 metros	Approved implementation plans for 1 metro	Approved implementation plans of 2 metro
4.	% of licensed distributors for residential customers with Approved Inclining Block Tariffs (IBTs)	Annual	Approved Inclining Block Tariffs (IBTs) for 80% of licensed distributors for residential customers	-	Municipalities who have not yet implemented IBTs consulted and the required	Municipalities who have not yet implemented IBTs consulted and the required	-

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
					assistance provided	assistance provided	
				-	IBT implementation plans received from municipalities reviewed	IBT implementation plans received from municipalities reviewed	-
5.	Annually approved Free Basic Electricity Rate for Eskom	Annual	Free Basic Electricity Rate for 2013/14 approved and communicated	Approved and communicated Free Basic Electricity Rate for the compensation of Eskom for implementation on 1 July 2013	-	-	Draft Free Basic Electricity Rate for implementation on 1 July 2014
6.	Annual approved report on Eskom's actual revenue recovery	Annual	Annual report on Eskom's actual revenue recovery	-	25 % of Eskom's submitted performance report reviewed	Final report on Eskom's MYPD2 performance	-
7.	Annually approved Regulatory Financial Reports of Eskom	Annual	Approved Eskom's Regulatory Financial Reports for 2012/13	-	Approved Eskom's Regulatory Financial reports for 2012/13	Report on Eskom's financial performance based on submitted RFRs for 2012/13	-
				-	Communication of the approved regulatory financial report for 2012/13 to Eskom	-	-
8.	Annually approved retail tariffs (ERTSA) of Eskom	Annual	Approved Eskom's retail tariffs (ERTSA) for 2014/15	-	Draft retail tariffs and structures for the 2014/15 financial year	Approved Eskom retail tariffs and structures for the 2014/15 financial year.	-

#### **6.1.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The successful supply of electricity at an appropriate price is one of NERSA's objectives; a necessary precondition to obtain security of supply.

This programme also links directly to the build programme of generation capacity as the tariffs and prices that are set and/or approved must ensure an environment conducive for the licencees securing the necessary capital in order to embark / continue with this programme . another precondition for security of supply going into the future.

## 6.2. Electricity Industry Regulation Programme 2: Licensing and registration

### 6.2.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To control entry and ensure orderly development of the Electricity industry	80% of licence applications processed within 120 days from application	80% of licence applications processed within 120 days from application	80% of licence applications processed within 120 days from application	85% of licence applications processed within 120 days from application	90% of licence applications processed within 120 days from application

## 6.2.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of licence applications processed within statutory time frames	80% of licence applications processed in 120 days from application	80% of licence applications processed within 120 days) from application	80% of licence applications processed within 120 days from application	85% of licence applications processed within 120 days from application	90% of licence applications processed within 120 days) from application

### 6.2.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of licence applications processed within statutory time frames	Quarterly	80% of licence applications processed within 120 days from application	80% of licence applications processed within 120 days from	80% of licence applications processed within 120 days from application	80% of licence applications processed within 120 days from application	80% of licence applications processed within 120 days from application

#### **6.2.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The licensing of electricity infrastructure across the value chain is one of NERSA's objectives; a necessary precondition to obtain security of supply.

The licensing of the Independent Power Producers will also fit in with the macro and infrastructure plans as the move towards renewable energy sources has been identified as a priority in order to assure sustainability of the industry into the future. To this end, NERSA is participating in the competitive bidding process led by Government.

### 6.3. Electricity Industry Regulation Programme 3: Compliance monitoring and enforcement

#### 6.3.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To promote the quality and reliability level of electricity supply	10 audit reports on the state of compliance of licensees with licence conditions	10 audit reports on the state on compliance of licensees with licence conditions	10 audit reports on the state of compliance of licensees with licence conditions	15 audit reports on the state of compliance of licensees with licence conditions	20 audit reports on the state of compliance of licensees with licence conditions
				5 Corrective action plans from non-complying licensees monitored	7 Corrective action plans from non-complying licensees monitored	10 Corrective action plans from non-complying licensees monitored
				Annual report on state of compliance in the electricity industry published	Annual report on state of compliance in the electricity industry published	Annual report on state of compliance in the electricity industry published

### 6.3.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Number of licencees audited per annum to determine their level of compliance with licence conditions	10 audit reports on the state of compliance of licenseees with licence conditions	10 audit reports on the state of compliance of licenseees with licence conditions	10 licencees audited per annum to determine their level of compliance with licence conditions	15 licencees audited per annum to determine their level of compliance with licence conditions	20 licencees audited per annum to determine their level of compliance with licence conditions
2.	Number of audit reports on the state of compliance of licencees with license conditions			10 audit reports on the state of compliance of licenseees with licence conditions	15 audit reports on the state of compliance of licenseees with licence conditions	20 audit reports on the state of compliance of licenseees with licence conditions
3.	Number of corrective action plans received from non-complying licencees monitored			5 corrective action plans received from non-complying licencees monitored	10 corrective action plans received from non-complying licencees monitored	15 corrective action plans received from non-complying licencees monitored
4.	Annual report on state of compliance in the electricity industry published			Annual report on state of compliance in the electricity industry published	Annual report on state of compliance in the electricity industry published	Annual report on state of compliance in the electricity industry published

### 6.3.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Number of licencees audited per annum to determine their level of compliance with licence conditions	Quarterly	10 licencees audited per annum to determine their level of compliance with licence conditions	2 licencees audited per annum to determine their level of compliance with licence conditions	3 licencees audited per annum to determine their level of compliance with licence conditions	2 licencees audited per annum to determine their level of compliance with licence conditions	3 licencees audited per annum to determine their level of compliance with licence conditions
2.	Number of audit reports on the state on compliance of licencees with licence conditions	Quarterly	10 audit reports on the state on compliance of licensees with licence conditions	2 audit reports	3 audit reports	2 audit reports	3 audit reports
3.	Number of corrective action plans received from non-complying licencees monitored	Quarterly	5 corrective action plans received from non-complying licencees monitored	2 corrective action plans monitored	2 corrective action plans monitored	1 corrective action plans monitored	1 corrective action plans monitored
4.	Annual report on state of compliance in the electricity industry published	Annually	Annual report on state of compliance in the electricity industry published	-	-	-	Report on state of compliance in the electricity industry published

#### **6.3.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The monitoring of compliance to licence conditions is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

#### 6.4. Electricity Industry Regulation Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

##### 6.4.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To create a fair balance between the needs of all stakeholders	70% of complaints processed within 120 days from receipt	70% of complaints processed within 120 days from receipt	75% of complaints processed within 120 days from receipt	80% of complaints processed within 120 days from receipt	85% of complaints processed within 120 days from receipt
			Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published

#### 6.4.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of complaints processed within statutory timelines	70% of complaints processed within 120 days from receipt	70% of complaints processed within 120 days from receipt	75% within 120 days from receipt	80% within 120 days from receipt	85% within 120 days from receipt
2.	Annual report on the trends regarding to and status of complaints in the electricity industry published	-	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published

### 6.4.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of complaints processed within statutory timelines	Quarterly	75% of complaints processed within 120 days from receipt	75% of complaints processed within 120 days from receipt	75% of complaints processed within 120 days from receipt	75% of complaints processed within 120 days from receipt	75% of complaints processed within 120 days from receipt
2.	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annually	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published	Annual report on the trends regarding to and status of complaints in the electricity industry published

#### **6.4.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The resolution of disputes is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 6.5. Electricity Industry Regulation Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry

### 6.5.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	100% attendance and chairing of the Grid Code Advisory Committees quarterly meetings	75% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and Tx grid code, considered within 120 days from application	80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	85% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	90% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application
				80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	85% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	90% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application
				Annually published updated Grid Code	Annually published updated Grid Code	Annually published updated Grid Code
		-	-	One audit report that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	One audit report that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	One audit report that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
			Audit submitted to Eskom for response to the findings and recommendations	One audit report on the review of the annual performance of <u>EEDSM</u> for 2011/12 and compliance to the MYPD	One audit report on the review of the annual performance of <u>EEDSM</u> for 2012/13 and compliance to the MYPD	One audit report on the review the annual performance of <u>EEDSM</u> for 2013/14 and compliance to the MYPD
			Action plan for the EEDSM audit	One action plan for the audit of 2011/12 EEDSM audit	One action plan for the audit of 2012/13 EEDSM audit	One action plan for the audit of 2012/13 EEDSM audit
		Framework for Monitoring Renewable Energy Performance	Four reports on the performance and progress of Renewable Energy for 2012/13.	Four reports on the performance and progress of Renewable Energy for 2013/14.	Four reports on the performance and progress of Renewable Energy for 2014/15.	Four reports on the performance and progress of Renewable Energy for 2015/16.

## 6.5.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2011/12	2012/13	2013/14	2014/15	2015/16
1.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	100% attendance and chairing of the Grid Code Advisory Committees quarterly meetings	75% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	85% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	90% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered in 120 days from application
2.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	-	75% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	85% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	90% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application
3.	Updated grid code	-	-	Annually published updated Grid Code	Annually published updated Grid Code	Annually published updated Grid Code
4.	Number of approved audit reports that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	-	-	1 approved audit reports that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	1 approved audit reports that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	1 approved audit reports that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code
5	Number of approved	-	-	Approved audit report	Approved audit report	Approved audit report

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
	audit reports for the review of EEDSM and compliance to the MYPD			for the review of EEDSM and compliance to the MYPD for 2011/12	for the review of EEDSM and compliance to the MYPD for 2012/13	for the review of EEDSM and compliance to the MYPD for 2013/14
6	Number of action plans for the annual EEDSM audits	-	Action plan for the EEDSM audit	1 action plan for the 2011/12 EEDSM audit	1 action plan for the 2012/13 EEDSM audit	1 action plan for the 2012/13 EEDSM audit
7	Number of reports on the performance and progress of Renewable Energy	Framework for Monitoring Renewable Energy Performance	4 reports on the performance and progress of Renewable Energy for 2012/13	4 reports on the performance and progress of Renewable Energy for 2013/14.	4 reports on the performance and progress of Renewable Energy for 2014/15.	4 reports on the performance and progress of Renewable Energy for 2015/16.

### 6.5.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered in line with legal requirements	Quarterly	80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered in 120 days from application	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions
				20% of applications considered in 120 days from application	20% of applications considered in 120 days from application	20% of applications considered in 120 days from application	20% of applications considered in 120 days from application
2.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered in line with legal requirements	Quarterly	80% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered in 120 days from application	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions	20% of applications considered by Grid Code Advisory Committee and recommendations made on further actions
				20% of applications considered in 120 days from application	20% of applications considered in 120 days from application	20% of applications considered in 120 days from application	20% of applications considered in 120 days from application
3.	Updated grid code	Annual	Annually published updated Grid Code	-	-	-	Approved updated Grid Code published
4.	Number of approved audit reports that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	Annual	1 approved audit report that details the assessment and evaluation of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	-	Draft audit report on the evaluation and assessment of the sample of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code	-	Final approved audit report on the evaluation and assessment of the sample of projects in Eskom's approved Transmission Development Plan for compliance with the South African Grid Code approved
5.	Number of approved audit reports for the review of EEDSM and compliance to the	Annual	1 approved audit reports for the review of EEDSM and compliance to the	-	Draft audit report	-	Final approved audit report for the review of EEDSM and compliance to the

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
	MYPD		MYPD				the MYPD
6.	Number of action plans for the annual EEDSM audits	Annual	1 action plan for the 2011/12 EEDSM audit	-	Draft action plan	-	Final action plan
7.	Number of reports on the performance and progress of Renewable Energy	Quarterly	4 reports on the performance and progress of Renewable Energy	1 report on the performance and progress of Renewable Energy	1 report on the performance and progress of Renewable Energy	1 report on the performance and progress of Renewable Energy	1 report on the performance and progress of Renewable Energy

#### **6.5.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The setting of rules, guidelines and codes is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 6.6. Electricity Industry Regulation Programme 6: Establishing NERSA as an efficient and effective regulator

### 6.6.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To facilitate the effectiveness of NERSA in the electricity industry	Minister of Energy to give effect to legislation	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues

## 6.6.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Number of end-user forums established	Minister of Energy to give effect to legislation	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues	10 end user forums established in alignment with compliance issues

### 6.6.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Number of end-user forums established	Quarterly	10 end user forums established in alignment with compliance issues	3 end user forums established in alignment with compliance issues	4 end user forums established in alignment with compliance issues	1 end user forums established in alignment with compliance issues	2 end user forums established in alignment with compliance issues

#### **6.6.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of electricity. Electricity is a necessary precondition to social and economic development. The establishment of NERSA as an efficient and effective regulator is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 7. PIPED-GAS INDUSTRY REGULATION

### 7.1. Piped-Gas Industry Regulation Programme 1: Setting and/or approval of tariffs and prices

#### 7.1.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2011/12	2012/13	2013/14	2014/15	2015/16
1.	To provide piped-gas price certainty	Developed a methodology to approve maximum prices of gas	Decision on maximum price applications for two licensees	Determine maximum prices for all licensees other than Sasol Gas (Novo, SLG, VGN and any entrants where applicable) within 120 days of publication of the (final) price application	Determine and publish maximum prices for all licensees including Sasol Gas within 120 days of publication of the (final) price application	Determine, publish and enforce maximum prices for all licensees applications within 120 days of publication of the (final) price application.
2.	To provide piped-gas tariff certainty (to approve and monitor gas transmission and storage tariffs)	Approved Transnet tariff for 2011 and 2012 within 120 days from the date of publication of the tariff application	Decision on Transnet transmission tariff for 2012 within 120 days from the date of publication of the (final) tariff application.	Finalise Transnet transmission tariff and all storage licensee tariff applications within 120 days of the date of publishing the (final) tariff application.	Finalise and publish Transnet transmission tariff applications within 120 days of the date of publication of the (final) tariff application.	Finalise, publish and enforce all gas transmission and storage tariff applications.
			Finalise one storage licensee storage tariff for 2012 within 120 days from the date of publication of the (final) tariff application.	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application.	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application.
				-	Finalise and publish Sasol's first gas transmission tariff applications within 160 days of the publication of the (final) tariff application.	-
3.	To provide regulatory certainty by enforcing compliance with the	Report on Sasol Gas compliance with all pricing provisions in	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One	Close out report on Sasol Gas compliance with all pricing provisions in terms of	-

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
	Regulatory Agreement	terms of Schedule One to the Agreement was approved within 150 days after receiving the information	One to the Agreement to be completed within 120 days after receipt of the relevant information	to the Agreement to be completed within 110 days after receipt of the relevant information	Schedule One to the Agreement.	
		-	Calculate aggregate prices of gas for each province within 120 days after receipt of the relevant information	Approved aggregate prices of gas for each province within 120 days after receipt of the relevant information	Approved aggregate prices of gas for each province within 110 days after receipt of the relevant information	Approved aggregate prices of gas for each province within 100 days after receiving the information

### 7.1.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Finalised number of maximum price applications within 120 days from the date of publishing the (final) price application	Developed a methodology to approve maximum prices of gas	Finalised maximum prices for two licensees	Determine maximum prices for all licensees other than Sasol Gas (Novo, SLG, VGN and any entrants where applicable) within 120 days of publication of the (final) price application	Determine and publish maximum prices for all licensees including Sasol Gas within 120 days of publication of the (final) price application	Determine, publish and enforce maximum prices for all licensees applications within 120 days of publication of the (final) price application.
2.	Finalised number of transmission and storage tariffs applications within 120 days from the date of publication of the (final) tariff application	Approved Transnet tariff for 2011 within 120 days from the date of publication of the (final) tariff application	Decision on Transnet transmission tariff application for 2012 within 120 days from the date of publication of the (final) tariff application	Finalise Transnet transmission tariff and all storage licensee tariff applications within 120 days of the date of publication of the (final) tariff application.	Finalise and publish Transnet transmission tariff applications within 120 days of the date of publication of the (final) tariff application.	Finalise, publish and enforce all gas transmission and storage tariff applications.
			Decision on one storage licensee storage tariff for 2012 within 120 days from the date of publication of the (final) tariff	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application.	Finalise and publish gas storage tariffs by licensees and of new entrants where applicable, within 120 days of the date of publishing the (final) tariff application.
				Draft/consultation (Gauteng) gas transmission pipeline tariffs for Sasol Gas	Finalise and publish Sasol's first gas transmission tariff applications (for Gauteng).	-
3.	Number of days for providing a report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement was approved within 150 days	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 120 days after receiving the	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 110 days after receiving the information	Close out report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement	-

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
		after receiving the information	information			
4.	Number of days for completing the calculation of aggregate prices of gas for each province	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement was approved within 150 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receipt of the relevant information	PGS approval of aggregate prices of gas for each province within 120 days after receipt of the relevant information	PGS approval of aggregate prices of gas for each province within 110 days after receipt of the relevant information	PGS approval of aggregate prices of gas for each province within 100 days after receiving the information

### 7.1.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Finalised number of maximum prices applications approved within 120 days from the date of publishing the (final) price application	Annual	Finalise maximum price applications for all licensees other than Sasol Gas (Novo, SLG, VGN and any entrants where applicable) within 120 days of publication of the (final) price.	Assist licensees in preparation of price applications.	Maximum price applications (received) analysed.	Consultation on received maximum price applications.	Decision on maximum price applications received by 2 <sup>nd</sup> quarter.
				-	-	Additional Maximum price applications analysed.	Additional Maximum price applications analysed and consultation on additional maximum price applications
2.	Finalised number of transmission and storage tariffs applications within 120 days from the date of publication of the tariff application	Annual	Decision on Transnet transmission tariff and all storage licensee tariff applications within 120 days of the date of publication of the (final) tariff application	Decision on Transnet transmission tariffs for 2013.	-	-	-
				-	Storage tariff applications analysed.	Consultation on storage tariff applications and additional storage tariff applications analysed	Consultation on additional storage tariff applications and decision on storage tariff applications
			Draft/consultation (Gauteng) gas transmission pipeline tariffs for Sasol Gas	-	Approved consultation paper on gas transmission tariffs Gauteng	Consultation on Gauteng gas transmission tariffs	Approved transmission storage approach.
3.	Number of days for providing a report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement	Annual	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 110 days after receipt of the	Analysis of data received	Analysis of data received	Consultation of affected parties where relevant and analysis of additional data received.	Approved report on compliance with all pricing provisions in terms of Schedule One to the Agreement.

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
			relevant information				
4.	Number of days for completing the calculation of aggregate prices of gas for each province in line with legal requirements	Annual	Approval of aggregate prices of gas for 2012 in each province within 120 days after receipt of the relevant information	-	Analysis of data received.	Data verification and approved aggregate prices of gas 2012	-

#### **7.1.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The successful supply of piped-gas at an appropriate price is one of NERSA's objectives; a necessary precondition to obtain security of supply.

This will also assist in obtaining investor confidence; a necessary precondition to ensure the growth of the gas market.

## 7.2. Piped-Gas Industry Regulation Programme 2: Licensing and registration

### 7.2.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2011/12	2012/13	2013/14	2014/15	2015/16
1.	To ensure orderly development of the piped-gas industry by efficient licensing	95% of licence applications were processed within the statutory deadlines in 2011/12	97% of all licences processed within statutory deadlines and licensing procedures developed.	50% of licence applications finalised according to licensing procedures.	70% of licence applications finalised according to licensing procedures.	80% of licence applications finalised according to licensing procedures
2.	To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	All applications were processed within 90 days in 2011/12	All applications are processed within 60 days	100% applications are processed within 60 days and approved within 90 days.	100% applications are processed within 45 days and approved within 90 days	100% applications are processed within 45 days and approved within 60 days
3.	To draft an implementation framework for the gas to power component of IRP2010	IRP2010 was published in 2011/12	Hurdles to gas to power component of IRP identified by NERSA Dialogues. Consultation with policy makers regarding outcomes of NERSA Dialogues and publication thereof.	Draft implementation framework developed and communicated	Annual Report on Implementation of gas to power in IRP	Annual Report on Implementation of gas to power in IRP

## 7.2.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of all licence applications finalized according to licensing procedures	95% of licence applications were processed within the statutory deadlines in 2011/12	97% of all licences processed within statutory deadlines and licensing procedures developed.	50% of licence applications finalised according to licensing procedures	70% of licence applications finalised according to licensing procedures	80% of licence applications finalised according to licensing procedures
2.	Number of days taken to finalise registration applications	All applications were processed within 90 days in 2011/12	All applications are processed within 60 days	100% of registration applications are processed within 60 days and approved within 90 days.	100% of registration applications are processed within 45 days and approved within 90 days	100% of registration applications are processed within 45 days and approved within 60 days
3.	Annual reports on the implementation of gas to power in IRP	IRP2010 was published in 2011/12	Hurdles to gas to power component of IRP identified by NERSA Dialogues. Consultation of policy makers regarding outcomes of NERSA Dialogues and publication thereof.	Draft implementation framework developed and communicated	Annual Report on Implementation of gas to power in IRP	Annual Report on Implementation of gas to power in IRP

### 7.2.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of all licence applications finalized according to licensing procedures	Annual	50% of licence applications finalised according to licensing procedures	Implement licensing procedures for new applications.	Implement licensing procedures on at least 50% of applications.	Review implementation licensing procedures and take corrective action where appropriate.	Implement licensing procedures on at least 50% of finalised applications
2.	Number of days taken to finalise registration applications	Annual	100% of registration applications are processed within 60 days and approved within 90 days.	Publish a notice calling for registration of unregistered operations.	Process requests for confidential treatment of information	Processing of registration applications.	Approved registrations
3.	Annual reports on the implementation of gas to power in IRP	Annual	Draft implementation framework developed and communicated	Outline of implementation framework.	Draft implementation framework	Approved implementation framework.	Submission of framework to DoE.

#### **7.2.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The licensing and registration of piped-gas activities is one of NERSA's objectives; a necessary precondition to obtain security of supply.

This will also assist in obtaining investor confidence; a necessary precondition to ensure the growth of the gas market.

## 7.3. Piped-Gas Industry Regulation Programme 3: Compliance Monitoring and Enforcement

### 7.3.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2011/12	2012/13	2013/14	2014/15	2015/16
1.	To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	Assessed monthly volume balance reports	Assessed 12 monthly volume balance reports	12 monthly volume balance reports assessed and discrepancies investigated	12 monthly volume balance reports assessed and discrepancies investigated and publish annual volumes on website	12 monthly volume balance reports assessed and discrepancies investigated and publish annual volumes on website
		Conducted 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline and report any findings and non-compliance	Conduct 2 audits on the ROMPCO pipeline according to the compliance manual and report any findings and non-compliance	Conduct 2 audits on the ROMPCO pipeline according to the compliance manual and issue non-compliance notices (if necessary)
2.	To create a competitive, sustainable and safe industry by enforcing compliance with licence conditions	Initiated investigations	3 investigations / audits conducted and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted according to the compliance manual and non-compliance notices issued (if and when necessary)
3.	To overcome the information asymmetries by enforcing compliance to the RRM	Quarterly Compliance reports	Quarterly Compliance reports.  Approved Cost Allocation Manual (CAM) for all licensees in the pilot project.	Full year financial reports submitted by 50% of licensees included in the pilot project.	Half year and full year financial reports submitted by all licensees included in the pilot project.	Half year and full year financial reports submitted by all licensees included in the pilot project.
				-	Analysis of the full year financial reports received	Analysis of the full year financial reports received
4.	To facilitate third party access to transmission pipelines and storage facilities	Enquired about licensees guidelines/criteria for determination of uncommitted capacity in transmission and storage facilities	Formulate guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Evaluation report of uncommitted capacity in Rompco or 1 other transmission pipeline	Evaluation report of uncommitted capacity in selected Gauteng transmission pipelines	Evaluation report of uncommitted capacity in selected Gauteng transmission pipelines and enforce publication of access guidelines by 2 licensees

### 7.3.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Number of monthly volume balance reports assessed and discrepancies investigated	Assessed monthly volume balance reports	Assessed 12 monthly volume balance reports	12 monthly volume balance reports assessed and discrepancies investigated	12 monthly volume balance reports assessed, discrepancies investigated and annual volumes published on website	12 monthly volume balance reports assessed, discrepancies investigated and annual volumes published on website
2.	Number of audits on the ROMPCO pipeline conducted	Conducted 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline and report any findings and non-compliance	Conduct 2 audits on the ROMPCO pipeline according to the compliance manual and report any findings and non-compliance	Conduct 2 audits on the ROMPCO pipeline according to the compliance manual and issue non-compliance notices (if necessary)
3.	Number of investigations/ audits conducted	Initiated investigations on prices and competitiveness of environment	3 investigations / audits conducted and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	4 investigations / audits conducted according to the compliance manual and non-compliance notices issued (if and when necessary)
4.	Number of reports on RRM Compliance	Quarterly Compliance reports	Quarterly Compliance reports. Approved Cost Allocation Manual (CAM) for all licensees in the pilot project.	Full year financial reports submitted by 50% of licensees included in the pilot project.	Half year and full year financial reports submitted by all licensees included in the pilot project.	Half year and full year financial reports submitted by all licensees included in the pilot project.
				-	Analysis of the full year financial reports	Analysis of the full year financial reports
5.	Evaluation reports on uncommitted capacity in transmission pipelines	Enquired about licensees guidelines/criteria for determination of uncommitted capacity in transmission and storage facilities	Formulate guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Evaluation report of uncommitted capacity in Rompcor or 1 other transmission pipeline	Evaluation report of uncommitted capacity in selected Gauteng transmission pipelines	Evaluation report of uncommitted capacity in selected Gauteng transmission pipelines and enforce publication of access guidelines by 2 licensees.

### 7.3.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Number of monthly volume balance reports assessed and discrepancies investigated	Quarterly	12 monthly volume balance reports assessed and discrepancies investigated	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports
				Initiate investigation where required	Initiate investigation where required	Initiate investigation where required	Initiate investigation where required
2.	Number of audits on the ROMPCO pipeline conducted	Quarterly	Conduct 2 audits on the ROMPCO pipeline	-	Conduct 1 <sup>st</sup> Audit	Audit assessment and compliance report.	Conduct 2 <sup>nd</sup> audit and audit assessment and compliance report.
3.	Number of investigations / inspections conducted	Quarterly	4 investigations / inspections and non-compliance notices issued (if and when necessary)	Conduct 1 <sup>st</sup> investigation / inspection	Conduct 2 <sup>nd</sup> investigation / inspection and report on findings of 1 <sup>st</sup> investigation / inspection	Conduct 3 <sup>rd</sup> investigation / inspection and report on findings of 2 <sup>nd</sup> investigation / inspection	Conduct 4 <sup>th</sup> investigation / inspection and report on findings of 3 <sup>rd</sup> investigation / inspection
4.	Quarterly monitoring reports on RRM Compliance	Quarterly	Full year financial reports submitted by 50% of licensees included in the pilot project.	Quarterly Compliance report	Quarterly Compliance report	Quarterly Compliance report	Quarterly Compliance report
				Obtain progress report on the implementation plan from licensees.	Follow up with licensees.	-	Annual financial Reports as per the CAM
5.	Evaluation reports on uncommitted capacity in transmission pipelines	Quarterly	Evaluation report of uncommitted capacity in Rompcor or 1 other transmission pipeline	Conduct investigation.	Determine committed and uncommitted capacity	Conduct consultation.	Approved and published report on uncommitted capacity available in the pipeline

#### **7.3.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The monitoring of compliance to licence conditions by piped-gas licencees is one of NERSA's objectives; a necessary concurrent activity to obtaining security of supply.

## 7.4. Piped-Gas Industry Regulation Programme 4: Dispute Resolution including mediation, arbitration and the handling of complaints

### 7.4.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To ensure fairness and equity in the piped-gas market	Investigated all complaints	50% of received complaint investigations completed within 9 months	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable
		Initiated 2 investigations	50% of initiated investigations completed within 9 months	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable.	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable.
				-	-	Identify trends in non-compliance and report where applicable

#### 7.4.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of complaint investigations completed within 9 months and non-compliance notices issued (where applicable)	Investigated all complaints	50% of received complaint investigations completed within 9 months	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable
				-	Conduct a stakeholder workshop	Conduct a stakeholder workshop
2.	% of initiated investigations completed within 9 months and non-compliance notices issued (where applicable)	Initiated 2 investigations	50% of initiated investigations completed within 9 months	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable.	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable.
				-	-	Identify trends in non-compliance and report where applicable

### 7.4.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of complaint investigations completed within 9 months and non-compliance notices issued (where applicable)	Annual	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable.	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable	50% of received complaints investigated within 9 months and non-compliance notices issued where applicable
2.	% of initiated investigations completed within 9 months and non-compliance notices issued (where applicable)	Annual	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months and non-compliance notices issued where applicable

#### **7.4.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The resolution of disputes in the piped-gas industry is one of NERSA's objectives; a necessary concurrent activity to obtaining security of supply.

This will also assist in obtaining investor confidence; a necessary precondition to ensure the growth of the gas market

## 7.5. Piped-Gas Programme 5: Setting of rules, guidelines and codes for regulation

### 7.5.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To facilitate participation of HDSAs in the piped gas industry	Collected all outstanding information on the promotion of HDI\$ by licensees	Development of HDI scorecard and consult with stakeholders	Approved HDI scorecard implementation framework.	HDI scorecard for 2 licensees implemented	HDI scorecard for all licensees (licensed > 1 year) implemented

### 7.5.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Developed, approved and implemented HDI scorecard	Collected all outstanding information on the promotion of HDI by licensees	Development of HDI scorecard and consult with stakeholders	Approved HDI scorecard implementation framework.	HDI scorecard for 2 licensees implemented	HDI scorecard for all licensees (licensed > 1 year) implemented

### 7.5.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Developed, approved and implemented HDI scorecard	Annual	Approved HDI scorecard implementation framework.	Prepare implementation framework	Draft scorecard implementation framework	Consultation with stakeholders.	Approved scorecard implementation framework

#### **7.5.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The setting of rules, guidelines and codes for the piped-gas industry is one of NERSA's objectives; a necessary concurrent activity to obtaining security of supply

## 7.6. Piped-Gas Industry Regulation Programme 6: Establishing NERSA as an efficient and effective regulator

### 7.6.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To engage in the debate on gas policy and legislation	Consolidated information on impediments to investments in gas infrastructure and made proposals to DoE on solutions for incorporation into Gas Amendment Bill	Publication of NERSA Dialogues findings and engagement of policy makers.	Continued engagement with policy makers and comment on proposed legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable
2.	To facilitate understanding of the regulatory framework by stakeholders	4 stakeholder workshops / meetings held	4 stakeholder workshops / meetings	4 stakeholder workshops / meetings and targeted media engagement.	4 stakeholder workshops/ meetings and targeted media engagement.	4 stakeholder workshops / meetings and targeted media engagement.

## 7.6.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Ongoing engagements with policy makers	Consolidated information on impediments to investments in gas infrastructure and made proposals to DoE on solutions for incorporation into Gas Amendment Bill	Publication of NERSA Dialogues findings and engagement of policy makers.	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable
2.	Number of stakeholder workshops and media engagements	4 stakeholder workshops / meetings held	4 stakeholder workshops / meetings	4 stakeholder workshops / meetings and targeted media engagement.	4 stakeholder workshops/ meetings and targeted media engagement.	4 stakeholder workshops/ meetings and targeted media engagement.

### 7.6.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Ongoing engagements with policy makers	Annual	Continued engagement policy makers and comment on legislative amendments where applicable	Preparation for policy discussion meeting with DoE	Policy discussion meeting	Follow up policy discussion meeting.	Comment on draft legislation where applicable.
2.	Number of stakeholder workshops and media engagements	Biannual	4 stakeholder workshops / meetings and targeted media engagement.	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement

#### **7.6.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The establishment of NERSA as an effective and efficient regulator is one of NERSA's objectives; a necessary concurrent activity to obtaining security of supply.

## 8. PETROLEUM PIPELINES INDUSTRY

### 8.1. Petroleum Pipelines Industry Regulation Programme 1: Setting and/or approval of tariffs and prices

#### 8.1.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	Transnet pipeline tariffs approved	Decision on Transnet pipeline tariffs application	Regulated tariffs for two pipeline licensees	Regulated tariffs for three pipeline licensees	Regulated tariffs for four pipeline licensees
		No other pipeline applied for tariff approval	Investigation and prioritisation of other pipelines for tariff setting	-	-	-
		Storage and loading facilities tariffs approved for 20% of facilities	Storage and loading facilities tariffs approved for 30% of facilities	Storage and loading facilities tariffs approved for 40% of licensed storage and loading facilities	Storage and loading facilities tariffs approved for 50% of licensed storage and loading facilities	Storage and loading facilities tariffs approved for 60% of licensed storage and loading facilities
2.	To promote competition and efficiency	Published storage tariffs	Published storage tariffs	Published storage tariffs	Published storage tariffs	Published storage tariffs
		No benchmark study on storage tariffs	-	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs
		Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website

### 8.1.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Number of pipeline tariff applications approved	Transnet pipeline tariffs approved	Decision on Transnet pipeline tariffs application	Approved Transnet pipeline tariffs for 2014/15	Approved Transnet pipeline tariffs for 2015/16	Approved Transnet pipeline tariffs for 2016/17
		No other pipeline applied for tariff approval	Investigation and prioritisation of other pipelines for tariff setting	Approved Chevron pipelinesqtariffs	Approved Chevron pipelinesqtariffs plus one licensee	Approved Chevron pipelinesqtariffs plus two licensees
2.	% of licensed storage and loading facilitiesqtariffs approved	Storage and loading facilities tariffs approved for 20% of facilities	Storage and loading facilities tariffs approved for 30% of facilities	Storage and loading facilities tariffs approved for 40% of licensed storage and loading facility tariffs	Storage and loading facilities tariffs approved for 50% of licensed storage and loading facility tariffs	Storage and loading facilities tariffs approved for 60% of licensed storage and loading facility tariffs
3.	Updated published storage tariffs	Published storage tariffs	Published storage tariffs	Published storage tariffs	Published storage tariffs	Published storage tariffs
4.	Annual report on benchmarking of storage tariffs	No benchmark study on storage tariffs	-	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs
5.	Updated published and tariff financial information	Financial and tariff information on published NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website

### 8.1.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Number of pipelines tariffs applications approved	Annual	Approved Transnet pipeline tariffs for 2014/15	-	Adequacy of Application assessed.  Decision on confidentiality	Decision on Draft Tariff Determination	Approved tariffs
		Annual	Approved tariffs for Chevron	Adequacy of Application assessed and decision on confidentiality	-	Approved tariffs	-
2.	% of licensed storage and loading facilities tariffs approved	Quarterly	40% of storage and loading facility tariff applications processed	10% of storage and loading facility tariff applications processed	Additional 10% of storage and loading facility tariff applications processed	Additional 10% of storage and loading facility tariff applications processed	Additional 10% of storage and loading facility tariff applications processed
3.	Updated published storage tariff	Quarterly	Published storage tariffs	Storage tariff published within 1 week after decision was made	Storage tariff published within 1 week after decision was made	Storage tariff published within 1 week after decision was made	Storage tariff published within 1 week after decision was made
4.	Annual Report on benchmarking of storage tariffs	Annual	Conduct a benchmark study on storage tariffs	Draft report	Approved Report	-	-
5.	Updated published financial and information	Quarterly	Financial and tariff information published on NERSA website	Quarterly updated financial and tariff information published on NERSA	Quarterly updated financial and tariff information published on NERSA	Quarterly updated financial and tariff information published on NERSA	Quarterly updated financial and tariff information published on NERSA

#### **8.1.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The successful supply of petroleum products by pipeline and storage at an appropriate tariff is one of NERSA's objectives; a necessary precondition to obtain security of supply.

## 8.2. Petroleum Pipelines Industry Regulation Programme 2: Licensing and registration

### 8.2.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	80% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines
		3 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated

### 8.2.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of licences approved within statutory deadlines	80% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines
2.	Number of suspected unlicensed facilities investigated	3 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated	5 suspected unlicensed facilities investigated

### 8.2.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of licences approved within statutory deadlines	Quarterly	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines	100% licences approved within statutory deadlines
2.	Number of suspected unlicensed facilities investigated	Quarterly	5 suspected unlicensed facilities investigated	1 suspected unlicensed facility investigated	2 suspected unlicensed facilities investigated	1 suspected unlicensed facilities investigated	1 suspected unlicensed facilities investigated

#### **8.2.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The licensing of petroleum pipelines and storage facilities is one of NERSA's objectives; a necessary precondition to obtain security of supply.

### 8.3. Petroleum Pipelines Industry Regulation Programme 3: Compliance monitoring and enforcement

#### 8.3.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To monitor infrastructure utilization	80% of reports analysed and ready for noting within 60 days	85% of reports analysed and ready for noting within 60 days	2 reports on status of infrastructure utilisation	2 reports on licensee compliance based on 90% of compliance reports	2 reports on licensee compliance based on 90% of compliance reports
2.	To monitor the development of infrastructure	New Target	New Target	90% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days
3.	To monitor ownership or control by HDSA	0% of licensees HDSA submissions analysed and ready for noting within 60 days	50% of licensees HDSA submissions analysed and ready for noting within 60 days	Status report on HDSA indicators based on 70% of licensees published on NERSA website	Status report on HDSA indicators based on 80% of licensees published on NERSA website	Status report on HDSA indicators based on 90% of licensees published on NERSA website
4.	To promote access to petroleum infrastructure	0% of storage facilities investigated	3 <sup>rd</sup> party compliance status for 50% of licensees reported on	Storage allocation mechanisms of 70% of licensees published on NERSA website	Storage allocation mechanisms of 80% of licensees published on NERSA website	Storage allocation mechanisms of 90% of licensees published on NERSA website
		0% of pipelines and loading facilities investigated	30% of pipelines and loading facilities investigated	Report on 2 licenseesq implementation of the pipelines and loading facilities access principles	Report on 3 licenseesq implementation of the pipelines and loading facilities access principles	Report on 4 licenseesq implementation of the pipelines and loading facilities access principles

### 8.3.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Number of infrastructure utilisation reports	80% of reports analysed and ready for noting within 60 days	85% of reports analysed	2 infrastructure utilisation reports	2 infrastructure utilisation reports based on 90% of compliance reports received	2 infrastructure utilisation reports based on 90% of compliance reports received
2.	% of reports analysed and ready for noting within 60 days	New indicator	New indicator	90% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days
3.	Published status report on HDSA indicators based on a % of licensees	40% of licensees HDSA submissions analysed and ready for noting within 60 days	50% of licensees HDSA submissions analysed	Published status report on HDSA indicators based on 70% of licensees	Published status report on HDSA indicators based on 80% of licensees	Published status report on HDSA indicators based on 90% of licensees
4.	Published storage allocation mechanisms based on a % of licensees	New indicator	3 <sup>rd</sup> party compliance status for 50% of licensees reported on	Storage allocation mechanisms of 70% of licensees published on NERSA website	Storage allocation mechanisms of 80% of licensees published on NERSA website	Storage allocation mechanisms of 90% of licensees published on NERSA website
5.	Number of reports on specified licenseesq implementation of the pipelines and loading facilities access principles	0% of common carriersq investigated	30% of common carriers investigated	Report on 2 licenseesq implementation of the pipelines and loading facilities access principles	Report on 3 licenseesq implementation of the pipelines and loading facilities access principles	Report on 4 licenseesq implementation of the pipelines and loading facilities access principles

### 8.3.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Number of infrastructure utilisation reports	Bi-annual	2 infrastructure utilisation reports	-	First report on status of infrastructure utilization	-	Second report on status of infrastructure utilization
2.	% of reports analysed and ready for noting within 60 days	Quarterly	90% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days
3.	Published status report on HDSA indicators based on a % of licensees	Annual	Published status report on HDSA indicators based on 70% of licensees	-	-	-	Published status report on HDSA indicators based on 70% of licensees
4.	Published storage allocation mechanisms based on a % of licensees	Bi-annual	Storage allocation mechanisms of 70% of licensees published on NERSA website	50% of licenseesq storage allocation mechanisms are approved and published	-	70% of licenseesq storage allocation mechanisms are approved and published	-
5.	Number of reports on specified licenseesq implementation of the pipelines and loading facilities access principles	Bi-annual	Report on 2 licenseesq implementation of the pipelines and loading facilities access principles		Report on 1 licenseesq implementation of the pipelines and loading facilities access principles		Report on 1 licenseesq implementation of the pipelines and loading facilities access principles

#### **8.3.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The monitoring of compliance to license conditions by the petroleum pipelines and storage licencees is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

#### 8.4. Petroleum Pipelines Industry Regulation Programme 4: Dispute resolution including mediation, arbitration and the handling of complaints

##### 8.4.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and reported within 60 days	100% of complaints received investigated and reported on within 60 days.	100% of complaints received investigated and reported on within 60 days.	100% of complaints received investigated and reported on within 60 days

#### 8.4.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of complaints received investigated and reported on in line with legal requirements	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and reported within 60 days	100% of complaints received investigated and reported on within 60 days.	100% of complaints received investigated and reported on within 60 days	100% of complaints received investigated and reported on within 60 days

### 8.4.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of complaints received investigated and concluded in line with legal requirements	Annually	100% of complaints received investigated and reported on within 60 days.	100% of complaints received investigated and reported on within 60 days.	100% of complaints received investigated and reported on within 60 days	100% of complaints received investigated and reported on within 60 days	100% of complaints received investigated and reported on within 60 days

#### **8.4.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The resolution of disputes in the petroleum pipelines industry is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 8.5. Petroleum Pipelines Industry Regulation Programme 5: Setting of rules, guidelines and codes for the regulation of the three industries

### 8.5.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To enhance regulatory certainty	-	New target	-	Published updated Rules in terms of Petroleum Pipeline Act	-
		Publication of first version of guidelines	New target	Published updated licensing guidelines	Reviewed licensing guidelines	-
2.	To enhance regulatory certainty	Reviewed annual tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities
		-	-	Annually reviewed FAQ published on NERSA website	Annually reviewed FAQ published on NERSA website	Annually reviewed FAQ published on NERSA website
		-	-	-	3 year review of the Petroleum pipelines and storage tariff methodologies	-
		Only applicable from 2012/13	Guidelines for the Starting Regulatory Asset Base (SRAB) of storage facilities investigated	Approved guidelines to determine the SRAB of storage facilities	-	-
		-	-	Approved updated MIRT published on NERSA website	-	-
3.	Enhancing the regulatory dispensation	-	-	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations

## 8.5.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Updated rules in line with relevant legislation published	-	New target	-	Published updated Rules in terms of Petroleum Pipeline Act	-
2.	Approved licensing guidelines published	No guidelines published	Publication of first version of guidelines	Updated licensing guidelines published on NERSA website	Reviewed licensing guidelines	Updated licensing guidelines published on NERSA website
3.	Approved tariff guidelines for storage facilities published	Reviewed annual tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities	Updated annual tariff guidelines for storage facilities published on NERSA website	Updated annual tariff guidelines for storage facilities published on NERSA website	
4.	Approved annually reviewed FAQ published	-	-	Approved reviewed FAQ published on NERSA website	Approved reviewed FAQ published on NERSA website	Approved reviewed FAQ published on NERSA website
5.	Approved Petroleum pipelines tariff methodology published	-	-	-	3 year review of the Petroleum pipelines tariff methodology	-
6.	Approved guidelines to determine the SRAB of storage facilities published	Only applicable in 2012/13	Investigate guidelines for the Starting Regulatory Asset Base (SRAB) of storage facilities	Guidelines to determine the SRAB of storage facilities published on NERSA website	-	-
7.	Approved MIRTA published	-	-	Approved updated MIRTA published on NERSA website	-	-
8.	Number of reports on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	-	-	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations

### 8.5.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Approved licensing guidelines published	Annually	Updated licensing guidelines published on NERSA website	Draft licensing guidelines	Approved updated licensing guidelines	Guidelines published on NERSA website	-
2.	Approved tariff guidelines for storage facilities published	Annually	Updated annual tariff guidelines for storage facilities published on NERSA website	Approved Guidelines for storage facilities	Guidelines for storage facilities published on NERSA website	-	-
3.	Approved annually reviewed FAQ published	Annually	Approved reviewed FAQ published on NERSA website	-	-	Approved FAQ	Approved updated FAQ published on NERSA website
4.	Approved guidelines to determine the SRAB of storage facilities published	Annually	Guidelines to determine the SRAB of storage facilities published	Draft Guidelines to determine the SRAB of storage facilities	Approved SRAB for storage facilities	Approved SRAB for storage facilities published on NERSA website	-
5.	Approved MIRT published	Annually	Approved updated MIRT published on NERSA website	-	-	-	Updated MIRT published on NERSA website
6.	Number of reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Annual	Quarterly reports on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations

#### **8.5.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The setting of rules, guidelines and codes for the petroleum pipelines industry is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 8.6. Petroleum Pipelines Industry Regulation Programme 6: Establishing NERSA as an efficient and effective regulator

### 8.6.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To promote Security of Supply	Annual report on the inland supply forecast	Annual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast
		Finalised terms of reference regarding bottlenecks in the petroleum pipelines infrastructure in Durban	Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	Implementation plan for the findings and recommendations in the Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	-	-
2.	To improve the efficiency of data collection and management	-	Draft RRM for non-financial information	Finalised RRM for non-financial information	RRM for non-financial information piloted	Implementation of RRM for non-financial information

### 8.6.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Infrastructure investigated and reported on in Durban	Finalised terms of reference regarding bottlenecks in the petroleum pipelines infrastructure in Durban	Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	Implementation plan for the findings and recommendations in the Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	-	-
2.	Number of reports on the inland supply forecast	Annual report on the inland supply forecast	Annual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast
3.	Approved RRM for non-financial information (NFI) Volume 7		Draft RRM for NFI Volume 7	Finalised RRM for NFI	RRM for NFI piloted	Implementation of RRM for NFI

### 8.6.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Approved implementation plan for the findings and recommendations in the Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	Annual	Implementation plan for the findings and recommendations in the Report on investigated infrastructure and bottlenecks in the petroleum pipelines infrastructure in Durban	Report submitted to the Energy Regulator	-	-	-
2.	Number of reports on the inland supply forecast	Biannual	Biannual report on the inland supply forecast	-	Approved report	-	Approved report
3.	Approved RRM for non-financial information (NFI) Volume 7	Annual	Finalised RRM for NFI	-	Draft RRM for NFI	-	Approved RRM NFI Volume 7

#### **8.6.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of petroleum products to the inland market. Petroleum products are a necessary precondition to social and economic development. The establishment of NERSA as an effective and efficient regulator is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 9. CROSS-CUTTING REGULATORY

### 9.1. Cross-Cutting Programme 6: Establishing NERSA as an efficient and effective regulator

#### 9.1.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To benchmark regulatory decisions against international best practice	To commence in 2012/13	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category
2.	To determine the impact of regulatory decisions	To commence in 2012/13	Finalised Terms of reference for the appointment of a service provider	Approved framework for conducting impact assessment	Impact assessment report	Impact assessment report
3.	To complete the research agenda for the organisation	To commence in 2012/13	Report on research agenda topics	Research reports	Research reports	Research reports
5.	To empower stakeholders with relevant energy industry knowledge and information	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
		Stakeholder engagement and education programmes undertaken	Undertake 20 stakeholder engagement and education programmes	Undertake 25 stakeholder engagement and education programmes	Undertake 30 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes
6.	To influence energy sector policy development and amendments to legislation	Approved comments on draft policy amendments	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)
		-	-	Structured engagement schedule with DoE on regulatory issues including comments on policies	Programme and outputs of engagements . dependent on agreed engagement schedule	Programme and outputs of engagements . dependent on agreed engagement schedule

### 9.1.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	Benchmark report on regulatory decisions by category	To commence in 2012/13	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category	Benchmark report on regulatory decisions by category
2.	Report on the impact of regulatory decisions	To commence in 2012/13	Finalised Terms of reference for the appointment of a service provider	Approved framework for conducting impact assessment	Impact assessment report	Impact assessment report
3.	Research reports on regulatory issues	To commence in 2012/13	Report on research agenda topics	Research reports	Research reports	Research reports
4.	Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
5.	Number of stakeholder engagement and education programmes conducted	Stakeholder engagement and education programmes undertaken	Undertake 20 stakeholder engagement and education programmes	Undertake 25 stakeholder engagement and education programmes	Undertake 30 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes
6.	Approved proposals / comments on policy changes	Participate in the amendment of the Gas Act, Electricity Regulation Act and National Energy Regulator Act	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)
7.	Approved structured engagement schedule with DoE on regulatory issues including comments on policies	-	-	Structured engagement schedule with DoE on regulatory issues including comments on policies	Programme and outputs of engagements . dependent on agreed engagement schedule	Programme and outputs of engagements . dependent on agreed engagement schedule

### 9.1.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	Benchmark report on regulatory decisions by category	Annually	Benchmark report on regulatory decisions by category	Identification of world-class regulators to benchmark regulatory decisions against	Obtaining copies of decisions from identified regulators	Benchmark NERSA decisions against decisions from other regulators	Report on NERSA performance against international best practice on regulatory decisions
2.	Report on the impact of regulatory decisions	Annually	Approved framework for conducting impact assessment	Draft Framework for Regulatory Impact Assessment	Approved Framework for Regulatory Impact Assessment	-	Impact assessment conducted
3.	Research reports on new sources of energy	Annually	Research reports	-	Draft report	-	Approved research report
4.	Published quarterly newsletters	Quarterly	Quarterly newsletters published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published
5.	Number of stakeholder engagement and education programmes conducted	Quarterly	Undertake 25 stakeholder engagement and education programmes	Conduct 6 stakeholder engagement and education programmes	Conduct an additional 7 stakeholder engagement and education programmes	Conduct and additional 6 stakeholder engagement and education programmes	Conduct and additional 6 stakeholder engagement and education programmes
6.	Approved proposals / comments on policy changes	Annually	Approved proposals / comments on policy changes (if and when necessary)	Determine any required amendment to policy	Draft proposed amendments to policy	Approve proposed amendments to policy	Provide the proposed amendments to policy to the policy maker
7.	Approved structured engagement schedule with DoE on regulatory issues including comments on policies	Annually	Structured engagement schedule with DoE on regulatory issues including comments on policies	Consultations with the DoE	Draft structured engagement schedule with DoE on regulatory issues including comments on policies	-	Approved structured engagement schedule with DoE on regulatory issues including comments on

Performance indicator	Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
			1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
						policies

#### **9.1.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The establishment of NERSA as an effective and efficient regulator is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## 10. ORGANISATIONAL

### 10.1. Organisational Programme 6: Establishing NERSA as an efficient and effective regulator

#### 10.1.1. Strategic objective annual targets for 2013/14 - 2015/16

Programme Strategic objective		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	To create an efficient and effective world class organisation	To be determined in 2012/13	To be determined in 2012/13	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: Based on baseline to be determined in 2012/13)	--% of targets met (Note: Based on baseline to be determined in 2012/13)
2.	To establish NERSA as an employer of choice	87% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
		50% of staff undergoing training and development	70% of staff undergoing training and development	80% of staff undergoing training and development	85% of staff undergoing training and development	90% of staff undergoing training and development
3.	To position and promote the good image of NERSA	57% customer satisfaction	63% customer satisfaction	68% customer satisfaction	73% customer satisfaction	78% customer satisfaction
4.	To improve the effectiveness of the financial processes, systems and procedures	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
		75% of creditors paid within 30 days after all relevant documentation have been received	90% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received

### 10.1.2. Programme performance indicators and annual targets for 2013/14 - 2015/16

Programme performance indicator		Audited/Actual performance	Estimated performance 2012/13	Medium-term targets		
		2011/12		2013/14	2014/15	2015/16
1.	% of targets in the Annual Performance Plan met	To be determined in 2012/13	To be determined in 2012/13	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: Based on baseline to be determined in 2012/13)	--% of targets met (Note: Based on baseline to be determined in 2012/13)
2.	% of organisational structure filled	87% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
3.	% of staff undergoing training and development	50% of staff undergoing training and development	70% of staff undergoing training and development	80% of staff undergoing training and development	85% of staff undergoing training and development	90% of staff undergoing training and development
4.	Level of (%) customer satisfaction	57% customer satisfaction	63% customer satisfaction	68% customer satisfaction	73% customer satisfaction	78% customer satisfaction
5.	Result of annual audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
6.	% of creditors paid within 30 days after all relevant documentation have been received	75% of creditors paid within 30 days after all relevant documentation have been received	90% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received

### 10.1.3. Quarterly targets for 2013/14

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2013/14	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.	% of targets in the Annual Performance Plan met	Annually	--% of targets met <b>(Note: baseline to be determined in 2012/13)</b>	--% of targets met <b>(Note: baseline to be determined in 2012/13)</b>	--% of targets met <b>(Note: baseline to be determined in 2012/13)</b>	--% of targets met <b>(Note: baseline to be determined in 2012/13)</b>	--% of targets met <b>(Note: baseline to be determined in 2012/13)</b>
2.	% of organisational structure filled	Quarterly	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
3.	% of staff undergoing training and development	Quarterly	80% of staff undergoing training and development	20% of staff undergoing training and development	An additional 20% of staff undergoing training and development	An additional 20% of staff undergoing training and development	An additional 20% of staff undergoing training and development
4.	Level of (%) customer satisfaction	Annually	68% customer satisfaction	1% increase in level of customer satisfaction from baseline	An additional 1.5% increase in level of customer satisfaction from baseline	An additional 1% increase in level of customer satisfaction from baseline	An additional 1.5% increase in level of customer satisfaction from baseline
5.	Result of annual audit	Annually	Unqualified audit	-	Unqualified audit	-	-
6.	% of creditors paid within 30 days after all relevant documentation have been received	Quarterly	95% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received	95% of creditors paid within 30 days after all relevant documentation have been received

#### **10.1.4. Linkage with other macro or infrastructure plans**

Government's developmental objectives and its strategy to expand infrastructure rely upon a secure supply of energy. Energy is a necessary precondition to social and economic development. The establishment of NERSA as an effective and efficient regulator is one of NERSA's objectives; a necessary concurrent activity to obtaining security of supply.

# **Appendix A: Strategic Risk Register**

# **NERSA STRATEGIC RISK REGISTER**

## **1. BACKGROUND**

- 1.1. NERSA is a Public Entity as per the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), and therefore has to comply with the requirements of this Act.
- 1.2. As part of complying with the requirements of the PFMA, the Energy Regulator approved a Risk Management Policy for the organisation.
- 1.3. As part of the requirements of the approved Risk Management Policy, a complete risk identification and ranking exercise is conducted every three years in order to determine and rank the risks facing the organisation. This risk identification is carried out as part of the strategic planning process within the organisation. Risk are identified at different levels namely:
  - 1.3.1. Electricity Industry Risks;
  - 1.3.2. Piped-Gas Industry Risks;
  - 1.3.3. Petroleum Pipelines Industry Risks;
  - 1.3.4. Cross-Cutting Risks; and
  - 1.3.5. Organisational Risks (which includes fraud and information technology risks).
- 1.4. The ranking of the risks based on the impact that the occurrence of the risk would have on the organisation as well as the likelihood of the risk happening, are done taking all current strategies to mitigate against the occurrence of the identified risks into account.
- 1.5. Once the risks have been identified and ranked, the risk appetite (the broad-based amount of risk an organisation is willing to accept in pursuit of its mission or vision) and risk tolerance (the acceptable variation relative to the achievement of objectives) for every risk is determined. In line with the risk appetite and risk tolerance, additional strategies to mitigate against the occurrence of the risks, are identified. In line with the recommendations from the King III report on good governance, primary risk owners, as well as secondary risk owners (assurance providers) are also identified.
- 1.6. In the two years in between the new risk identification and ranking, a confirmation of the strategic risk register is undertaken.
- 1.7. The top ten (10) risks facing the organisation are:
  1. Compliance with Legislation, Regulations and Rules by NERSA;
  2. Independence of Energy Regulator;
  3. Leadership and Management of NERSA;
  4. Remuneration of NERSA employees;
  5. Electricity Generation Reserve margins;
  6. NERSA Business Continuity and Disaster Recovery;
  7. Electricity Distribution Infrastructure Maintenance;
  8. NERSA Image;
  9. NERSA Talent Management (Recruitment, Development, Retention, Deployment and Separation); and

## 10.NERSA Operations Model, Integration and TBNS Implementation (Governance Structure and Clarity)

## 2. STRATEGIC RISK REGISTER

### 2.1. Electricity Industry Risks

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
1	Reserve margins a. Funding for the required capex b. Attracting IPPs c. Clear Regulatory Framework for third party entry d. Long run marginal cost of electricity e. Integration of renewable energy resources	Low reserve margins may lead to shortage of supply, load shedding and a total system collapse	Delays in establishment of new generation capacity	Demand increase exceeding capacity increase	Electricity infrastructure analysis and Integrated Resource Plan	Development of a clear regulatory framework	EM (ELR)	HOD (EIP)	Treat	Moderate
						Development of regulatory framework for unsolicited bids				
			Availability of funds to Eskom			Revised EEDSM rules				
					Accelerated DSM and EE	Develop process for connection and integration of renewable energy generation				
			High demand growth	Long lead times to establish new capacity		Finalising CRM rules				
			Non-availability of generation capacity e.g. partial load losses and maintenance slippage	Delays in the build program	Cost Recovery mechanism in place	Implementation of the revised DSM and EE framework				
						Annual audits of the EEDSM fund				
						Annual review of the EEDSM Rules				
			Barriers to entry of new players in power generation	Inadequate (central) planning of generation and transmission		Promotion of the DSM and EE implementation				
				Lack of explicit regulations		Strategies to maintain generation plant performance				
				Lack of independent power purchaser (ISMO).		Implement independent system and market operator (ISMO) to purchase power independent from Eskom				
			Operation of the system beyond design	Implementation of new generation		Developing PCP rules				

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite				
			capabilities	Regulations										
			Reduced planned maintenance to improve availability	Slow procurement of Renewable Energy Generation		Overseeing the DoE's and Eskom's competitive bidding programmes								
2	Distribution infrastructure maintenance a. Reliability of electricity supply; b. Access to electricity c. Cost of electricity	The backlog in distribution infrastructure maintenance results in plant failure, power interruptions and limits access to electricity	Inappropriate licence conditions which leads to ineffective regulation	Inadequate monitoring and enforcement of procedures, processes, systems and budgets as required by license conditions	New electricity legislation provides detailed and advanced license conditions.	Monitoring implementation of Distribution Maintenance Summit resolutions	EM (ELR)	HOD (ELC)	Treat					
			Technical skills of distributors		Regulatory frameworks for electricity developed.	Monitoring implementation of loadshedding report recommendations								
			Distribution performance not measured and managed		Current licence conditions contain international best practices and are regularly reviewed.	Requesting the Minister of Energy to prescribe manner in which licence conditions are amended								
			Slow implementation of EDI Restructuring		Independent technical audits	Ensuring that licensees form and fund customer fora								
			Managing increasingly complex networks		Stakeholder involvement takes place during standards development.	Measurement and reporting of distributor performance Establishing KPIs for Municipal reporting in terms of the ERA								
			Misuse of electricity generated revenue											
3	Primary energy cost a. Access to Information b. Coal, Oil and water Prices c. Contracting with suppliers d. Management	Rising cost in primary energy putting pressure on future energy prices	Procured coal energy content	Shortages at contracted mines	Multi-Year Price Determination	Enhance information gathering	EM (ELR)	HOD (ELC)	Treat					
			Decreasing local coal reserves	Inadequate coal transport infrastructure	Obtaining RRM implementation plans from Eskom									
			Development of new water supply infrastructure	International oil prices										

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
	and planning		International pressure to diversify away from coal as a primary energy source	Poor quality of coal Inadequate planning resulting in poor management of stock piles		Implementing MYPD rules				
4	Determination of electricity prices and tariffs a. Access to information b. Appropriate price path c. International pricing framework	Incorrect determination of prices and tariffs which may result in windfall profits for licensees; unaffordable prices; financial sustainability of the industry; and diminished investor appetite	Inappropriate tariff methodology for electricity industry  Perception that IPPs may not be allowed to recover all costs	Incorrect calculations by licensees and / or NERSA  Information asymmetry  Inadequate ring-fencing	The Multi-Year Price Determination allows for "re-opening" to correct any over or under-recovery.  A more robust pricing methodology is being introduced for Metros and preparations are going ahead for REDs.  International best practice methodology for determining Eskom revenue requirement. Benchmarking methodology implemented for municipal tariffs. Development of the RRM Stakeholder participation in determining tariffs structures and levels for Eskom	Implementing the Pricing policy  Developing MYPD tariff methodology  Developing wholesale, retail and network tariffs  Developing a tariff methodology for electricity  Enforcement of compliance with regards to Regulatory Reporting Manuals  Implementing RoR tariff methodology for Metros  Enforcement of compliance with regards to submission of information	EM (ELR)	HOD (EPT)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
5	Restructuring electricity industry a. Definition and understanding of a buyer model b. Apportioning of the 70/30 new generation capacity c. Finalisation of the restructuring legislation d. Separation of the Systems Operator from Eskom	Regulatory uncertainty caused by Government's restructuring initiatives leads to inaction by the industry and the Energy Regulator	Legal mandate for restructuring Electricity Distribution	Delay in finalisation of legal framework for restructuring of industry		New Generation Regulations provides a framework for the Single Buyer	EM (ELR)	HOD (ERR)	Treat	
						Implementation of New Generation Regulations				
			Conflicting views on a single buyer model that takes due regard of the country's requirements	Provision in Constitution		Fast track the ring-fencing of the electricity divisions within municipalities				
			Conflicting views on the role of Eskom delay in the implementation of the Independent systems operator	Multiplicity of Municipal infrastructure legislation		Continued participation in restructuring fora				
				Large number of municipalities						
				70:30 policy for new generation capacity						
6	Energy Efficiency and Demand Side Management	Electricity shortages due to inefficient use of electricity	Inadequate customer education programmes	Lack of public awareness campaigns	EEDSM funding from Eskom's MYPD2 price increase	EEDSM Policy framework and Standard Offer programme	EM(ELR)	HOD (ELC)	Treat	
				Lack of EE incentives						
			Low price of electricity	Lack of enabling legislation	Energy Efficiency Regulations	Review electricity distribution licence conditions that will ensure implementation of action required				
			Energy wasting	Lack of efficient EEDSM funding mechanism		Implement EEDSM policy framework and NERSA rules				

## 2.2. Piped-Gas Industry Risks

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
1	Inadequate natural gas	Insufficient reserves and investment in the infrastructure to support the growing demand of natural gas	<div>Inadequate infrastructure to transport gas</div> <div>Inadequate monitoring of developments in the gas industry</div>	<div>Insufficient investment into gas market to develop possible new gas fields</div> <div>Lack of infrastructure planning</div>		<div>Provide regulatory certainty to new entrants via documented decisions</div> <div>Monitor Certified Proven Sasol Reserves by using legal instruments available</div> <div>Act on trends and activities regarding new developments such as CNG, CMG, LNG, landfill projects and etc through licensing activities</div> <div>Conduct research on new sources of gas and gas to power projects</div> <div>Facilitate fuel purchase agreement between Eskom and gas suppliers</div>	EM(GAR)	HOD(GLC) / HOD (GPT)	Treat	Moderate
2	Inadequate competition in the gas industry	The piped-gas industry comprises of one supplier and few other industry players	Industry relying on a single supplier			<div>Licence conditions to provide limited exclusivity where applicable</div> <div>Advocacy or communication by the Energy Regulator</div> <div>Flexible or appropriate licence conditions to suit the new entrants and that provide limited exclusivity period where applicable</div> <div>Enforce third party access</div>	EM (GAR)	HOD (GLC) / HOD (GPT)	Treat	
3	Piped-gas licences and compliance monitoring framework	Inadequate licence conditions and compliance monitoring	Incorrect / Inappropriate licence conditions	insufficient resources to collect facts and evidence to develop	Current licence conditions contain international best practices and is	Benchmarking of regulatory practices with international best practice	EM(GAR)	HOD(GLC)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		framework		effective licence conditions	regularly reviewed					
			Possible amendments to licence conditions as more learning / information becomes available	Imbalance of information between the licence holders and the regulator (information asymmetry)	Licence conditions updated on a regular basis when required	Enforcement of compliance with regards to submission of information				
			Inadequate monitoring of procedures, processes, systems and budgets as required by license conditions and Agreement Concerning the Mozambican Gas Pipeline between the Government of the Republic of South Africa and Sasol Limited, including Schedule One thereof		Stakeholder involvement					
					Compliance department in place					
4	Determination of maximum prices for all classes of customers	Incorrect determination of prices which may result in windfall profits for licensees; unaffordable prices; financial sustainability of the industry; and diminished investor	Inappropriate pricing methodology for piped-gas industry	Information asymmetry	Development of the RRM	Develop a maximum pricing methodology Enforcement of compliance with regards to Regulatory Reporting Manuals Consistent decisions Enforcement of compliance with regards to submission of information	EM(GAR)	HOD(GPT)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		appetite								
5	Planning of piped-gas capacity and infrastructure policy	Inadequate planning of energy capacity and infrastructure policy may lead to lack of infrastructure to transport to customer	Promotion of competition and development of energy market	Current order of supply allows Sasol to utilise all its reserves Lack of investment into the infrastructure Lack of infrastructure planning Policies favouring Sasol	Licensing process	Enforce licence conditions relating to obligation to supply Interact with the DoE on competitive bidding for gas infrastructure projects to be added to the Gas Act Interact with the DoE to facilitate fuel procurement project contracts	EM(GAR)	HOD (GLC)	Treat	
6	Elements for commercial project	Not having all the elements necessary for a commercial project may lead to the project not being undertaken	Promotion of competition and development of energy market Inappropriate tariff methodology for piped-gas industry	Absence of anchor customer Lack of investment into the infrastructure	Approved tariff methodology and price path for piped-gas	Provide regulatory certainty to new entrants via documented decisions Cooperate with electricity planning e.g. regarding Open Cycle Gas Turbines (OCGT) Enforce maximum prices assisted by implementation of RRM's Enforce non-discrimination and non-cross-subsidisation clauses	EM(GAR)	HOD(GPT)	Treat	
7	Evaluating competing licence applications	NERSA may in future be faced with the evaluation of more than one competing piped-gas licence application. These will have to be evaluated and	Decision being taken on review	Lack of openness and transparency Lack of independence of the Energy Regulator Lack of consistency in	Developed evaluation criteria for licence applications Energy Regulator and Subcommittee meetings open to the public Public consultation	Approve the evaluation criteria developed for licence applications Define criteria for assessing licence application Ensure consistency in Energy Regulator	EM (GAR)	HOD (GLC)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		the licence granted to the most deserving applicant		decision making	process	decisions				

### 2.3. Petroleum Pipelines Industry Risks

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
1	Imports receiving: Durban wharf and storage capacity	Inadequate wharf and storage capacity may lead to shortage of supply		Decommissioning of berth 5	Berth 6 has been commissioned and this is no longer a risk.	Engage NPA and DoE Process licence applications asap Facilitate EIA processing	EM(PPR)	HOD (PLC)	Treat	Moderate
2	Construction / commissioning of new pipeline capacity	Delayed commissioning	Construction delays	Long lead times Global demand increase in construction Inadequate financial plans for infrastructure expansion	Currently Transnet Pipelines, DoE and oil companies are holding meetings to plan petroleum supplies	Monitor construction of new pipelines closely and act when appropriate Increase consultation with relevant departments	EM (PPR)	HOD (PLC)	Treat	
3	Continuity of operations of DJP	DJP failure will lead to the inland market experiencing petroleum product shortages		Ageing infrastructure Poorly maintained infrastructure	Currently Transnet Pipelines, DoE and oil companies are holding meetings to plan petroleum supplies Government published draft Strategic Stocks Regulations	Investigate and monitor Security of Supply Model to monitor product flow from the coast to the inland	EM(PPR)	HOD (PLC)	Treat	
4	Inland refinery operations	Non-optimal operations by inland refineries may impact on security of supply		Advent of new fuel specifications		Monitor and amend licences rapidly in emergency	EM(PPR)	HOD (PLC)	Treat	
5	Insufficient Infrastructure	Inland market experiencing petroleum product shortages due to insufficient infrastructure		Demand growth in the inland market with no new investment in infrastructure	Security of Supply Model	Monitor the industry and by licensing new infrastructure construction (allocation of licenses on a accountable way) Warn Minister in	EM(PPR)	HOD (PLC)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
						advance				
6	Determination of prices and tariffs	Incorrect determination of prices and tariffs which may result in windfall profits for licensees; unaffordable prices; financial sustainability of the industry; and diminished investor appetite Benefit of higher tariffs can flow to unintended people	Inappropriate / incomplete tariff applications for petroleum pipelines facilities (storage and loading facilities still outstanding) Setting tariffs not conducive to investment Department of Energy (DoE) changing regulations pertaining to tariff setting for the industry.	Incorrect calculations by licensees and / or NERSA Information asymmetry Inadequate ring-fencing Historic economic policy Transnet Limited in discussions with DoE regarding changing the regulations	Approved tariff methodologies for (a) petroleum pipelines and (b) storage facilities Comment on draft Regulations if the opportunity arises Development of the RRM and MIRT	Enforcement of compliance with regards to Regulatory Reporting Manuals Consistent decisions Enforcement of compliance with regards to submission of information Consultation with and information provided to government departments and stakeholders Try to ensure that the DoE follows a public participative approach if changes to the regulations are decided upon	EM(PPR)	HOD (PPT)	Treat	
7	Petroleum pipeline licences and compliance monitoring framework	Inappropriate licence conditions and compliance monitoring framework which may lead to ineffective regulation	Inappropriate licence conditions due to insufficient time/resources and collection of facts and evidence Possible amendments to licence conditions as more learning /	Short time NERSA has been regulating the petroleum pipeline industry Imbalance of information between the licence holders and the	Current licence conditions contain international best practices and is regularly reviewed Licence conditions updated on a regular basis when required	Benchmarking of regulatory practices with international best practice Enforcement of compliance with regards to submission of information	EM(PPR)	HOD (PLC)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
			information becomes available	regulator (information asymmetry)						
			Ineffective processes and transparency / fair play to manage access to current infrastructure		Stakeholder involvement takes place during standards development					
			Inadequate monitoring of procedures, processes, systems and budgets as required by license conditions		Compliance department in place for petroleum pipelines					
			Ageing and poorly maintained infrastructure							
			Inadequate compliance monitoring framework							
8	Evaluating competing licence applications	NERSA may in future be faced with the evaluation of more than one competing petroleum pipelines licence application. These will have to be evaluated and the licence granted to the most deserving applicant	Decision being taken on review	Lack of openness and transparency	Energy Regulator and Subcommittee meetings open to the public	Approve the evaluation criteria developed for licence applications	EM (PPT)	HOD (PLC)	Treat	
		Lack of independence of the Energy Regulator	Public consultation process	Define minimum requirements for licences						
		Lack of consistency in decision making		Review of Energy Regulator decisions to ensure consistency						
				Recommend amendment of the Petroleum Pipelines Act to allow for competitive bidding						

## 2.4. Cross-Cutting Risks

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
1	Independence of Energy Regulator	Failure to act independently from stakeholders may lead to investor and customer uncertainty in regulated industries as well as the Energy Regulator not being taken seriously	Mandate creep	Interference by Government Regulatory capture by licensees Getting swayed by populist politics	National Energy Regulator Act Regular communication with all stakeholders Some MOU's with Government Departments and other regulators in place	Signing of MOUs with regulators with concurrent jurisdiction	Chair of Energy Regulator	EM (COS)	Treat	Moderate
2	Regulatory Capture of NERSA	Regulatory capture or corruption of NERSA by but not limited to regulated entities may lead to decisions that may not stand the test of independence and fairness when taken on review			Code of conduct Declaration of interest	Cooling off period included in conditions of service Awareness workshops	Chair of Energy Regulator	General Counsel	Treat	
3	Compliance with Legislation, Regulations and Rules	Non-compliance with Legislation, Regulations and Rules by NERSA will mean that NERSA is acting ultra vires which can threaten NERSA's	Compliance with umbrella legislation in National Energy Regulator Act Compliance with Sectoral Legislation (Electricity Regulation Act, Gas Act and Petroleum	Different interpretations of the Acts between NERSA and stakeholders There is concurrent jurisdiction in terms of legislation	Appointment of Compliance Officer Some MOU's with Government Departments and other regulators in place	Full-time Compliance Officer position in proposed new structure	CEO	SM (COO)	Treat	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		existence in future	Pipelines Act)							
			Compliance with levies Legislation (Section 5B of the Electricity Act, Gas Regulator Levies Act, Petroleum Pipeline Levies Act)	Under performance by the Energy Regulator and staff						
			Compliance with facilitating Legislation (PFMA, PAIA, PAJA)	Conflict between policy and legislation						
			Government policy on expanding access to affordable energy	Agreements between Government and licensees that supersede the Act e.g. Schedule One of the Agreement between the Minister of Minerals and Energy, Minister of Trade and Industry and Sasol Limited						
			Requirement of legislation to open access networks							
			Carbon Credits							
			Requirement of legislation to third party access							
			Achieving universal access to energy by 2012							
			Clarity of roles and responsibilities of compliance officer							
			Conflicting legislation may result in non-							

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
			compliance or non-delivery on mandate e.g. MFMA, MSA, Electricity Regulation Amendment Act							
4	Clarity of role of Energy Regulator by industry stakeholders	Possible reduction of Energy Regulator's role	National Energy Bill	Signals by Government on Regulations (piped-gas and petroleum pipelines)	Regular interaction with relevant stakeholders	Memorandums of Understanding with Government Department, other Regulators and other organisations where concurrent jurisdiction exist	Chairperson of Energy Regulator	EM (COS)	Treat	
			Mandate creep		Comments made on proposed legislation impacting on the role of the Regulator					
5	Adequacy of internal regulatory systems processes and procedures	Inadequate and / or non-existence of relevant internal regulatory systems and procedures may lead to ineffective regulation	Internal systems processes and procedures not developed and sustained	Inadequate understanding of the regulated industries and regulatory systems processes and procedures needed	Establishment of the Regulatory Analysis and Research Unit who will ensure audits of regulatory processes as well as international benchmarking	Auditing of regulatory systems, processes and procedures	CEO	SM (RAR)	Treat	
6	Regulation of unlicensed activities	Due to shortcomings in the three industry Acts being administered by NERSA, unlicensed activities cannot be regulated, even if they were supposed to have been licensed.	Unlicensed activities can do what they want and the Regulator can do nothing to prevent it	Inadequate legislation regarding unlicensed activities		Lobby with Legislature to amend the three industry Acts	Chair of Energy Regulator	EM (COS)	Tolerate	
7	Stakeholder /	Inadequate	Maintain	Poor	International		Chairperson	EM (COS)	Tolerate	

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
	Shareholder relations	stakeholder and shareholder relationship management may damage the credibility of NERSA in the eyes of the stakeholders and shareholders	<div>credibility to the public, investors and stakeholders</div> <div>Public Private Partnerships form part of Government policy to ensure delivery</div> <div>Different interpretations of the Acts between NERSA and stakeholders</div> <div>Inadequate networking with international regulators</div> <div>Development of National Energy Bill by Government</div> <div>International Co-ordination and Partnerships</div> <div>Reputation of NERSA</div> <div>Stakeholders considering NERSA as irrelevant</div>	<div>management of stakeholder relationship</div> <div>Reactive response by Energy Regulator</div> <div>Internal processes taking too long</div> <div>Inadequate communication strategy</div> <div>Failure to timeously react to gaps identified</div> <div>Allowing different interpretations of the Acts without managing it</div> <div>Inadequate consultation processes</div>	<div>exposure of regulator members and staff</div> <div>RERA</div> <div>AFUR</div> <div>Participation in CIGRE regulation study committee</div> <div>International partnerships with Norway and NARUC</div> <div>Stakeholder Communication Strategy in place</div> <div>Public participation processes</div> <div>Regular interaction with shareholders</div>		n of Energy Regulator			

## 2.5. Organisational Risks

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
1	Leadership and Management	Lack of leadership and management development may lead to NERSA not meeting its objectives or not motivating and retaining staff	Low staff morale	Lack of shared vision and commitment by managers	Management and Leadership training	Executive Mentoring and Coaching	CEO	SM (COO)	Treat	Moderate
			Inadequate implementation of Performance Management System Policy	Improper implementation of Performance Management System Policy, and Disciplinary Code	Revised Organisational Structure					
					Performance Contracts and Personal Development Plans					
					Disciplinary Code and Grievance Procedure					
2	Remuneration	Inability to attract, develop, motivate and retain experienced regulatory staff	Inability to attract, develop, motivate and retain experienced staff	Salaries not being market related	Implementation of market related salaries	Development of a remuneration policy and model	CHO	HOD (HRD)	Treat	
			Performance management		Performance measurement criteria and related bonuses are in place					
			Remuneration of employees							
3	Business Continuity and Disaster Recovery	Outdated business continuity plan which may lead to failure to continue with critical business activities in case of a disaster	Testing and updating of Business Continuity Plan not taking place	New Business Continuity Plan that has not as yet been tested	Disaster Recovery Plan developed	Approval of Business Continuity Management Policy and Operating Procedures	SM (SPM)	HOD (IRM)	Treat	
			Business Continuity plan not aligned with Disaster Recovery Plan and not including <i>force majeure</i> and other disruptions		Business Continuity Plan Crises Management Plan and Emergency Response Plan developed	Annual testing and updating of Business Continuity Plan				
					Failure to uphold the Regulatory Principles					

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
4	NERSA Image	Failure to create and uphold a good image of NERSA will lead to a loss in reputation and the integrity of the Energy Regulator being questioned.	Loss of integrity and respect for the Energy Regulator	Lack of professional conduct by NERSA employees and members of Energy Regulator	Campaign to create awareness of the NERSA values	Promote the image of NERSA through communication with internal and external stakeholders	EM (COS)	HOD (CSM)	Treat	
			Credibility of the Energy Regulator being questioned	Failure to live NERSA values	Developed integrated communication strategy	Increase public awareness of NERSA				
			Decisions of the Energy Regulator not questioned as being unlawful	Failure to uphold the Regulatory Principles		Develop a mechanism to enforce the living of the NERSA values				
5	Talent Management (Recruitment, Development, Retention, Deployment and Separation)	Inadequate development, motivation and retention of experienced staff	Inadequate knowledge within NERSA on energy sector regulation	Inadequate training	Training in accordance with PDP &WSP	Implementation of dual career path and scarcity premium policies	CHO	HOD (HRD)	Treat	
					Performance management system in place	Revision of the Training and Development Policy				
					Implementation of Employee Wellness Programme					
					Internal capacity building on industry and regulatory matters					
					Continuous recruitment of required skills					
					Implementation of approved organisational structure					
					International exposure of regulator members and					

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
					staff					
					Information sharing					
					Targeted recruitment					
6	Operations Model, Integration and TBNS Implementation (Governance Structure and Clarity)	The implementation of an appropriate governance structure and operations model is necessary to ensure the effective operations of the Energy Regulator	Implementation of the Operations Model Lack of timely decision making by Energy Regulator	Failure to finalise the operations model	The Energy Regulator approved the operations model A code of conduct for the regulator is in place The Schedule of NERSA meetings for all Energy Regulator and Sub-committee meetings is in place Participation of regulator members in regulator memorandums in the preparation and submission Deadlines for submissions are set allowing sufficient time to study documentation Revised structure of Energy Regulator Subcommittees approved Approved TBNS Policy in place	Implementation of revised Operations Model Code of Conduct is to be reviewed annually Consultation, review and approval of plan prior to financial year-end. Operating procedures on supporting Energy Regulator and its Subcommittees to be reviewed.. Review Terms of Reference of Subcommittees annually Review delegation of authority annually Re-launch TBNS Policy within NERSA	CEO	SM (RSU) / SM (COO) / SM (SPM)	Treat	
7	Planning, Implementation, Monitoring, Evaluation and	Inadequate processes in implementation and monitoring	Inappropriate Planning	Inadequate internal processes	Debriefing sessions are conducted after each Energy	Implement electronic decision tracking system	CEO	SM (SPM) / SM (RSU)	Treat	Moderate

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
	Reporting	of Energy Regulator decisions may lead to some decisions not implemented or implemented incorrectly	<div>Failure to implement or delayed implementation</div> <div>Inadequate performance monitoring and evaluation</div> <div>Inadequate reporting</div>		<div>Regulator and Subcommittee meeting</div> <div>All action items are considered and monitored by EXCO for implementation purposes</div> <div>REC receives progress reports on implementation of Energy Regulator meetings</div>	<div>Revisit applicable operating procedures and ensure that all gaps are filled and they are still relevant and valid</div>				
8	Policies, Procedures, Systems and Processes	<div>Absence of and non-compliance to policies and procedures may lead to ineffective governance of NERSA</div> <div>Failure to regularly update the CGH may lead to NERSA staff members not being aware of latest approved policies and procedures</div>	<div>Non-compliance to financial processes (procedures), human resources policies and procedures, including the PFMA</div> <div>Inadequate adherence to procurement policies and procedures</div> <div>Inadequate information management policies and procedures</div> <div>Supporting the Energy Regulator and its Subcommittees</div> <div>Rules of</div>	<div>Lack of or inadequate training/induction/familiarization with developed or revised Policies, Procedures, Systems and Processes</div> <div>Inadequate knowledge of PFMA</div> <div>Failure to implement approved procedures</div> <div>Coordinators of CGH not always aware of policy changes</div> <div>Failure to</div>	<div>Training/induction on Policies, Procedures, Systems and Processes</div> <div>ORC taking responsibility for the monitoring of the implementation of audit findings</div> <div>Compliance officer performing PFMA compliance reviews</div> <div>Corporate governance handbook which includes all NERSA policies is in place</div> <div>Procurement</div>	<div>Adherence to policies and procedures made part of Performance Contracts</div> <div>Declaration signed by everybody after long leave that they have read policies / procedures and understand</div> <div>The CGH will from henceforth be reviewed at least once a year</div>	CHO / CFO / SM (RSU)	HOD:HR / HOD:FAD / EM (COS)	Treat	Moderate

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
			meetings of the Energy Regulator Improper management of leave Dispute resolution Customer complaints	implement approved procedures	policy is currently in place and is being reviewed Delegation of authority framework in place Tender committee in place Detailed procurement process in place e.g. requisition, approval, order, receipt, recording and payment Approval of the position of a procurement manager Information management policy in place Information officer appointed					
9	Supply Chain Management	Inadequate Supply Chain Management policies and procedures may lead to NERSA incurring irregular expenditure as well as possible procurement fraud	Supply Chain Management Policy not in line with relevant legislation Inadequate adherence to procurement policies and procedures Non-establishment of a Supply Chain Management Unit Non-existence of a suppliers	Failure to update the Supply Chain Management Policy regularly in line with Treasure Regulation amendments Ineffective supply chain management practices	Procurement policy is currently in place and is being reviewed Delegation of authority framework in place Tender committee in place Detailed procurement	Procurement process is being developed for urgent services required/utilized within NERSA Finalisation of Supply Chain Management Procedures Development of an integrated Demand Plan Development of SLA between SCM Unit and	CFO	HOD (FAD)	Treat	Moderate

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
			database		process in place e.g. requisition, approval, order, receipt, recording and payment	rest of organisation				
			Delegation of authority		Approval of the position of a procurement manager					
			Contracts with suppliers		Project leaders taking responsibility for the monitoring and management of contracted services					
			Lack of management or monitoring of contracts for services procured		Legal Advisory Services Department is involved in drafting of contracts					
			Ineffective structure of the Tender Committee (BAC?)							
10	Budget and Financial Management	Inadequate development and adherence to policies and procedures relating to budgeting and financial management may lead to inappropriate budgeting and spending in NERSA	Non-compliance to financial processes, policies and procedures, including the PFMA	Budget and financial management not part of managers' performance contracts	Internal audit review of financial compliance	At contracting stage, managers should have a KPA on budget management	CFO	HOD (FAD)	Treat	Moderate
			Insufficient debtors and creditors policies and procedures		ORC taking responsibility for the monitoring of the implementation of audit findings	Training in financial management for non-financial managers				
			Cash-flow management		Compliance officer performing PFMA compliance					

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
					reviews					
			Projectised budgeting		Corporate governance handbook which includes all NERSA policies is in place					
			Budget management through commitment ledgers		Staff debtors sign acknowledgement of debt					
			Inadequate resources within Finance and Administration to allow for adequate and accurate financial reporting		Creditor payments addressed by the procurement policy					
			Maintenance of documentation		Payment dates are negotiated with suppliers					
					Submission to the Ministers of Minerals and Energy and Finance re: the approval of a cash flow mitigation reserve based on three months employment estimated expenditure (R19 million)					
11	Technology Platforms Solutions and Equipment	Inappropriate or inadequate technology platforms solutions and equipment may lead to ineffective data capture and analysis and	Inappropriate and incomplete Management Information System	Non-integration of all information technology systems	As part of the implementation of the Regulatory Reporting Manuals, a Regulatory Reporting System was developed	Finalisation of the ICT Strategy	EM (COS)	HOD (IRM)	Treat	Moderate
			Delayed or	Failure to	Draft ICT	Implementation of				

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		delayed or incorrect decision making due to a lack of information	incorrect decision making	understand needs of organisation	Strategy	Regulatory Reporting System				
			Ineffective utilization of time of specialists in organisation	Outdated ICT related policies and procedures	ICT Steering Committee	Develop demand plan for acquisition of IT equipment				
12	Information management	Insufficient information management may lead to ineffective and inefficient decision-making	Lack of buy in on IT initiatives to add value to the business	Disaster Recovery Plan not implemented	A backup and recovery strategy has been developed and implemented	Implementation of disaster recovery plan (see point 9 below)	EM (COS)	HOD (IRM)	Treat	Moderate
			Inadequate IT resources to support business requirements	Failure to enforce information collection licence conditions	IDMS training provided as part of induction to all new NERSA employees	Review and finalization of the information policy and procedures				
			Loss of data due to system crashes	Lack of buy in on IT initiatives	Refresher courses in IDMS offered on a regular basis	Develop and implement IT Handbook consisting of a number of IT related policies				
			Information reliability		Information management policy in place					
			IT Infrastructure		Information officer appointed					
			Information security							
			Loss of documentation and business records due to inadequate usage of IDMS							
			Physical security access							
			Inadequate information management policies and procedures							
			Information							

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
			collection Lack of a proper Management Information System							
13	Internal Communication	Ineffective communication within NERSA may result in messages that are inconsistent with authorised responsibilities or established performance measures. This influence service delivery and staff morale		Failure by managers to communicate with staff	All EMs and HODs commit themselves to communicating with their direct reports continuously and as relevantly as possible Weekly news bulletin Regular MANCO and EXCO meetings Monthly staff get togethers Quarterly reviews of divisional performance	Communication policy being developed Initiatives to motivate and encourage staff to attend monthly together meetings such as attendance register, motivational speakers and drumming are being introduced	CEO	Manco	Treat	Moderate
14	Drafting and Writing/Presentation (Communication) Skills	Lack of drafting skills may delay decision making and could also result in incorrect recording	Delayed decision making by the Energy Regulator Incorrect decisions made by the Energy Regulator Negative impact on the image of the NERSA	English is not the home language of most of the staff employed by NERSA	Position of Language Editor part of new Organisational Structure	Plain English Writing course for all NESRA staff	CHO	HOD (HRD)	Treat	Moderate
15	Consultation and Engagement	Failure to consult and engage with staff before decisions affecting them	Involvement of staff in decision making Implementation of	Failure to consult with staff Absence of rules of	Regular meetings with union office bearers	Facilitated workshop between management and union office bearers to develop rules of engagement	CHO	Manco	Treat	Moderate

No	Risk	Description	Risk Factors	Cause	Current Mitigating Strategies in place	Additional Mitigating strategies to put in place (Priorities)	Primary Risk Owner	Secondary Risk Owner	Tolerance	Appetite
		are made may lead to low staff morale and performance	recognition agreement	<div>engagement between management and Union</div> <div>Interpretation of the recognition agreement</div>						

# **Appendix B: Budget Assumptions and Parameters**

# NERSA BUDGET PLANNING ASSUMPTIONS AND PARAMETERS

The planning assumptions and parameters that are to be utilised in preparing the NERSA 2013/14 budget and forecasts for 2014/15 and 2015/16 are provided below. These factors are based on the information received from Bureau for Economic Research of the University of Stellenbosch.

## 1. Economic Factors

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Eskom price increase	25.8%	25.9%	16.0%	***	***	***
	2010	2011	2012	2013	2014	2014
Inflation rate . CPI	5.0	5.7	5.9	5.3	4.9	4.6
Exchange Rate of the Rand (R/USD)	7. 25	8.08	7.74	8.08	8.70	9.20
Interest Rates	9. 0	8.78	8.50	9.33	10.33	11.00
Gross Domestic Product	3.1	2.5	3.3	3.8	3.9	4.1

\*\*\* Eskom price increase is as per the second Multi-Year Price Determination (MYPD2). Figures for 2013/14, 2014/15 and 2015/16 will become available once MYPD3 has been concluded.

### 1.1 Inflation rate

The outlook for consumer inflation (CPI) for the next four years is expected to be around an average of 5.2% which is 0.8% lower than national target. Inflation is driven by high food prices, petrol, electricity prices and above inflation wage increases.

### 1.2 Exchange rate of the Rand

The Rand exchange rate strengthened against the US dollar by 3.96% (R8.08) in the fourth quarter ending December 2011 to R7.76 in the first quarter ending March 2012. The Rand has subsequently weakened against the dollar in the second quarter ending June 2012. However the declining trend is expected to continue in the current financial year and following years as a result of pressure from the Euro financial crisis, most notably in Greece and France.

The factors that led to the decline are expected to remain in place over the short and medium term. The rand will on average be in the region of R7.74 and R8.08 against the US dollar until the end of 2014.

### 1.3 Interest rates

The South African Reserve Bank has reduced the interest rate (repurchase rate) to 5% after maintaining at 5.5% since November 2010 with prime at 8.5%. This position is expected to remain unchanged for a while unless there a change in the global economic outlook.

## 1.4 Gross Domestic Product (GDP)

Economic activity in South Africa gained further traction in the first quarter of 2012 when real gross domestic product expanded at an annualised rate of 4.4%, marking the seventh quarter of uninterrupted growth since the start of the recovery in the third quarter of 2009. The increase was attributed to a stronger pace of increase in real value added by the secondary and tertiary sectors.

The actual data already released for 2012's first quarter suggests that GDP growth is stable at 3.9% recorded in the first quarter. However, better-than-expected first quarter outcomes for household consumption and fixed investments have resulted in an improved forecast for 2012 as a whole. The BER expects GDP to average 3.8% over the next four years.

## 1.5 Industry volumes and growth

	2011/12 Actual	2012/13	2013/14	2014/15	2015/16
Net electricity sent out from licensed power stations (MWh) (Note 1)	237 193 714	258 465 000	250 615 050	253 432 200	260 556 450
Electricity volume growth %	-0.73%	8.97%	-3.04%	1.12%	2.81.00%
Piped-gas volume delivered at inlet flange of licensed pipelines (GJ) (Note 2)	146 836 796	135 000 000	161 800 000	170 700 000	174 900 000
Piped-gas volume growth %	0.50%	-8.06%	19.85%	5.50%	2.46%
Petroleum volumes delivered at inlet flange of licensed pipelines (kl) (Note 3)	16 601 800	18 020 000	17 699 523	18 016 222	18 917 033
Petroleum pipelines volume growth %	-7.89%	8.54%	-1.78	1.79%	5.0%

### Note 1

The Electricity sent out numbers arrived at were based on the Eskom's projected volumes for the 2012/13 to 2015/16 financial years.

### Note 2

For the 2011/12 financial year the volumes were above 135 million gigajoules, at 147 million gigajoules. The volumes are expected to increase to 162 million gigajoules in 2013/14 and to 170

million gigajoules in 2014/15.

### **Note 3**

The volumes for the 2013/14 financial years are based on Transnet's projected volumes for the 2013/14 to 2015/16 financial years.

### **Regulatory Factors**

These industry specific and cross-cutting regulatory factors are likely to influence the regulatory programmes and projects of the Energy Regulator.

<b>Industry</b>	<b>Factors</b>
Electricity	<ul style="list-style-type: none"><li>• Eskom's Multi-Year Price Determination application</li><li>• Establishment of customer end user forums</li><li>• Amendment of the National Energy Regulator Act and the Electricity Regulation Act.</li><li>• Licensing of 19 preferred bidders from DoE's renewable energy Independent Power Producer procurement programme</li><li>• Review of the Integrated Resource Plan</li><li>• Security of supply remain high on the national agenda</li><li>• Compliance enforcement to improve supply reliability</li><li>• Implementation of accelerated Demand Side Management and Energy Efficiency plan and cogeneration framework</li><li>• Framework for Reseller/Trader regulation</li><li>• Energy conservation program</li><li>• Impact of formation of the Independent System and Market Operator</li><li>• Delay in Regulations (Electricity Regulation Act)</li><li>• Municipal maintenance and refurbishment</li></ul>
Piped-gas	<ul style="list-style-type: none"><li>• Monitoring of compliance with the Sasol Agreement</li><li>• Implementation of tariff guidelines for approval of gas transmission pipeline tariffs and storage tariffs</li><li>• Possibility of additional piped-gas transmission pipelines being built</li><li>• Additional natural gas fields in Mozambique (both existing and new)</li><li>• Possibility of an additional Coal To Liquid Plant</li><li>• Paucity of domestic gas finds</li><li>• Lack of alternative gas sources and insufficient gas infrastructure investment</li><li>• Implementation of the maximum price methodology for approval of maximum prices</li></ul>

Industry	Factors
Petroleum pipelines	<ul style="list-style-type: none"> <li>• Security of supply as a priority</li> <li>• Additional storage (to meet the Energy Bill/Act and Energy Master Plan requirements)</li> <li>• Finalisation of the New Multi-Product Pipeline (NMPP) . 24+pipeline</li> <li>• Tariff structures</li> <li>• The proposed 450,000 bbl/day Coega refinery</li> <li>• Change in focus from licensing to compliance</li> <li>• Tariff models for pipelines, loading and storage facilities</li> </ul>
Cross . cutting regulatory	<ul style="list-style-type: none"> <li>• The implementation of the financial and non-financial Regulatory Reporting Manual is a priority</li> <li>• Regulatory impact assessments to ensure that the value of regulation exceeds the cost of regulation</li> <li>• Need to benchmark the decisions of Energy Regulator</li> <li>• Consumer education is a priority</li> <li>• Need to harmonise regulatory processes</li> <li>• NERSA is a regulatory body driven by skilled and competent staff. There have been real cost increases to this category of workers in South</li> <li>• Limited scope to draw on skilled and trained resources in a global context</li> <li>• Benefits from regulating the industries far outweigh the cost of regulating the industries</li> <li>• Coming into effect of the Independent System and Market Operator Bill, National Energy Regulator Amendment Bill and the Electricity Regulator Amendment Bill may have a significant impact on the mandate of NERSA</li> </ul>

### 3. Salary projections

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Projected Salary Increase Percentage*	4.9%	5.7%	7.9%	7.0%	6.9%	6.6%
Projected bonus percentage as a function of total employment cost	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
Performance linked pay progression	3.0%	2.0%	2.0%			

As NERSA is a knowledge-based institution, the retention of staff is a priority and therefore it is important that the salary market for the skills necessary is understood and taken into account.

\* The above projected salary increase is based on the National Treasury Medium Term Expenditure Framework (MTEF) Guidelines. (CPI + 2%)

#### 4. **Budgeting Principles**

- The budget is aimed at achieving the NERSA policy objectives of staff development and moving towards becoming a world-class Energy Regulator.
- The budget is linked to projects and programmes in the Strategic Plan and Business Plan.
- Expense items are justified based on legal requirements, NERSA policies and regulatory mandate.
- Costs that can be directly attributable to an industry-specific regulatory function are charged directly to that function.
- Costs that are not directly attributable to an industry-specific regulatory function, but are incurred as common costs in order to support the three industry-specific regulatory functions, are allocated between the three industry-specific regulatory functions using the ratio proportionate to the approved staff complement attributable to the industry-specific function:
  - The current ratio is 58% for the electricity industry regulation; 21% for the petroleum pipeline industry regulation; and 21% for the piped-gas industry regulation.
- A cash-flow risk mitigation reserve is held by the Energy Regulator to overcome timing differences between the start of the financial year and the start of levy payment by the industries. The cash-flow risk mitigation reserve target covers 3 months employment cost for the electricity, piped-gas and petroleum pipelines industry and 4.5% of the annual operating expenditure budget less employment costs.
- NERSA can only invoice their clients after the budget has been approved by the Minister of Energy and levies gazetted.
- The funding requirement from each industry is determined for each year to cover the following: total expenditure allocated to the regulation of the industry (operating plus capital) minus funds rolled forward from the funding for the previous year plus the cash-flow reserve for the industry.
- Surplus funds generated will be refunded to the specific industry by means of a reduction in the levies. When the refund to the industry significantly decreases the levy in one year and subsequently results in a significant increase in the following year, a 50/30/20 principle has been applied to refund the specific industry to ensure consistency in the levy rates.
- Employment costs are budgeted at full staff complement based on the projected salary increase.

#### 5. **High level trend analysis**

The following table indicates the trend in levies received, operating and capital expenditure for the previous four years indicating the percentage change compared to budget.

	2008/09 R'000	2009/10 R '000	2010/11 R'000	2011/12 R'000
<b>Levies received</b>				
Actual	110 030	127 028	155 197	141 637
Budget	112 875	133 361	159 727	151 448
% Variance . (Under)/Over	(2.5%)	(4.7%)	(2.8%)	(6.48%)
<b>Operating Expenditure</b>				
Actual	119 730	143 818	163 718	179 426
Budget	144 893	173 329	177 159	210 591
% Variance . (Under)/Over	(17.4%)	(20.5%)	(7.6%)	(14.80%)
<b>Capital Expenditure</b>				
Actual	990	5 456	9 999	2 311
Budget	4 647	6 669	8 518	12 431
% Variance . (Under)/Over	(78.7%)	(18.2%)	17.4%	(81.41%)

## **Appendix C: Budget for NERSA**

In order to guide its budgeting process the Energy Regulator has adopted budgeting assumptions and parameters which seek to contain costs in line with government economic objectives, especially inflation targeting and the general direction in which the regulated industries are moving in economic terms. The budgeting assumptions and parameters are attached in **Annexure G**.

The total NERSA estimated expenditure for 2013/14 financial year amounts to R 275 907 345 (2012/2013: R241 386 167). The specific budgets for the three regulated industries are as follows (The approved budgets for 2012/13 are in parenthesis):

• Electricity Industry	R 159 225 099	(2012/2013: R 138 396 179)
• Piped-Gas industry	R 56 942 531	(2012/2013: R 51 024 667)
• Petroleum Pipelines	R 59 739 715	(2012/2013: R 50 016 278)

<b>TOTAL</b>	<b>R 275 907 345</b>	<b>(2012/2013: R 241 386 167)</b>
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As documented in the budgeting assumptions and parameters (**Annexure B**) a Cash Flow Mitigation Reserve is held by the Energy Regulator to overcome timing differences between the start of the financial year and the start of levy payment by the industries. The Cash Flow Mitigation Reserve will be R33.06 million at the end of 2013/14 in line with the principles upon which the calculation of the Cash Flow Mitigation Reserve are based (refer Note 5 of **Annexure F**).

The NERSA expenditure budget has increased by 14.3% when compared to that of the 2012/13 financial year.

Significant changes in budgeted items are as follows:

#### Significant Increases

##### **International initiative**

The budget has increased by 112.65% compared to the 2012/13 budget. The main contributor is the expenses related to the South African Economic Regulators Conference in the year under review, which will occur during the financial year. The total cost for the above expenditure is R1 158 402.00

##### **Internal audit**

The co-sourced Internal auditor's budget has increased by 200% compared to the 2012/13 budget. The reasons for this significant variance are as follows:

- This item was under budgeted for 2011/12;
- To cater for ad hoc assignments and consulting services which are requested by other Departments from time to time; and
- NERSA is working towards improving and ensuring the highest levels of internal controls and internal audit plays a significant role in ensuring that the organization reaches this goal. Therefore the above is aligned to the approved IA three year rolling plan.

##### **Knowledge Centre**

The Knowledge Centre's budget has increased by 132.98% compared to the 2012/13 budget. The biggest contributor is the subscriptions to electronic publications which were not adequately budgeted for in the 2012/13 financial year.

### **Office Operational Expense**

This expenditure item has increased by 42.58%. This budget item includes operational lease agreements for photocopier machines, fax machines, printers and maintenance costs. These are based on the current contract. NERSA has an obligation to pay for such equipment and services rendered. The budget for the 2012/13 was below the 2011/12 expenditure by R1.5 million. It is proposed that this budget be increased to R6 million to bring it in line with the spending pattern. The final expenditure is determined by the number of copies made by NERSA since the Service Provider invoices on the basis on copies made.

### **Employee cost – Temporary staff**

The Salary temporary staff budget has increased by 300.96% compared to the 2012/13 budget. Due to a large number of projects anticipated in the year under review, the number of temporary staff has increased significantly. The increase is due to more temporary staff needed to handle the organisational work load with the reduction of work performed by consultants. The current organizational structure does not fully support operations of certain divisions e.g. Electricity Licensing, Compliance and Dispute Resolution (ELC), Information Resource Management (IRM), Finance and Administration (FA) etc. This budget item also caters for employees who are amongst other reasons on extended and maternity leave.

The budget takes the following into consideration:

There is an additional 42 temporary staff required for all the projects to be completed. The 42 temporary staff comprises the following:

- IRM that requires 18 temporary staff members to be involved in the data analysis section for the Electricity Industry;
- ELC requires 13 temporary staff members that include 10 compliance auditors;
- International Coordination and Partnership requires 4 temporary staff members;
- Finance and Administration requires 3 temporary staff members;
- Legal Advisory Services requires 1 temporary staff member;
- Regulator Analysis Research requires 1 temporary staff member;
- Communication and Stakeholder Management requires 1 temporary staff member; and
- Petroleum Pipelines Tariffs requires 1 temporary staff member.

### **Repairs and Maintenance**

The Repairs and maintenance budget has increased by 42.15% compared to the 2012/13 budget. The increase is attributed to the new signed contracts of cleaning and security. The increase in the contracts amounts to R1 510 000. The budget includes the maintenance of items which were not budgeted for previously, e.g. CCTV and PABX Repairs.

### **Capital expenditure**

This expenditure item provides for capital expenditure for the acquisition of computer software and hardware, to carry out both the administrative and regulatory functions of NERSA. Computer hardware such as servers and personal computers are required to replace existing equipment that has become obsolete and to issue to new employees as a result of the increase in staff members. Building improvement is important to ensure that NERSA complies with Occupational Health and Safety Act, is energy efficient and can accommodate the anticipated growth.

The capital budget has increased by 148.67%. This is due to the major capital refurbishment to be done in the year under review.

- Furniture and Equipment increased by 495.57%. This is due to the replacement of the lifts, replacement of air conditioning engines and furniture;
- Computer hardware has increased by 362.78%, this due The computer equipment has also increased due to the additional temporary staff required;
- Building improvements have however increased by 48.70% due to refurbishment of the building and the replacement of the standby generator to the building;
- The motor vehicle budget has increased by 100% as two of the current vehicles are reaching the end of their useful life; and
- The reclassification of software licenses has significantly (539.37%) increased the computer software budget. Included in the budget is the cost of new SCM systems, Microsoft Office 2010 etc which will allow NERSA to perform more efficiently.

### Significant Decreases

#### **Consultant fees**

The budget reflects a 1.85% decrease as compared to the 2012/13 budget. NERSA is striving to reduce the cost of consultants fees and this had lead to drastic decreased in the above budget.

The use of consultants is unavoidable due to the technical nature of the regulatory work which needs to be performed coupled with the fact that in most instances the projects undertaken are groundbreaking initiatives where similar work has not yet been performed.

The consultant fees incurred for cross cutting regulatory and organisational purposes have been allocated to the three industries as per the approved NERSA ring-fencing methodology; consultant fees directly attributable to an industry are allocated to that industry.

#### **Insurance**

The insurance budget has decreased by 25.72% compared to the 2012/13 budget. This is due to the insurance premium being less than budgeted.

#### **Study fees**

This budget has decreased by 6.90%. This is due to the decline in study request by staff members despite an increase in allowances from R15 000 to R50 000 per employee per annum.

#### **Software licenses**

The budget has decreased by 9.81% compared to the 2012/13 budget. The reduction in budget is as a result of reclassification of capital expenditure from this item to CAPEX. A number of planned projects were previously budgeted under licenses. These projects are capital projects and have therefore being classified as such and included in the CAPEX budget.

The budget includes software that are currently used by NERSA and annual renewals licenses are necessary to comply with user agreements.

#### **Learnership**

The budget has decreased by 33.69% compared to the 2012/13 budget. The number of learners on the Learnership and Internship programmes has been limited to 24, compared to 27 last year. This has resulted in the decrease in the budget as previously reported, and an amount of R 1.44 million has been budgeted for and it will be utilised as follows:

- Learnership - 12 Learners at a total stipend cost of R 5 000 per learner per month for 12 months amounting to R 720 000; and
- Internship . 12 Graduates at a total stipend cost of R5 000 per intern per month for 12 months amounting to R 720 000.

### **Employee Wellness**

The Employee Wellness has increased by 3.8% compared to the 2012/13 budget. The budget has remained relatively unchanged due to lower than expected activities in the previous financial year. It is not expected that the activities will increase in the year under review.

### **Health and Safety**

The budget has decreased by 88.52% compared to the 2012/13 budget. The expenditure was incurred in the previous year, and therefore the required equipment is already in store.

To give effect to section 13(2) and (3) of National Energy Regulator Act, 2004 (Act No.40 of 2004), the Energy Regulator has approved the following ring fencing principles:

- i. Costs that can be directly attributable to an industry-specific regulatory function will be charged directly to that function.
- ii. Costs that are not directly attributable to an industry-specific regulatory function, but are incurred as common costs in order to support the three industry-specific regulatory functions, will be allocated between the three industry-specific regulatory functions using the ratio proportionate to the approved staff complement attributable to the industry-specific function:
  - The current ratio is 58% for the electricity industry regulation; 21% for the petroleum pipeline industry regulation; and 21% for the piped-gas industry regulation.
- iii. This ring fencing methodology will be reviewed every three years. The Energy Regulator however has the discretion to review the ratios should there be indications of actual ratios varying by more than 5%.

Four different income and expenditure budgets have been produced for NERSA:

- Consolidated income and expenditure budget with forecast for NERSA (2013/14 . 2015/16) **(Annexure E)**
- Electricity regulation income and expenditure budget with forecast (2013/14 . 2015/16) **(Annexure G)**
- Piped-gas regulation income and expenditure budget with forecast (2013/14 . 2015/16) **(Annexure H)**
- Petroleum pipeline regulation income and expenditure budget with forecast (2013/14 . 2015/16) **(Annexure I)**

# **Appendix D: Funding for NERSA**

In terms of the National Energy Regulator Act, NERSA will be funded through money appropriated by Parliament; levies imposed by or under separate legislation; charges for dispute resolution and other services rendered in terms of the Act; and licences. However, it suffices to say that the most prudent form of funding for all three industries is through levies.

For electricity it is further provided that its funding will include donations or contributions received from any person or entity and interest received on investment, as provided for in section 5B of the Electricity Act, (Act No. 47 of 1987) since charges for disputes and other services and licence fees are excluded for the electricity industry.

Levies from the petroleum pipelines industry and piped-gas industry are imposed in terms of the Petroleum Pipelines Levies Act, 2004 (Act No. 28 of 2004) and the Gas Regulator Levies Act, 2002 (Act No. 75 of 2002) respectively.

Under Section 5B of the Electricity Act (which has not been repealed with the operationalisation of the Electricity Regulation Act, 2006 (Act No. 4 of 2006)), the Minister of Energy prescribes the electricity levies by Notice in the Government Gazette.

Under the Petroleum Pipeline Levies Act and the Gas Regulator Levies Act, the Energy Regulator first publishes the intended levies for the public to make representations, considers the representation and submits a report to the Minister of Energy on the representations and how the representations affected the levies. After the approval by the Minister of Energy in concurrence with the Minister of Finance, the Energy Regulator publishes a Notice in the Government Gazette of the approved levies for thirty days before the piped-gas and petroleum pipelines industries start paying the levies.

With regard to the **electricity industry**, the budget for regulating this industry will use the variable of **%net kilowatt-hour generated+** to determine the relative percentage contribution of each generation licensee to the levy as prescribed by Section 5B of the Electricity Act.

In order to calculate the levies the energy production figures for the previous calendar year for every electricity generator are used. From the energy production figures the net energy that has been sent out by every generator is calculated (the difference between the gross energy produced and the amount of energy used during the generation process). The unit for this figure is kilowatt-hour. The levy is determined by dividing the budget for the electricity industry by the total amount of energy sent out. This provides a figure measured in cents per kilowatt-hour. In order to determine the amount that every generator has to pay to the Energy Regulator, the proportional contribution of every generator to the total amount of energy sent out during the year is calculated. The electricity budget is then divided between the generators in the same proportion.

In the 2013/2014 budget the levy payable by the licensed generators for the electricity regulation industry will be effectively reduced by a refund of surplus funds which existed at 31 March 2011 to the value of R19.8 million and interest receivable from the bank of R 2.4 million at the average rate of 5.0% per annum.

The levy rate payable by licensed generators of electricity is estimated at 0.0547 cents per kWh based on recovering R137 million through an estimated net generation of 250 615 GWh (1GWh = 1 million kWh) for the 2013/14 financial year. This is a 22.3% increase in the levy compared to the 2012/13 financial year (Refer **Annexure J**). The refunds of surplus fund funds increased from R19.6million in 2012/2013 to R19.8 million in 2013/14.

With regard to the ***piped-gas industry***, the budget for regulating this industry will use the variable of ***%gigajoules entered into the system***+to determine the relative percentage contribution of each pipeline licensee to the levy.

For the piped-gas, the levy is payable by the holders of the title to gas as it enters the system licensed by NERSA and is based on gigajoules. The budgeted leviable amount for piped-gas for 2013/14 amounts to R48.8 million. The projected volume of gas for 2013/14 amounts to 161.8 million GJ, giving a levy rate of 30.17 cents/GJ. This is a 13.8% decrease in the levy compared to the 2012/13 financial year (Refer **Annexure J**).

With regard to the ***petroleum pipelines industry***, the budget for regulating this industry will use the variable of ***%litres entered in the system***+to determine the relative percentage contribution of each owner of petroleum to the levy.

For ***petroleum pipelines***, the levy is payable by the holders of the title to petroleum product as it enters the system licensed by NERSA and is based on litres. The budgeted leviable amount for petroleum pipelines for 2013/14 amounts to R50.9 million. It is estimated that the total volume of petroleum products transported by pipeline would amount to approximately 17.7 billion litres per annum, so the levy would be R0.2878 cents/Kilolitre. This is a 5.5% increase in the levy compared to the 2012/13 financial year (Refer **Annexure J**).

***As mentioned, for both piped-gas and petroleum pipelines, the holder of the title to the product must pay the levy. However, the piped-gas transmission licensee is vertically integrated and therefore is also the holder to the title of the piped-gas. On the other hand, the petroleum pipelines licensee is not vertically integrated and is not the holder of the title to the petroleum. This means that the petroleum pipeline levies will have to be collected from a number of importers and refiners.***

# **Appendix E: NERSA Consolidated Budget**

# NATIONAL ENERGY REGULATOR (NERSA)

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA						
ANNUAL BUDGET FOR THE YEAR 2013/2014						
CONSOLIDATED INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2011/2012 TO 2015/2016						
DESCRIPTION	NOTES	ACTUAL	CONSOLIDATED BUDGET	CONSOLIDATED BUDGET	FORECAST	FORECAST
		2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>TOTAL FUNDING</b>		146 569 098	241 386 167	275 907 345	284 477 421	299 656 731
Levies from Electricity Industry	1	67 837 403	116 425 312	137 043 936	165 707 748	176 158 332
Levies from Piped-Gas Industry	2	42 173 143	47 063 616	48 808 067	55 414 818	59 889 404
Levies from Petroleum Pipeline Industry	3	31 626 431	49 471 329	50 933 740	55 102 524	58 149 091
Refund of Surplus Fund - Prior years	4	-	16 534 568	13 432 314	-	-
Refund of Surplus Funds	4	-	6 791 342	21 548 735	4 358 969	2 905 979
Interest received		4 932 122	5 100 000	4 140 554	3 893 363	2 553 925
<b>TOTAL EXPENDITURE</b>		181 736 341	241 386 167	275 907 345	284 477 421	299 656 731
<b>TOTAL OPERATING EXPENDITURE</b>		179 425 812	232 105 009	252 827 606	263 303 277	277 740 536
Publications, communications and corporate communications		7 006 353	9 444 152	9 351 284	9 351 447	9 781 614
Recruitment costs		532 574	521 750	568 186	585 797	612 744
International initiatives	6	-	606 813	1 290 402	1 203 044	1 258 384
External auditors fees		1 597 999	1 357 000	1 438 420	1 490 967	1 559 551
Co-sourced internal audit function	7	449 788	500 000	1 500 000	1 353 210	1 415 458
Seminars/conferences/breakaways		1 025 123	1 907 520	1 942 917	2 010 598	2 103 085
Bank charges		48 549	87 864	84 000	88 967	93 060
Postage and delivery costs		112 907	424 950	455 447	456 310	477 300
Catering and entertainment		746 694	1 433 150	1 573 616	1 595 734	1 669 137
Consultant fees	8	15 142 586	24 710 937	24 253 917	26 654 137	27 880 227
Tribunals, hearings and inquiries		328 349	551 250	584 325	605 671	633 532
Insurance	9	528 719	852 117	632 985	712 274	745 038
Legal fees		1 437 123	3 396 125	3 530 000	3 415 170	3 572 268
Knowledge Center	10	1 125 252	1 620 798	3 776 187	3 515 429	3 677 138
Study fees	11	1 117 558	2 631 000	2 449 388	2 441 450	2 553 756
Motor vehicle maintenance costs		115 839	295 067	288 000	303 669	317 637
Office operational costs	12	5 722 774	4 213 357	6 007 225	5 906 408	6 178 103
Software licenses	13	1 292 742	2 179 938	1 966 132	2 327 842	2 434 923
Water, Electricity, Rates and taxes		2 294 033	2 369 232	2 662 280	2 671 379	2 794 262
Employment Costs - Staff		85 602 750	108 041 568	108 760 902	116 265 404	123 938 921
Learnership programme	14	1 128 112	1 890 000	1 253 291	1 383 224	1 446 853
Leave pay		1 138 603	1 701 924	1 498 970	1 620 451	1 694 991
Salary temporary staff	15	1 816 565	3 582 154	14 362 925	13 442 163	14 060 503
Remuneration - Regulator Members		8 145 593	9 498 987	10 068 926	10 436 751	10 916 842
Bonuses - Staff and Full Time Regulator Members		13 337 019	19 581 895	19 728 115	20 655 992	21 606 168
Repairs and maintenance	16	1 787 213	2 549 500	3 624 000	3 564 874	3 728 859
Printing and stationery		354 924	735 286	801 461	826 155	864 158
Subscriptions		805 650	922 400	1 005 772	916 509	958 669
Travel cost - Regulator Members		1 999 737	2 124 641	2 217 708	2 305 874	2 411 944
Travel cost - Staff		8 787 090	14 598 246	16 880 398	16 903 711	17 681 282
Telephone and fax		1 118 466	1 592 000	1 641 904	1 651 776	1 727 758
Employee wellness	17	694 846	1 589 000	1 650 584	1 717 896	1 796 920
Health & Safety	18	-	87 120	10 000	19 192	20 074
Training and development - Staff		3 643 752	4 127 310	4 565 184	4 486 332	4 692 703
Training and development - Regulator Members		250 610	379 959	402 757	417 470	436 674
<b>TOTAL CAPITAL EXPENDITURE</b>	19	2 310 529	9 281 158	23 079 740	21 174 144	21 916 195
Motor vehicles		-	500 000	1 000 000	939 065	972 119
Computer software		818 129	1 200 158	7 673 484	6 625 087	6 852 009
Office furniture and equipment		592 438	335 000	1 995 156	1 729 372	1 789 530
Building improvements		521 978	6 725 000	10 000 000	9 770 650	10 118 670
Computer hardware		377 984	521 000	2 411 100	2 109 970	2 183 866
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>	5		28 369 791	33 220 125	35 213 402	37 414 545

Note: Included in the Travel cost is an amount amount of R3.1 million in respect of Training and development

# **1. Appendix F: Notes to the NERSA Budget**

# **EXPLANATORY NOTES TO THE BUDGET INCOME AND EXPENDITURE**

## **INCOME**

Funding is obtained by charging levies to the relevant industries and rolling forward the cash flow mitigation reserve from the previous years. In addition to this, interest receivable from the banks and a refund of surplus funds as at 31 March 2012 has been calculated and included in the funding portion of the 2013/14 budget, which has an effect of reducing levies.

Total funding for the 2013/14 budget is 14.3%% more than the 2012/13 budget. The calculation of this increase includes refunds to the industries and interest receivable.

The forecasted budget for the 2014/15 and the 2015/16 financial years has increased by 2.05% and 4.5% respectively.

The industry levies for 2013/14 will change as follows compared to the previous year:

Industry Levies	Increase in refunds		Expenditure % increase on previous year	% Increase/(Decrease)	
	Amount	Percentage		Volume	Levy
Electricity industry	R 0.2m	0.1%	15.05%	-3.04%	22.3%
Piped-Gas industry	R4.6m	178.2%	11.60%	19.85%	-13.80%
Petroleum Pipelines industry	R 6.3m	253%	14.96%	-1.78%	5.5%

### **1. Levies from Electricity Industry**

The electricity levies with refunds from the electricity industry and interest receivable from the banks have increased by 22.3% from 0.04470 cents per Kwh to 0.0547 cents per Kwh. This is after taking into account refunds amounting to R13.4 million in respect of the NER surplus and an additional R6.3 million resulting from surplus in the previous financial year.

The levies from the generators of electricity are in terms of section 5B of Electricity Act, 1987 (Act No.41 of 1987) and are based on estimated generation for the 2013 year and the NERSA electricity expenditure budget for 2013/14. The calculated levy is based on gross energy sent out less own use. The generation licensees range from Eskom being the largest generator at about 95% of total electricity generated, to the municipalities and private generators. The levy calculation is given in **Annexure J**, and further elaborated on in **Annexure D**.

### **2. Levies from Piped-Gas Industry**

The piped-gas levies have decreased by 13.8% from 34.98 c/GJ to 30.17 c/Gj. This decrease is

mainly attributable to volumes increasing by 19.8% from 135 million in 2012/2013 to 161.8 million GJ in the year 2013/14 financial year.

The piped-gas levies are in terms of section 2 of the Gas Levies Act, 2002 (Act No. 75 of 2002) and are based on the estimated gas transported through the Mozambique gas pipeline and the Lilly pipeline. Sasol is the holder of the title to the gas and therefore is liable for the levy. The energy volume of gas is measured in gigajoules/annum. The levy calculation is given in **Annexure J**, and further elaborated on in **Annexure D**.

### 3. Levies from the Petroleum Pipelines Industry

The petroleum pipelines levies have increased by 5.5% from 0.2728 c/kilo litre to 0.2878 c/kilo litre. This increase is mainly attributable decrease in volume as well as increase in expenditure.

The petroleum pipelines levy is in terms of the Petroleum Pipelines Levies Act, 2004 (Act No. 28 of 2004) and is based on the throughput of petroleum, measured in litres, delivered by importers, refiners and producers to inlet flanges of petroleum pipelines. This levy is paid by the holder of the title to the petroleum product, which in this case are the oil companies. The levy will thus be based on how many litres of petroleum an oil company has put through a petroleum pipeline. The levy calculation is given in **Annexure J**, and further elaborated on in **Annexure D**.

### 4. Refund of Surplus Funds

The Minister of Finance approved that surpluses of R 40 296 945 that existed during the National Electricity Regulator era, must be returned to the electricity industry over a period of three years as a reduction in the income budget needed in order to meet the expenditure budget of the electricity industry.

The Energy Regulator has implemented the above decision. An amount of R26.8 million has already been refunded to the electricity industry through reduced levies. The balance of R13.4 million surplus will be to be refunded in the 2013/14 financial year.

As at 31 March 2012, NERSA had accumulated reserves of R91 million. The reserves consist of three components, which are refunds to industries, approved commitments and Cash Flow mitigating reserves.

	<b>Electricity Industry (R)</b>	<b>Piped-Gas Industry (R)</b>	<b>Petroleum Pipelines Industry (R)</b>	<b>Total (R)</b>
Refunds - NER 2012/13	13 432 314			13 432 314
Refunds - NER 2013/14	13 432 314			13 432 314
Refunds 2013/14	6 347 328	14 529 896	7 936 459	28 813 683
Total Refunds	33 211 956	14 529 896	7 936 459	55 678 311
Approved Commitments				7 017 933
Cash Flow Mitigating Reserve . 2012/13				28 369 792
<b>Total Accumulated Reserves</b>				<b>91 066 036</b>

## 5. Cash Flow Mitigation Reserve

Based on the historical background in the approval of the budget and the payment of levies to NERSA, a Cash Flow Mitigation Reserve has become a necessity for NERSA to be able to fulfill its financial obligations should there be a delay in the approval of the budget and/or delays in the payment of levies by the regulated entities. Hence the Energy Regulator made a decision that a provision be made in the budget for cash flow risks. This decision was approved by the Minister of Finance on 29 February 2008.

The Cash Flow Mitigation Reserve comprises the following principles:

- Three months of employment cost expenditure in terms of the electricity, piped-gas and petroleum pipeline industries
- 4.5% of the annual operating expenditure of NERSA net of employment costs.

The 2013/14 Cash Flow Mitigation Reserve is as follows:

	<b>Reserve (R)</b>
Electricity Industry	18 767 439
Piped-Gas Industry	7 043 165
Petroleum Pipelines Industry	7 255 142
<b>Total</b>	<b>33 065 746</b>

## **EXPENDITURE**

### 6. Operating Expenditure

The total operating expenditure budget for 2013/14 has increased by R20.7 million or 8.9% compared to the 2012/13 budget. When taking inflation into consideration, the budget has increased by 3.6% in real terms. This is mainly due to the increase in temporary staff and Office Operational Costs.

### 7. International initiatives

NERSA endeavours to establish mutually beneficial partnerships with cooperating partners. In the spirit of the New Partnership for Africa's Development (NEPAD) and the African Union (AU), the National Energy Regulator (NERSA) is involved in a number of national, regional and international regulatory initiatives.

NERSA is a member of the Regional Electricity Regulators Association (RERA) of Southern Africa/SADC at regional level. At the continental level, NERSA is a member of the African Forum for Utility Regulators (AFUR).

The establishment of these regulatory associations and NERSA's involvement in them is in line with national imperatives, international trends and best practice whereby organisations in a given industry or sector come together to share experience and collectively deal with and influence issues as well as developments that impact on the industry or sector.

The international initiative budget has increased by 112.65% compared to the 2012/13 budget. The main contributor is the expenses related to the South African Economic Regulators Conference in the year under review, which will occur during the financial year. The total cost for the above conference is R1 158 402.

## **8. Co-sourced Internal auditors function**

The co-sourced Internal auditors budget has increased by 200% compared to the 2012/13 budget. The reasons for this significant variance are as follows:

- This item was under budgeted for 2011/2012;
- To cater for ad hoc assignments and consulting services which are requested by other Departments from time to time; and
- NERSA is working towards improving and ensuring the highest levels of internal controls and internal audit plays a significant role in ensuring that the organization reaches this goal. Therefore the above is aligned to the approved IA three year rolling plan.

## **9. Consultant fees**

The budget reflects a 1.85% decrease as compared to the 2012/13 budget. NERSA is striving to reduce the cost of consultants fees and this led to a decrease in the above budget.

The use of consultants is unavoidable due to the technical nature of the regulatory work which needs to be performed coupled with the fact that in most instances the projects undertaken are groundbreaking initiatives where similar work has not yet been performed.

The consultant fees incurred for cross cutting regulatory and organisational purposes have been allocated to the three industries as per the approved NERSA ring-fencing methodology; consultant fees directly attributable to an industry are allocated to that industry.

The following are some of the major contributors of this expenditure: These projects are based on estimated costs as submitted during the first budget inputs prior to the reduction imposed on consultant fees across the board. Departments will be requested to reprioritise or reschedule the projects in line with the approved budget for consultant fees for each department once the budget is approved

### **Electricity Regulation - Significant consultant fees**

The following are the projects where significant consulting fees are required:

- A contingency fee for electricity regulation projects . R1 500 000
- Consumer Market Research Survey . R 309 084
- Development of D-forms electronic data collection . R750 000
- Development of Customer relation Management system . R800 000

### **Piped-Gas Regulation – Significant consultant fees**

The following are the projects where significant consulting fees are required:

- A contingency fee for piped-gas regulation projects . R1 400 000

## **Petroleum Pipeline Regulation – Significant consultant fees**

The following are the projects where significant consulting fees are required:

- Chevron PL SRAB . R 500 000
- NMPP prudency . R1 000 000
- Decommissioning of the DJP . R300 000
- Petroleum pipelines market research survey under households . R450 000

## **Cross Cutting Regulatory Significant consultant fees**

The following are the projects where significant consulting fees are required:

- GIS information service support . R1 430 640 (Electricity and Piped-Gas)
- Share point - R500 000
- Disaster Recovery Site . R800 000
- Knowledge Management Strategy . R 280 000
- LMS Maintenance . R600 000
- Integrated Financial and Supply Chain Management System . R600 000

## **Organisational Significant consultant fees**

- Monitor the implementation of a Business Continuity Plan for NERSA . R 750 000
- RRS . R 3 000 000
- Regulatory Impact Assessment (RIA) . R2 150 000
- Service provider Supply Chain Database . R500 000
- Business Process Analysis . R588 000
- Industrial Relations . R500 000
- Disciplinary Hearings . R600 000
- IT outsource contract . R1 214 000
- Consulting fees for ad hoc Financial Services . R400 000
- Budgeting and Reporting System for Finance . R300 000
- Consulting fees for ad hoc Human Resource Services . R300 000
- Institutional and Organisational Review . R2 500 000

## **10. Insurance**

The insurance budget has decreased by 25.72% compared to the 2012/13 budget. This is due to the change in insurance company resulting in reduced premium.

## **11. Knowledge Centre**

NERSA houses an internal library that provides journals, newspapers, magazines and other publications.

It is vital in NERSA's role as a Regulatory Authority and Knowledge Institution to keep abreast with the required areas of expertise and one of the ways of doing so is through obtaining the correct literature. Most of the literature required is international publications, which are paid for in foreign currencies.

The Knowledge Centres budget has increased by 132.98% compared to the 2012/13 budget. The biggest contributor is the access to subscriptions for electronic publications which were not adequately budgeted for in the 2012/13 financial year.

## **12. Study Fees**

This expenditure has decreased by 6.90%. This is due to the decline in study request by staff members despite an increase in allowances from R15 000 to R50 000 per employee per annum. NERSA does not pay for repeat subjects. This trend is expected to continue into the next financial year.

## **13. Office operational costs**

This expenditure item has increased by 42.58%. This budget item includes operational lease agreements for photocopier machines, fax machines, printers and maintenance costs. These are based on the current contract. NERSA has an obligation to pay for such equipment and services rendered. The budget for the 2012/13 was below the 2011/12 expenditure by R1.5 million. It is proposed that this budget be increased to R6 million to bring it in line with the spending pattern. The final expenditure is determined by the number of copies made by NERSA since the Service Provider invoices on the basis on copies made.

## **14. Software licenses**

The Software licenses budget has decreased by 9.81% compared to the 2012/13 budget. The reduction in budget is as a result of reclassification of capital expenditure from this item to CAPEX. A number of planned projects were previously budgeted under licenses. These projects are capital projects and have therefore being classified as such and included in the CAPEX budget.

The budget includes software that is currently used by NERSA and annual renewals licenses that are necessary to comply with user agreements.

## **15. Learnership Programme**

The Republic of South Africa in trying to address the skills shortage, unemployment, prospects of work and labour mobility, productivity in the workplace, competitiveness of employers, promotion of self-employment and delivery of social services introduced the Skills Development, 1998 (Act No. 97 of 1998). The Act gives a framework to implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualifications Framework as contemplated in the South African Qualifications Authority Act of 1995 and to provide for Learnership that leads to recognised occupational qualifications.

In trying to achieve the National Qualification Framework the Sectors of Education and Trainings (SETAs) were developed /introduced. These cater for establishment of learnership and approval of Workplace skills plans amongst other duties. Though NERSA is exempted from contributing to the National Skills Fund as prescribed by the National Skills Levy Act, the organization still carries an obligation of Skills Development. In the NERSA Workplace Skills Plan of 2006, one of the areas that need to be addressed is the implementation of learnership within the organisation.

The Learnership budget has decreased by 33.69% compared to the 2012/13 budget. The number of learners on the Learnership and Internship programmes has been limited to 24, compared to 27 in the previous year. This has resulted in the decrease in the budget as previously reported, and an amount of R 1.44 million has been budgeted and it will be utilised as follows:

- Learnership - 12 Learners at a total stipend cost of R 5 000 per learner per month for 12 months amounting to R 720 000; and
- Internship . 12 Graduates at a total stipend cost of R 5 000 per intern per month for 12 months amounting to R 720 000.

## **16. Employment costs – Temporary Staff**

The Salary temporary staff budget has increased by 300.96% compared to the 2012/13 budget. Due to a large number of projects anticipated in the year under review, the number of temporary staff has increased significantly. The increase is due to more temporary staff needed to handle the organisational work load with the reduction of work performed by consultants. The current organizational structure does not fully support operations of certain divisions e.g. Electricity Licensing, Compliance and Dispute Resolution (ELC), Information Resource Management (IRM), Finance and Administration (FA) etc. This budget item also caters for employees who are amongst other reasons on extended and maternity leave.

The budget takes the following into consideration:

There is an additional 42 temporary staff required for all the projects to be completed. The 42 temporary staff comprises the following:

- IRM that requires 18 temporary staff members to be involved in the data analysis section for the Electricity Industry;
- ELC requires 13 temporary staff members that include 10 compliance auditors;
- International Coordination and Partnership requires 4 temporary staff members;
- Finance and Administration requires 3 temporary staff members;
- Legal Advisory Services requires 1 temporary staff member;
- Regulator Analysis Research requires 1 temporary staff member;
- Communication and Stakeholder Management requires 1 temporary staff member; and
- Petroleum Pipelines Tariffs requires 1 temporary staff member.

## **17. Repairs and Maintenance**

The Repairs and maintenance budget has increased by 42.15% compared to the 2012/13 budget. The increase is attributed to the new signed contracts of cleaning and security. The increase in the contracts amounts to R1 510 000. The budget includes the maintenance of items which were not budgeted for previously, e.g. CCTV and PABX Repairs.

## **18. Employee Wellness**

The Employee Wellness has increased by 3.8% compared to the 2012/13 budget. The budget has remained relatively unchanged due to lower than expected activities in the previous financial year. It is not expected that the activities will increase in the year under review.

## **19. Health and Safety**

The Health and Safety budget has decreased by 88.52% compared to the 2012/13 budget. The expenditure was incurred in the previous year, and therefore the required equipments are already in store.

## **20. CAPEX**

This expenditure item provides for capital expenditure for the acquisition of computer software and hardware, to carry out both the administrative and regulatory functions of NERSA. Computer hardware such as servers and personal computers are required to replace existing equipment that has become obsolete and to issue to new employees as a result of the increase in staff members. Building improvement is important to ensure that NERSA complies with the Occupational Health and Safety Act, is energy efficient and can accommodate the anticipated growth.

The capital budget has increased by 148.67%. This is due to the major capital refurbishment to be done in the year under review.

- Furniture and Equipment increased by 495.57%. This is due to the replacement of the lifts, replacement of air conditioning engines and furniture;
- Computer hardware has increased by 362.78%, this due The computer equipment has also increased due to the additional temporary staff required;
- Building improvements have however increased by 48.70% due to refurbishment of the building and the replacement of the standby generator to the building;
- The motor vehicle budget has increased by 100% as two of the current vehicles are reaching the end of their useful life; and
- The reclassification of software licenses has significantly (539.37%) increased the computer software budget. Included in the budget is the cost of new SCM systems, Microsoft Office 2010 etc which will allow NERSA to perform more efficiently.



# **Appendix G: Consolidated Electricity Industry Regulation Budget**

# NATIONAL ENERGY REGULATOR (NERSA)

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

### ANNUAL BUDGET FOR THE YEAR 2013/2014

#### ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2013/2014 TO 2014/2015

	ACTUAL	APPROVED ELECTRICITY BUDGET	APPROVED ELECTRICITY BUDGET	ELECTRICITY BUDGET	FORECAST	FORECAST
DESCRIPTION	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>TOTAL FUNDING</b>	70 698 033	124 667 692	138 396 179	159 225 099	168 253 361	177 303 857
Levies from Electricity Industry	67 837 403	73 408 045	116 425 312	137 043 936	165 707 748	176 158 332
Levies from Piped-Gas Industry		-	-	-	-	-
Levies from Petroleum Pipeline Industry		-	-	-	-	-
Refund of Surplus Funds - Electricity Industry - NER		46 459 647	15 774 866	13 432 314		
Refund of Surplus Funds			3 796 002	6 347 328		
Interest received	2 860 630	4 800 000	2 400 000	2 401 521	2 545 613	1 145 526
<b>TOTAL EXPENDITURE</b>	109 832 830	124 667 690	138 396 179	159 225 099	168 253 361	177 303 857
<b>TOTAL OPERATING EXPENDITURE</b>	108 492 723	117 390 742	133 013 107	145 796 138	154 166 380	162 568 876
Publications, communications and corporate communications	3 039 082	4 624 113	4 473 583	4 202 578	4 408 504	4 611 295
Recruitment costs	296 880	220 458	302 615	329 548	345 696	361 598
International initiatives	-	23 200	351 951	748 433	785 106	821 221
External auditors fees	957 398	731 064	787 060	834 284	875 163	915 421
Co-sourced internal audit function	260 877	278 400	290 000	870 000	912 630	954 611
Seminars/conferences/breakaways	523 008	1 260 929	1 131 510	1 107 209	1 161 462	1 214 890
Bank charges	28 106	42 101	50 961	48 720	51 107	53 458
Postage and delivery costs	64 978	202 413	235 184	246 789	258 881	270 790
Catering and entertainment	492 070	596 991	885 558	925 843	971 210	1 015 885
Consultant fees	8 759 026	10 414 961	11 361 743	13 111 988	13 754 475	14 387 181
Tribunals, hearings and inquiries	328 349	406 000	319 725	338 909	355 515	371 869
Insurance	306 657	423 400	494 228	367 131	385 121	402 836
Legal fees	781 972	1 641 400	1 969 753	1 866 614	1 958 078	2 048 150
Knowledge Center	652 646	966 685	940 063	1 935 016	2 029 832	2 123 204
Study fees	756 002	2 384 700	1 555 400	1 416 586	1 485 999	1 554 355
Motor vehicle maintenance costs	67 187	104 516	171 139	167 040	175 225	183 285
Office operational costs	3 374 195	2 319 074	2 443 747	3 484 191	3 654 916	3 823 042
Software licenses	753 644	1 321 356	1 224 612	1 448 217	1 519 179	1 589 061
Water, Electricity, Rates and taxes	1 330 539	1 141 440	1 413 907	1 544 123	1 619 785	1 694 295
Employment Costs - Staff	51 581 305	56 386 993	64 039 363	61 311 598	65 542 098	69 867 877
Learnership programme	647 375	870 000	1 096 200	676 700	709 858	742 512
Leave pay	668 394	-	1 005 955	869 403	912 003	953 955
Salary temporary staff	989 210	984 484	2 816 744	11 620 194	12 189 584	12 750 304
Remuneration - Regulator Members	3 593 865	5 458 628	5 509 412	5 839 977	6 126 136	6 407 938
Bonuses - Staff and Full Time Regulator Members	7 791 860	10 105 551	11 591 292	11 240 054	11 790 816	12 333 194
Repairs and maintenance	1 037 733	1 526 849	1 478 710	2 101 920	2 204 914	2 306 340
Printing and stationery	205 869	286 580	426 466	464 847	487 625	510 055
Subscriptions	468 401	529 514	769 072	562 647	590 216	617 366
Travel cost - Regulator Members	1 166 668	1 357 084	1 232 292	1 286 271	1 349 298	1 411 366
Travel cost - Staff	6 184 216	6 990 654	7 967 403	10 028 314	10 519 702	11 003 608
Telephone and fax	648 860	818 960	923 360	910 600	955 219	999 159
Employee wellness	403 011	597 748	921 620	957 339	1 004 248	1 050 444
Health & Safety	-	40 600	50 530	-	-	-
Training and development - Staff	2 101 970	2 217 896	2 561 575	2 699 459	2 831 732	2 961 992
Training and development - Regulator Members	48 251	116 000	220 376	233 599	245 045	256 318
<b>CAPITAL EXPENDITURE</b>	1 340 107	7 276 948	5 383 072	13 428 961	14 086 981	14 734 982
Motor vehicles	-	133 400	290 000	580 000	608 420	636 407
Computer software	-	1 175 000	696 092	4 450 621	4 668 701	4 883 461
Office furniture and equipment	818 129	3 137 568	194 300	1 176 353	1 233 994	1 290 758
Building improvements	-	145 000	3 900 500	5 800 000	6 084 200	6 364 073
Computer hardware	521 978	2 685 980	302 180	1 421 988	1 491 665	1 560 282
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		<b>17 978 368</b>	<b>15 069 734</b>	<b>18 866 905</b>	<b>20 097 941</b>	<b>21 350 157</b>
Electricity Levy c/kWh		0.0286	0.0447	0.0547	0.0664	0.0680
% increase in levy rate			56.3%	22.3%	21.4%	2.5%

## **Appendix H: Consolidated Piped-Gas Industry Regulation Budget**

# NATIONAL ENERGY REGULATOR (NERSA)

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

### ANNUAL BUDGET FOR THE YEAR 2013/2014

#### PIPED GAS INDUSTRY

#### INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2013/2014 TO 2014/2015

DESCRIPTION	ACTUAL	APPROVED PIPED GAS BUDGET	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>TOTAL FUNDING</b>	43 208 889	50 486 314	51 024 667	56 942 531	60 208 545	63 249 705
Levies from Electricity Industry						
Levies from Piped-Gas Industry	42 173 143	40 496 714	47 063 616	48 808 067	55 414 818	59 889 404
Levies from Petroleum Pipeline Industry						
Refund of Surplus Fund - Prior years		8 639 600	379 851	-	-	-
Refund of Surplus Funds	-	-	2 231 200	7 264 948	4 358 969	2 905 979
Interest received	1 035 746	1 350 000	1 350 000	869 516	434 758	454 322
<b>TOTAL EXPENDITURE</b>	35 268 345	50 486 314	51 024 667	56 942 531	60 208 545	63 249 705
<b>TOTAL OPERATING EXPENDITURE</b>	34 783 134	47 909 488	49 075 623	52 140 038	55 165 927	58 207 088
Publications, communications and corporate communications	2 149 996	2 464 870	2 814 909	2 556 393	2 681 657	2 805 013
Recruitment costs	126 854	79 821	109 567	119 319	125 166	130 923
International initiatives	-	8 400	127 431	270 984	284 263	297 339
External auditors fees	321 384	264 696	284 970	302 068	316 870	331 446
Co-sourced internal audit function	94 456	100 800	105 000	315 000	330 435	345 635
Seminars/conferences/breakaways	306 323	428 343	408 205	441 666	463 308	484 620
Bank charges	10 242	15 244	18 451	17 640	18 504	19 356
Postage and delivery costs	23 359	79 163	96 613	95 054	99 711	104 298
Catering and entertainment	125 216	201 917	278 121	325 881	341 849	357 574
Consultant fees	2 811 747	9 308 865	6 084 597	5 032 507	5 279 100	5 521 938
Tribunals, hearings and inquiries	-	147 000	115 763	122 708	128 721	134 642
Insurance	111 031	153 300	178 945	132 927	139 440	145 855
Legal fees	419 217	594 300	713 186	675 843	708 959	741 571
Knowledge Center	236 653	350 007	340 368	1 075 835	1 128 551	1 180 464
Study fees	157 592	1 065 150	633 300	468 521	491 478	514 086
Motor vehicle maintenance costs	24 326	37 842	61 964	60 480	63 444	66 362
Office operational costs	1 195 773	839 665	884 805	1 261 517	1 323 332	1 384 205
Software licenses	277 390	478 422	443 394	258 958	271 647	284 142
Water, Electricity, Rates and taxes	447 876	413 280	511 932	559 079	586 474	613 452
Employment Costs - Staff	16 261 307	18 994 996	21 082 270	23 551 356	25 176 400	26 838 042
Learnership programme	193 344	315 000	396 900	245 012	257 018	268 841
Leave pay	322 102	-	335 398	314 784	330 208	345 398
Salary temporary staff	218 844	296 710	382 705	811 365	851 122	890 274
Remuneration - Regulator Members	2 254 581	1 976 400	1 994 787	2 114 474	2 218 084	2 320 116
Bonuses - Staff and Full Time Regulator Members	2 704 106	3 417 339	3 839 100	4 299 571	4 510 250	4 717 721
Repairs and maintenance	374 645	552 825	535 395	761 040	798 331	835 054
Printing and stationery	74 528	107 662	154 410	168 307	176 554	184 675
Subscriptions	161 445	205 143	78 164	235 887	247 446	258 828
Travel cost - Regulator Members	466 792	491 358	446 175	465 719	488 539	511 012
Travel cost - Staff	1 561 004	3 205 133	4 009 412	3 464 374	3 634 128	3 801 298
Telephone and fax	235 886	296 520	334 320	329 700	345 855	361 765
Employee wellness	144 431	216 426	333 690	346 623	363 607	380 333
Health & Safety	-	14 700	18 295	-	-	-
Training and development - Staff	802 199	746 192	843 291	854 867	896 756	938 007
Training and development - Regulator Members	167 356	42 000	79 791	84 579	88 723	92 805
<b>CAPITAL EXPENDITURE</b>	485 211	2 576 826	1 949 043	4 802 493	5 042 618	5 042 618
Motor vehicles	-	48 300	105 000	210 000	220 500	220 500
Computer software	-	367 500	252 033	1 611 432	1 692 003	1 692 003
Office furniture and equipment	296 219	1 136 016	70 350	401 505	421 581	421 581
Building improvements		52 500	1 412 250	2 100 000	2 205 000	2 205 000
Computer hardware	188 992	972 510	109 410	479 556	503 534	503 534
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		4 209 303	6 440 503	7 079 178	7 543 815	8 016 712
Piped-Gas levy c/Gj		28.72	34.98	30.17	32.72	34.50
% (decrease) / increase in levy rate			21.8%	-13.8%	8.5%	5.5%
Previous model: Piped-Gas levy c/Gj				25.18	34.5	35.09
Previous model:% (decrease) / increase in levy rate				-28.0%	37.0%	1.7%

# **Appendix I: Consolidated Petroleum Pipelines Industry Regulation Budget**

# NATIONAL ENERGY REGULATOR (NERSA)

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA						
ANNUAL BUDGET FOR THE YEAR 2011/2012						
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2013/2014 TO 2014/2015						
DESCRIPTION	ACTUAL	APPROVED PETROLEUM BUDGET	APPROVED PETROLEUM BUDGET	PETROLEUM BUDGET	FORECAST	FORECAST
	2011/2012	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
<b>TOTAL FUNDING</b>	32 662 177	47 867 696	51 965 321	59 739 715	56 015 516	59 103 168
Levies from Electricity Industry						
Levies from Piped-Gas Industry						
Levies from Petroleum Pipeline Industry	31 626 431	33 503 616	49 471 329	50 933 740	55 102 524	58 149 091
Refund of Surplus Fund - Prior years		13 014 081	379 851		-	-
Refund of Surplus Funds		-	764 141	7 936 459		
Interest received	1 035 746	1 350 000	1 350 000	869 516	912 992	954 077
<b>TOTAL EXPENDITURE</b>	36 635 166	47 867 696	51 965 321	59 739 715	56 015 516	59 103 168
<b>TOTAL OPERATING EXPENDITURE</b>	36 149 955	45 290 870	50 016 278	54 891 430	53 970 970	56 964 572
Publications, communications and corporate communications	1 817 275	1 844 544	2 155 659	2 592 313	2 261 287	2 365 306
Recruitment costs	108 840	79 821	109 567	119 319	114 936	120 223
International initiatives	-	8 400	127 431	270 984	133 675	139 824
External auditors fees	319 218	264 696	284 970	302 068	298 934	312 684
Co-sourced internal audit function	94 456	100 800	105 000	315 000	110 145	115 212
Seminars/conferences/breakaways	195 792	382 343	367 805	394 042	385 828	403 576
Bank charges	10 201	15 244	18 451	17 640	19 356	20 246
Postage and delivery costs	24 570	74 063	93 153	113 605	97 717	102 212
Catering and entertainment	129 408	183 467	269 471	321 892	282 675	295 678
Consultant fees	3 571 813	6 808 865	7 264 597	6 109 422	7 620 562	7 971 108
Tribunals, hearings and inquiries	-	147 000	115 763	122 708	121 435	127 021
Insurance	111 031	153 300	178 945	132 927	187 713	196 348
Legal fees	235 934	594 300	713 186	987 543	748 132	782 546
Knowledge Center	235 953	350 007	340 368	765 335	357 046	373 470
Study fees	203 965	815 150	442 300	564 281	463 973	485 315
Motor vehicle maintenance costs	24 326	37 842	61 964	60 480	65 000	67 990
Office operational costs	1 152 806	839 665	884 805	1 261 517	928 160	970 856
Software licenses	261 709	478 422	511 932	258 958	537 016	561 719
Water, Electricity, Rates and taxes	515 618	413 280	443 394	559 079	465 120	486 516
Employment Costs - Staff	17 760 138	19 665 821	22 919 935	23 897 948	25 546 906	27 233 002
Learnership programme	287 394	315 000	396 900	331 579	416 348	435 500
Leave pay	148 107	-	360 571	314 784	378 239	395 638
Salary temporary staff	608 512	596 710	382 705	1 931 365	401 457	419 924
Remuneration - Regulator Members	2 297 147	1 976 400	1 994 787	2 114 474	2 092 532	2 188 788
Bonuses - Staff and Full Time Regulator Members	2 841 053	3 531 380	4 151 503	4 188 491	4 354 927	4 555 253
Repairs and maintenance	374 835	552 825	535 395	761 040	561 629	587 464
Printing and stationery	74 528	106 562	154 410	168 307	161 976	169 427
Subscriptions	175 805	188 143	75 164	207 238	78 847	82 474
Travel cost - Regulator Members	366 276	491 358	446 175	465 719	468 037	489 567
Travel cost - Staff	1 041 870	2 932 793	2 621 431	3 387 709	2 749 881	2 876 376
Telephone and fax	233 720	296 520	334 320	401 604	350 702	366 834
Employee wellness	147 404	216 426	333 690	346 623	350 041	366 143
Health & Safety	-	14 700	18 295	10 000	19 192	20 074
Training and development - Staff	739 584	773 025	722 444	1 010 858	757 844	792 705
Training and development - Regulator Members	35 003	42 000	79 791	84 579	83 701	87 552
<b>CAPITAL EXPENDITURE</b>	485 211	2 576 826	1 949 043	4 848 285	2 044 546	2 138 596
Motor vehicles	-	48 300	105 000	210 000	110 145	115 212
Computer software	-	367 500	252 033	1 611 432	264 383	276 544
Office furniture and equipment	296 219	1 136 016	70 350	417 298	73 797	77 192
Building improvements	-	52 500	1 412 250	2 100 000	1 481 450	1 549 597
Computer hardware	188 992	972 510	109 410	509 556	114 771	120 051
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		6 095 413	6 859 554	7 274 042	7 571 645	8 047 676
Petroleum Pipeline levy c/kilo litre		0.1905	0.2728	0.2878	0.3058	0.3074

# **Appendix J: Levies Calculation**

### Levy Rate calculation

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES
TOTAL EXPENDITURE	159 225 099	56 942 531	59 739 715
INTEREST RECEIVED	2 401 521	869 516	869 516
SURPLUS FUNDS	6 347 328	7 264 948	7 936 459
REFUND TO THE INDUSTRY	13 432 314	-	-
LEVIABLE AMOUNT	137 043 936	48 808 067	50 933 740
PROJECTED VOLUMES	250 615 050	161 800 000	17 699 523
	MWh	Gj	Kl
Electricity Levy (c/kWh)	0.05468		
Piped-Gas levy (c/Gj)		30.166	
Petroleum Pipeline levy (c/litre)			0.28777
Levy Increase / (Decrease)	22.33%	-13.76%	5.49%

# **Appendix K: Programme Budgets**

**NATIONAL ENERGY REGULATOR OF SOUTH AFRICA**  
**Budget per programme**  
**2013/14**

<b>Programme</b>	<b>Electricity</b>	<b>Piped-Gas</b>	<b>Petroleum Pipelines</b>	<b>Total per Programme</b>
<b>PROG 1</b> - Setting and/or approval of tariffs and prices	51 820 027	12 358 916	26 623 264	<b>90 802 206</b>
<b>PROG 2</b> - Licensing and Registration	23 216 712	7 867 285	11 974 737	<b>43 058 734</b>
<b>PROG 3</b> - Compliance monitoring and enforcement	15 477 808	7 867 285	8 708 092	<b>32 053 185</b>
<b>PROG 4</b> - Dispute resolution including meditation, arbitration and the resolution of complaints	10 318 539	1 866 190	3 110 072	<b>15 294 801</b>
<b>PROG 5</b> - Setting of rules, guides and codes for regulation	40 070 485	10 697 091	3 776 296	<b>54 543 872</b>
<b>PROG 6</b> - Establishing NERSA as an efficient and effective organisation	18 321 528	16 285 764	5 547 255	<b>40 154 547</b>
<b>Total per Industry</b>	<b>159 225 099</b>	<b>56 942 531</b>	<b>59 739 715</b>	<b>275 907 345</b>