



Annual Performance Plan 2012/13 - 2014/15

Final - 31 January 2012

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**NATIONAL ENERGY REGULATOR
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Foreword

The National Energy Regulator (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 the National Energy Regulator of South Africa (NERSA) for the period 2012/13-2014/15 is informed by the five year Strategic Plan. 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.

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 the security of supply, especially within the electricity and petroleum industries requiring therefore a focus on new electricity generation capacity as well as the completion of the construction 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 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 commit 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 current Strategic Plan of NERSA and accurately reflects the performance targets which NERSA will endeavour to achieve given the resources made available in the budget for 2012/13.

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Part A: Strategic overview

1. Updated situational analysis

This Annual Performance Plan has been developed in the same period as the Strategic Plan (2012/13 . 2016/17). Therefore there are no changes in the external and internal environments that might affect performance. For the same reason the demand for services and the challenges that need to be addressed within the performance delivery and organisational environment remain the same.

For completeness, the situational analysis as reflected in the Strategic Plan (2012/13 . 2016/17) has been included.

1.1. Performance environment

NERSA undertook an environmental scan to assess the factors within the performance environment which would impact on the execution of its mandate. 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.

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, raise 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	NERSA response to the challenge
Political uncertainty (2012)	<ul style="list-style-type: none"> • NERSA must appropriately position itself
State led infrastructure expansion	<ul style="list-style-type: none"> • Ensuring a level playing field • Create and issue rules that are designed to clearly define the roles of government, NERSA and others • Price determination done such that Eskom could raise its credit rating • NERSA is to highlight the implications of the state led infrastructure expansion to the policy makers
%State capitalism+	<ul style="list-style-type: none"> • Assist DoE in creating awareness of policy • Proactive engagement with government
Manage interface between different policy thrusts of Government (new growth path, IPAP2)	<ul style="list-style-type: none"> • Make decisions that are not in conflict with the Acts • Identify points of contribution • Develop a position paper in this regard
Policy gaps and inconsistencies	<ul style="list-style-type: none"> • Thorough study of all the policies that NERSA is responsible for • Input into policy development / review • Highlight cost of projects, the impact and implications thereof i.e. IRP
Discussion / debate around nationalisation	<ul style="list-style-type: none"> • Efficiency in the operations of NERSA • Ensure investor confidence through our regulatory activities • Influence perception of investor risk (particularly in piped-gas)
Review of millennium goals (2014)	<ul style="list-style-type: none"> • Monitor targets after allocation has been done • Reporting back through media and media coverage
Presidential review on the organs of state / creation of a %super regulator+and collapse all regulators	<ul style="list-style-type: none"> • Profile NERSA in the public arena • Affirm NERSA's effectiveness and positioning • Monitor debate • Influencing the discussions • Engage with stakeholders • Stakeholder survey • Position NERSA as a low maintenance entity • Highlight the importance of an independent regulator in a political environment • Improve on current performance • Understand regulatory environment, who are the other regulators • Help / teach / learn from them (other regulators) • %Do what you do, well+
Developments in the Arab world	<ul style="list-style-type: none"> • Get statistics on oil demands • Proactively research and promote alternative sources of energy • Look at the referencing of the price of gas (reference against oil price may make gas less attractive as oil price rise)

Economic factors	NERSA response to the challenge
Risk of US, EURO debt default and the impact on emerging markets	<ul style="list-style-type: none"> • Review of tariffs in line with developments • Promote energy conservation • Create public awareness
Perception of imbalance between supply and demand	<ul style="list-style-type: none"> • Allow primary energy cost as a pass through cost • Develop and publish rules that will ensure that new capacity is built and commissioned on time
Inclusion of SA in the BRIC countries	<ul style="list-style-type: none"> • Factor in the existing BRICS agreements when setting and or approving prices • Understand the new demand
Impact of poverty	<ul style="list-style-type: none"> • Focus on pro-poor regulation
Capital flight (foreign and local)	<ul style="list-style-type: none"> • Create regulatory certainty
Africa has 2 of the top 5 oil producing countries	<ul style="list-style-type: none"> • Encourage country-to-country agreements
Double dip recession	<ul style="list-style-type: none"> • Create focus on pro-poor interventions
Increased consumption of energy by China	<ul style="list-style-type: none"> • Regulatory advocacy • Regulate the stock piles • Promote the introduction of renewable energy in the energy mix (taking into account its limitations) • Increase the number of days that the coal stock piles must be
Inter-dependency of SADC on SA economy	<ul style="list-style-type: none"> • Create space to be able to facilitate the realisation of SADC countries power plans
Wave of industrial action and the impact	<ul style="list-style-type: none"> • Encourage entities to have better risk management interventions
Tanzania found significant amounts of Gas	<ul style="list-style-type: none"> • Potential of country to country agreements
Oil majors leaving SA	<ul style="list-style-type: none"> • Monitor the status of the oil majors in South Africa and act accordingly
Impact of environmental levies on prices	<ul style="list-style-type: none"> • Highlight impact of environmental levies to policy makers • pro-poor+regulation

Regulatory Factors	NERSA response to the challenge
Management of concurrent jurisdiction	<ul style="list-style-type: none"> Concluding of MoUs and MoAs with other regulators Regulatory advocacy Co-operate and help other regulators Build closer relationships with other regulators
Perception of independence of the Regulator	<ul style="list-style-type: none"> • Communication . particularly on how decision was reached (Not only on website . more personalised) • Structured stakeholder engagement
Consistency in policy applications by different regulators	<ul style="list-style-type: none"> • Harmonisation of regulatory methodologies (internally and externally) • Regulatory advocacy • Reviving structures such as the SA Regulators Forum
Compliance monitoring and enforcement	<ul style="list-style-type: none"> • Propose amendments to legislation • MoUs with the right departments that have more teeth+ • Work with different institutions in the country such as National Treasury, Auditor-General

Social Factors	NERSA response to the challenge
Increase in social delivery protests (consumer activism)	<ul style="list-style-type: none"> • Customer education • Public consultation • Mediation
NERSA's Impact on poverty	<ul style="list-style-type: none"> • Contribute to Learnership / internship / job creation • Inclining Block Tariffs (IBTs) and evaluation <ul style="list-style-type: none"> ◦ Review and publicise ◦ Assessing impact of IBTs ◦ Further research to include the %working poor+ • Possible money in tariff to train artisans
Resistance to energy infrastructure close to settlements	<ul style="list-style-type: none"> • NERSA to ensure that it is ready for expropriation
Non-technical losses	<ul style="list-style-type: none"> • Customer education • Monitor non-technical losses • Highlight legislative gaps to policy maker
Lack of skills	<ul style="list-style-type: none"> • Provide for industry specific skills training in the tariffs

Technological Factors	NERSA response to the challenge
Mode of transport is changing	<ul style="list-style-type: none"> • Monitoring and understanding the impact of technological developments on revenue streams and households • Engaging, researching and understanding
Changes in technologies	
Uncertainty / fears (Shale Gas and CNG)	
Smart meters and Smart Grids	
Sustainable / smart technologies to be utilized	
Nuclear	

Environmental Factors	NERSA response to the challenge
Growing awareness on environmental factors	<ul style="list-style-type: none"> • Utilising the MYPD to facilitate contributing towards the reduction of green house gas emissions
Environmental levies and Carbon tax	<ul style="list-style-type: none"> • Encourage and facilitate cooperation and coordination between decision making bodies • Allowing Transnet to recover land rehabilitation costs • Develop an integrated view going forward • Participation in the dialogue and educate the public regarding key environmental issues and NERSA decisions
Expiry of Kyoto protocol	
Lobbying against Shale Gas	
Delays in issuing environmental Impact Assessments	<ul style="list-style-type: none"> • Draw up MOU with role players • Monitor delays in construction • Assist licensees in achieving infrastructure development milestones

Legal Factors	NERSA response to the challenge
Review of the Acts	<ul style="list-style-type: none"> • NERSA is to pro-actively participate in any development / review of applicable legislation • Regulatory advocacy
Lack of enforcement provisions in the Acts	
Ability to influence supplementary legislation	
Compliance with regulatory requirements (PFMA and others)	
Electricity and Gas reticulation in the constitution	
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 formulation of the strategic objectives and the programmes as indicated in the 2012/13-2016/17 Strategic Plan and the 2012/13-2014/15 Annual Performance Plan. 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 and risks*

(i) Demand and supply:

- Lack of Generation Capacity to meet the demand;
- No new capacity will become available until the 4th 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);
- Risk mitigation for late decisions or late projects;
- Energy efficiency and Demand Side Management (EEDSM) targets not achieved (8.5TWh/3000MW in 3 years);
- Lack of maintenance of the current generation fleet;
- Increased possibility of major failures (34 GO's postponed);
- High load factors and no cover by insurance; 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:

- 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

- Projected price path for MYPD3;
- Price increases still above inflation (approx 19% per annum);
- 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 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.

b) 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 approximately 2014;

- Lack of alternative gas sources and investors;
- Highly compliance focused due to the Agreement;
- Supposedly tight 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; and
- Currently relying on Mozambican imports. Therefore growing supply is reliant on imports and domestic exploration.

b) Risks

- The lack of gas sources will result in no investments and consequently no competition;
- Insufficient gas to supply existing or future customers;
- No new gas finds;
- No investment in new pipeline infrastructure;
- Incentives to use natural gas near-exclusively for GTL at Secunda;
- Anti-competitive conduct by incumbent successfully bars entry and results in high prices and tariffs;
- Moratorium shale gas exploration . is this indefinite?
- SA misses window of low LNG prices;
- No significant uptake of LNG for electricity generation (coal remains dominant, nuclear fired generation gains in prominence);
- Open Cycle Gas Turbine (OCGT) stations not converted to Closed Cycle Gas Turbines (CCGT);
- The electricity generated through CCGT is not adjusted upwards in the IRP2010; and
- Legal challenge of maximum prices and tariff methodologies prevent NERSA from effectively subjecting Sasol Gas to economic regulation (resulting in higher prices and tariffs, deterring entry).

c) Challenges

- Loss of credibility and regulatory reputation can deter development of the gas market;
- New order mining rights in terms of MPRDA, e.g. moratorium on shale gas exploration after exploration licence granted to Shell;
- Calls for nationalisation of the mines and Sasol;
- Customer education on Market Value Pricing (MVP) and fear of intimidation;
- Lack of coordination with other regulators (e.g. PASA) can cause administrative burden to new entrants;
- Mandate creep by DoE and lobbying by incumbents; and
- Lack of critical skills in economic regulation of piped-gas (specialist legal and economic skills).

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. NERSA dialogue 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. Review of the Gas Act (incorporate currently unlicensed activities and clarity of infrastructure planning).
2. Sending correct price signals;
 - a. Implement RRM to overcome information asymmetry;
 - b. Market value pricing investigations;
 - c. Establish and implement maximum pricing methodology in terms of s21(1)(p);
 - 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. Fill policy gaps by participating in any review of Gas Act and Regulations.

Petroleum Pipelines Industry Regulation

a) Risks:

- Regulatory certainty
 - PASA awarded prospecting licences for shale gas to Shell, Sasol and others;
 - Cabinet decided to suspend shale gas prospecting;
 - Minister of Transport has intervened in Airports Regulator on tariffs issues. What does this say about regulatory independence and certainty?
- Inland Security of Supply;
- Line fill;
- Possible legal challenge;
- Pipeline capacity shortages would have led to shortages of supply inland. The recession saved the inland market from those shortages. Now recession is ending . 2011 is a tight year;
- The inland fuel demand in 2011 exceeds the pipeline capacity which will require road and rail to take up the slack. This will increase the number of trucks on the road (with the associated costs of road transport on the infrastructure) from 68 to 117 per day;

- The riskiest period therefore is up to the end of 2011;
- Transnet's Mitigation strategy until the New Multi-Product Pipeline (NMPP) is finished is to use both old and new pipelines in parallel as well as road and rail;
- Because it is not clear who will pay the R1.1bn required to fund the line fill this has resulted in construction delay; and
- There is a risk of the NMPP being ready whilst the line fill is not, resulting in the inability to meet inland fuel demand.

b) Challenges

- Big infrastructure projects: regulating for construction delays and cost escalations/ regulating market entry;
- Third party access to storage is not working as the Act intended as Oil companies are vertically integrated;
- Oil companies are investing in storage; merchant oil companies are showing interest; allocations mechanism guidelines have been published and Allocation mechanisms are trickling in;
- The construction delays are resulting in increased capital costs which will attract higher tariffs. The challenge for NERSA will be in determining prudently incurred costs;
- 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;
- There is an information gap due to lack of industry data. SAPIA stopped publishing RSA sales data 18 months ago;
- 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.

c) 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; and
 - d. Benchmarking.
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 3rd 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 licencees;
- 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.

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.

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 organization. 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 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.

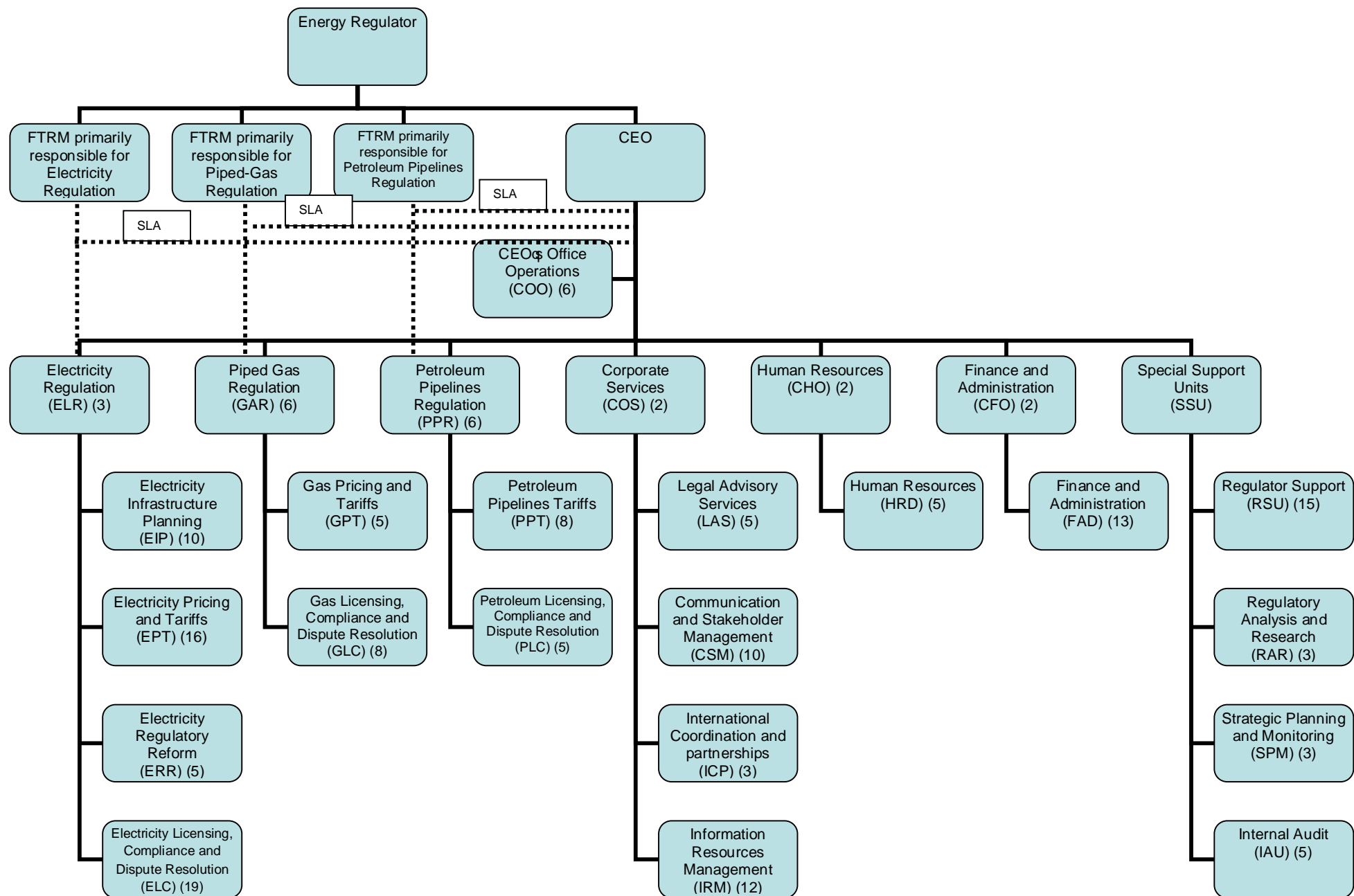
4. Diffused groups

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 need 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 2010/11, NERSA managed to fill 93.7% of positions in the approved structure of 168 positions. The Energy Regulator approved the implementation of a revised structure from 2011/12, with a revised staff complement of 177 positions. Currently the new structure is 85% populated 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 organisational 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
Total Number of NERSA staff		177

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"> • Ability to attract and retain requisite skills • Loss of skills within the industries • Need for critical and scarce skills • Growth ceiling within the organisation, there is no room for growth for certain skilled individuals • Employees experience working / operational environment hassles 	<ul style="list-style-type: none"> • An opportunity exists to help employees to love their jobs and perform at an optimal level • Development of a management, leadership style and organisational culture • Development of key skills where possible 	<ul style="list-style-type: none"> • Review of exit interviews - understand where skills are going to and the reasons thereof • Develop a uniform culture (NERSA is currently conducting a culture survey) • Encourage internal job rotations • Review current operations model (to amend organisational structure issues) • Review of findings from people and or organisational surveys conducted in the past and implementing relevant recommendations
Processes	<ul style="list-style-type: none"> • A gap exists in our institutional memory • Supply chain / procurement processes cripple operations and productivity 	<ul style="list-style-type: none"> • Regulatory processes need to be reviewed 	<ul style="list-style-type: none"> • Develop a balance between compliance and procurement efficiencies • Undertake a business process review exercise to streamline, automate, re-engineer, document and workshop with all users
Enabling technology	<ul style="list-style-type: none"> • NERSA has a culture of information over-load 	<ul style="list-style-type: none"> • An opportunity exists to improve the current IT systems and integrate where possible 	<ul style="list-style-type: none"> • Develop knowledge management processes and systems • Automate and send documents electronically • Adopt a resourcing policy model
Conducive working environment	<ul style="list-style-type: none"> • NERSA has poor hygiene factors such as lifts, safety regulations etc. 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Develop and implement an internal workspace enhancing strategy

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 Fund;
- 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 3rd 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.

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'. 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 2012 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 R240 315 901 for 2012/13 (2011/12: R223 021 701) with the specific budgets for regulating the three industries being as follows:
- Electricity Industry: R 137 485 425 (2011/12: R 124 667 690)
 - Piped-gas Industry: R 51 194 911 (2011/12: R 50 486 314)
 - Petroleum Pipelines Industry: R 51 635 565 (2011/12: R 47 867 696)
- 3.3. This expenditure budget represents an increase of 7.8% over the expenditure budget for the National Energy Regulator for the financial year 2011/12, submitted to the Minister of Energy at the end of September 2010.
- 3.4. In the 2012/13 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 2010 to the value of R 2.3million and the refund of surplus funds that existed on 1 October 2005 of R13.4 million.
- 3.5. Taking this into account, the total amount that NERSA will have to recover through levy income is R211 926 003 for 2012/13 (2011/12: R147 408 375) with the specific amounts to be recovered for the three industries being as follows:
- Electricity Industry: R 115 548 495 (2011/12: R 73 408 045)
 - Piped-gas Industry: R 47 223 647 (2011/12: R 40 496 714)
 - Petroleum Pipelines Industry: R 49 153 861 (2011/12: R 33 503 616)
- 3.6. The amount to be recovered through levy income represents an increase of 43.8% over the amount that had to be recovered for the financial year 2011/12, submitted to the Minister of

Energy at the end of September 2010 and approved by to the Minister of Energy in concurrence with the Minister of Finance in June 2011.

- 3.7. The expenditure estimates over the three year period 2012/13 . 2014/15 reflect an increase of 4.5% from 2012/13 to 2013/14 and 4% from 2013/14 to 2014/15.
- 3.8. Based on the statutory requirement of ring-fencing the three regulated industries budgets as well as the fact that the manner of structuring of the programmes identified in the Strategic Plan are a new initiative by NERSA, historical financial performance against each programme and a comparison of budget allocation to performance will only be reported upon from the 2013/14 financial year. A consolidated budget per programme within each regulated industry sector is attached as Appendices F2-F7, G2-G7 and H2 to H6.

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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To ensure municipalities are sustainable within the ring fenced electricity business	No performance information available	70% of municipalities are sustainable	80% of municipalities are sustainable	85% of municipalities are sustainable	90% of municipalities are sustainable
		No performance information available	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.
		No municipalities implementing the Regulatory Reporting Manual (RRM) requirements	The 6 metro municipalities implementing the Regulatory Reporting Manual (RRM) requirements	100% of municipalities implementing the 10% RRM requirements	100% of municipalities implementing the 15% RRM requirements	100% of municipalities implementing the 20% RRM requirements
		Inclining Block Tariffs (IBTs) only developed as part of the second Multi-year Price Determination (MYPD 2)	80% of licensed distributors implementing Inclining Block Tariffs (IBTs) for their residential customers	100% of licensed distributors implementing Inclining Block Tariffs (IBTs) for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers
2.	To ensure the sustainability of Eskom and the Electricity Supply Industry (ESI)	Eskom's MYPD 2 application evaluated and implemented	-	Eskom's application for the MYPD 3 evaluated for implementation	-	Eskom's application for MYPD 4 evaluated for implementation
		Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves an interest cover ratio of 1:1	Eskom achieves an interest cover ratio of 1.5:1

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
		Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves a Weighted Average Cost of Capital as determined in baseline	Eskom achieves a Weighted Average Cost of Capital as determined in baseline
		Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves a debt equity ratio as determined in baseline	Eskom achieves a debt equity ratio as determined in baseline
		MYPD 2 only implemented in 2010/11	MYPD 2 impact analysis report submitted	MYPD 2 impact analysis report submitted	MYPD 3 monitoring report submitted.	MYPD 3 monitoring report submitted.
		Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation
		The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined

6.1.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of municipalities that are sustainable within the ring fenced electricity business	No performance information available	70% of municipalities are sustainable	80% of municipalities are sustainable	85% of municipalities that are sustainable	90% of municipalities that are sustainable
2.	% of tariff applications of all licensed distributors set and approved	No performance information available	96% of tariffs applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved
3.	% RRM requirements implemented by 100% of municipalities	No municipalities implementing the Regulatory Reporting Manual (RRM) requirements	The 6 metro municipalities implementing the Regulatory Reporting Manual (RRM) requirements	100% of municipalities implementing the 10% RRM requirements	100% of municipalities implementing the 15% RRM requirements	100% of municipalities implementing the 20% RRM requirements
4.	% of licensed distributors implementing IBTs for their residential customers	Inclining Block Tariffs (IBTs) only developed as part of the second Multi-year Price Determination (MYPD 2)	80% of licensed distributors implementing Inclining Block Tariffs (IBTs) for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers
5.	Eskom's revenue requirements and prices determined	Eskom's MYPD 2 application evaluated and implemented	-	Fully approved revenues and prices for 2013/14 to 2015/16 financial years	-	Fully approved revenues and prices for 2016/17 to 2018/19 financial years
6.	Interest cover ratio achieved by Eskom	Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves an interest cover ratio of 1:1	Eskom achieves an interest cover ratio of 1.5:1
7.	% weighted average cost of capital achieved by Eskom	Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves a weighted average cost of capital of --- % (Note: The % will be determined in line with the baseline)	Eskom achieves a weighted average cost of capital of --- % (Note: The % will be determined in line with the baseline)
8.	Debt: Equity ratio achieved by Eskom	Only to be determined in 2012/13	Only to be determined in 2012/13	Determine baseline from Eskom audited financial statements	Eskom achieves a debt equity ratio of X (Note: The ratio will	Eskom achieves a debt equity ratio of X (Note: The ratio will

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
					be determined in line with the baseline)	be determined in line with the baseline)
9.	The impact of Eskom's revenue and price determinations analysed	MYPD 2 only implemented in 2010/11	MYPD 2 impact analysis report submitted	MYPD 2 impact analysis report submitted	MYPD 3 monitoring report submitted.	MYPD 3 monitoring report submitted.
10.	Eskom's retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation	Eskom's application of adjusted retail tariffs assessed for implementation
11.	The FBE rate for the compensation of Eskom approved on time for implementation in line with the legal requirements.	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined

6.1.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of municipalities that are sustainable within the ring fenced electricity business	Annual	80% of municipalities are sustainable	80% of municipalities are sustainable	80% of municipalities are sustainable	80% of municipalities are sustainable	80% of municipalities are sustainable
2.	% of tariff applications of all licensed distributors set and approved	Annual	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved	100% of tariff applications of all licensed distributors set and approved
3.	% RRM requirements implemented by 100% of municipalities	Annual	100% of municipalities implementing the 10% RRM requirements	10% of municipalities implementing 10% of RRM requirements	30% of municipalities implementing 10% of RRM requirements	75% of municipalities implementing 10% of RRM requirements	100% of municipalities implementing 10% of RRM requirements
4.	% of licensed distributors implementing IBTs for their residential customers	Annual	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers	100% of licensed distributors implementing IBTs for their residential customers
5.	Eskom's revenue requirements and prices determined	Annual	Fully approved revenues and prices for 2013/14 to 2015/16 financial years	50% of the analysis of the Eskom MYPD 3 application completed	Eskom's MYPD 3 application review process completed.	-	-
6.	Interest cover ratio achieved by Eskom	Annual	Determine baseline from Eskom audited financial statements	-	-	Determine baseline from Eskom audited financial statements	-
7.	% Weighted Average Cost of Capital achieved by Eskom	Annual	Determine baseline from Eskom audited financial statements	-	-	Determine baseline from Eskom audited financial statements	-
8.	Debt: Equity ratio achieved by Eskom	Annual	Determine baseline from Eskom audited financial statements	-	-	Determine baseline from Eskom audited	-

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
						financial statements	
9.	The impact of Eskom's revenue and price determinations analysed	Annual	MYPD 2 impact analysis report submitted	MYPD 2 impact analysis report submitted	-	-	-
10.	Eskom's retail tariffs assessed for implementation	Annual	Eskom's application of adjusted retail tariffs assessed for implementation	-	-	Eskom's application of adjusted retail tariffs assessed for implementation	-
11.	The Free Basic Electricity (FBE) rate for the compensation of Eskom approved on time for implementation in line with the legal requirements.	Annual	The free basic electricity rate for the compensation of Eskom determined	The free basic electricity rate for the compensation of Eskom determined	-	-	-

6.1.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To control entry and ensure orderly development of the Electricity industry	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames

6.2.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames

6.2.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of licence applications processed within statutory time frames	Quarterly	100% of licence applications processed within statutory time frames	100% of licence applications processed within statutory time frames (120 days)	100% of licence applications processed within statutory time frames (120 days)	100% of licence applications processed within statutory time frames (120 days)	100% of licence applications processed within statutory time frames (120 days)

6.2.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To enforce compliance to the quality and reliability level of electricity supply	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions
		100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees
2.	To ensure efficient operation of the licensed activities	No performance information available	To be determined in 2012/13	100% compliance to 80% of prescribed conditions for previously audited licensees	100% compliance to 80% of prescribed conditions for 10 audited licensees	100% compliance to 80% of prescribed conditions for 10 audited licensees

6.3.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Number of licencees selected per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	Audit 10 selected licensees per annum to check their level of compliance with licence conditions	10 licensees selected per annum to check their level of compliance with licence conditions through an audit	10 licensees selected per annum to check their level of compliance with licence conditions through an audit	10 licensees selected per annum to check their level of compliance with licence conditions through an audit
2.	% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees
3.	% of compliance by selected licencees with 80% of prescribed conditions	No performance information available	To be determined in 2012/13	100% compliance to 80% of prescribed conditions for previously audited licensees	100% compliance to 80% of prescribed conditions for 10 audited licensees	100% compliance to 80% of prescribed conditions for 10 audited licensees

6.3.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Number of selected licensees per annum to check their level of compliance with licence conditions	Quarterly	10 licensees selected per annum to check their level of compliance with licence conditions through an audit	Development of Compliance Monitoring Framework	5 of the 10 selected licensees audited using the Compliance Monitoring Framework	Remaining 5 of the 10 selected licensees audited using the Compliance Monitoring Framework	10 licensees audited to check their level of compliance with licence conditions
2.	% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	Quarterly	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	25% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	50% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	75% of corrective action plans implemented through re-enforcement from previous non-compliant licensees	100% of corrective action plans implemented through re-enforcement from previous non-compliant licensees
3.	% of compliance by selected licencees with 80% of prescribed conditions	Quarterly	100% compliance to 80% of prescribed conditions for 10 audited licensees	25% compliance to 80% of prescribed conditions for 10 audited licensees	50% compliance to 80% of prescribed conditions for 10 audited licensees	75% compliance to 80% of prescribed conditions for 10 audited licensees	100% compliance to 80% of prescribed conditions for 10 audited licensees

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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To create a fair balance between the needs of all stakeholders	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines

6.4.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines

6.4.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of complaints processed within statutory timelines	Quarterly	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines	100% of complaints processed within statutory timelines

6.4.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To ensure non-discriminatory access to the electricity infrastructure	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling Independent Power Producers (IPPs) to constructively participate at all meetings including the Industry Expert Team workgroup sessions	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions
		Introduction of IPPs only to start in 2011/12	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.
2.	To facilitate investment in the ESI	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated
		Integrated Resource Plan (IRP) only promulgated on 2011	Identify the rules relating to the IRP to be published	100% of rules relating to IRP developed and published through a consultation process within the required time frame	100% of IRP rules reviewed and published through a consultation process within the required time frame	100% of IRP rules reviewed and published through a consultation process within the required time frame

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
		Only applicable from 2011/12 onwards	Identify the Energy Efficiency and Demand Side Management (EEDSM) rules to be developed	Development and publication of rules (standard offer programme) for the implementation of EEDSM through a consultation process within the required time frame	Review and publication of rules (standard offer programme) for the implementation of EEDSM through a consultation process within the required time frame	Review and publication of rules (standard offer programme) for the implementation of EEDSM through a consultation process within the required time frame
		Renewable Energy Feed-In Tariffs and Co-Generation Feed-In Tariffs developed	Renewable Energy Feed-In Tariffs and Co-Generation Feed-In Tariffs reviewed	Development and publication of renewable energy and co-generation rules through a consultation process within the required time frame	Review and publication of renewable energy and co-generation rules through a consultation process within the required time frame	Review and publication of renewable energy and co-generation rules through a consultation process within the required time frame

6.5.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	100% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions
2.	% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	Introduction of IPPs only to start in 2011/12	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.
3.	% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated	100% of transmission development plans evaluated
4.	% of rules developed relating to IRP and publicised through a consultation process within the required time frame	Integrated Resource Plan (IRP) only promulgated on 2011	Identify the rules relating to the IRP to be published	100% of rules developed relating to IRP and publicised through a consultation process within the required time frame	100% of IRP rules reviewed and publicised through a consultation process within the required time frame	100% of IRP rules reviewed and publicised through a consultation process within the required time frame
5	% development and publication of rules (standard offer programme) for the implementation of	Only applicable from 2011/12 onwards	Identify the Energy Efficiency and Demand Side Management (EEDSM) rules to	100% development and publication of rules (standard offer programme) for the implementation of	100% review and publication of rules (standard offer programme) for the implementation of	100% review and publication of rules (standard offer programme) for the implementation of

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
	EEDSM through a consultation process within the required time frame		be developed	EEDSM through a consultation process within the required time frame	EEDSM through a consultation process within the required time frame	EEDSM through a consultation process within the required time frame
6	% development and publication of renewable energy rules through a consultation process within the required time frame	Renewable Energy Feed-In Tariffs and Co-Generation Feed-In Tariffs developed	Renewable Energy Feed-In Tariffs and Co-Generation Feed-In Tariffs reviewed	100% development and publication of renewable energy rules through a consultation process within the required time frame	100% review and publication of renewable energy rules through a consultation process within the required time frame	100% review and publication of renewable energy rules through a consultation process within the required time frame
7	% development and publication of co-generation rules through a consultation process within the required time frame			100% development and publication co-generation rules through a consultation process within the required time frame	100% review and publication co-generation rules through a consultation process within the required time frame	100% review and publication co-generation rules through a consultation process within the required time frame

6.5.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% attendance and chairing of the Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	Annual	100% attendance and chairing of Grid Code Advisory Committee's quarterly meetings . thus enabling IPPs to constructively participate at all meetings including the Industry Expert Team workgroup sessions	Attend and chair 1 meeting per quarter	Attend and chair 1 meeting per quarter	Attend and chair 1 meeting per quarter	Attend and chair 1 meeting per quarter
2.	% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	Quarterly	100% completion of applications received from IPPs relating to fair and equitable access to electricity infrastructure requiring amendment of the Grid code processed within set timelines.	100% applications received processed.	100% applications received processed.	100% applications received processed.	100% applications received processed.
3.	% of transmission development plans evaluated	Quarterly	100% Transmission Development Plans evaluated.	100% Transmission Development Plans received and evaluated.	100% Transmission Development Plans received and evaluated.	100% Transmission Development Plans received and evaluated.	100% Transmission Development Plans received and evaluated.
4.	% of rules developed relating to IRP and publicised through a consultation process within the required time frame	Quarterly	100% of rules developed relating to IRP and publicised within the required time frame	100% IRP rules developed.	100% IRP rules published through a Consultation Paper.	100% stakeholder comments on IRP rules evaluated.	100% of final approved IRP rules published
5.	% development and publication of rules (standard offer programme) for the	Quarterly	100% development and publication of rules (standard offer programme) for the	100% development of rules (standard offer programme)	100% EEDSM rules (standard offer programme) published	100% stakeholder comments EEDSM rules	100% of final approved EEDSM rules (standard offer

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
	implementation of EEDSM through a consultation process within the required time frame		implementation of EEDSM through a consultation process within the required time frame	for the implementation of EEDSM.	through a Consultation Paper.	(standard offer programme) evaluated	programme) published
6.	% development and publication of renewable energy rules through a consultation process within the required time frame	Quarterly	100% development and publication of renewable energy rules through a consultation process within the required time frame	100% development of renewable energy rules.	100% renewable energy rules published through a Consultation Paper.	100% stakeholder comments on renewable energy rules evaluated	100% of final approved renewable energy rules published.
7.	% development and publication of co-generation rules through a consultation process within the required time frame	Quarterly	100% development and publication co-generation rules through a consultation process within the required time frame	100% development of co-generation rules.	100% co-generation rules published through a Consultation Paper.	100% stakeholder comments on co-generation rules evaluated	100% of final approved co-generation rules published.

6.5.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To facilitate the effectiveness of NERSA in the electricity industry	Minister of Energy to give effect to legislation in 2011/12	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

6.6.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Number of end-user forums established	Minister of Energy to give effect to legislation in 2011/12	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

6.6.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Number of end-user forums established	Quarterly	10 end user forums established in alignment with compliance issues	2 end user forums established in alignment with compliance issues	Additional 3 end user forums established in alignment with compliance issues	Additional 2 end user forums established in alignment with compliance issues	Additional 3 end user forums established in alignment with compliance issues

6.6.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To approve prices in line with the published price methodology	NERSA did not have a methodology to approve maximum prices for gas	Develop a methodology to approve maximum prices of gas	80% of maximum prices approved within 90 days from the date of publishing the price application	90% of maximum prices approved within 90 days from the date of publishing the price application	100% of maximum prices approved within 90 days from the date of publishing the price application
2.	To approve and monitor tariffs in line with the published tariff guidelines	Developed guidelines for transmission and storage tariffs	Approve Transnet tariff for 2011 and 2012 within 120 days from the date of publication of the tariff application	80% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	90% of transmission and storage tariffs approved within 90 days the date of publishing the tariff application	100% of transmission and storage tariffs approved within 90 days the date of publishing the tariff application
3.	To implement pricing provisions of schedule 1 to the Agreement and the piped-gas regulations	Developed the Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement and piped-gas regulations to be completed within 150 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be approved within 150 days after receiving the information	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 information	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 90 days after receiving the information	-
				Calculate aggregate prices of gas for each province within 4 months after receiving the information	Calculate aggregate prices of gas for each province within 4 months after receiving the information	Calculate aggregate prices of gas for each province within 4 months after receiving the information

7.1.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of maximum prices approved within 90 days from the date of publishing the price application	NERSA did not have a methodology to approve maximum prices for gas	Develop a methodology to approve maximum prices of gas	80% of maximum prices approved within 90 days from the date of publishing the price application	90% of maximum prices approved within 90 days from the date of publishing the price application	100% of maximum prices approved within 90 days from the date of publishing the price application
2.	% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	Developed guidelines for transmission and storage tariffs	Approve Transnet tariff for 2011 and 2012 within 120 days from the date of publication of the tariff application	80% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	90% of transmission and storage tariffs approved within 90 days the date of publishing the tariff application	100% of transmission and storage tariffs approved within 90 days the date of publishing the tariff application
3.	Number of days for completing the calculation of prices and for providing a report on Sasol Gas compliance with all pricing provisions of Schedule One	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement and piped-gas regulations to be approved within 150 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 150 days after receiving the information	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 information	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 90 days after receiving the 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 and piped-gas regulations to be completed within 150 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 150 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information

7.1.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of maximum prices approved within 90 days from the date of publishing the price application	Annual	80% of maximum prices approved within 90 days from the date of publishing the price application	20% of maximum prices approved within 90 days from the date of publishing the price application	40% of maximum prices approved within 90 days from the date of publishing the price application	60% of maximum prices approved within 90 days from the date of publishing the price application	80% of maximum prices approved within 90 days from the date of publishing the price application
2.	% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	Annual	80% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	20% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	40% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	60% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application	80% of transmission and storage tariffs approved within 90 days from the date of publishing the tariff application
3.	Number of days for completing the calculation of prices and for providing a report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement	Annual	Report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement to be completed within 120 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement to be completed within 120 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement to be completed within 120 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement to be completed within 120 days after receiving the information	Report on Sasol Gas compliance with all pricing provisions of Schedule One to the Agreement to be completed within 120 days after receiving the information
4.	Number of days for completing the calculation of aggregate prices of gas for each province	Annual	Report on Sasol Gas compliance with all pricing provisions in terms of Schedule One to the Agreement to be completed within 150 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information	Calculate aggregate prices of gas for each province within 120 days after receiving the information

7.1.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance 2007/08 – 2010/11	Estimated performance 2011/12	Medium-term targets		
				2012/13	2013/14	2014/15
1.	To process all licence applications within the statutory deadlines	90% of licence applications were processed within the statutory deadlines in 2010	To process at least 95% of all license applications within statutory deadlines	97% of all licences processed within statutory deadlines	98% of all licences processed within statutory deadlines	100% of all licences processed within statutory deadlines
		14 days to implement licensing decision	14 days to implement licensing decision	13 days to implement licensing decision	12 days to implement licensing decision	10 days to implement licensing decision
2.	To register gas imports and production	10 operations engaged in the production and importation of gas were registered in 2010	No investigations to take place . registration of applications will continue	20% of the industry will be investigated to identify unregistered imports and production	An additional 30% of the industry will be investigated to identify unregistered imports and production	An additional 40% of the industry will be investigated to identify unregistered imports and production
		All applications were processed within 120 days	All applications are processed within 90 days	All applications are processed within 60 days	All applications are processed within 45 days	All applications are processed within 30 days
3.	To develop the non financial reporting requirements on the RRM	Only the financial requirements of RRM were developed	RRM non financial requirements currently not developed	Approved non financial reporting RRM requirements	-	-
4.	To propose an implementation strategy for the gas to power component of IRP2010	IRP2010 was only published in 2011	There is no implementation strategy for gas to power component of the IRP2010	Approved implementation strategy	Annual Report on Implementation of strategy	Annual Report on Implementation of strategy
5.	To propose to the policy maker implementation strategy for Liquefies Natural Gas (LNG)	No implementation strategy exists for LNG	Research and gathering of necessary information	Draft strategy and outputs of consultation with relevant stakeholders	Approved strategy	Strategy Implementation report

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
6.	To research alternative gas sources from specifically compressed natural gas (CNG), Shale gas, coal bed methane gas and underground coal gasification (UCG)	Desktop research was conducted on developments in gas industry, including continued explorations for Shale gas and production of CNG and UCG	To increase research initiatives with emphasis on CNG, Shale gas and UCG	Approved research study on the results of gas exploration activities in South Africa and Mozambique	Approved expanded research report into CNG, Shale Gas and UCG explorations in other foreign countries likely to export to South Africa	Approved evaluation report including advice on necessary interventions/improvements on availability and state of infrastructure necessary for sustainable transmission and distribution of CNG, Shale gas and UCG

7.2.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of all licences processed within statutory deadlines	90% of all licences processed within statutory deadlines	To process at least 95% of all license applications within statutory deadlines	97% of all licences processed within statutory deadlines	98% of all licences processed within statutory deadlines	100% of all licences processed within statutory deadlines
2.	Number of days of implementing licensing decision	14 days to implement licensing decision	14 days to implement licensing decision	13 days to implement licensing decision	12 days to implement licensing decision	10 days to implement licensing decision
3.	% of gas industry investigated to identify unregistered import and production activities	10 operations engaged in the production and importation of gas were registered in 2010	No investigations to take place . registration of applications will continue	20% of the industry will be investigated to identify unregistered imports and production activities	An additional 30% of the industry will be investigated to identify unregistered imports and production activities	An additional 40% of the industry will be investigated to identify unregistered imports and production activities
4.	Number of days taken to process registration application	All applications were processed within 120 days	All applications are processed within 90 days	All applications are processed within 60 days	All applications are processed within 45 days	All applications are processed within 30 days
5.	To develop the non financial reporting requirements on the RRM	Only the financial requirements of RRM were developed	RRM non financial requirements currently not developed	Approved non financial reporting RRM requirements	-	-
6.	Approved implementation strategy for the gas to power component of IRP2010	IRP2010 only published in 2011	Research on international practices/developments regarding gas to power projects	Draft strategy and engage in consultations with stakeholders	Strategy proposed to policy makers	Approved strategy
7.	Approved implementation strategy for LNG	No implementation strategy exists for LNG	Research and gathering of necessary information	Draft strategy and engage in consultations with stakeholders	Strategy proposed to policy makers	Approved strategy
8.	Approved research report on alternative gas sources from specifically	Desktop research was conducted on developments in	To increase research initiatives with emphasis on CNG, Shale gas	Conduct one research study on the results of gas exploration activities in South	Expand the research into CNG, Shale Gas and UCG explorations in other foreign	Evaluate availability and state of infrastructure necessary for

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
	compressed natural gas, Shale gas, coal bed methane gas and underground coal gasification	gas industry, including continued explorations for Shale gas and production of CNG and UCG	and UCG	Africa and Mozambique	countries likely to export to South Africa	sustainable transmission and distribution of CNG, Shale gas and UCG and advice on necessary interventions/improvements

7.2.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of all licences processed within statutory deadlines	Annual	97% of all licences processed within statutory deadlines	97% applications processed within statutory deadlines	97% applications processed within statutory deadlines	97% applications processed within statutory deadlines	97% applications processed within statutory deadlines
2.	Number of days of implementing licensing decision	Annual	13 days to implement licensing decision	13 days to implement licensing decision	13 days to implement licensing decision	13 days to implement licensing decision	13 days to implement licensing decision
3.	% of gas industry investigated to identify unregistered import and production	Quarterly	20% of the industry will be investigated to identify unregistered imports and production activities	5% of gas industry investigated	An additional 5% of gas industry investigated	An additional 5% of gas industry investigated	An additional 5% of gas industry investigated
4.	Number of days taken to process registration application	Annual	100% of all applications are processed within 60 days	60 days	60 days	60 days	60 days
5.	To develop the non financial reporting requirements on the RRM	Annual	Approved non financial reporting RRM requirements	Draft non financial reporting RRM requirements developed	Stakeholder consultation	Implementation of stakeholder comments	Approved non financial reporting RRM requirements
6.	Approved implementation strategy for the gas to power component of IRP2010	Annual	Draft strategy and engage in consultation with stakeholders	Draft strategy	Public consultation process	Strategy to be approved	Approved implementation strategy proposed
7.	Approved implementation strategy for LNG	Annual	Draft strategy and engage in consultation with stakeholders	Draft strategy	Public consultation process	Strategy to be approved	Approved implementation strategy proposed
8.	Approved research report on alternative gas sources from specifically compressed natural gas, Shale gas, coal	Annual	Conduct one research study on the results of gas exploration activities in South Africa and Mozambique	Gather information on exploration activities	Verify accuracy and analyse information	Produce research report	Consideration of report by the Piped-Gas Subcommittee

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
	bed methane gas and underground coal gasification						

7.2.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To monitor the supply of 120m GJ p.a. from Mozambique to South Africa in terms of Schedule One of the Agreement	Gas supply reached 120 MGJ for the first time since first gas (26 March 2004)	Assessment of monthly volume balance reports	Assessed 12 monthly volume balance reports	Assessed 12 monthly volume balance reports and enforce corrective measures where discrepancies are identified	Assessed 12 monthly volume balance reports, correct discrepancies and publish on website
		No audits on the ROMPCO pipeline conducted	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline to include meters on 50% of other transmission pipelines	Conduct 2 audits on the ROMPCO pipeline to include meters on 100% of other transmission pipelines
2.	To enforce licence conditions with regard to competitive prices and conditions	Only to commence during 2011/12	Initiate investigations on prices and competitiveness of environment	3 investigations conducted and non-compliance notices issued (if and when necessary)	4 investigations conducted and non-compliance notices issued (if and when necessary)	4 investigations conducted and non-compliance notices issued (if and when necessary)
3.	To analyse compliance to the RRM	Compliance can only be measured from 2011/12	Quarterly Compliance reports	Quarterly Compliance reports	Quarterly Compliance reports	Quarterly Compliance reports
4.	To determine and publish uncommitted capacity in transmission pipelines and storage facilities	Available uncommitted capacity has never been published	Formulate guidelines/criteria for determination and publishing of uncommitted capacity	Published audit or evaluation report of uncommitted capacity in the Lilly pipeline	Published audit or evaluation report of uncommitted capacity in 50% of transmission and storage facilities	Published audit or evaluation report of uncommitted capacity in 100% of transmission and storage facilities

7.3.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Number of monthly volume balance reports assessed	Gas supply reached 120 MGJ for the first time since first gas (26 March 2004)	Assess all 12 monthly volume balance reports	Assess all 12 monthly volume balance reports	Assess all 12 monthly volume balance reports	Assess all 12 monthly volume balance reports
2.	Number of audits on the ROMPCO pipeline conducted	No audits on the ROMPCO pipeline conducted	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline	Conduct 2 audits on the ROMPCO pipeline to include meters on 50% of other transmission pipelines	Conduct 2 audits on the ROMPCO pipeline to include meters on 100% of other transmission pipelines
3.	Number of investigations conducted and non-compliance notices issued	Investigations were conducted on price competitiveness	Initiate investigations on prices and competitiveness of environment	3 investigations conducted and non-compliance notices issued (if and when necessary)	4 investigations conducted and non-compliance notices issued (if and when necessary)	4 investigations conducted and non-compliance notices issued (if and when necessary)
4.	Quarterly monitoring reports of RRM Compliance	Compliance can only be measured from 2011/12	Quarterly Compliance reports	Quarterly Compliance reports	Quarterly Compliance reports	Quarterly Compliance reports
5.	Published reports on uncommitted capacity in transmission pipelines and storage facilities	Available uncommitted capacity has never been published	Formulate guidelines/criteria for determination and publishing of uncommitted capacity	Published audit or evaluation report of uncommitted capacity in the Lilly pipeline	Published audit or evaluation report of uncommitted capacity in 50% of transmission and storage facilities	Published audit or evaluation report of uncommitted capacity in 100% of transmission and storage facilities

7.3.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Number of monthly volume balance reports assessed	Quarterly	Assess all 12 monthly volume balance reports	3 monthly volume balance reports	Additional 3 monthly volume balance reports	Additional 3 monthly volume balance reports	Additional 3 monthly volume balance reports
2.	Number of audits on the ROMPCO pipeline conducted	Quarterly	To conduct 2 audits on ROMPCO pipeline	-	1 audit on South African side of pipeline	1 audit on Mozambican side of pipeline	-
3.	Number of investigations conducted and non-compliance notices issued	Quarterly	3 investigations conducted and non-compliance notices issued (if and when necessary)	-	Conduct 1 investigation and issue non-compliance notice (if and when necessary)	Conduct 1 investigation and issue non-compliance notice (if and when necessary)	Conduct 1 investigation and issue non-compliance notice (if and when necessary)
4.	Quarterly monitoring reports of RRM Compliance	Quarterly	Quarterly RRM Compliance report	Approved quarterly RRM Compliance report	Approved quarterly RRM Compliance report	Approved quarterly RRM Compliance report	Approved quarterly RRM Compliance report
5.	Published reports on uncommitted capacity in transmission pipelines and storage facilities	Quarterly	Report on uncommitted capacity in the Lilly pipeline	-	-	-	Conduct an audit and publish the results of available of uncommitted capacity in the Lilly pipeline

7.3.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To ensure fairness and equity in the piped-gas market	No complaints received during this period	Investigate all complaints	50% of received complaint investigations completed within 4 months	70% of received complaint investigations completed within 4 months	90% of received complaint investigations completed within 4 months
		No initiated investigations have been conducted between this period	Initiate 2 investigations	50% of initiated investigations completed within 4 months	70% of initiated investigations completed within 4 months	90% of initiated investigations completed within 4 months

7.4.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of all received complaint investigations completed within 4 months	No complaints received during this period	Investigate all complaints	50% of received complaint investigations completed within 4 months	70% of received complaint investigations completed within 4 months	90% of received complaint investigations completed within 4 months
2.	% of all initiated complaints completed within 4 months	No initiated investigations have been conducted between this period	Initiate 2 investigations	50% of initiated investigations completed within 4 months	70% of initiated investigations completed within 4 months	90% of initiated investigations completed within 4 months

7.4.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of all received complaint investigations completed within 4 months	Annual	50% of received complaint investigations completed within 4 months	50% of received complaint investigations completed within 4 months	50% of received complaint investigations completed within 4 months	50% of received complaint investigations completed within 4 months	50% of received complaint investigations completed within 4 months
2.	% of all initiated complaints completed within 4 months	Annual	50% of initiated investigations completed within 4 months	50% of initiated investigations completed within 4 months	50% of initiated investigations completed within 4 months	50% of initiated investigations completed within 4 months	50% of initiated investigations completed within 4 months

7.4.4. Linkage with other macro or infrastructure plans

Governments 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 NERSAs 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To provide stakeholder education and information sharing	Stakeholder workshops held	4 stakeholder workshops	4 stakeholder workshops	5 stakeholder workshops	6 stakeholder workshops
2.	To develop; align to relevant legislation; and implement an HDI scorecard	Scorecard not yet developed	Collect all outstanding information on the promotion of HDI by licensees	Development of scorecard and consult with stakeholders	Approved implementation strategy proposed to policy makers	Implement HDI scorecard

7.5.2. Programme performance indicators and annual targets for 2012/13-2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007-2010		2012/13	2013/14	2014/15
1.	Number of stakeholder workshops held	Stakeholder workshops held	4 stakeholder workshops	4 stakeholder workshops	5 stakeholder workshops	6 stakeholder workshops
2.	Developed, approved and implemented HDI scorecard	Scorecard not yet developed	Collect all outstanding information on the promotion of HDI by licensees	Develop scorecard and consult with stakeholders	Approved implementation strategy proposed to policy makers	Implement HDI scorecard

7.5.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Number of stakeholder workshops held	Quarterly	4 stakeholder workshops	1 stakeholder workshop	1 stakeholder workshop	1 stakeholder workshop	1 stakeholder workshop
2.	Developed, approved and implemented HDI scorecard	Annual	Develop scorecard and consult with stakeholders	Formulate draft score card	Draft score approved for public consultation	Public consultation process	Approved scorecard

7.5.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To propose regulations and legislative review and to submit approved comments on draft legislative amendments to the policy makers	Participated in the drafting of the Gas Amendment Bill	Consolidate information on impediments to investments in gas infrastructure and make proposals to DoE on solutions for incorporation into Gas Amendment Bill	Legislative benchmark conducted and proposed amendments submitted to the policy maker	Legislative benchmark conducted and proposed amendments submitted to the policy maker	Legislative benchmark conducted and proposed amendments submitted to the policy maker
		Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)
2.	To promote understanding of Energy Regulator decisions to stakeholders	No regulatory advocacy	Engage in regulatory advocacy	Conduct 1 stakeholder workshop	Conduct 2 stakeholder workshops	Conduct 3 stakeholder workshops

7.6.2. Programme performance indicators and annual targets for 2012/13-2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2007-2010	2011/12	2012/13	2013/14	2014/15
1.	Proposed amendments to existing legislation submitted to the policy maker	Participated in the drafting of the Gas Amendment Bill	Consolidate information on impediments to investments in gas infrastructure and make proposals to DoE on solutions for incorporation into Gas Amendment Bill	Legislative benchmark conducted and proposed amendments submitted to the policy maker	Legislative benchmark conducted and proposed amendments submitted to the policy maker	Legislative benchmark conducted and proposed amendments submitted to the policy maker
2.	Approved comments on draft legislative amendments (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)
3.	Number of stakeholder workshops	No regulatory advocacy	Engage in regulatory advocacy	Conduct 1 stakeholder workshop	Conduct 2 stakeholder workshops	Conduct 3 stakeholder workshops

7.6.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Proposed amendments to existing legislation submitted to the policy maker	Annual	Legislative benchmark conducted and proposed amendments submitted to the policy maker	Conduct legislative benchmark study	Draft proposed amendments to existing legislation developed	Approved proposed amendments to existing legislation	Proposed amendments to existing legislation submitted to the policy maker
2.	Approved comments on draft legislative amendments (as and when required)	Annual	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)	Approved comments on draft legislative amendments submitted to the policy makers (as and when required)
3.	Number of stakeholder workshops	Biannual	Conduct 1 stakeholder workshop	-	-	-	1 stakeholder workshop

7.6.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To set and approve tariffs in accordance / in line with published methodology	Transnet pipeline tariffs approved	Transnet pipeline tariffs approved	Decision on Transnet pipeline tariffs application	Decision on Transnet pipeline tariffs application	Decision on Transnet pipeline tariffs application
		No other pipeline applied for tariff approval	No other pipeline applied for tariff approval	Investigation and prioritisation of other pipelines for tariff setting	Decision on one other pipeline tariffs application	Decision on two (2) other pipeline tariffs applications
2.	To set and approve tariffs that facilitate affordability and accessibility whilst balancing the economic interests of all stakeholders	One storage and loading facility tariff 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 facilities	Storage and loading facilities tariffs approved for 50% of facilities
		No financial reports from RRM phase 1 licensees yet	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports
		Phase 2 of RRM only to be implemented in 2012/13	Phase 2 of RRM only to be implemented in 2012/13	Approved RRM phase 2 licensee (X1) Implementation Plan (IP) and Cost Allocation Matrix	Approved RRM phase 2 licensees (X1) Regulatory Financial Reports	Approved RRM phase 2 licensees (X1) Regulatory Financial Reports

8.1.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Pipeline tariffs set	Transnet pipeline tariffs approved	Transnet pipeline tariffs approved	Decision on Transnet pipeline tariffs application	Decision on Transnet pipeline tariffs application	Decision on Transnet pipeline tariffs application
		No other pipeline applied for tariff approval	No other pipeline applied for tariff approval	Investigation and prioritisation of other pipelines for tariff setting	Decision on one (1) other pipeline tariffs application	Decision on two (2) other pipeline tariffs applications
2.	Percentage of storage and loading facilities tariff applications approved	One storage and loading facility tariff 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 facilities	Storage and loading facilities tariffs approved for 50% of facilities
3.	Approved financial reports from phase 1 RRM licensees	No financial reports from RRM phase 1 licensees yet	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports
4.	Progress reports on phase 2 RRM licensees	Phase 2 of RRM only to be implemented in 2012/13	Phase 2 of RRM only to be implemented in 2012/13	Approved RRM phase 2 licensee (X1) Implementation Plan (IP) and Cost Allocation Matrix	Approved RRM phase 2 licensees (X1) Regulatory Financial Reports	Approved RRM phase 2 licensees (X1) Regulatory Financial Reports

8.1.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Pipeline tariffs set	Annual	Decision on Transnet pipeline tariffs application	-	-	Publication of application	Approval of Transnet pipeline tariffs
			Investigation and prioritisation of other pipelines for tariff setting	Approved Terms of Reference	Conduct study on other pipelines for tariff setting	Draft report on other pipelines for tariff setting	Final report on other pipelines for tariff setting
2.	Percentage of storage and loading facilities tariff applications approved	Quarterly	30% of storage and loading facilities tariff applications approved	7.5% of storage and loading facilities tariff applications approved	An additional 7.5% of storage and loading facilities tariff applications approved	An additional 7.5% of storage and loading facilities tariff applications approved	An additional 7.5% of storage and loading facilities tariff applications approved
3.	Approved financial reports from phase 1 RRM licensees	Biannually	Approved RRM phase 1 licensees (X3) Regulatory Financial Reports	Approval of full year RFR	-	Approval of half yearly RFR	-
4.	Progress reports on phase 2 RRM licensees	Quarterly	Approved RRM phase 2 licensee (X1) Implementation Plan (IP) and Cost Allocation Matrix (CAM)	-	Approval of IP	-	Approval of CAM

8.1.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To decide on licence applications for pipelines, loading and storage facilities within the statutory deadlines	80% 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
2.	To decrease the number of unlicensed activities	No suspected unlicensed facilities investigated	3 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 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007-2010		2012/13	2013/14	2014/15
1.	% of licences approved within statutory deadlines	80% 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
2.	Number of suspected unlicensed facilities investigated	No suspected unlicensed facilities investigated	3 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 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
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 facilities investigated	1 suspected unlicensed facilities investigated	2 suspected unlicensed facilities investigated	1 suspected unlicensed facilities investigated

8.2.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To monitor and enforce compliance with construction licence conditions	75% of reports analysed and ready for noting within 60 days	80% of reports analysed and ready for noting within 60 days	85% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days
2.	To monitor compliance to HDSA ownership levels requirements within the petroleum pipelines industry	No licencees had to provide this information as yet	0% of licencees HDSA submissions analysed and ready for noting within 60 days	50% of licencees HDSA submissions analysed and ready for noting within 60 days	70% of licencees HDSA submissions analysed and ready for noting within 60 days	90% of licencees HDSA submissions analysed and ready for noting within 60 days
3.	To monitor compliance to third party access legislation requirements	No licencees had to provide this information as yet	0%	3 rd party compliance status for 50% of licencees reported on	3 rd party compliance status for 70% of licencees reported on	3 rd party compliance status for 90% of licencees reported on
4.	To investigate compliance to common carrier rules	0% of common carriers investigated	0% of common carriers investigated	30% of common carriers investigated	40% of common carriers investigated	50% of common carriers investigated

8.3.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of reports analysed and ready for noting within 60 days	75% of reports analysed and ready for noting within 60 days	80% of reports analysed and ready for noting within 60 days	85% of reports analysed and ready for noting within 60 days	90% of reports analysed and ready for noting within 60 days	95% of reports analysed and ready for noting within 60 days
2.	% of licensees HDSA submissions analysed and ready for noting within 60 days	No licencees had to provide this information as yet	40% 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	70% of licensees HDSA submissions analysed and ready for noting within 60 days	90% of licensees HDSA submissions analysed and ready for noting within 60 days
3.	% of licensees whose 3 rd party compliance status are reported on	No licencees had to provide this information as yet	0%	3 rd party compliance status for 50% of licensees reported on	3 rd party compliance status for 70% of licensees reported on	3 rd party compliance status for 90% of licensees reported on
4.	% of common carriers investigated	0% of common carriers investigated	0% of common carriers investigated	30% of common carriers investigated	40% of common carriers investigated	50% of common carriers investigated

8.3.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of reports analysed and ready for noting within 60 days	Quarterly	85% of reports analysed and ready for noting within 60 days	25% of reports analysed and ready for noting within 60 days	Additional 20% of reports analysed and ready for noting within 60 days	Additional 20% of reports analysed and ready for noting within 60 days	85% of reports analysed and ready for noting within 60 days
2.	% of licensees HDSA submissions analysed and ready for noting within 60 days	Quarterly	50% of licensees HDSA submissions analysed and ready for noting within 60 days	10% of licensees HDSA submissions analysed and ready for noting within 60 days	Additional 10% of licensees HDSA submissions analysed and ready for noting within 60 days	Additional 15% of licensees HDSA submissions analysed and ready for noting within 60 days	Additional 15% of licensees HDSA submissions analysed and ready for noting within 60 days
3.	% of licensees whose 3 rd party compliance status are reported on	Quarterly	3 rd party compliance status for 50% of licensees reported on	3 rd party compliance status for 10% of licensees reported on	3 rd party compliance status for an additional 10% of licensees reported on	3 rd party compliance status for an additional 15% of licensees reported on	3 rd party compliance status for an additional 15% of licensees reported on
4.	% of common carriers investigated	Quarterly	30% of common carriers investigated	-	10% of common carriers investigated	Additional 10% of common carriers investigated	Additional 10% of common carriers investigated

8.3.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To investigate complaints regarding non-compliance with legislation	No complaints received	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days

8.4.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	% of complaints received investigated and concluded within 60 days	No complaints received	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days

8.4.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% of complaints received investigated and concluded within 60 days	Annually	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days	100% of complaints received investigated and concluded within 60 days

8.4.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To publish licensing guidelines	No guidelines published	No guidelines published	Publication of first version of guidelines	-	Review of guidelines
2.	To publish tariff methodologies and guidelines and amend as and when required	Published tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities
		Published Petroleum pipelines tariff methodology	-	-	-	3 year review of the Petroleum pipelines tariff methodology
		Only applicable in 2012/13	Only applicable in 2012/13	Investigate guidelines for the Starting Regulatory Asset Base (SRAB) of storage facilities	Approved guidelines to determine the SRAB of storage facilities	-

8.5.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Approved licensing guidelines published	No guidelines published	No guidelines published	Publication of first version of guidelines	-	Review of guidelines
2.	Published tariff guidelines for storage facilities	Published tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities	Review annual tariff guidelines for storage facilities
3.	Published Petroleum pipelines tariff methodology	Published Petroleum pipelines tariff methodology	-	-	-	3 year review of the Petroleum pipelines tariff methodology
4.	Approved guidelines to determine the SRAB of storage facilities	Only applicable in 2012/13	Only applicable in 2012/13	Investigate guidelines for the Starting Regulatory Asset Base (SRAB) of storage facilities	Approved guidelines to determine the SRAB of storage facilities	-

8.5.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Approved licensing guidelines published	Annually	1 st version of licensing guidelines published	1 st draft of licensing guidelines developed	2 nd draft of licensing guidelines developed	Approved licensing guidelines	Published 1 st version of licensing guidelines
2.	Published tariff guidelines for storage facilities	Annually	Review annual tariff guidelines for storage facilities	-	Research report on the annual tariff guidelines for storage facilities	Publish report for public comment	Decision on the review of the tariff guidelines for storage facilities
3.	Published Petroleum pipelines tariff methodology	-	No target in 2012/13	-	-	-	-
4.	Approved guidelines to determine the SRAB of storage facilities	Annually	Investigate guidelines for the SRAB of storage facilities	Approved ToR	Conduct research	Conduct research	Publish report for public comment

8.5.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To investigate the bottlenecks in the petroleum pipelines infrastructure in Durban	No investigations conducted	Terms of Reference finalised and DoE consulted	Infrastructure investigated and reported on	-	-
2.	To maintain, update and report on inland supply forecast model - 6 monthly report	Inland supply forecast model developed	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast
3.	To review legislation affecting the petroleum industry and recommend changes (where appropriate)	No review undertaken	Report on outcome of review and make recommendations	Report on outcome of review and make recommendations	Report on outcome of review and make recommendations	-
4.	To publish relevant industry data	No storage tariffs approved	Publish storage tariffs	Publish storage tariffs	Publish storage tariffs	Publish storage tariffs
		No benchmark study on storage tariffs	No benchmark study on storage tariffs	-	Conduct a benchmark study on storage tariffs	-
		Limited financial and tariff information published on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website

8.6.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Infrastructure investigated and reported on in Durban	No investigations conducted	Terms of Reference finalised and DoE consulted	Infrastructure investigated and reported on	-	-
2.	Report on the inland supply forecast	Inland supply forecast model developed	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast
3.	Report on the review of legislation for the petroleum pipelines industry	No review undertaken	Report on the review of legislation for the petroleum pipelines industry	Report on the review of legislation for the petroleum pipelines industry	Report on the review of legislation for the petroleum pipelines industry	-
4.	Published storage tariffs	No storage tariffs approved	Publish storage tariffs	Publish storage tariffs	Publish storage tariffs	Publish storage tariffs
5.	Benchmark study on storage tariffs	No benchmark study on storage tariffs	No benchmark study on storage tariffs	-	Conduct a benchmark study on storage tariffs	-
6.	Publication of financial and tariff information	Limited financial and tariff information published on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website	Publication of financial and tariff information on NERSA website

8.6.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	Infrastructure investigated and reported on in Durban	Quarterly	Infrastructure investigated and reported on	-	Draft Report on infrastructure investigated in Durban	-	Final Report on infrastructure investigated in Durban
2.	Report on the inland supply forecast	Biannual	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Request information from data sources and update model	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast	Request information from data sources and update model	Petroleum Pipelines Subcommittee to consider the report on the inland supply forecast
3.	Report on the review of legislation for the petroleum pipelines industry	Annual	Annual Report on the review of legislation for the petroleum pipelines industry	Review of legislation for the petroleum pipelines industry	Review of legislation for the petroleum pipelines industry	Review of legislation for the petroleum pipelines industry	Report on the review of legislation for the petroleum pipelines industry
4.	Published storage tariffs	Annual	Published storage tariff	-	-	Publish storage tariffs	-
5.	Benchmark study on storage tariffs	-	No target in 2012/13	-	-	-	-
6.	Publication of financial and tariff information	Biannual	Publication of financial and tariff information on NERSA website	Data collection from sources and updating of financial and tariff information	Publication of financial and tariff information	Data collection from sources and updating of financial and tariff information	Publication of financial and tariff information

8.6.4. Linkage with other macro or infrastructure plans

Governments' 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To benchmark regulatory decisions against international best practice	To commence in 2012/13	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
2.	To determine the impact of regulatory decisions	To commence in 2012/13	To commence in 2012/13	Impact assessment report	Impact assessment report	Impact assessment report
3.	To develop the research agenda for the organisation on other new sources of energy	To commence in 2012/13	To commence in 2012/13	Research agenda	Research reports	Research reports
4.	To harmonise regulatory processes within the organisation	To commence in 2011/12	Business Process Analysis of all regulatory processes to be undertaken	Harmonised regulatory processes	-	-
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	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
6.	To influence energy sector policy development and amendments to legislation	Approved comments on draft policy amendments	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)

9.1.2. Programme performance indicators and annual targets for 2012/13 - 2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	Benchmark report on regulatory decisions by category	To commence in 2012/13	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
2.	Report on the impact of regulatory decisions	To commence in 2012/13	To commence in 2012/13	Impact assessment report	Impact assessment report	Impact assessment report
3.	Research reports on new sources of energy	To commence in 2012/13	To commence in 2012/13	Research agenda	Research reports	Research reports
4.	Harmonised regulatory processes	To commence in 2011/12	Business Process Analysis of all regulatory processes to be undertaken	Harmonised regulatory processes	-	-
5.	Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
6.	Number of stakeholder engagement and education programmes conducted	Stakeholder engagement and education programmes undertaken	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
7.	Approved proposals / comments on policy changes	Approved comments on draft policy amendments	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)

9.1.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
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	Impact assessment report	Development of Terms of Reference	Appointment of consultant	Impact assessment conducted	Approved report on impact assessment of regulatory decisions
3.	Research reports on new sources of energy	Annually	Research agenda	Desktop study to determine priorities	Desktop study to determine priorities	Draft research agenda	Approved research agenda
4.	Harmonised regulatory processes	Annually	Harmonised regulatory processes	Assessment of recommendations from business process analysis study	Develop implementation plan based on recommendations	Implement the harmonization of regulatory processes	Report on harmonization of regulatory processes
5.	Published quarterly newsletters	Quarterly	Quarterly newsletters published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published
6.	Number of stakeholder engagement and education programmes conducted	Quarterly	Undertake 20 stakeholder engagement and education programmes	Conduct 5 stakeholder engagement and education programmes	Conduct an additional 5 stakeholder engagement and education programmes	Conduct an additional 5 stakeholder engagement and education programmes	Conduct an additional 5 stakeholder engagement and education programmes
7.	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

9.1.4. Linkage with other macro or infrastructure plans

Governments 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 2012/13 - 2014/15

Programme Strategic objective		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007/08 – 2010/11		2012/13	2013/14	2014/15
1.	To create an efficient and effective world class organisation	69% successful implementation of the business plan	73% successful implementation of the business plan	78% successful implementation of the business plan	83% successful implementation of the business plan	88% successful implementation of the business plan
		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	95% staff retention	95% staff retention	95% staff retention	95% staff retention	95% staff retention
		87% of organisational structure filled	90% 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	60% 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
3.	To position and promote the good image of NERSA	Baseline to be determined in 2011/12	Baseline to be determined in 2011/12	--% customer satisfaction (Note: this target will be dependent on the baseline)	--% customer satisfaction (Note: this target will be dependent on the baseline)	--% customer satisfaction (Note: this target will be dependent on the baseline)
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	80% 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

10.1.2. Programme performance indicators and annual targets for 2012/13-2014/15

Programme performance indicator		Audited/Actual performance	Estimated performance 2011/12	Medium-term targets		
		2007-2010		2012/13	2013/14	2014/15
1.	% successful implementation of the annual business plan	69% successful implementation of the business plan	73% successful implementation of the business plan	78% successful implementation of the business plan	83% successful implementation of the business plan	88% successful implementation of the business plan
2.	% 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)
3.	% of staff retention	95% staff retention	96% staff retention	98% staff retention	98% staff retention	98% staff retention
4.	% of organisational structure filled	87% of organisational structure filled	100% of organisational structure filled	100% of organisational structure filled	100% of organisational structure filled	100% of organisational structure filled
5.	% of staff undergoing training and development	50% of staff undergoing training and development	60% 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
6.	Level of (%) customer satisfaction	Baseline to be determined in 2011/12	Baseline to be determined in 2011/12	--% customer satisfaction (Note: this target will be dependent on the baseline)	--% customer satisfaction (Note: this target will be dependent on the baseline)	--% customer satisfaction (Note: this target will be dependent on the baseline)
7.	Result of annual audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
8.	% 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	80% 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

10.1.3. Quarterly targets for 2012/13

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2012/13	Quarterly targets			
				1 st	2 nd	3 rd	4 th
1.	% successful implementation of the annual business plan	Annually	78% successful implementation of the business plan	78% successful implementation of the business plan	78% successful implementation of the business plan	78% successful implementation of the business plan	78% successful implementation of the business plan
2.	% of targets in the Annual Performance Plan met	Annually	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: baseline to be determined in 2012/13)	--% of targets met (Note: baseline to be determined in 2012/13)
3.	% of staff retention	Quarterly	95% staff retention	95% staff retention	95% staff retention	95% staff retention	95% staff retention
4.	% 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
5.	% of staff undergoing training and development	Quarterly	70% of staff undergoing training and development	10% 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
6.	Level of (%) customer satisfaction	Annually	--% customer satisfaction (Note: this target will be dependent on the baseline)	1.5% increase in level of customer satisfaction from baseline	An additional 1.5% increase in level of customer satisfaction from baseline	An additional 1.5% increase in level of customer satisfaction from baseline	An additional 1.5% increase in level of customer satisfaction from baseline
7.	Result of annual audit	Annually	Unqualified audit	-	Unqualified audit	-	-
8.	% of creditors paid within 30 days after all relevant documentation have been received	Quarterly	80% of creditors paid within 30 days after all relevant documentation have been received	80% of creditors paid within 30 days after all relevant documentation have been received	80% of creditors paid within 30 days after all relevant documentation have been received	80% of creditors paid within 30 days after all relevant documentation have been received	80% of creditors paid within 30 days after all relevant documentation have been received

10.1.4. Linkage with other macro or infrastructure plans

Governments' 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				
						Revised EEDSM rules				
						Developing selection criteria for the REFIT programme				
			Availability of funds to Eskom		Accelerated DSM and EE	Develop process for connection and integration of renewable energy generation				
						Finalising CRM rules				
						Developing a generic REFIT Power Purchase Agreement				
						High demand growth				
			Annual audits of the EEDSM fund							
			Annual review of the EEDSM Rules							
			Promotion of the DSM and EE implementation							
			Non-availability of generation capacity e.g. partial load losses and maintenance slippage	Delays in the build program and REFIT programme	Cost Recovery mechanism in place	Strategies to maintain generation plant performance				
						Implement independent system and market operator (ISMO) to purchase power independent from				
						Barriers to entry of new players in power generation				
Lack of explicit regulations										
Lack of independent power purchaser (ISMO).										

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				
						Eskom								
			Operation of the system beyond design capabilities	Implementatio n of new generation Regulations		Developing PCP rules								
			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	Rising cost in primary energy putting pressure on	Procured coal energy content	Shortages at contracted mines	Multi-Year Price Determination	Enhance information gathering	EM (ELR)	HOD (ELC)	Treat					
			Decreasing	Inadequate										

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
	b. Coal, Oil and water Prices c. Contracting with suppliers d. Management and planning	future energy prices	local coal reserves Development of new water supply infrastructure International pressure to diversify away from coal as a primary energy source	coal transport infrastructure International oil prices Poor quality of coal Inadequate planning resulting in poor management of stock piles		Implementing MYPD rules Obtaining RRM implementation plans from Eskom				
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	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
					tariffs structures and levels for Eskom					
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				
			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				
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	Inadequate infrastructure to transport gas	Insufficient investment into gas market to develop possible new gas fields		Provide regulatory certainty to new entrants via documented decisions	EM(GAR)	HOD(GLC) / HOD (GPT)	Treat	Moderate
			Inadequate monitoring of developments in the gas industry			Monitor Certified Proven Sasol Reserves by using legal instruments available				
				Lack of infrastructure planning		Act on trends and activities regarding new developments such as CNG, CMG, LNG, landfill projects and etc through licensing activities				
						Conduct research on new sources of gas and gas to power projects				
						Facilitate fuel purchase agreement between Eskom and gas suppliers				
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			Licence conditions to provide limited exclusivity where applicable	EM (GAR)	HOD (GLC) / HOD (GPT)	Treat	
						Advocacy or communication by the Energy Regulator				
						Flexible or appropriate licence conditions to suit the new entrants and that provide limited exclusivity period where applicable				
						Enforce third party access				
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 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) Wam 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	<div>Inappropriate / incomplete tariff applications for petroleum pipelines facilities (storage and loading facilities still outstanding)</div> <div>Setting tariffs not conducive to investment</div> <div>Department of Energy (DoE) changing regulations pertaining to tariff setting for the industry.</div>	<div>Incorrect calculations by licensees and / or NERSA</div> <div>Information asymmetry</div> <div> <div>Inadequate ring-fencing</div> <div>Historic economic policy</div> <div>Transnet Limited in discussions with DoE regarding changing the regulations</div> </div>	<div>Approved tariff methodologies for (a) petroleum pipelines and (b) storage facilities</div> <div>Comment on draft Regulations if the opportunity arises</div> <div>Development of the RRM and MIRT</div>	<div>Enforcement of compliance with regards to Regulatory Reporting Manuals</div> <div>Consistent decisions</div> <div>Enforcement of compliance with regards to submission of information</div> <div>Consultation with and information provided to government departments and stakeholders</div> <div>Try to ensure that the DoE follows a public participative approach if changes to the regulations are decided upon</div>	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	<div>Inappropriate licence conditions due to insufficient time/resources and collection of facts and evidence</div> <div>Possible amendments to licence conditions as more learning /</div>	<div>Short time NERSA has been regulating the petroleum pipeline industry</div> <div>Imbalance of information between the licence holders and the</div>	<div>Current licence conditions contain international best practices and is regularly reviewed</div> <div>Licence conditions updated on a regular basis when required</div>	<div>Benchmarking of regulatory practices with international best practice</div> <div>Enforcement of compliance with regards to submission of information</div>	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 Mandate creep	Signals by Government on Regulations (piped-gas and petroleum pipelines)	Regular interaction with relevant stakeholders Comments made on proposed legislation impacting on the role of the Regulator	Memorandums of Understanding with Government Department, other Regulators and other organisations where concurrent jurisdiction exist	Chairperson of Energy Regulator	EM (COS)	Treat	
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	implement approved procedures	policy is currently in place and is being reviewed					
			Improper management of leave		Delegation of authority framework in place					
			Dispute resolution		Tender committee in place					
			Customer complaints		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	Failure to update the Supply Chain Management Policy regularly in line with	Procurement policy is currently in place and is being reviewed	Procurement process is being developed for urgent services required/utilized within NERSA	CFO	HOD (FAD)	Treat	Moderate
			Inadequate adherence to procurement policies and procedures	Treasure Regulation amendments	Delegation of authority framework in place	Finalisation of Supply Chain Management Procedures				
			Non-establishment of a Supply Chain Management Unit	Ineffective supply chain management practices	Tender committee in place	Development of an integrated Demand Plan				
			Non-existence of a suppliers		Detailed procurement	Development of SLA between SCM Unit 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
			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 Payment dates are negotiated with suppliers					
			Maintenance of documentation		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	Communication policy being developed	CEO	Manco	Treat	Moderate
					Weekly news bulletin	Initiatives to motivate and encourage staff to attend monthly together meetings such as attendance register, motivational speakers and drumming are being introduced				
					Regular MANCO and EXCO meetings					
					Monthly staff get togethers					
					Quarterly reviews of divisional performance					
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	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
			Incorrect decisions made by the Energy Regulator							
			Negative impact on the image of the NERSA							
15	Consultation and Engagement	Failure to consult and engage with staff before decisions affecting them	Involvement of staff in decision making	Failure to consult with staff	Regular meetings with union office bearers	Facilitated workshop between management and union office bearers to develop rules of engagement	CHO	Manco	Treat	Moderate
			Implementation of	Absence of rules 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
		are made may lead to low staff morale and performance	recognition agreement	engagement between management and Union Interpretation of the recognition agreement						

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 2012/13 budget and forecasts for 2013/14 and 2014/15 are provided below. These factors are based on the information received from Bureau for Economic Research.

1. Economic Factors

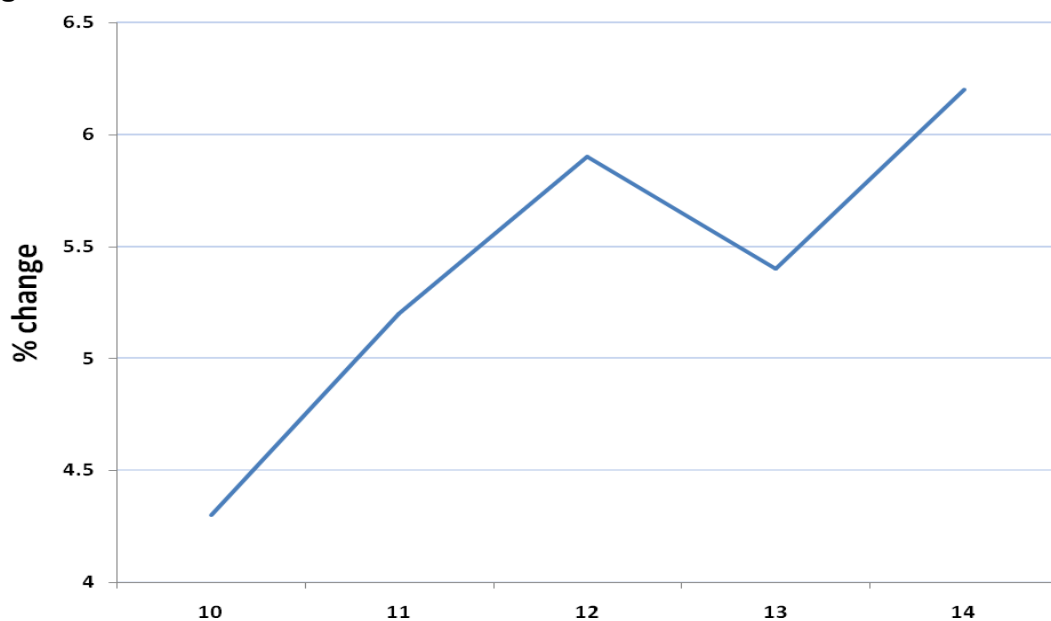
	2010/11	2011/12	2012/13	2013/14	2014/15
Eskom price increase	24.8%	25.8%	25.9%	***	***
	2010	2011	2012	2013	2014
Inflation rate . CPI	4.3	5.2	5.9	5.4	6.2
Exchange Rate of the Rand (R/USD)	7.32	6.92	7.26	8.03	8.45
Interest Rates	9.90	9.06	10.36	12.25	12.50
Gross Domestic Product	2.8	3.8	3.7	3.8	4.0

*** Eskom price increase is as per the second Multi-Year Price Determination (MYPD 2). Figures for 2013/14 and 2014/15 will become available once MYPD3 has been concluded.

1.1 Inflation rate

Consumer inflation (CPI) continued to accelerate in the first half of 2011, reaching 5% year-on-year in June. The year-on-year rate for headline inflation has already increased by 1.8 percentage points from the low of 3.2% reached in September 2010. Looking forward, it is expected that the higher commodity and electricity prices will start to impact a broader range of prices as companies start to pass on higher input costs to a greater extent. Factors that are likely to compound the pass-through include indications for another year of above-inflation wage increases and the fact that the Rand is likely to lose ground in 2012. However, in 2013 a relatively lower inflation is expected, *although the upward trend continues*, mainly on the account of base effects (see figure 1).

Figure 1: Consumer Price Inflation



Source: Bureau for Economic Research

1.2 Exchange rate of the Rand

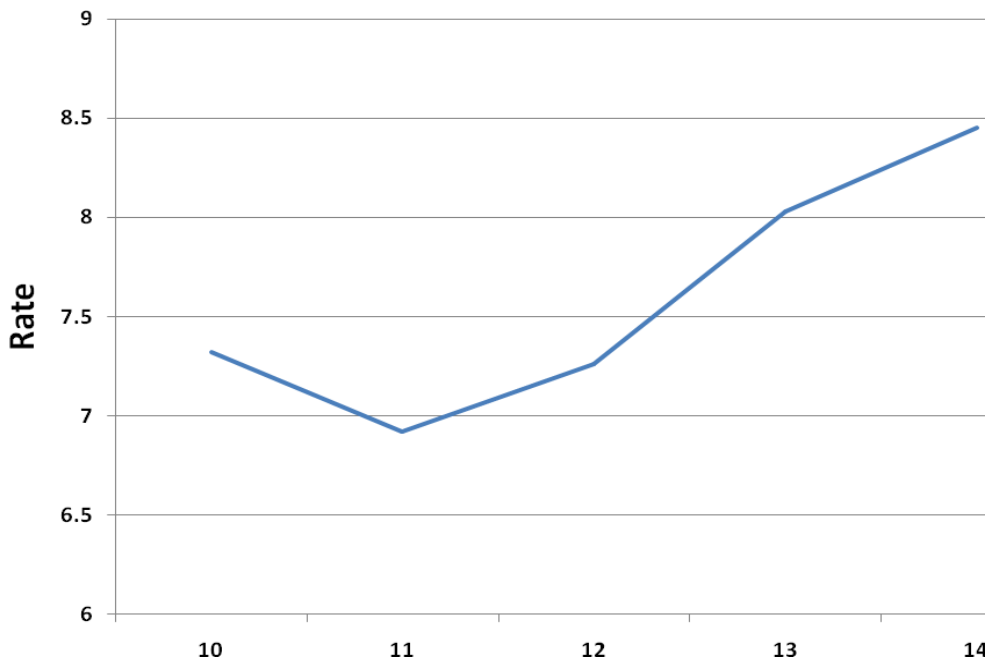
The Rand exchange rate strengthened to an average of R6.77 against the US dollar during the second quarter (Q2) of 2011 after averaging R7.00 in the first quarter (Q1) of 2011. The robust performance continued in the early stages of the third quarter (Q3) with the currency remaining around the R6.75 level.

The sustained strength of the Rand was mainly due to robust foreign appetite for investing in SA bonds and equities. The currency has also been boosted by a relatively weak US dollar, robust commodity prices and indications of more sustained direct investment flows.

Most of the factors that supported the Rand during 2011 Q2 are expected to remain in place over the short term, ensuring that the currency remains supported for the rest of 2011. In light of the Rand remaining stronger than expected against the US Dollar in Q2 and no signs of imminent change in direction, there is consensus that the rand will on average remain below R7/US dollar until the end of 2011.

Going into 2012, more pronounced rand weakness (**see Figure 2**) is expected once financial markets start to price in the prospect of a growing number of developed countries increasing interest rates.

Figure 2: Rand/US Dollar Exchange Rate



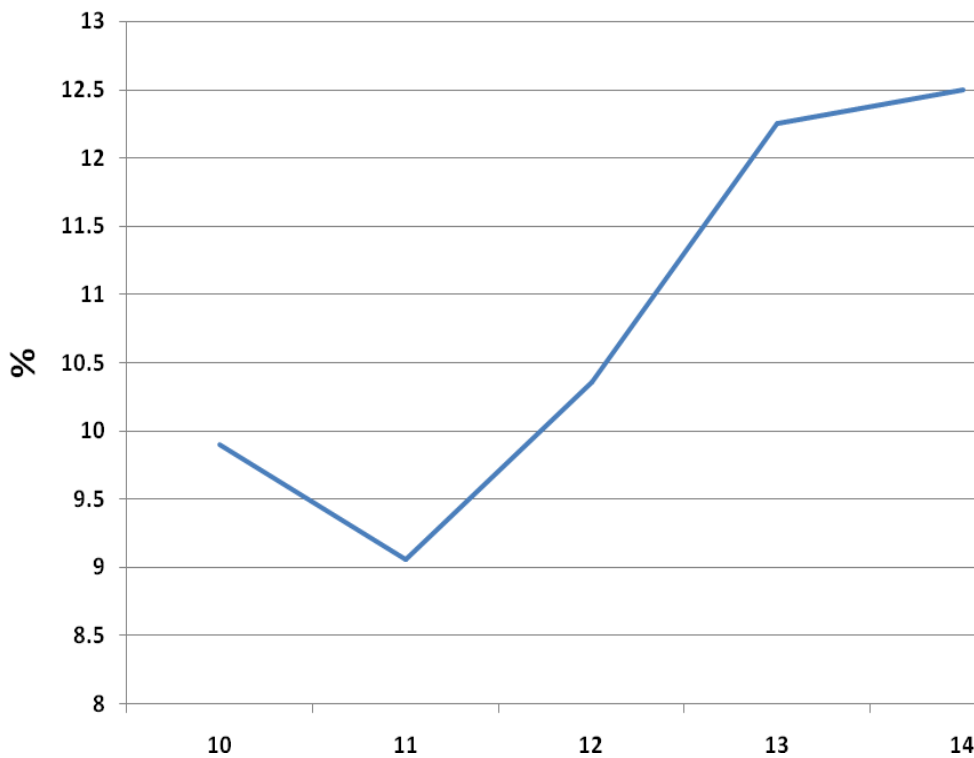
Source: Bureau for Economic Research

1.3 Interest rates

The SA policy interest rate (repurchase rate) has remained unchanged at 5.5% since November 2010 with the prime rate stable at 9.0%. The South African Reserve Bank kept the repurchase rate on hold following the January, March, May and July 2011 Monetary Policy Committee (MPC) meetings.

While a number of factors can be highlighted to justify the SARB keeping the interest rates unchanged so far, there are arguments in favour of starting the monetary tightening cycle before the end of 2011. According to the BER, interest rates should start rising in November 2011 (**see Figure 3**). This is informed by the view that core inflation (which excludes volatile items) is expected to reach in excess of 5% by mid-2012 and remain around 5% through 2012.

Figure 3: Prime Rate



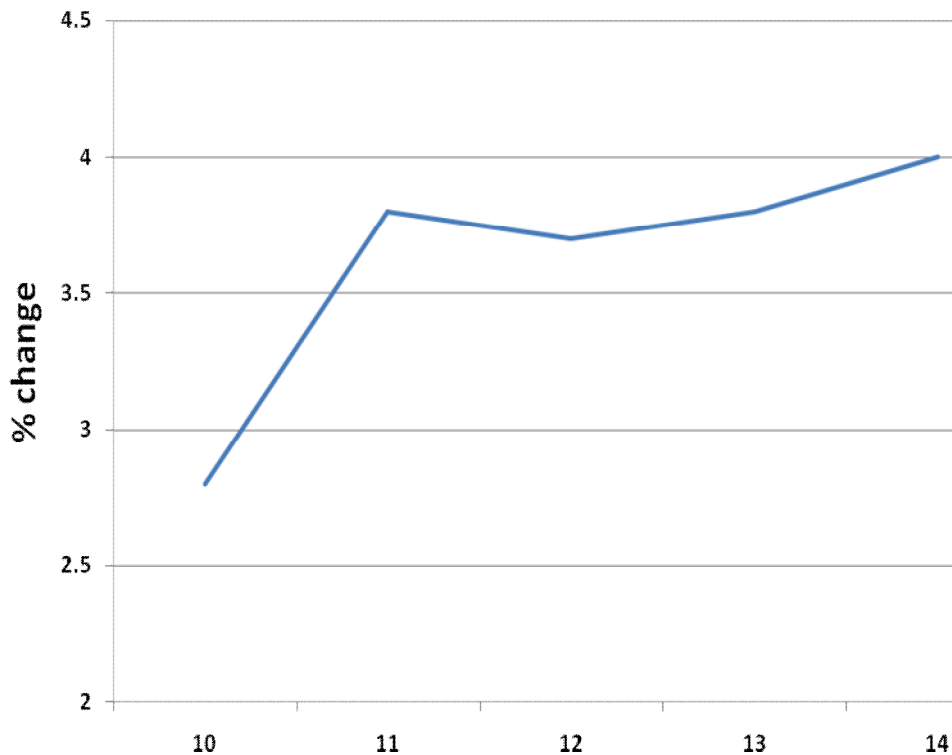
Source: Bureau for Economic Research

1.4 Gross Domestic Product (GDP)

Economic activity in South Africa gained further traction in the first quarter of 2011 when real gross domestic product expanded at an annualised rate of 4.8% - 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 2011's second quarter suggests that GDP growth moderated from the robust 4.8% 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 2011 as a whole. The BER expects GDP to average 3.8% for 2011 (**see Figure 4**) and ease slightly to 3.7% on the account of base effects and slower growth in disposable income.

Figure 4: Gross Domestic Product



Source: Bureau for Economic Research

1.5 Industry volumes and growth

	FY2009/10	FY2010/11 Actual	FY2011/12	FY2012/13	2013/14	2014/15
Net electricity sent out from licensed power stations (MWh) (Note 1)	236 710 139	238 935 714	256 800 000	258 465 000	261 601 000	268 073 000
Electricity volume growth %	0.19%	0.94%	7.48%	0.65%	1.21%	2.47%
Piped-gas volume delivered at inlet flange of licensed pipelines (GJ) (Note 2)	157 365 ,440	146 101 585	141 000 000	135 000 000	135 000 000	135 000 000
Piped-gas volume growth %	24.10%%	(7.16%)	(3.49%)	(4.26%)	0%	0%
Petroleum volumes delivered at inlet flange of licensed pipelines (kl) (Note 3)	17 993 390	17 990 221	17 590 283	18 020 000	18 120 000	18 627 000

	FY2009/10	FY2010/11 Actual	FY2011/12	FY2012/13	2013/14	2014/15
Petroleum pipelines volume growth %	(1.55%)	(0.02%)	(2.22%)	2.44%	0.55%	2.80%

Note 1

The energy sent out numbers arrived at were based on the Eskom's projected volumes for the 2012/2013 to 2014/2015 financial years.

Note 2

For the 2010/2011 financial year the volumes were above 141 million gigajoules, at 146 million gigajoules. They are expected to increase slightly. The capacity of the pipeline, following improvements, is at 147 million gigajoules, but volumes will not be increased to that extent immediately.

Note 3

The volumes for the 2012/2013 financial years are based on Transnet's projected volumes for the 2012/2013 to 2014/2015 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.

Industry	Factors
Electricity	<ul style="list-style-type: none"> • The third Multi-Year Price Determination application • Security of supply remain high on the national agenda • Compliance enforcement to improve supply reliability • Implementation of accelerated DSMEE plan and cogeneration framework • Licensing of IPP 2011 generation plant • Energy conservation program • Impact of formation of ISMO • Delay in Regulations (Electricity Regulation Act) • Municipal maintenance and refurbishment
Piped-gas	<ul style="list-style-type: none"> • Monitoring of the SASOL Agreement • Monitoring gas transmission and storage pipeline tariffs • Possibility of additional piped-gas transmission pipelines being built • Possible electricity plant (for gas power station and piped-gas market in the Cape region) • Coal bed methane projects (RSA and Botswana) • Additional natural gas fields in Mozambique • Possibility of an additional CTL Plant • Paucity of domestic gas finds • Implementation of the maximum price methodology for approval of maximum prices

Industry	Factors
Petroleum pipelines	<ul style="list-style-type: none"> • Security of supply is a priority • Additional storage (to meet the Energy Bill/Act and Energy Master Plan requirements) • Construction of the New Multi-Product Pipeline (NMPP) . 24+pipeline • Tariff structure • The proposed 450,000 bbl/day Coega refinery • Change in focus from licensing to compliance • Tariff models for pipelines, loading and storage facilities
Cross cutting regulatory	<ul style="list-style-type: none"> • NERSA is a regulatory body driven by skilled and competent staff. There have been real cost increases to this category of workers in South Africa • Regulatory practices are moving towards world class practices • Scope for rigorous technical and financial due diligence of licensees • Need to benchmark the operations and performance of Energy Regulator • Regulatory impact assessments to ensure that the value of regulation exceeds the cost of regulation • Limited scope to draw on skilled and trained resources in a global context • Benefits from regulating the industries far outweigh the cost of regulating the industries • Energy bill

3. Salary projections

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Projected Salary Increase Percentage*	8.5%	8.5%	10.2%	4.9%	5.7%	7.9%
Projected bonus percentage as a function of total employment cost	12.5%	14.0%	17.0%	17.0%	17.0%	17.0%
Performance linked pay progression	3%	3%	3%	3%	2%	2%

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.

* An additional allowance for 2% has been budgeted for to cater for a margin of error in projections and provide for possible settlements. The above estimated salary increases (CPI + 2%) is based on the BER focus as per table 1 above.

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 reserve target is 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.
- 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.
- Employment costs are budgeted at full staff compliment and based on the projected salary increase.

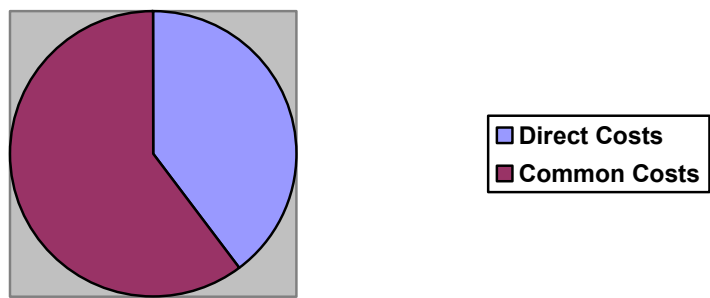
5. Higher level trend analysis

	2007/08 R '000	2008/09 R'000	2009/10 R '000	2010/11 R'000
Levies received				
Actual	137 193	110 030	127 028	155 197
Budget	138 761	112 875	133 361	159 727
% Variance . (Under)/Over	(1.2%)	(2.5%)	(4.7%)	(2.8%)
Operating Expenditure				
Actual	104 720	119 730	143 818	163 718
Budget	134 471	144 893	173 329	177 159
% Variance . (Under)/Over	(22.1%)	(17.4%)	(20.5%)	(7.6%)
Capital Expenditure				
Actual	4 547	990	5 456	9 999
Budget	4 290	4 647	6 669	8 518
% Variance . (Under)/Over	6%	(78.7%)	(18.2%)	17.4%

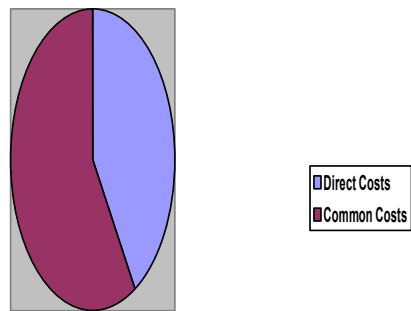
6. Analysis of direct versus common costs – 2012/13 budget year

	Electricity	Piped-Gas	Petroleum Pipelines
Direct Costs	39.8%	41.5%	42.2%
	R54 547 804	R21 203 117	R21 787 272
Common Costs	60.2%	58.5%	57.8%
	R82 484 036	R29 864 904	R29 864 909

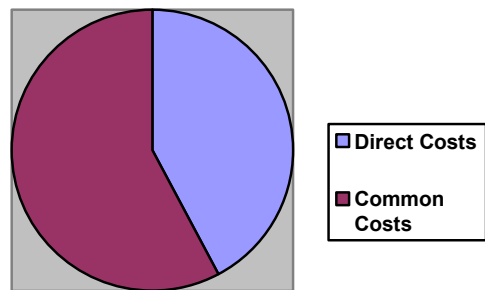
Electricity - Direct vs Common Costs 2012_13 Budget



Piped-Gas - Direct vs Common Costs 2012_13 Budget



Petroleum Pipelines - Direct vs Common Costs 2012_13 Budget



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 as **Appendix B**.

The total NERSA estimated Expenditure Budget for 2012/13 amounts to R 240 315 901 (2011/2012: R223 021 701). The specific budgets for the three regulated industries are as follows (the approved budgets for 2011/12 are in parenthesis):

- Electricity Industry R 137 485 425 (2011/2012: R 124 667 690)
- Piped-Gas industry R 51 194 911 (2011/2012: R 50 486 314)
- Petroleum Pipelines R 51 635 565 (2011/2012: R 47 867 696)

TOTAL R 240 315 901 (2011/2012: R 223 021 701)

As documented in the budgeting assumptions and parameters (**Appendix 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 carried forward from the previous years will be R32.1 million at the end of 2012/13 in line with the principles on which the calculation of the Cash Flow Mitigation Reserve are based (refer Note 5 of **Appendix F**).

The NERSA expenditure budget has increased by 7.8% when compared to that of the 2011/12 financial year.

Significant changes in budgeted items are as follows:

Significant Increases

The budget for temporary staff has increased by 90.8%. The increase is due to more temporary staff being needed to handle the organisational work load with the reduction of work performed by consultants.

The current organisational structure does not fully support operations of certain divisions e.g. Electricity, Petroleum Pipelines, Finance etc. This budget item also caters for employees who are, among other reasons, on extended or maternity leave.

Due to compliance regulatory demands it is anticipated that temporary staff personnel will be critical while motivations to increase staff complements are being considered by the Energy Regulator.

The budget item includes the following:

- Human Resources Department for maternity and extended leave . 4 months leave at an average salary of R450 000 per annum x 6 people = R 900 000
- Electricity and Petroleum Pipelines divisional requirements . Average salary of R 310 000 per annum x 7 people
- Finance and Administration division . Average salary of R 200 000 per annum x 3 people

Employee wellness The budget has increased by 54.2% due to the increased structure from 168 to 177, increased awareness of the programme and increased declaration of life threatening illnesses which will result in the increased utilisation of the programme. The breakdown of the expenditure is as follows:

- Employee Wellness and Assistance Programme: R1 000 000
- Participation in Discovery/ 702 %Walk the Talk+ R 150 000
- Full day Sports Day: R 440 000

Catering and Entertainment The budget has increased by 45.9%. This increase is mainly attributable to more public hearings planned including MYPD 3 for the financial year, stakeholder meetings and Energy Regulator meetings. MYPD 3 costs have been allocated to the electricity division in line with ring fencing methodology.

This budget covers for catering where there are meetings for longer periods and morning meeting including Energy Regulator and Subcommittee meetings, public hearings and stakeholder workshops. This also includes a provision for the year end function.

Learnership programme has increased by 26% as a results of introduction of internship programme which will implemented within the organisation and for this goal to be achieved 15 graduates will be recruited.

Water, electricity, rates and taxes increased by 23.9%. This increase has been necessitated mainly by the increase electricity tariff.

Currently NERSA is paying an amount of R 36 767 on a monthly basis for rates and taxes. After taking budget assumptions into consideration it comes to R 46 000 per month and **R 552 000** per annum.

NERSA also pays a levy to Arcadia City improvement at an average cost of R 10 437 per month and **R 137 770** per annum, after factoring budget assumptions.

Electricity and water usage is estimated at around R 119 371 per month and around R139 750 during the winter season. The total is R 119 371 x 9 months and R 139 750 x3 months = **R1 493 589** per annum.

Legal fees budget has increased by 20% due to current court cases which may overlap to the next financial year. It is also anticipated that more senior counsel will be required in the current financial year.

This budget caters for any potential litigation for and against NERSA, legal opinions on the core regulatory business of NERSA on the request of the NERSA staff and the Energy Regulator. It also includes fees required to engage external legal counsel on the processes of NERSA, contractual issues and reviews of reports.

Performance bonuses have increased by 14.8%. This is due to the increased salaries as well as the increase in staff complement. NERSA requires optimum performance from its staff members and rewards the achievement of such performance. It therefore provides for bonuses to be paid for

performance that exceeds the expected level of outputs. The amounts budgeted for the bonuses in 2012/13 are an estimate of the bonus quantum.

This amount will be refined by management through a formula that lays a basis for the calculation of the amount payable and is in line with approved budget parameters and assumptions.

Significant Decreases

Travel Costs – Regulator reduced by 55.8% due to less travel planned for the coming financial period for various activities such as seminars, conferences and training courses locally and overseas.

Study fees reduced by 38.3% due to the decline in study request by staff members and this trend is expected to continue to the next financial period.

Capital expenditure decreased by 27.5%. This is due to the majority capital replacements completed in the previous year. In the CAPEX budget of the following items:

- Furniture and Equipment decreased by 93.8% due to the replacement of the lifts, installation of the bio matrix system, replacement of air conditioning engines and furniture which were budgeted for in the previous period.
- Computer hardware has decreased by 88.8% due to the replacement of laptops and upgrading of networks and improvement of the teleconference system which took place in the previous period.
- Building improvements has however increased due to energy saving initiatives to the building, establishment of wellness centre, revamping of bathrooms and the replacement of the standby generator to the building.

The breakdown of the above is as follows:

- Energy saving plan . replace geysers, air conditions etc . R 3 125 000
- Replacement of standby generators . R 1 500 000
- Establishment of wellness centre . R 850 000
- General building improvement . R 750 000
- Refurbishment of bathrooms . R 500 000
- CRM Software . R 500 000
- Replacement of computer hardware . R 476 000
- Additional workstations . R 300 000
- SCM software . R 250 000
- Replacement of motor vehicle . R 230 000
- Replacement of servers . R 200 000

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 in 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 (2012/13 . 2014/15) **(Appendix E)**
- Electricity regulation income and expenditure budget with forecast (2012/13 . 2014/15) **(Appendix G1)**
- Piped-gas regulation income and expenditure budget with forecast (2012/13 . 2014/15) **(Appendix H1)**
- Petroleum pipelines regulation income and expenditure budget with forecast (2012/13 . 2014/15) **(Appendix I1).**

Apart from this, within each of the regulated industries, income and expenditure budgets have also been produced for the six programmes that NERSA has adopted. See **Appendices G2 – G7, H2 – H7 and I2 – I6** in this regard.

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 2012/13 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 R13.4 million and the refund of surplus funds that existed on 1 October 2005 of R2.3 million and interest receivable from the bank of R 2.4 million.

The levy rate payable by licensed generators of electricity is estimated at 0.04471 cents per kWh based on recovering R115.5 million through an estimated net generation of 258 465 GWh (1GWh = 1 million kWh) for the 2012/13 financial year. This is a 56% increase in the levy of the 2011/12 financial year (Refer **Appendix F8**). The increase is due to a significant reduction in the surplus

which will be refunded to the industry as well as the interest receivable from banks. The refund of surplus funds reduced from R 46.5 million to R 15.8 million in the current year. Adding back the amounts for the two financial periods results in an increase of the levy by 9.6%.

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 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 amount for piped-gas for 2012/13 amounts to R47.2 million. The projected volume of gas for 2012/13 amounts to 135 million GJ, giving a levy rate of 0.3489 cents/GJ. This is a 22% increase in the levy of the 2011/12 financial year (Refer **Appendix G8**). The increase is due to significant reduction in the surplus which will be refunded to the industry, interest receivable from banks as well as reduction of projected volume by 6 million GJ from previous period. The refund of surplus funds reduced from R 8.6 million to R 380 000 in the current year. Adding back the two amounts for the two financial periods results in an increase of the levy of 5.9%.

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 the petroleum product as it enters the system licensed by NERSA and is based on litres. The budgeted amount for petroleum pipelines for 2012/13 amounts to R49.2 million. It is estimated that the total volume of petroleum products transported by pipeline would amount to approximately 18.0 billion litres per annum, so the levy would be R0.02728 per litre. This is a 43% increase in the levy of the 2012/13 financial year (Refer **Appendix H7**). The increase is due to significant reduction in the surplus which will be refunded to the industry as well as the interest receivable from banks. The refund of surplus funds reduced from R 13.0 million to R 380 000 in the current year. Adding back the two amounts for the two financial periods results in the increase of the levy by 5.3%.

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 2012/2013						
CONSOLIDATED INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2011/2012 TO 2012/2013						
DESCRIPTION	NOTES	ACTUAL	CONSOLIDATED BUDGET	CONSOLIDATED BUDGET	FORECAST	FORECAST
		2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
TOTAL FUNDING		175 960 106	223 021 701	240 315 901	252 503 543	262 309 146
Levies from Electricity Industry	1	86 776 552	73 408 045	115 548 495	127 761 786	138 059 677
Levies from Piped-Gas Industry	2	28 173 555	40 496 714	47 223 647	52 574 833	55 433 912
Levies from Petroleum Pipeline Industry	3	40 051 575	33 503 616	49 153 861	53 498 304	56 795 796
Refund of Surplus Funds	4	13 432 315	68 113 326	16 534 568	14 002 091	8 515 210
Rollover of Cash Flow Mitigation Reserve		1 365 820	-	6 755 330	1 351 528	1 184 051
Interest received		6 160 289	7 500 000	5 100 000	3 315 000	2 320 500
TOTAL EXPENDITURE		173 598 693	223 021 701	240 315 901	251 085 715	261 078 685
TOTAL OPERATING EXPENDITURE		163 599 353	210 591 101	231 304 743	241 560 921	251 105 272
Publications, communications and corporate communications	6	4 975 452	8 933 528	9 444 152	9 832 225	10 297 461
Recruitment costs		542 542	380 100	521 750	543 246	560 302
International initiatives	7	1 014 577	40 000	606 813	637 881	667 933
External auditors fees		1 823 879	1 260 455	1 357 000	1 410 737	1 477 233
Co-sourced internal audit function		828 809	480 000	500 000	528 500	553 392
Seminars/conferences/breakaways	8	1 633 042	2 071 615	1 907 520	2 004 934	2 099 043
Bank charges		53 304	72 589	87 864	92 872	97 247
Postage and delivery costs		42 054	355 640	424 950	449 172	470 370
Catering and entertainment	9	728 540	982 375	1 433 150	1 514 840	1 573 014
Consultant fees	10	18 266 760	26 532 691	25 210 937	26 354 880	27 715 397
Tribunals, hearings and inquiries	11	-	700 000	551 250	579 474	597 632
Insurance		588 615	730 000	852 117	900 688	943 110
Legal fees	12	184 100	2 830 000	3 396 125	3 550 309	3 738 038
Knowledge Center	13	747 351	1 666 698	1 620 798	1 703 783	1 784 051
Study fees	14	437 096	4 265 000	2 631 000	2 765 413	2 894 532
Motor vehicle maintenance costs		95 513	180 200	295 067	311 885	321 647
Office operational costs	15	5 790 118	3 998 404	4 213 357	4 404 643	4 644 183
Water, Electricity, Rates and taxes	16	1 874 407	1 968 000	2 437 770	2 576 723	2 698 087
Software licenses	17	998 071	2 278 200	2 111 400	2 231 750	2 310 977
Employment Costs - Staff	18	77 947 755	95 047 810	108 041 568	112 497 505	116 247 138
Leavership programme	19	261 352	1 500 000	1 890 000	1 997 730	2 091 823
Leave pay	20	848 380	-	1 701 924	1 798 934	1 883 697
Salary temporary staff	21	1 180 715	1 877 904	3 582 154	3 786 337	3 960 767
Remuneration - Regulator Members		11 255 339	9 411 427	9 498 987	10 020 481	10 334 248
Bonuses - Staff and Full Time Regulator Members	22	12 982 077	17 054 270	19 581 895	20 389 455	21 030 835
Repairs and maintenance	23	1 471 343	2 632 498	2 349 500	2 483 422	2 629 198
Printing and stationery	24	400 640	500 804	724 500	765 797	801 866
Subscriptions		53 629	922 800	922 400	974 977	1 001 735
Travel cost - Regulator Members	25	1 713 053	2 339 800	1 035 161	1 094 165	1 145 701
Travel cost - Staff	26	7 955 936	13 128 579	14 598 246	15 190 810	15 985 260
Telephone and fax	27	1 880 776	1 412 000	1 592 000	1 682 744	1 762 001
Employee wellness	28	705 990	1 030 600	1 589 000	1 679 573	1 758 681
Health & Safety		-	70 000	87 120	92 086	95 162
Training and development - Staff	29	3 917 893	3 737 112	4 127 310	4 311 335	4 512 981
Training and development - Regulator Members		400 242	200 000	379 959	401 617	420 533
TOTAL CAPITAL EXPENDITURE	30	9 999 340	12 430 600	9 011 158	9 524 794	9 973 412
Motor vehicles		522 137	230 000	230 000	243 110	254 560
Computer software		4 312 493	1 910 000	1 200 158	1 268 567	1 328 317
Office furniture and equipment		1 569 203	5 409 600	335 000	354 095	370 773
Building improvements		1 665 409	250 000	6 725 000	7 108 325	7 443 127
Computer hardware		1 930 098	4 631 000	521 000	550 697	576 635
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	5	25 374 450	25 374 450	32 129 780	33 481 308	34 665 359

Appendix F: Notes to the NERSA Budget

EXPLANATORY NOTES TO THE BUDGET INCOME AND EXPENDITURE

OVERVIEW

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 which is allocated to the three industries in terms ring fencing methodology and a refund of surplus funds as at 31 March 2011 has been calculated and included in the funding portion of the 2012/13 budget, which has an effect of reducing levies.

Total funding for the 2012/13 budget is 7.8% more than the 2011/12 budget. The calculation of this increase includes refunds to the industries, rollover of cash flow mitigation reserve and interest receivable for the current year and previous years.

The forecasted budget and funding for the 2013/14 year and the 2014/15 year increases by 4.5 % and 4.0% respectively.

The industry levies for 2012/13 will change as follows compared to the previous year:

<u>Industry Levies</u>	<u>% increase with refunds and interest added back</u>	<u>% increase without refunds and interest</u>
Electricity industry	10.3%	57.4%
Piped-gas industry	1.4%	16.6%
Petroleum pipelines industry	7.9%	46.7%

In calculating the changes in the levies both interest receivable and refund of surplus has been added back to ensure equitable comparison between the two financial years.

Expenditure

The total expenditure budget (including capital expenditure) for 2012/13 has increased by R17.3 million compared to the 2011/12 budget. The increase is mainly due to the provision for salary increases, legal fees, water and electricity and for building improvements. The Energy Regulator is focusing on compliance issues and will be auditing and assisting some licensees to ensure compliance with the licence conditions.

The budgets to regulate each of the industries have changed as follows compared to the previous year (2011/12):

**% increase on
previous year**

Electricity industry	10.3%
Piped-gas industry	1.4%
Petroleum pipelines industry	7.9%

INCOME

1. Levies from Electricity Industry

The electricity levies with refunds from the electricity industry and interest receivable from the banks have increased by 10.3% from R124.7 million to R137.5 million. However the increase of levies without refunds from the electricity industry and interest receivable from the banks added back is only 57.4%, from R 73.4 million to R 115.5 million. This increase is mainly attributable to the reduction of the refund to the industry from R 46.5 million to R15.8 million in the current 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 2012 year and the NERSA electricity expenditure budget for 2012/13. 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 99% of total electricity generated to the municipalities and private generators. The levy calculation is given in **Appendix F8**, and further elaborated on in **Appendix C** of the Annual Performance Plan.

2. Levies from Piped-Gas Industry

The piped-gas levies with refunds and interest receivable from piped-gas levies have increased by 1.4% from R50.5 million to R51.2 million. However when the refunds from the piped-gas industry and interest receivable from the banks are excluded it results in an increase of levies by 16.6% from R 40.5 million to R 47.2 million. This increase is mainly attributable to the decrease in the refunds to the industry from R 8.6 million to R 380 000 as well as a decrease in estimated volumes from 141 million gigajoules to 135 million gigajoules in the 2012/13 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 **Appendix G8**, and further elaborated on in **Appendix C** of the Annual Performance Plan.

3. Levies from the Petroleum Pipelines Industry

The petroleum pipelines levies with refunds and interest receivable have increased by 7.9% from R47.9 million to R51.6 million. However when the refunds from the petroleum pipelines industry and interest receivable from the banks are excluded it results in an increase of levies by 46.7% from R 33.5 million to R 49.2 million. This increase is mainly attributable to the decrease in the refund to the industry from R 13 million to R 380 000 in the 2012/13 financial year

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 **Appendix H7**, and further elaborated on in **Appendix G8**, and further elaborated on in **Appendix C** of the Annual Performance Plan.

4. Refund of Surplus Funds

On 28 February 2008, the minister 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 and the balance of R26.9 million surplus will continue to be refunded as follows:

2012/13	R13 432 315
2013/14	R13 432 315
	R26 864 630

As at 31 March 2011 NERSA reported a surplus of R127.2 million in its Annual Financial Statements. The surplus that has to be refunded to the industries in the form of reduced levies is as follows:

	Electricity Industry (R)	Piped-Gas Industry (R)	Petroleum Pipelines Industry (R)	Total (R)
2011/12	46 459 646	8 639 600	13 014 081	68 113 327
2012/13	15 774 866	379 851	379 851	16 524 570
2013/14	13 432 314	0	0	13 432 314
Approved commitments	1 985 009	529 336	794 003	3 308 348
Cash Flow Mitigation Reserve	15 317 988	4 301 726	6 203 999	25 823
Total accumulated reserves	92 959 825	13 850 513	20 391 934	127 202 272

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 2012/13 Cumulative Cash Flow Mitigation Reserve is as follows:

	R
Electricity Industry	18 831 799
Piped-Gas Industry	6 450 715
Petroleum Pipelines Industry	6 847 266
Total	<u>32 129 780</u>

EXPENDITURE

6. Publication, Communications & Corporate Communications.

There is an overall increase of 5.7%. The increase is due to more advertising for public hearings including MYPD 3 as compared to the previous year. The increase in this budget item is contained mainly in advertising, profiling of NERSA in the media and stakeholder management. This is through advertisements in magazines, newspapers and radio stations.

In order to comply with all the requirements of the duly approved Supply Chain Management Policy in line with National Treasury Regulations, NERSA must advertise all bids above R500 000. This has resulted in the increase in advertising costs for the financial year as reflected below.

The publication, communications and corporate communications budget is broken down into the following significant items:

	R'000
Advertising and stakeholder management	2 634
Printing of the Annual Report	410
Corporate gifts and promotional material	370
NERSA newsletter	200
Electricity supply statistics	180
Piped Gas Publications	180
Profiling NERSA in the Media	868
Exhibitions	390
Call for tenders	1 186
Customer Education Brochures, Campaigns and Corporate Material	380
Sponsorship	525
Vacant positions advertisement	750
Municipality Electricity Tariff Booklet	200

Further explanations for the above budget items are as follows:

- **Corporate gifts and promotional materials**

There has been a decrease in the above budget item in comparison 2011/12. Executive Corporate gifts refer to high quality gifts such as:

- Memo pads with calculators
- Metal pens
- Business Cards holders
- Globe Desk Sets

Other corporate gifts under this budget item are:

- Corporate wear for staff
- Year-end function
- Secretary's Day
- Boss's Day
- Women's Day

Promotional materials are mainly for mass distribution during marketing activities and include items such as:

- Pens
- Lanyards
- Caps
- Squeeze Bottles

- **Newsletter**

The actual amount for the newsletter as per the contract is R38 262.96 per edition x 4 = R153 051.84 and the increase is after taking budget assumptions into consideration.

- **Profiling of NERSA**

There are no actuals for the 2010/11 financial year as it was removed from budget. The budgeted amount is as follows:

- Placing of advertorials in high profile magazines targeting executives and decision makers such as Sawubona, Leadership, Equinox and Black Business Quarterly. The budget is to place advertorials in 6 magazines @ R40 000.00 = R240 000.00
- R1 000 000 is budgeted for buying slots in electronic media (particularly SABC and Community radio) for interviews about NERSA's role and mandate. Radio advertisements will also be considered but are very expensive . this amount can only run radio advert for a maximum of two weeks.

- **Sponsorship**

The amount is based on estimated requests of 30 @ R20 000.00 each. In the past year before the sponsorship policy was approved, NERSA normally received requests ranging from 50 to 80.

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 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.

This line item was severely under budgeted during 2011/12. For 2012/13, ICP intends to undertake the following activities which are detailed below: The increase from R40, 000. 00 to R606 812.00 is due to the following:

- **Economic Regulators Conference** which was not covered under International Initiatives in 2011. An amount of R100 000.00 was provided for under Conferences and Seminars for 2011 which will be used for this Conference in 2011/12. The estimated costs for hosting the South African Economic Regulators Forum for 2012/13:
 - International Speakers Travel (Business Travel for 1 person): R60, 000.00
 - International Speakers Hotel Accommodation (4 star accommodation for 1 person): R1750 x 5 days= R8 750
 - International Speakers per diem: US 215 X 5 days x R7.50: R8 062.50
 - Venue Hire for +/- 200 participants x 2 days: R100 000.00
 - Transport and Logistics(Publicity, Call for papers, conference folders, cocktail function): R150 000.00
 - Conference Publication: R150 000.00

Total: **R476 812.50**

- **International Corporation and Partnerships (ICP) days** which will be hosted by the ICP Department - this will include catering for NERSA staff and fees to be paid to the identified speakers. The cost for hosting two ICP days will consist of catering at R100 x 150 members of staff amounting to R30 000. 00 plus R10 000.00 budgeted for fees to be paid to identified speakers for the two ICP days.

Total: **R40 000.00**

- **International Relations and Protocol Training** which will be offered to NERSA staff members at the Department of International Relations and Co-operation. The budgeted amount covers transport and catering for staff members. It is envisaged that this will cost R30 000. 00 for 50 members of staff

Total: **R30 000.00**

- **International Related Activities** – this activity relates to the hosting of foreign delegations at NERSA, which may include site visits. Catering is provided for visiting delegations at NERSA, in addition to dinner offered outside NERSA. Costs in this regard are estimated at 4 dinners hosted by NERSA for visiting delegations @R250 per for 20 people, amounting to R20 000.00.

Additionally, delegations will normally request copies of presentations and background material such as South African Legislation on memory sticks or computer discs. Costs in this regard are budgeted at R150 x 50 memory sticks amounting to R7 500.00. These memory sticks and discs will be purchased by ICP and are separate from the corporate gifts which are provided by the CSM department.

Lastly transport costs for site visits as part of delegation visits, such as to ESKOM Simmerpan. This is budgeted at R7 500.00 per round trip from NERSA, thus four trips amount to R30 000.00. The total cost under International related activities is therefore R57 500.00, which is rounded off to R60 000.00.

Total: **R60 000.00**

ADDITIONAL INFORMATION:

- The attendance of the four Exco meeting and Subcommittee meetings for RERA and AFUR have been included under travel budget,
- Membership subscriptions to RERA (R550 000) and AFUR (R 233 100) are budgeted for separately under Subscriptions.

8. Seminars, Conferences and Breakaways

There is an overall decrease of 7.9% in this expenditure compared to the 2011/12 budget. The seminars, conferences and breakaways budget comprises departmental, divisional, management committee, REC and Energy Regulator strategic planning sessions and breakaways.

Departments attend breakaway sessions at outside premises for team building purposes at least once a year. Each division hold their strategic planning sessions in preparation for the organisational strategic planning for the following financial year. Attendance at these sessions is by all personnel who are involved in different projects.

9. Catering and Entertainment

The budget has increased by 45.9%. This increase is mainly attributable to more public hearings planned including MYPD 3 for the financial year, stakeholder meetings and Energy Regulator meetings. MYPD 3 costs have been allocated to electricity division in line with ring fencing methodology.

This budget covers for catering where there are meetings for longer periods and morning meeting including Energy Regulator and Subcommittee meetings, public hearings and stakeholder workshops. This also includes a provision for the year end function.

10. Consultant Fees

The budget reflects a 5.0% decrease as compared to the 2011/12 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.

Most of the consultants fees are reflected in the NERSA Strategic Plan (2012/2013 . 2013/14) and Annual Performance Plans. Some of the main drivers of the consultant budget are listed below.

Electricity Regulation - Significant consultant fees

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

- A contingency fee for electricity regulation projects . R2 500 000
- Outsourcing of D Forms data collection and verification . R 950 000

Piped-Gas Regulation – Significant consultant fees

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

- Assessment of gas demand in the market . R 800 0000
- Analysis of exploration activities . R 400 000
- Piped-Gas market research survey . R 400 000
- Regulatory Reporting Manual implementation . R 600 000
- GIS information service support . R 500 000
- Licensee Management system . R 250 000

Petroleum Pipelines Regulation – Significant consultant fees

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

- Accounting specialist . R1 700 000
- NMPP Construction/ procurement cost . R1 000 000
- Decommissioning of the DJP . R700 000
- Petroleum pipelines market research survey . R 500 000
- Licensee Management system . R 250 000

Cross Cutting Regulatory Significant consultant fees

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

- Share points support . R 5 00 000
- Disaster Recovery Site Maintenance . R 550 000
- Regularity special projects . R 700 000
- Business Process Analysis . R 1 000 000
- Regulatory Reporting Manual implementation . R2 764 554
- Facilitation of learnership programme . R 1 375 000
- Labour and Industrial Relations assistance . R 830 000

Organisational Significant consultant fees

- CRM Implementation . R 500 000
- Support to NERSA departments and the Office of the CEO . R 746 250
- IT outsource contract . R1 104 000
- Projects commissioned by the Energy Regulator . R 500 000

11. Tribunals, Hearings and Enquiries

The budget has decreased by 21.3%. This is mainly due to the anticipated reduction in the number of regulated industries public hearing that will be held outside NERSA premises. These public hearings are held outside NERSA's premises due to the huge public interest.

12. Legal Fees

The budget has increased by 20%; this is due to current court cases which may overlap to the next financial year. It is also anticipated that more senior counsel will be required in the current financial year.

This budget caters for any potential litigation for and against NERSA, legal opinions on the core regulatory business of NERSA on the request of the NERSA staff and the Energy Regulator. It also includes fees required to engage external legal counsel on the processes of NERSA, contractual issues and reviews of reports.

13. Knowledge Centre

NERSA houses an internal library that provides journals, newspapers, magazines and other publications. The costs pertaining to the Knowledge Centre has decreased by 2.8% mainly due to reduction in knowledge materials required by user departments.

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.

14. Study Fees

This expenditure has decreased by 38.3%. 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. This trend is expected to continue into the next financial year.

15. Office Operational Costs

This expenditure item has increased by 5.4%. This budget item includes operational lease agreements for photocopier machines, fax machines, printers and maintenance costs. These are based on a current contract. NERSA has an obligation to pay for such equipment and services rendered.

- Monthly charge for the above machines are anticipated at R267 617.60 and R 3 211 411.20 for the year under review.
- Included on the above vote is a monthly payment for Multi-choice for DSTV subscriptions R 30 000.00.
- There is also maintenance for copiers, fax and printers with Canon and Gestener which is charged at prices ranging from R 0.150528 to R 0.263424 per copy on faxing machines, and R 0.0672 per copy on printing machines. The number of copies ranges from month to month depending on the number of meetings held during that month. The average cost per month is R 105 000 x 12 months equals R 1 260 000.

16. Water, Electricity, Rates and Taxes

This expenditure item has increased by 23.9%. This increase has been necessitated mainly by the increased electricity tariff.

- Currently NERSA is paying an amount of R 36 767 on a monthly basis for rates and taxes and after taking budget assumptions into consideration it amounts to R 46 000 per month and R 552 000 per annum.
- NERSA also pays a levy to Arcadia City improvement at an average cost of R 10 437 per month and R 137 770 per annum, after factoring in budget assumptions.
- Electricity and water usage is estimated at around R 119 371 per month and around R139 750 during the winter season. Total is R 119 371 x 9 months and R 139 750 x 3 months = R1 493 589 per annum.

17. Software Licences

This relates to 23 software programmes that are currently used by NERSA and annual renewals licences are necessary to comply with user agreements.

18. Employment Costs – Staff

Employment costs are based on the approved staff complement and have increased by 13.7% after taking into account the inflation linked salary increases, cellphone allowances and the pay progression. The salary increase projections are 7.9%(CPI+2%) as per budget assumptions and parameter and the balance of increase relates to increase in staff structure from 168 to 177. Salaries on vacant positions are based median rates.

19. Learnership Programme

The Republic of South Africa is 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 Act 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 (SETA's) were developed and introduced.

These cater for the establishment of learnership and approval of workplace skills plans among other duties. Though NERSA is exempted from contributing to the National Skills Fund as prescribed by the National Skills Levy Act, the organisation 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 organisation has taken a stand in ensuring that a learnership and internship programme is implemented within the organisation and for this goal to be achieved an amount of R 1.9 million has been budgeted and it will be utilised as follows:

- Learnership - 12 Learners at a stipend of R 5 000 per month for 12 months amounting to R 720 000 and,
- Internship . 15 Graduates at a stipend of R 6 500 per month for 12 months amounting to R 1 170 000.

20. Leave pay

Leave pay has been calculated on the basis of leave days that are due to staff members. The leave pay budget was based on leave policy which allows only five days to be carried over to the next financial period and any excess leave days are continually forfeited.

21. Employment Costs – Temporary Staff

The budget for temporary staff has increased by 90.8%. 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 organisational structure does not fully support operations of certain divisions such as Electricity, Petroleum Pipelines and Finance. This budget item also caters for employees who are amongst other reasons on extended or maternity leave.

Due to compliance regulatory demands it is anticipated that temporary staff personnel will be critical while motivations to increase staff complements are being considered by the Energy Regulator.

The budget item includes the following:

- Human Resources Department for maternity and extended leave . 4 months leave at an average salary of R450 000 per annum x 6 people = R 900 000
- Electricity and Petroleum Pipelines divisional requirements . Average salary of R 310 000 per annum x 7 people
- Finance and Administration division . Average salary of R 200 000 per annum x 3 people

22. Bonuses

Performance bonuses have increased by 14.8%. This is mainly due to the increased salaries as well as the increase in staff complement. NERSA requires optimum performance from its staff members and rewards achievement of such performance. It therefore provides for bonuses to be paid for performance that exceeds the expected level of output. The amounts budgeted for the bonuses in 2012/13 are an estimate of the bonus quantum.

This amount will be refined by management through a formula that lays a basis for the calculation of the amount payable and is in line with approved budget parameters and assumption.

23. Repairs and Maintenance

The repairs and maintenance budget has decreased by 10.8%. This is due to the decrease in the new contracts values with various maintenance and consumable suppliers. Furthermore, an improved security equipment and air conditioners will be installed which will results in the reduction of general repairs and maintenance.

24. Printing and Stationery

This budget item has increased by 44.7%. The increase is mainly due to increased utilisation of printing materials as a result of more meetings and participants anticipated in the coming year as well as envisaged increase costs in printing paper. This increase reflects the current expenditures.

Currently stationery is expensed and only accounted for as inventory at year end. An average expenditure per month for the past few moth R23 200.00 and it amount to **R 278 400.00**.

Cartridges are used mostly for printers where we do not have maintenance contracts. The usage is as follows R900.00 per black cartridge for 10 machines 4 times a year. The machine also uses other 3 colours at R 750 for ten machines 2 times a year. Total for cartridges only is **R 81 000.00**.

This expense will hopefully not increase and we will endeavour to keep it at that level. This will be done by buying from a cheaper supplier without compromising quality.

25.Travel Costs – Regulator Members

This budget will cater for local and international travel for seminars and conferences as well as public hearings for Regulator Members. The budget with regard to travelling costs for Regulator Members has decreased by 55.8% due to less travel planned for the coming financial period for various activities such as seminars, conferences and training courses locally and overseas. The reduction is also related to less inductions anticipated in the coming year.

26.Travel Costs – Staff

Travel costs attributable to staff has increased by 11.2%. This is mainly due to project related travel and mainly for conducting site visits, customer awareness campaigns, RRM implementation and monitoring, compliance audits, AFUR and RERA related activities, public hearings and attending exhibitions and training.

27.Telephone and Faxes

This budget item has increased by 12.8%. This cost is regarding landlines lines and data lines. The control of this function is centralised and this encourages costs control. The costs also include Premicell which reduces call costs from landline to cell phone, to cell to cell. The average calls per month are R 62 000 which is **R 744 000** per annum. The Premicells cost amounted to R29 000 which is **R348 000** per annum.

28.Employee Wellness

The budget has increased by 54.2% due to the increased staff structure from 168 to 177, increased awareness of the programme and increased declaration of life threatening illnesses which will result in the increased utilisation of the programme. The breakdown of the expenditure is as follows:

- | | |
|---|--------------|
| • Employee Wellness and Assistance Programme: | R1 000 000 |
| • Participation in the Discovery 702 Walk the Talk : | R 150 000.00 |
| • Full day Sports Day: | R 440 000.00 |

29. Training and development – Staff

In line with the Skills and Development Act, specialised training interventions within the energy sector have become necessary with the venture into the new regulated industries. The training budget is based on the skills requirements within the organisation. The personal development plans of individuals are consolidated to give a view of the amount of training necessary and the estimated related costs.

The training budget has increased by 10.4%. This is based on a 4% of the salary budget and the increase is in line with the increased staff compliment.

30.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 needs to be issued to new employees as a result of the increase in staff members. Building improvement is important to ensure that NERSA complies with the OSH Act and is also energy efficient.

The capital budget has decreased by 27.5%. This is due to the majority capital replacements completed in the previous year. The CAPEX budget includes the following items:

- Furniture and Equipment decreased by 93.8% This is due to the replacement of the lifts, installation of the bio matrix system, replacement of air conditioning engines and furniture which were budgeted for in the previous period.
- Computer hardware has decreased by 88.8%, this due to the replacement of laptops and upgrading of networks and improvement of the teleconference system which took place in the previous period.
- Building improvements has however increased due to energy saving initiatives to the building, establishment of wellness centre, revamping of bathrooms and the replacement of the standby generator to the building.

The breakdown of the above is as follows:

- Energy saving plan . replace geysers, air conditioning etc . R 3 125 000
- Replacement of standby generators . R 1 500 000
- Establishment of wellness centre . R 850 000
- General building improvements . R 750 000
- Refurbishment of bathrooms . R 500 000
- CRM Software . R 500 000
- Replacement of computer hardware . R 476 000
- Additional workstation . R 300 000
- SCM software . R 250 000
- Replacement of motor vehicle . R 230 000
- Replacement of servers . R 200 000

Electricity Industry Regulation

Appendix G1: Consolidated Electricity Industry Regulation Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA					
ANNUAL BUDGET FOR THE YEAR 2012/2013					
ELECTRICITY INDUSTRY					
INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2013/2014 TO 2014/2015					
DESCRIPTION	ACTUAL	ELECTRICITY BUDGET	ELECTRICITY BUDGET	FORECAST	FORECAST
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
TOTAL FUNDING	90 564 510	124 667 692	137 485 425	143 828 414	147 847 091
Levies from Electricity Industry	86 776 552	73 408 045	115 548 495	127 761 786	138 059 677
Levies from Piped-Gas Industry		-	-	-	-
Levies from Petroleum Pipeline Industry		-	-	-	-
Refund of Surplus Funds		46 459 647	15 774 866	13 432 315	8 059 389
Rollover of Cash Flow Mitigation Reserve			3 762 065	711 613	382 136
Interest received	3 787 958	4 800 000	2 400 000	1 922 700	1 345 890
TOTAL EXPENDITURE	102 733 404	124 667 690	137 485 425	143 116 801	147 464 956
TOTAL OPERATING EXPENDITURE	96 733 800	117 390 742	132 258 953	137 592 420	141 691 978
Publications, communications and corporate communications	2 411 635	4 624 113	4 473 583	4 634 632	4 843 191
Recruitment costs	218 844	220 458	302 615	313 812	321 657
International initiatives	761 608	23 200	351 951	368 493	385 075
External auditors remuneration	1 102 458	731 064	787 060	808 311	844 685
Co-sourced internal audit function	350 475	278 400	290 000	306 530	320 324
Seminars/conferences/breakaways	1 072 633	1 260 929	1 131 510	1 184 691	1 238 002
Bank charges	31 448	42 101	50 961	53 866	56 290
Postage and delivery costs	26 127	202 413	235 184	248 590	259 776
Catering and entertainment	473 244	596 991	885 558	936 035	959 435
Consultant fees	9 264 950	10 414 961	11 361 743	11 782 128	12 547 966
Tribunals, hearings and inquiries	-	406 000	319 725	334 752	343 121
Insurance	353 193	423 400	494 228	522 399	545 907
Legal fees	111 318	1 641 400	1 969 753	2 042 633	2 154 978
Knowledge Center	418 971	966 685	940 063	984 246	1 028 537
Study fees	244 261	2 384 700	1 555 400	1 628 504	1 701 786
Motor vehicle maintenance costs	57 308	104 516	171 139	180 894	185 416
Office operational costs	3 472 164	2 319 074	2 443 747	2 534 165	2 698 886
Municipal charges	1 124 644	1 141 440	1 413 907	1 494 499	1 561 752
Software licenses	623 641	1 321 356	1 224 612	1 294 415	1 326 775
Employment Costs - Staff	49 618 048	56 386 993	64 039 363	66 408 819	67 404 951
Learnership programme	140 251	870 000	1 096 200	1 158 683	1 210 824
Leave pay	266 246	-	1 005 955	1 063 295	1 111 143
Salary temporary staff	413 044	984 484	2 816 744	2 977 299	3 111 277
Remuneration - Regulator Members	4 897 367	5 458 628	5 509 412	5 823 449	5 969 035
Bonuses - Staff and Full Time Regulator Members	7 649 254	10 105 551	11 591 292	12 020 170	12 320 674
Repairs and maintenance	882 806	1 526 849	1 362 710	1 440 384	1 534 009
Printing and stationery	239 974	286 580	420 210	444 162	464 149
Subscriptions	30 746	529 514	769 072	812 909	833 232
Travel cost - Regulator Members	921 785	1 357 084	600 394	634 616	663 174
Travel cost - Staff	5 342 836	6 990 654	7 967 403	8 262 197	8 633 995
Telephone and fax	1 118 294	818 960	923 360	975 992	1 019 911
Employee wellness	401 813	597 748	921 620	974 152	1 017 989
Health & Safety		40 600	50 530	53 410	54 745
Training and development - Staff	2 463 221	2 217 896	2 561 575	2 656 353	2 775 889
Training and development - Regulator Members	229 195	116 000	220 376	232 938	243 420
TOTAL CAPITAL EXPENDITURE	5 999 604	7 276 948	5 226 472	5 524 381	5 772 978
Motor vehicles	313 282	133 400	133 400	141 004	147 349
Computer software	2 587 496	1 175 000	696 092	735 769	768 879
Office furniture and equipment	941 522	3 137 568	194 300	205 375	214 617
Building improvements	999 245	145 000	3 900 500	4 122 829	4 308 356
Computer hardware	1 158 059	2 685 980	302 180	319 404	333 777
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	15 541 931	15 069 734	18 831 799	19 543 412	19 925 547
Electricity Levy c/kWh		0.0286	0.0447	0.0494	0.0534
% increase in levy rate			56%	11%	8%

Electricity Industry Regulation

**Appendix G2: Electricity Industry
Regulation Programme 1: Setting
and/or approval of prices and tariffs
Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	ELECTRICITY BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015
TOTAL FUNDING	41 245 628	43 148 524	44 354 127
Levies from Electricity Industry	34 664 548	38 328 536	41 417 903
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	4 732 460	4 029 694	2 417 817
Rollover of Cash Flow Mitigation Reserve	1 128 619	213 484	114 641
Interest received	720 000	576 810	403 767
TOTAL EXPENDITURE	41 245 628	42 935 040	44 239 487
TOTAL OPERATING EXPENDITURE	39 677 686	41 277 726	42 507 593
Publications, communications and corporate communications	1 342 075	1 390 390	1 452 957
Recruitment costs	90 784	94 144	96 497
International initiatives	105 585	110 548	115 523
External auditors remuneration	236 118	242 493	253 405
Co-sourced internal audit function	87 000	91 959	96 097
Seminars/conferences/breakaways	339 453	355 407	371 400
Bank charges	15 288	16 160	16 887
Postage and delivery costs	70 555	74 577	77 933
Catering and entertainment	265 667	280 810	287 831
Consultant fees	3 408 523	3 534 638	3 764 390
Tribunals, hearings and inquiries	95 918	100 426	102 936
Insurance	148 268	156 720	163 772
Legal fees	590 926	612 790	646 493
Knowledge Center	282 019	295 274	308 561
Study fees	466 620	488 551	510 536
Motor vehicle maintenance costs	51 342	54 268	55 625
Office operational costs	733 124	760 250	809 666
Municipal charges	424 172	448 350	468 526
Software licenses	367 384	388 324	398 033
Employment Costs - Staff	19 211 809	19 922 646	20 221 485
Learnership programme	328 860	347 605	363 247
Leave pay	301 787	318 988	333 343
Salary temporary staff	845 023	893 190	933 383
Remuneration - Regulator Members	1 652 824	1 747 035	1 790 711
Bonuses - Staff and Full Time Regulator Members	3 477 388	3 606 051	3 696 202
Repairs and maintenance	408 813	432 115	460 203
Printing and stationery	126 063	133 249	139 245
Subscriptions	230 722	243 873	249 970
Travel cost - Regulator Members	180 118	190 385	198 952
Travel cost - Staff	2 390 221	2 478 659	2 590 199
Telephone and fax	277 008	292 797	305 973
Employee wellness	276 486	292 246	305 397
Health & Safety	15 159	16 023	16 424
Training and development - Staff	768 472	796 906	832 767
Training and development - Regulator Members	66 113	69 881	73 026
TOTAL CAPITAL EXPENDITURE	1 567 942	1 657 314	1 731 893
Motor vehicles	40 020	42 301	44 205
Computer software	208 828	220 731	230 664
Office furniture and equipment	58 290	61 613	64 385
Building improvements	1 170 150	1 236 849	1 292 507
Computer hardware	90 654	95 821	100 133
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	5 649 540	5 863 023	5 977 664

Electricity Industry Regulation

Appendix G3: Electricity Industry Regulation Programme 2: Licensing and Registration Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	ELECTRICITY BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015
TOTAL FUNDING	41 245 628	43 148 524	44 354 127
Levies from Electricity Industry	34 664 548	38 328 536	41 417 903
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	4 732 460	4 029 694	2 417 817
Rollover of Cash Flow Mitigation Reserve	1 128 619	213 484	114 641
Interest received	720 000	576 810	403 767
TOTAL EXPENDITURE	41 245 628	42 935 040	44 239 487
TOTAL OPERATING EXPENDITURE	39 677 686	41 277 726	42 507 593
Publications, communications and corporate communications	1 342 075	1 390 390	1 452 957
Recruitment costs	90 784	94 144	96 497
International initiatives	105 585	110 548	115 523
External auditors remuneration	236 118	242 493	253 405
Co-sourced internal audit function	87 000	91 959	96 097
Seminars/conferences/breakaways	339 453	355 407	371 400
Bank charges	15 288	16 160	16 887
Postage and delivery costs	70 555	74 577	77 933
Catering and entertainment	265 667	280 810	287 831
Consultant fees	3 408 523	3 534 638	3 764 390
Tribunals, hearings and inquiries	95 918	100 426	102 936
Insurance	148 268	156 720	163 772
Legal fees	590 926	612 790	646 493
Knowledge Center	282 019	295 274	308 561
Study fees	466 620	488 551	510 536
Motor vehicle maintenance costs	51 342	54 268	55 625
Office operational costs	733 124	760 250	809 666
Municipal charges	424 172	448 350	468 526
Software licenses	367 384	388 324	398 033
Employment Costs - Staff	19 211 809	19 922 646	20 221 485
Learnership programme	328 860	347 605	363 247
Leave pay	301 787	318 988	333 343
Salary temporary staff	845 023	893 190	933 383
Remuneration - Regulator Members	1 652 824	1 747 035	1 790 711
Bonuses - Staff and Full Time Regulator Members	3 477 388	3 606 051	3 696 202
Repairs and maintenance	408 813	432 115	460 203
Printing and stationery	126 063	133 249	139 245
Subscriptions	230 722	243 873	249 970
Travel cost - Regulator Members	180 118	190 385	198 952
Travel cost - Staff	2 390 221	2 478 659	2 590 199
Telephone and fax	277 008	292 797	305 973
Employee wellness	276 486	292 246	305 397
Health & Safety	15 159	16 023	16 424
Training and development - Staff	768 472	796 906	832 767
Training and development - Regulator Members	66 113	69 881	73 026
TOTAL CAPITAL EXPENDITURE	1 567 942	1 657 314	1 731 893
Motor vehicles	40 020	42 301	44 205
Computer software	208 828	220 731	230 664
Office furniture and equipment	58 290	61 613	64 385
Building improvements	1 170 150	1 236 849	1 292 507
Computer hardware	90 654	95 821	100 133
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	5 649 540	5 863 023	5 977 664

Electricity Industry Regulation

Appendix G4: Electricity Industry Regulation Programme 3: Compliance monitoring and enforcement Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	ELECTRICITY BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	20 622 814	21 574 262	22 177 064
Levies from Electricity Industry	17 332 274	19 164 268	20 708 952
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	2 366 230	2 014 847	1 208 908
Rollover of Cash Flow Mitigation Reserve	564 310	106 742	57 320
Interest received	360 000	288 405	201 884
TOTAL EXPENDITURE	20 622 814	21 467 520	22 119 743
TOTAL OPERATING EXPENDITURE	19 838 843	20 638 863	21 253 797
Publications, communications and corporate communications	671 037	695 195	726 479
Recruitment costs	45 392	47 072	48 249
International initiatives	52 793	55 274	57 761
External auditors remuneration	118 059	121 247	126 703
Co-sourced internal audit function	43 500	45 980	48 049
Seminars/conferences/breakaways	169 726	177 704	185 700
Bank charges	7 644	8 080	8 443
Postage and delivery costs	35 278	37 288	38 966
Catering and entertainment	132 834	140 405	143 915
Consultant fees	1 704 262	1 767 319	1 882 195
Tribunals, hearings and inquiries	47 959	50 213	51 468
Insurance	74 134	78 360	81 886
Legal fees	295 463	306 395	323 247
Knowledge Center	141 009	147 637	154 281
Study fees	233 310	244 276	255 268
Motor vehicle maintenance costs	25 671	27 134	27 812
Office operational costs	366 562	380 125	404 833
Municipal charges	212 086	224 175	234 263
Software licenses	183 692	194 162	199 016
Employment Costs - Staff	9 605 904	9 961 323	10 110 743
Learnership programme	164 430	173 803	181 624
Leave pay	150 893	159 494	166 671
Salary temporary staff	422 512	446 595	466 692
Remuneration - Regulator Members	826 412	873 517	895 355
Bonuses - Staff and Full Time Regulator Members	1 738 694	1 803 025	1 848 101
Repairs and maintenance	204 407	216 058	230 101
Printing and stationery	63 032	66 624	69 622
Subscriptions	115 361	121 936	124 985
Travel cost - Regulator Members	90 059	95 192	99 476
Travel cost - Staff	1 195 110	1 239 329	1 295 099
Telephone and fax	138 504	146 399	152 987
Employee wellness	138 243	146 123	152 698
Health & Safety	7 579	8 011	8 212
Training and development - Staff	384 236	398 453	416 383
Training and development - Regulator Members	33 056	34 941	36 513
TOTAL CAPITAL EXPENDITURE	783 971	828 657	865 947
Motor vehicles	20 010	21 151	22 102
Computer software	104 414	110 365	115 332
Office furniture and equipment	29 145	30 806	32 193
Building improvements	585 075	618 424	646 253
Computer hardware	45 327	47 911	50 067
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	2 824 770	2 931 512	2 988 832

Electricity Industry Regulation

**Appendix G5: Electricity Industry
Regulation Programme 4: Dispute
resolution including mediation,
arbitration and the handling of
complaints Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	ELECTRICITY BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	13 748 543	14 382 841	14 784 709
Levies from Electricity Industry	11 554 849	12 776 179	13 805 968
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	1 577 487	1 343 231	805 939
Rollover of Cash Flow Mitigation Reserve	376 206	71 161	38 214
Interest received	240 000	192 270	134 589
TOTAL EXPENDITURE	13 748 543	14 311 680	14 746 496
TOTAL OPERATING EXPENDITURE	13 225 895	13 759 242	14 169 198
Publications, communications and corporate communications	447 358	463 463	484 319
Recruitment costs	30 261	31 381	32 166
International initiatives	35 195	36 849	38 508
External auditors remuneration	78 706	80 831	84 468
Co-sourced internal audit function	29 000	30 653	32 032
Seminars/conferences/breakaways	113 151	118 469	123 800
Bank charges	5 096	5 387	5 629
Postage and delivery costs	23 518	24 859	25 978
Catering and entertainment	88 556	93 603	95 944
Consultant fees	1 136 174	1 178 213	1 254 797
Tribunals, hearings and inquiries	31 973	33 475	34 312
Insurance	49 423	52 240	54 591
Legal fees	196 975	204 263	215 498
Knowledge Center	94 006	98 425	102 854
Study fees	155 540	162 850	170 179
Motor vehicle maintenance costs	17 114	18 089	18 542
Office operational costs	244 375	253 417	269 889
Municipal charges	141 391	149 450	156 175
Software licenses	122 461	129 441	132 678
Employment Costs - Staff	6 403 936	6 640 882	6 740 495
Learnership programme	109 620	115 868	121 082
Leave pay	100 596	106 329	111 114
Salary temporary staff	281 674	297 730	311 128
Remuneration - Regulator Members	550 941	582 345	596 904
Bonuses - Staff and Full Time Regulator Members	1 159 129	1 202 017	1 232 067
Repairs and maintenance	136 271	144 038	153 401
Printing and stationery	42 021	44 416	46 415
Subscriptions	76 907	81 291	83 323
Travel cost - Regulator Members	60 039	63 462	66 317
Travel cost - Staff	796 740	826 220	863 400
Telephone and fax	92 336	97 599	101 991
Employee wellness	92 162	97 415	101 799
Health & Safety	5 053	5 341	5 475
Training and development - Staff	256 157	265 635	277 589
Training and development - Regulator Members	22 038	23 294	24 342
TOTAL CAPITAL EXPENDITURE	522 647	552 438	577 298
Motor vehicles	13 340	14 100	14 735
Computer software	69 609	73 577	76 888
Office furniture and equipment	19 430	20 538	21 462
Building improvements	390 050	412 283	430 836
Computer hardware	30 218	31 940	33 378
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	1 883 180	1 954 341	1 992 555

Electricity Industry Regulation

Appendix G6: Electricity Industry Regulation Programme 5: Setting of Rules, guidelines and codes for the regulation of the electricity industry Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	ELECTRICITY BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	13 748 543	14 382 841	14 784 709
Levies from Electricity Industry	11 554 849	12 776 179	13 805 968
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	1 577 487	1 343 231	805 939
Rollover of Cash Flow Mitigation Reserve	376 206	71 161	38 214
Interest received	240 000	192 270	134 589
TOTAL EXPENDITURE	13 748 543	14 311 680	14 746 496
TOTAL OPERATING EXPENDITURE	13 225 895	13 759 242	14 169 198
Publications, communications and corporate communications	447 358	463 463	484 319
Recruitment costs	30 261	31 381	32 166
International initiatives	35 195	36 849	38 508
External auditors remuneration	78 706	80 831	84 468
Co-sourced internal audit function	29 000	30 653	32 032
Seminars/conferences/breakaways	113 151	118 469	123 800
Bank charges	5 096	5 387	5 629
Postage and delivery costs	23 518	24 859	25 978
Catering and entertainment	88 556	93 603	95 944
Consultant fees	1 136 174	1 178 213	1 254 797
Tribunals, hearings and inquiries	31 973	33 475	34 312
Insurance	49 423	52 240	54 591
Legal fees	196 975	204 263	215 498
Knowledge Center	94 006	98 425	102 854
Study fees	155 540	162 850	170 179
Motor vehicle maintenance costs	17 114	18 089	18 542
Office operational costs	244 375	253 417	269 889
Municipal charges	141 391	149 450	156 175
Software licenses	122 461	129 441	132 678
Employment Costs - Staff	6 403 936	6 640 882	6 740 495
Learnership programme	109 620	115 868	121 082
Leave pay	100 596	106 329	111 114
Salary temporary staff	281 674	297 730	311 128
Remuneration - Regulator Members	550 941	582 345	596 904
Bonuses - Staff and Full Time Regulator Members	1 159 129	1 202 017	1 232 067
Repairs and maintenance	136 271	144 038	153 401
Printing and stationery	42 021	44 416	46 415
Subscriptions	76 907	81 291	83 323
Travel cost - Regulator Members	60 039	63 462	66 317
Travel cost - Staff	796 740	826 220	863 400
Telephone and fax	92 336	97 599	101 991
Employee wellness	92 162	97 415	101 799
Health & Safety	5 053	5 341	5 475
Training and development - Staff	256 157	265 635	277 589
Training and development - Regulator Members	22 038	23 294	24 342
TOTAL CAPITAL EXPENDITURE	522 647	552 438	577 298
Motor vehicles	13 340	14 100	14 735
Computer software	69 609	73 577	76 888
Office furniture and equipment	19 430	20 538	21 462
Building improvements	390 050	412 283	430 836
Computer hardware	30 218	31 940	33 378
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	1 883 180	1 954 341	1 992 555

Electricity Industry Regulation

Appendix G7: Electricity Industry Regulation Programme 6: Establishing NERSA as an efficient and effective regulator Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
ELECTRICITY INDUSTRY			
INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD			
DESCRIPTION	ELECTRICITY BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015
TOTAL FUNDING	6 874 271	7 191 421	7 392 355
Levies from Electricity Industry	5 777 425	6 388 089	6 902 984
Levies from Piped-Gas Industry	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-
Refund of Surplus Funds	788 743	671 616	402 969
Rollover of Cash Flow Mitigation Reserve	188 103	35 581	19 107
Interest received	120 000	96 135	67 295
TOTAL EXPENDITURE	6 874 271	7 155 840	7 373 248
TOTAL OPERATING EXPENDITURE	6 612 948	6 879 621	7 084 599
Publications, communications and corporate communications	223 679	231 732	242 160
Recruitment costs	15 131	15 691	16 083
International initiatives	17 598	18 425	19 254
External auditors remuneration	39 353	40 416	42 234
Co-sourced internal audit function	14 500	15 327	16 016
Seminars/conferences/breakaways	56 575	59 235	61 900
Bank charges	2 548	2 693	2 814
Postage and delivery costs	11 759	12 429	12 989
Catering and entertainment	44 278	46 802	47 972
Consultant fees	568 087	589 106	627 398
Tribunals, hearings and inquiries	15 986	16 738	17 156
Insurance	24 711	26 120	27 295
Legal fees	98 488	102 132	107 749
Knowledge Center	47 003	49 212	51 427
Study fees	77 770	81 425	85 089
Motor vehicle maintenance costs	8 557	9 045	9 271
Office operational costs	122 187	126 708	134 944
Municipal charges	70 695	74 725	78 088
Software licenses	61 231	64 721	66 339
Employment Costs - Staff	3 201 968	3 320 441	3 370 248
Leamership programme	54 810	57 934	60 541
Leave pay	50 298	53 165	55 557
Salary temporary staff	140 837	148 865	155 564
Remuneration - Regulator Members	275 471	291 172	298 452
Bonuses - Staff and Full Time Regulator Members	579 565	601 008	616 034
Repairs and maintenance	68 136	72 019	76 700
Printing and stationery	21 011	22 208	23 207
Subscriptions	38 454	40 645	41 662
Travel cost - Regulator Members	30 020	31 731	33 159
Travel cost - Staff	398 370	413 110	431 700
Telephone and fax	46 168	48 800	50 996
Employee wellness	46 081	48 708	50 899
Health & Safety	2 526	2 670	2 737
Training and development - Staff	128 079	132 818	138 794
Training and development - Regulator Members	11 019	11 647	12 171
	-	-	-
TOTAL CAPITAL EXPENDITURE	261 324	276 219	288 649
Motor vehicles	6 670	7 050	7 367
Computer software	34 805	36 788	38 444
Office furniture and equipment	9 715	10 269	10 731
Building improvements	195 025	206 141	215 418
Computer hardware	15 109	15 970	16 689
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	941 590	977 171	996 277

Electricity Industry Regulation

Appendix G8: Funding for the regulation of the electricity industry

	ELECTRICITY
TOTAL EXPENDITURE	137 485 425
INTEREST RECEIVED	2 400 000
ROLLOVER CASH	3 762 065
REFUND TO THE INDUSTRY	15 774 866
LEVIABLE AMOUNT	115 548 495
PROJECTED VOLUMES	258 465 000
	MWh
Electricity Levy (c/kWh)	0.4471

Piped-Gas Industry Regulation

Appendix H1: Consolidated Piped-Gas Industry Regulation Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA					
ANNUAL BUDGET FOR THE YEAR 2012/2013					
PIPED GAS INDUSTRY					
INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2013/2014 TO 2014/2015					
DESCRIPTION	ACTUAL 2010/2011	PIPED GAS BUDGET 2011/2012	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	29 119 972	50 486 314	51 194 911	53 639 742	56 436 952
Levies from Electricity Industry		-			
Levies from Piped-Gas Industry	28 173 555	40 496 714	47 223 647	52 574 833	55 433 912
Levies from Petroleum Pipeline Industry					
Refund of Surplus Funds		8 639 600	379 851	284 888	227 911
Rollover of Cash Flow Mitigation Reserve		-	2 241 412	249 621	403 849
Interest received	946 417	1 350 000	1 350 000	530 400	371 280
TOTAL EXPENDITURE	31 160 057	50 486 314	51 194 911	53 390 122	56 033 103
TOTAL OPERATING EXPENDITURE	29 560 163	47 909 488	49 302 568	51 389 915	53 942 887
Publications, communications and corporate communications	1 342 806	2 464 870	2 814 909	2 919 061	3 050 419
Recruitment costs	55 562	79 821	109 567	113 621	116 462
International initiatives	96 795	8 400	127 431	134 694	140 755
External auditors remuneration	280 436	264 696	284 970	301 213	314 768
Co-sourced internal audit function	262 653	100 800	105 000	110 985	115 979
Seminars/conferences/breakaways	313 315	428 343	408 205	431 473	450 889
Bank charges	8 743	15 244	18 451	19 503	20 381
Postage and delivery costs	5 605	79 163	96 613	102 120	106 715
Catering and entertainment	118 123	201 917	278 121	293 974	313 082
Consultant fees	4 247 748	9 308 865	6 584 597	6 894 073	7 066 425
Tribunals, hearings and inquiries	-	147 000	115 763	122 361	125 420
Insurance	94 145	153 300	178 945	189 144	197 656
Legal fees	29 113	594 300	713 186	753 838	787 761
Knowledge Center	156 611	350 007	340 368	359 769	375 958
Study fees	72 743	1 065 150	633 300	669 398	699 521
Motor vehicle maintenance costs	15 282	37 842	61 964	65 496	67 133
Office operational costs	929 303	839 665	884 805	935 239	958 620
Municipal charges	299 905	413 280	511 932	541 112	565 462
Software licenses	147 258	478 422	443 394	468 667	489 757
Employment Costs - Staff	12 965 416	18 994 996	21 082 270	21 862 314	23 283 364
Learnership programme	12 800	315 000	396 900	419 523	438 402
Leave pay	242 798	-	335 398	354 515	370 469
Salary temporary staff	234 684	296 710	382 705	404 519	422 722
Remuneration - Regulator Members	2 374 332	1 976 400	1 994 787	2 088 542	2 140 756
Bonuses - Staff and Full Time Regulator Members	2 304 009	3 417 339	3 839 100	3 981 146	4 080 675
Repairs and maintenance	235 471	552 825	493 395	521 519	544 987
Printing and stationery	63 993	107 662	152 145	160 817	168 054
Subscriptions	4 778	205 143	78 164	82 619	84 685
Travel cost - Regulator Members	319 010	491 358	217 384	229 775	240 115
Travel cost - Staff	1 241 449	3 205 133	4 009 412	4 157 760	4 428 015
Telephone and fax	304 508	296 520	334 320	353 376	369 278
Employee wellness	135 452	216 426	333 690	352 710	368 582
Health & safety		14 700	18 295	19 338	20 015
Training and development - Staff	569 279	746 192	843 291	891 358	931 469
Training and development - Regulator Members	76 039	42 000	79 791	84 340	88 135
CAPITAL EXPENDITURE	1 599 894	2 576 826	1 892 343	2 000 207	2 090 216
Motor vehicles	83 542	48 300	48 300	51 053	53 350
Computer software	689 999	367 500	252 033	266 399	278 387
Office furniture and equipment	251 072	1 136 016	70 350	74 360	77 706
Building improvements	266 465	52 500	1 412 250	1 492 748	1 559 922
Computer hardware	308 816	972 510	109 410	115 646	120 850
Budgeted Net Surplus (Cash Flow Mitigation Reserve)		4 209 303	6 450 715	6 700 336	7 104 186
Piped-Gas levy c/Gj		0.2872	0.3498	0.3894	0.4106
% (decrease) / increase in levy rate			22%	11%	5%

Piped-Gas Industry Regulation

**Appendix H2: Piped-Gas Industry
Regulation Programme 1: Setting
and/or approval of prices and tariffs
Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	12 798 728	13 409 936	14 109 238
Levies from Electricity Industry			
Levies from Piped-Gas Industry	11 805 912	13 143 708	13 858 478
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	94 963	71 222	56 978
Rollover of Cash Flow Mitigation Reserve	560 353	62 405	100 962
Interest received	337 500	132 600	92 820
TOTAL EXPENDITURE	12 798 728	13 347 530	14 008 276
TOTAL OPERATING EXPENDITURE	12 325 642	12 847 479	13 485 722
Publications, communications and corporate communications	703 727	729 765	762 605
Recruitment costs	27 392	28 405	29 116
International initiatives	31 858	33 674	35 189
External auditors remuneration	71 243	75 303	78 692
Co-sourced internal audit function	26 250	27 746	28 995
Seminars/conferences/breakaways	102 051	107 868	112 722
Bank charges	4 613	4 876	5 095
Postage and delivery costs	24 153	25 530	26 679
Catering and entertainment	69 530	73 494	78 271
Consultant fees	1 646 149	1 723 518	1 766 606
Tribunals, hearings and inquiries	28 941	30 590	31 355
Insurance	44 736	47 286	49 414
Legal fees	178 297	188 459	196 940
Knowledge Center	85 092	89 942	93 990
Study fees	158 325	167 350	174 880
Motor vehicle maintenance costs	15 491	16 374	16 783
Office operational costs	221 201	233 810	239 655
Municipal charges	127 983	135 278	141 365
Software licenses	110 849	117 167	122 439
Employment Costs - Staff	5 270 567	5 465 578	5 820 841
Learnership programme	99 225	104 881	109 600
Leave pay	83 849	88 629	92 617
Salary temporary staff	95 676	101 130	105 681
Remuneration - Regulator Members	498 697	522 136	535 189
Bonuses - Staff and Full Time Regulator Members	959 775	995 287	1 020 169
Repairs and maintenance	123 349	130 380	136 247
Printing and stationery	38 036	40 204	42 014
Subscriptions	19 541	20 655	21 171
Travel cost - Regulator Members	54 346	57 444	60 029
Travel cost - Staff	1 002 353	1 039 440	1 107 004
Telephone and fax	83 580	88 344	92 320
Employee wellness	83 423	88 178	92 146
Health & safety	4 574	4 835	5 004
Training and development - Staff	210 823	222 840	232 867
Training and development - Regulator Members	19 948	21 085	22 034
CAPITAL EXPENDITURE	473 086	500 052	522 554
Motor vehicles	12 075	12 763	13 338
Computer software	63 008	66 600	69 597
Office furniture and equipment	17 588	18 590	19 427
Building improvements	353 063	373 187	389 980
Computer hardware	27 353	28 912	30 213
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	1 612 679	1 675 084	1 776 046

Piped-Gas Industry Regulation

Appendix H3: Piped-Gas Industry Regulation Programme 2: Licensing and Registration Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY			
INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD			
DESCRIPTION	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015
TOTAL FUNDING	12 798 728	13 409 936	14 109 238
Levies from Electricity Industry			
Levies from Piped-Gas Industry	11 805 912	13 143 708	13 858 478
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	94 963	71 222	56 978
Rollover of Cash Flow Mitigation Reserve	560 353	62 405	100 962
Interest received	337 500	132 600	92 820
TOTAL EXPENDITURE	12 798 728	13 347 530	14 008 276
TOTAL OPERATING EXPENDITURE	12 325 642	12 847 479	13 485 722
Publications, communications and corporate communications	703 727	729 765	762 605
Recruitment costs	27 392	28 405	29 116
International initiatives	31 858	33 674	35 189
External auditors remuneration	71 243	75 303	78 692
Co-sourced internal audit function	26 250	27 746	28 995
Seminars/conferences/breakaways	102 051	107 868	112 722
Bank charges	4 613	4 876	5 095
Postage and delivery costs	24 153	25 530	26 679
Catering and entertainment	69 530	73 494	78 271
Consultant fees	1 646 149	1 723 518	1 766 606
Tribunals, hearings and inquiries	28 941	30 590	31 355
Insurance	44 736	47 286	49 414
Legal fees	178 297	188 459	196 940
Knowledge Center	85 092	89 942	93 990
Study fees	158 325	167 350	174 880
Motor vehicle maintenance costs	15 491	16 374	16 783
Office operational costs	221 201	233 810	239 655
Municipal charges	127 983	135 278	141 365
Software licenses	110 849	117 167	122 439
Employment Costs - Staff	5 270 567	5 465 578	5 820 841
Learnership programme	99 225	104 881	109 600
Leave pay	83 849	88 629	92 617
Salary temporary staff	95 676	101 130	105 681
Remuneration - Regulator Members	498 697	522 136	535 189
Bonuses - Staff and Full Time Regulator Members	959 775	995 287	1 020 169
Repairs and maintenance	123 349	130 380	136 247
Printing and stationery	38 036	40 204	42 014
Subscriptions	19 541	20 655	21 171
Travel cost - Regulator Members	54 346	57 444	60 029
Travel cost - Staff	1 002 353	1 039 440	1 107 004
Telephone and fax	83 580	88 344	92 320
Employee wellness	83 423	88 178	92 146
Health & safety	4 574	4 835	5 004
Training and development - Staff	210 823	222 840	232 867
Training and development - Regulator Members	19 948	21 085	22 034
CAPITAL EXPENDITURE	473 086	500 052	522 554
Motor vehicles	12 075	12 763	13 338
Computer software	63 008	66 600	69 597
Office furniture and equipment	17 588	18 590	19 427
Building improvements	353 063	373 187	389 980
Computer hardware	27 353	28 912	30 213
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	1 612 679	1 675 084	1 776 046

Piped-Gas Industry Regulation

Appendix H4: Piped-Gas Industry Regulation Programme 3: Compliance monitoring and enforcement Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	10 238 982	10 727 948	11 287 390
Levies from Electricity Industry			
Levies from Piped-Gas Industry	9 444 729	10 514 967	11 086 782
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	75 970	56 978	45 582
Rollover of Cash Flow Mitigation Reserve	448 282	49 924	80 770
Interest received	270 000	106 080	74 256
TOTAL EXPENDITURE	10 238 982	10 678 024	11 206 621
TOTAL OPERATING EXPENDITURE	9 860 514	10 277 983	10 788 577
Publications, communications and corporate communications	562 982	583 812	610 084
Recruitment costs	21 913	22 724	23 292
International initiatives	25 486	26 939	28 151
External auditors remuneration	56 994	60 243	62 954
Co-sourced internal audit function	21 000	22 197	23 196
Seminars/conferences/breakaways	81 641	86 295	90 178
Bank charges	3 690	3 901	4 076
Postage and delivery costs	19 323	20 424	21 343
Catering and entertainment	55 624	58 795	62 616
Consultant fees	1 316 919	1 378 815	1 413 285
Tribunals, hearings and inquiries	23 153	24 472	25 084
Insurance	35 789	37 829	39 531
Legal fees	142 637	150 768	157 552
Knowledge Center	68 074	71 954	75 192
Study fees	126 660	133 880	139 904
Motor vehicle maintenance costs	12 393	13 099	13 427
Office operational costs	176 961	187 048	191 724
Municipal charges	102 386	108 222	113 092
Software licenses	88 679	93 733	97 951
Employment Costs - Staff	4 216 454	4 372 463	4 656 673
Learnership programme	79 380	83 905	87 680
Leave pay	67 080	70 903	74 094
Salary temporary staff	76 541	80 904	84 544
Remuneration - Regulator Members	398 957	417 708	428 151
Bonuses - Staff and Full Time Regulator Members	767 820	796 229	816 135
Repairs and maintenance	98 679	104 304	108 997
Printing and stationery	30 429	32 163	33 611
Subscriptions	15 633	16 524	16 937
Travel cost - Regulator Members	43 477	45 955	48 023
Travel cost - Staff	801 882	831 552	885 603
Telephone and fax	66 864	70 675	73 856
Employee wellness	66 738	70 542	73 716
Health & safety	3 659	3 868	4 003
Training and development - Staff	168 658	178 272	186 294
Training and development - Regulator Members	15 958	16 868	17 627
CAPITAL EXPENDITURE	378 469	400 041	418 043
Motor vehicles	9 660	10 211	10 670
Computer software	50 407	53 280	55 677
Office furniture and equipment	14 070	14 872	15 541
Building improvements	282 450	298 550	311 984
Computer hardware	21 882	23 129	24 170
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	1 290 143	1 340 067	1 420 837

Piped-Gas Industry Regulation

**Appendix H5: Piped-Gas Industry
Regulation Programme 4: Dispute
resolution including mediation,
arbitration and the handling of
complaints Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	7 679 237	8 045 961	8 465 543
Levies from Electricity Industry			
Levies from Piped-Gas Industry	7 083 547	7 886 225	8 315 087
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	56 978	42 733	34 187
Rollover of Cash Flow Mitigation Reserve	336 212	37 443	60 577
Interest received	202 500	79 560	55 692
TOTAL EXPENDITURE	7 679 237	8 008 518	8 404 965
TOTAL OPERATING EXPENDITURE	7 395 385	7 708 487	8 091 433
Publications, communications and corporate communications	422 236	437 859	457 563
Recruitment costs	16 435	17 043	17 469
International initiatives	19 115	20 204	21 113
External auditors remuneration	42 746	45 182	47 215
Co-sourced internal audit function	15 750	16 648	17 397
Seminars/conferences/breakaways	61 231	64 721	67 633
Bank charges	2 768	2 925	3 057
Postage and delivery costs	14 492	15 318	16 007
Catering and entertainment	41 718	44 096	46 962
Consultant fees	987 690	1 034 111	1 059 964
Tribunals, hearings and inquiries	17 364	18 354	18 813
Insurance	26 842	28 372	29 648
Legal fees	106 978	113 076	118 164
Knowledge Center	51 055	53 965	56 394
Study fees	94 995	100 410	104 928
Motor vehicle maintenance costs	9 295	9 824	10 070
Office operational costs	132 721	140 286	143 793
Municipal charges	76 790	81 167	84 819
Software licenses	66 509	70 300	73 464
Employment Costs - Staff	3 162 340	3 279 347	3 492 505
Learnership programme	59 535	62 928	65 760
Leave pay	50 310	53 177	55 570
Salary temporary staff	57 406	60 678	63 408
Remuneration - Regulator Members	299 218	313 281	321 113
Bonuses - Staff and Full Time Regulator Members	575 865	597 172	612 101
Repairs and maintenance	74 009	78 228	81 748
Printing and stationery	22 822	24 123	25 208
Subscriptions	11 725	12 393	12 703
Travel cost - Regulator Members	32 608	34 466	36 017
Travel cost - Staff	601 412	623 664	664 202
Telephone and fax	50 148	53 006	55 392
Employee wellness	50 054	52 907	55 287
Health & safety	2 744	2 901	3 002
Training and development - Staff	126 494	133 704	139 720
Training and development - Regulator Members	11 969	12 651	13 220
CAPITAL EXPENDITURE	283 851	300 031	313 532
Motor vehicles	7 245	7 658	8 003
Computer software	37 805	39 960	41 758
Office furniture and equipment	10 553	11 154	11 656
Building improvements	211 838	223 912	233 988
Computer hardware	16 412	17 347	18 128
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	967 607	1 005 050	1 065 628

Piped-Gas Industry Regulation

**Appendix H6: Piped-Gas Industry
Regulation Programme 5: Setting of
Rules, guidelines and codes for the
regulation of the piped-gas industry
Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	5 119 491	5 363 974	5 643 695
Levies from Electricity Industry			
Levies from Piped-Gas Industry	4 722 365	5 257 483	5 543 391
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	37 985	28 489	22 791
Rollover of Cash Flow Mitigation Reserve	224 141	24 962	40 385
Interest received	135 000	53 040	37 128
TOTAL EXPENDITURE	5 119 491	5 339 012	5 603 310
TOTAL OPERATING EXPENDITURE	4 930 257	5 138 991	5 394 289
Publications, communications and corporate communications	281 491	291 906	305 042
Recruitment costs	10 957	11 362	11 646
International initiatives	12 743	13 469	14 076
External auditors remuneration	28 497	30 121	31 477
Co-sourced internal audit function	10 500	11 099	11 598
Seminars/conferences/breakaways	40 821	43 147	45 089
Bank charges	1 845	1 950	2 038
Postage and delivery costs	9 661	10 212	10 672
Catering and entertainment	27 812	29 397	31 308
Consultant fees	658 460	689 407	706 642
Tribunals, hearings and inquiries	11 576	12 236	12 542
Insurance	17 894	18 914	19 766
Legal fees	71 319	75 384	78 776
Knowledge Center	34 037	35 977	37 596
Study fees	63 330	66 940	69 952
Motor vehicle maintenance costs	6 196	6 550	6 713
Office operational costs	88 480	93 524	95 862
Municipal charges	51 193	54 111	56 546
Software licenses	44 339	46 867	48 976
Employment Costs - Staff	2 108 227	2 186 231	2 328 336
Leavership programme	39 690	41 952	43 840
Leave pay	33 540	35 452	37 047
Salary temporary staff	38 270	40 452	42 272
Remuneration - Regulator Members	199 479	208 854	214 076
Bonuses - Staff and Full Time Regulator Members	383 910	398 115	408 068
Repairs and maintenance	49 340	52 152	54 499
Printing and stationery	15 215	16 082	16 805
Subscriptions	7 816	8 262	8 468
Travel cost - Regulator Members	21 738	22 977	24 011
Travel cost - Staff	400 941	415 776	442 801
Telephone and fax	33 432	35 338	36 928
Employee wellness	33 369	35 271	36 858
Health & safety	1 830	1 934	2 001
Training and development - Staff	84 329	89 136	93 147
Training and development - Regulator Members	7 979	8 434	8 813
CAPITAL EXPENDITURE	189 234	200 021	209 022
Motor vehicles	4 830	5 105	5 335
Computer software	25 203	26 640	27 839
Office furniture and equipment	7 035	7 436	7 771
Building improvements	141 225	149 275	155 992
Computer hardware	10 941	11 565	12 085
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	645 072	670 034	710 419

Piped-Gas Industry Regulation

**Appendix H7: Piped-Gas Industry
Regulation Programme 6: Establishing
NERSA as an efficient and effective
regulator Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2012/2013			
PIPED GAS INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PIPED GAS BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	2 559 746	2 681 987	2 821 848
Levies from Electricity Industry			
Levies from Piped-Gas Industry	2 361 182	2 628 742	2 771 696
Levies from Petroleum Pipeline Industry			
Refund of Surplus Funds	18 993	14 244	11 396
Rollover of Cash Flow Mitigation Reserve	112 071	12 481	20 192
Interest received	67 500	26 520	18 564
TOTAL EXPENDITURE	2 559 746	2 669 506	2 801 655
TOTAL OPERATING EXPENDITURE	2 465 128	2 569 496	2 697 144
Publications, communications and corporate communications	140 745	145 953	152 521
Recruitment costs	5 478	5 681	5 823
International initiatives	6 372	6 735	7 038
External auditors remuneration	14 249	15 061	15 738
Co-sourced internal audit function	5 250	5 549	5 799
Seminars/conferences/breakaways	20 410	21 574	22 544
Bank charges	923	975	1 019
Postage and delivery costs	4 831	5 106	5 336
Catering and entertainment	13 906	14 699	15 654
Consultant fees	329 230	344 704	353 321
Tribunals, hearings and inquiries	5 788	6 118	6 271
Insurance	8 947	9 457	9 883
Legal fees	35 659	37 692	39 388
Knowledge Center	17 018	17 988	18 798
Study fees	31 665	33 470	34 976
Motor vehicle maintenance costs	3 098	3 275	3 357
Office operational costs	44 240	46 762	47 931
Municipal charges	25 597	27 056	28 273
Software licenses	22 170	23 433	24 488
Employment Costs - Staff	1 054 113	1 093 116	1 164 168
Leavership programme	19 845	20 976	21 920
Leave pay	16 770	17 726	18 523
Salary temporary staff	19 135	20 226	21 136
Remuneration - Regulator Members	99 739	104 427	107 038
Bonuses - Staff and Full Time Regulator Members	191 955	199 057	204 034
Repairs and maintenance	24 670	26 076	27 249
Printing and stationery	7 607	8 041	8 403
Subscriptions	3 908	4 131	4 234
Travel cost - Regulator Members	10 869	11 489	12 006
Travel cost - Staff	200 471	207 888	221 401
Telephone and fax	16 716	17 669	18 464
Employee wellness	16 685	17 636	18 429
Health & safety	915	967	1 001
Training and development - Staff	42 165	44 568	46 573
Training and development - Regulator Members	3 990	4 217	4 407
CAPITAL EXPENDITURE	94 617	100 010	104 511
Motor vehicles	2 415	2 553	2 668
Computer software	12 602	13 320	13 919
Office furniture and equipment	3 518	3 718	3 885
Building improvements	70 613	74 637	77 996
Computer hardware	5 471	5 782	6 043
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	322 536	335 017	355 209

Piped-Gas Industry Regulation

Appendix H8: Funding for the regulation of the piped-gas industry

	PIPED-GAS
TOTAL EXPENDITURE	51 194 911
INTEREST RECEIVED	1 350 000
ROLLOVER CASH	2 241 412
REFUND TO THE INDUSTRY	379 851
LEVIABLE AMOUNT	47 223 647
PROJECTED VOLUMES	135 000 000
	Gj
Piped-Gas levy (c/Gj)	0.3498

Petroleum Pipelines Industry Regulation

Appendix I1: Consolidated Petroleum Pipelines Industry Regulation Budget

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 2010/2011	PETROLEUM BUDGET 2011/2012	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	41 477 489	47 867 696	51 635 565	54 969 087	57 978 692
Levies from Electricity Industry					
Levies from Piped-Gas Industry					
Levies from Petroleum Pipeline Industry	40 051 575	33 503 616	49 153 861	53 498 304	56 795 796
Refund of Surplus Funds		13 014 081	379 851	284 888	227 911
Rollover of Cash Flow Mitigation Reserve		-	751 853	390 294	398 066
Interest received	1 425 914	1 350 000	1 350 000	795 600	556 920
TOTAL EXPENDITURE	39 705 232	47 867 696	51 635 565	54 578 793	57 580 626
TOTAL OPERATING EXPENDITURE	37 305 390	45 290 870	49 743 222	52 578 586	55 470 408
Publications, communications and corporate communications	1 221 012	1 844 544	2 155 659	2 278 532	2 403 851
Recruitment costs	268 137	79 821	109 567	115 813	122 183
International initiatives	156 174	8 400	127 431	134 694	142 102
External auditors remuneration	440 985	264 696	284 970	301 213	317 780
Co-sourced internal audit function	215 682	100 800	105 000	110 985	117 089
Seminars/conferences/breakaways	247 095	382 343	367 805	388 770	410 152
Bank charges	13 114	15 244	18 451	19 503	20 576
Postage and delivery costs	10 322	74 063	93 153	98 463	103 878
Catering and entertainment	137 173	183 467	269 471	284 831	300 497
Consultant fees	4 754 062	6 808 865	7 264 597	7 678 679	8 101 006
Tribunals, hearings and inquiries	-	147 000	115 763	122 361	129 091
Insurance	141 277	153 300	178 945	189 144	199 547
Legal fees	43 669	594 300	713 186	753 838	795 299
Knowledge Center	171 769	350 007	340 368	359 769	379 556
Study fees	120 092	815 150	442 300	467 511	493 224
Motor vehicle maintenance costs	22 923	37 842	61 964	65 496	69 098
Office operational costs	1 388 651	839 665	884 805	935 239	986 677
Municipal charges	449 858	413 280	511 932	541 112	570 873
Software licenses	227 172	478 422	443 394	468 667	494 444
Employment Costs - Staff	15 364 292	19 665 821	22 919 935	24 226 372	25 558 822
Learnership programme	108 300	315 000	396 900	419 523	442 597
Leave pay	339 336	-	360 571	381 124	402 086
Salary temporary staff	532 987	596 710	382 705	404 519	426 768
Remuneration - Regulator Members	3 983 639	1 976 400	1 994 787	2 108 490	2 224 457
Bonuses - Staff and Full Time Regulator Members	3 028 815	3 531 380	4 151 503	4 388 139	4 629 486
Repairs and maintenance	353 067	552 825	493 395	521 519	550 202
Printing and stationery	96 673	106 562	152 145	160 817	169 662
Subscriptions	18 104	188 143	75 164	79 448	83 818
Travel cost - Regulator Members	472 258	491 358	217 384	229 775	242 412
Travel cost - Staff	1 371 651	2 932 793	2 621 431	2 770 853	2 923 249
Telephone and fax	457 974	296 520	334 320	353 376	372 812
Employee wellness	168 725	216 426	333 690	352 710	372 109
Health & Safety		14 700	18 295	19 338	20 402
Training and development - Staff	885 393	773 025	722 444	763 624	805 623
Training and development - Regulator Members	95 008	42 000	79 791	84 340	88 978
CAPITAL EXPENDITURE	2 399 842	2 576 826	1 892 343	2 000 207	2 110 218
Motor vehicles	125 313	48 300	48 300	51 053	53 861
Computer software	1 034 998	367 500	252 033	266 399	281 051
Office furniture and equipment	376 609	1 136 016	70 350	74 360	78 450
Building improvements	399 698	52 500	1 412 250	1 492 748	1 574 849
Computer hardware	463 224	972 510	109 410	115 646	122 007
Budgeted Net Surplus (Cash Flow Mitigation Reserve)		6 095 413	6 847 266	7 237 561	7 635 626
Petroleum Pipeline levy c/kilo litre		0.1905	0.2728	0.2969	0.3152
% (decrease)/increase in levy rate			43%	9%	6%

Petroleum Pipelines Industry Regulation

**Appendix I2: Petroleum Pipelines
Industry Regulation Programme 1:
Setting and/or approval of prices and
tariffs Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2011/2012			
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	18 072 448	19 239 180	20 292 542
Levies from Electricity Industry			
Levies from Piped-Gas Industry			
Levies from Petroleum Pipeline Industry	17 203 851	18 724 406	19 878 528
Refund of Surplus Funds	132 948	99 711	79 769
Rollover of Cash Flow Mitigation Reserve	263 149	136 603	139 323
Interest received	472 500	278 460	194 922
TOTAL EXPENDITURE	18 072 448	19 102 577	20 153 219
TOTAL OPERATING EXPENDITURE	17 410 128	18 402 505	19 414 643
Publications, communications and corporate communications	754 481	797 486	841 348
Recruitment costs	38 349	40 534	42 764
International initiatives	44 601	47 143	49 736
External auditors remuneration	99 740	105 425	111 223
Co-sourced internal audit function	36 750	38 845	40 981
Seminars/conferences/breakaways	128 732	136 070	143 553
Bank charges	6 458	6 826	7 202
Postage and delivery costs	32 604	34 462	36 357
Catering and entertainment	94 315	99 691	105 174
Consultant fees	2 542 609	2 687 538	2 835 352
Tribunals, hearings and inquiries	40 517	42 826	45 182
Insurance	62 631	66 201	69 842
Legal fees	249 615	263 843	278 355
Knowledge Center	119 129	125 919	132 845
Study fees	154 805	163 629	172 628
Motor vehicle maintenance costs	21 687	22 924	24 184
Office operational costs	309 682	327 334	345 337
Municipal charges	179 176	189 389	199 806
Software licenses	155 188	164 034	173 055
Employment Costs - Staff	8 021 977	8 479 230	8 945 588
Leavership programme	138 915	146 833	154 909
Leave pay	126 200	133 393	140 730
Salary temporary staff	133 947	141 582	149 369
Remuneration - Regulator Members	698 176	737 972	778 560
Bonuses - Staff and Full Time Regulator Members	1 453 026	1 535 849	1 620 320
Repairs and maintenance	172 688	182 531	192 571
Printing and stationery	53 251	56 286	59 382
Subscriptions	26 307	27 807	29 336
Travel cost - Regulator Members	76 084	80 421	84 844
Travel cost - Staff	917 501	969 798	1 023 137
Telephone and fax	117 012	123 682	130 484
Employee wellness	116 792	123 449	130 238
Health & Safety	6 403	6 768	7 141
Training and development - Staff	252 856	267 268	281 968
Training and development - Regulator Members	27 927	29 519	31 142
CAPITAL EXPENDITURE	662 320	700 072	738 576
Motor vehicles	16 905	17 869	18 851
Computer software	88 212	93 240	98 368
Office furniture and equipment	24 623	26 026	27 457
Building improvements	494 288	522 462	551 197
Computer hardware	38 294	40 476	42 702
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	2 396 543	2 533 146	2 672 469

Petroleum Pipelines Industry Regulation

Appendix I3: Petroleum Pipelines Industry Regulation Programme 2: Licensing and Registration Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2011/2012			
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	18 072 448	19 239 180	20 292 542
Levies from Electricity Industry			
Levies from Piped-Gas Industry			
Levies from Petroleum Pipeline Industry	17 203 851	18 724 406	19 878 528
Refund of Surplus Funds	132 948	99 711	79 769
Rollover of Cash Flow Mitigation Reserve	263 149	136 603	139 323
Interest received	472 500	278 460	194 922
TOTAL EXPENDITURE	18 072 448	19 102 577	20 153 219
TOTAL OPERATING EXPENDITURE	17 410 128	18 402 505	19 414 643
Publications, communications and corporate communications	754 481	797 486	841 348
Recruitment costs	38 349	40 534	42 764
International initiatives	44 601	47 143	49 736
External auditors remuneration	99 740	105 425	111 223
Co-sourced internal audit function	36 750	38 845	40 981
Seminars/conferences/breakaways	128 732	136 070	143 553
Bank charges	6 458	6 826	7 202
Postage and delivery costs	32 604	34 462	36 357
Catering and entertainment	94 315	99 691	105 174
Consultant fees	2 542 609	2 687 538	2 835 352
Tribunals, hearings and inquiries	40 517	42 826	45 182
Insurance	62 631	66 201	69 842
Legal fees	249 615	263 843	278 355
Knowledge Center	119 129	125 919	132 845
Study fees	154 805	163 629	172 628
Motor vehicle maintenance costs	21 687	22 924	24 184
Office operational costs	309 682	327 334	345 337
Municipal charges	179 176	189 389	199 806
Software licenses	155 188	164 034	173 055
Employment Costs - Staff	8 021 977	8 479 230	8 945 588
Leavership programme	138 915	146 833	154 909
Leave pay	126 200	133 393	140 730
Salary temporary staff	133 947	141 582	149 369
Remuneration - Regulator Members	698 176	737 972	778 560
Bonuses - Staff and Full Time Regulator Members	1 453 026	1 535 849	1 620 320
Repairs and maintenance	172 688	182 531	192 571
Printing and stationery	53 251	56 286	59 382
Subscriptions	26 307	27 807	29 336
Travel cost - Regulator Members	76 084	80 421	84 844
Travel cost - Staff	917 501	969 798	1 023 137
Telephone and fax	117 012	123 682	130 484
Employee wellness	116 792	123 449	130 238
Health & Safety	6 403	6 768	7 141
Training and development - Staff	252 856	267 268	281 968
Training and development - Regulator Members	27 927	29 519	31 142
CAPITAL EXPENDITURE	662 320	700 072	738 576
Motor vehicles	16 905	17 869	18 851
Computer software	88 212	93 240	98 368
Office furniture and equipment	24 623	26 026	27 457
Building improvements	494 288	522 462	551 197
Computer hardware	38 294	40 476	42 702
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	2 396 543	2 533 146	2 672 469

Petroleum Pipelines Industry Regulation

Appendix I4: Petroleum Pipelines Industry Regulation Programme 3: Compliance monitoring and enforcement Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2011/2012			
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	5 163 557	5 496 909	5 797 869
Levies from Electricity Industry			
Levies from Piped-Gas Industry			
Levies from Petroleum Pipeline Industry	4 915 386	5 349 830	5 679 580
Refund of Surplus Funds	37 985	28 489	22 791
Rollover of Cash Flow Mitigation Reserve	75 185	39 029	39 807
Interest received	135 000	79 560	55 692
TOTAL EXPENDITURE	5 163 557	5 457 879	5 758 063
TOTAL OPERATING EXPENDITURE	4 974 322	5 257 859	5 547 041
Publications, communications and corporate communications	215 566	227 853	240 385
Recruitment costs	10 957	11 581	12 218
International initiatives	12 743	13 469	14 210
External auditors remuneration	28 497	30 121	31 778
Co-sourced internal audit function	10 500	11 099	11 709
Seminars/conferences/breakaways	36 781	38 877	41 015
Bank charges	1 845	1 950	2 058
Postage and delivery costs	9 315	9 846	10 388
Catering and entertainment	26 947	28 483	30 050
Consultant fees	726 460	767 868	810 101
Tribunals, hearings and inquiries	11 576	12 236	12 909
Insurance	17 894	18 914	19 955
Legal fees	71 319	75 384	79 530
Knowledge Center	34 037	35 977	37 956
Study fees	44 230	46 751	49 322
Motor vehicle maintenance costs	6 196	6 550	6 910
Office operational costs	88 480	93 524	98 668
Municipal charges	51 193	54 111	57 087
Software licenses	44 339	46 867	49 444
Employment Costs - Staff	2 291 994	2 422 637	2 555 882
Learnership programme	39 690	41 952	44 260
Leave pay	36 057	38 112	40 209
Salary temporary staff	38 270	40 452	42 677
Remuneration - Regulator Members	199 479	210 849	222 446
Bonuses - Staff and Full Time Regulator Members	415 150	438 814	462 949
Repairs and maintenance	49 340	52 152	55 020
Printing and stationery	15 215	16 082	16 966
Subscriptions	7 516	7 945	8 382
Travel cost - Regulator Members	21 738	22 977	24 241
Travel cost - Staff	262 143	277 085	292 325
Telephone and fax	33 432	35 338	37 281
Employee wellness	33 369	35 271	37 211
Health & Safety	1 830	1 934	2 040
Training and development - Staff	72 244	76 362	80 562
Training and development - Regulator Members	7 979	8 434	8 898
CAPITAL EXPENDITURE	189 234	200 021	211 022
Motor vehicles	4 830	5 105	5 386
Computer software	25 203	26 640	28 105
Office furniture and equipment	7 035	7 436	7 845
Building improvements	141 225	149 275	157 485
Computer hardware	10 941	11 565	12 201
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	684 727	723 756	763 563

Petroleum Pipelines Industry Regulation

**Appendix I5: Petroleum Pipelines
Industry Regulation Programme 5:
Setting of Rules, guidelines and codes
for the regulation of the petroleum
pipelines industry Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2011/2012			
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	5 163 557	5 496 909	5 797 869
Levies from Electricity Industry			
Levies from Piped-Gas Industry			
Levies from Petroleum Pipeline Industry	4 915 386	5 349 830	5 679 580
Refund of Surplus Funds	37 985	28 489	22 791
Rollover of Cash Flow Mitigation Reserve	75 185	39 029	39 807
Interest received	135 000	79 560	55 692
TOTAL EXPENDITURE	5 163 557	5 457 879	5 758 063
TOTAL OPERATING EXPENDITURE	4 974 322	5 257 859	5 547 041
Publications, communications and corporate communications	215 566	227 853	240 385
Recruitment costs	10 957	11 581	12 218
International initiatives	12 743	13 469	14 210
External auditors remuneration	28 497	30 121	31 778
Co-sourced internal audit function	10 500	11 099	11 709
Seminars/conferences/breakaways	36 781	38 877	41 015
Bank charges	1 845	1 950	2 058
Postage and delivery costs	9 315	9 846	10 388
Catering and entertainment	26 947	28 483	30 050
Consultant fees	726 460	767 868	810 101
Tribunals, hearings and inquiries	11 576	12 236	12 909
Insurance	17 894	18 914	19 955
Legal fees	71 319	75 384	79 530
Knowledge Center	34 037	35 977	37 956
Study fees	44 230	46 751	49 322
Motor vehicle maintenance costs	6 196	6 550	6 910
Office operational costs	88 480	93 524	98 668
Municipal charges	51 193	54 111	57 087
Software licenses	44 339	46 867	49 444
Employment Costs - Staff	2 291 994	2 422 637	2 555 882
Learnership programme	39 690	41 952	44 260
Leave pay	36 057	38 112	40 209
Salary temporary staff	38 270	40 452	42 677
Remuneration - Regulator Members	199 479	210 849	222 446
Bonuses - Staff and Full Time Regulator Members	415 150	438 814	462 949
Repairs and maintenance	49 340	52 152	55 020
Printing and stationery	15 215	16 082	16 966
Subscriptions	7 516	7 945	8 382
Travel cost - Regulator Members	21 738	22 977	24 241
Travel cost - Staff	262 143	277 085	292 325
Telephone and fax	33 432	35 338	37 281
Employee wellness	33 369	35 271	37 211
Health & Safety	1 830	1 934	2 040
Training and development - Staff	72 244	76 362	80 562
Training and development - Regulator Members	7 979	8 434	8 898
CAPITAL EXPENDITURE	189 234	200 021	211 022
Motor vehicles	4 830	5 105	5 386
Computer software	25 203	26 640	28 105
Office furniture and equipment	7 035	7 436	7 845
Building improvements	141 225	149 275	157 485
Computer hardware	10 941	11 565	12 201
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	684 727	723 756	763 563

Petroleum Pipelines Industry Regulation

**Appendix I6: Petroleum Pipelines
Industry Regulation Programme 6:
Establishing NERSA as an efficient and
effective regulator Budget**

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA			
ANNUAL BUDGET FOR THE YEAR 2011/2012			
PETROLEUM PIPELINES INDUSTRY INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2013/2014 TO 2014/2015			
DESCRIPTION	PETROLEUM BUDGET 2012/2013	FORECAST 2013/2014	FORECAST 2014/2015
TOTAL FUNDING	5 163 557	5 496 909	5 797 869
Levies from Electricity Industry			
Levies from Piped-Gas Industry			
Levies from Petroleum Pipeline Industry	4 915 386	5 349 830	5 679 580
Refund of Surplus Funds	37 985	28 489	22 791
Rollover of Cash Flow Mitigation Reserve	75 185	39 029	39 807
Interest received	135 000	79 560	55 692
TOTAL EXPENDITURE	5 163 557	5 457 879	5 758 063
TOTAL OPERATING EXPENDITURE	4 974 322	5 257 859	5 547 041
Publications, communications and corporate communications	215 566	227 853	240 385
Recruitment costs	10 957	11 581	12 218
International initiatives	12 743	13 469	14 210
External auditors remuneration	28 497	30 121	31 778
Co-sourced internal audit function	10 500	11 099	11 709
Seminars/conferences/breakaways	36 781	38 877	41 015
Bank charges	1 845	1 950	2 058
Postage and delivery costs	9 315	9 846	10 388
Catering and entertainment	26 947	28 483	30 050
Consultant fees	726 460	767 868	810 101
Tribunals, hearings and inquiries	11 576	12 236	12 909
Insurance	17 894	18 914	19 955
Legal fees	71 319	75 384	79 530
Knowledge Center	34 037	35 977	37 956
Study fees	44 230	46 751	49 322
Motor vehicle maintenance costs	6 196	6 550	6 910
Office operational costs	88 480	93 524	98 668
Municipal charges	51 193	54 111	57 087
Software licenses	44 339	46 867	49 444
Employment Costs - Staff	2 291 994	2 422 637	2 555 882
Learnership programme	39 690	41 952	44 260
Leave pay	36 057	38 112	40 209
Salary temporary staff	38 270	40 452	42 677
Remuneration - Regulator Members	199 479	210 849	222 446
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Repairs and maintenance	49 340	52 152	55 020
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Health & Safety	1 830	1 934	2 040
Training and development - Staff	72 244	76 362	80 562
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CAPITAL EXPENDITURE	189 234	200 021	211 022
Motor vehicles	4 830	5 105	5 386
Computer software	25 203	26 640	28 105
Office furniture and equipment	7 035	7 436	7 845
Building improvements	141 225	149 275	157 485
Computer hardware	10 941	11 565	12 201
Budgeted Net Surplus (Cash Flow Mitigation Reserve)	684 727	723 756	763 563

Petroleum Pipelines Industry Regulation

Appendix I7: Funding for the regulation of the petroleum pipelines industry

	PETROLEUM PIPELINES
TOTAL EXPENDITURE	51 635 565
INTEREST RECEIVED	1 350 000
ROLLOVER CASH	751 853
REFUND TO THE INDUSTRY	379 851
LEVIABLE AMOUNT	49 153 861
PROJECTED VOLUMES	18 020 000
	Kl
Petroleum Pipeline levy (c/kilo litre)	0.2728