

**STRATEGIC PLAN**  
2012/13 – 2016/17



**ANNUAL PERFORMANCE PLAN**  
2014/15 – 2016/17



# STRATEGIC PLAN

2012/13 – 2016/17

## Foreword by the Chairperson

The National Energy Regulator of South Africa (NERSA) is a key enabler in advancing economic growth and social development within South Africa. Energy forms the backbone of the South African economy, not only from a growth point of view but also in terms of job creation and social upliftment.

In South Africa, the electricity, piped-gas and petroleum pipelines industries are to a large extent monopolistic in nature and therefore the regulation of these industries is critical to ensure that the balance between the needs of the consumer and the industries are met.

With a global decline in energy reserves as well as a greater emphasis on the environment, the Energy Regulator is facing a number of challenges for the future.

On the home front, South Africa faces challenges regarding the security of supply, especially within the electricity and petroleum industry. During the five years of this strategic plan, the construction of new electricity generation capacity as well as the new multi-product pipeline should be completed, which will assist in alleviating these capacity constraints.

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.

With the need to diversify the energy sources in this country and with the emphasis shifting towards

sustainability into the future, the introduction of renewable energy and independent power producers into the electricity grid will be a priority for the times ahead.

The pivotal role that NERSA plays by regulating the electricity, piped-gas and petroleum pipelines industries is underpinned by the mandate of NERSA that is enshrined in the National Energy Regulator Act, 2004 (Act No. 40 of 2004), the Electricity Regulation Act, 2006 (Act No. 4 of 2006), the Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003) and is also aligned to the objectives of our government. 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.

I would like to take this opportunity to acknowledge the important work that the Members of the Energy Regulator, the 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**

# Introduction by the Chief Executive Officer

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.

NERSA is expected to implement its mandate and to proactively take the necessary regulatory decisions in anticipation of and in response to the changing circumstances in the energy industry.

We are acutely aware that whilst NERSA's mandate is derived from legislation governing and prescribing its role and functions, the performance and consequently the relevance of NERSA must be informed by the tangible impact, benefits and meaningfulness of its work for the citizens of our country.

The role of NERSA is to ensure the development and sustainability of the electricity, piped-gas and petroleum pipelines industries, while facilitating the affordability of and accessibility to these industries to balance the economic interests of all stakeholders to ensure sustainable economic development of South Africa and a better life for all.

The focus of the Strategic Plan reflects the renewed sense of urgency in increasing delivery on the mandate of NERSA as well as evaluating the impact of our actions.

The Strategic Plan focuses on improving the planning, monitoring and evaluation of NERSA through ensuring that the plan contains SMART strategic objectives. The implementation plans that we have developed are not only realistic but also robust.

As part of her performance contract with the President, the Minister of Energy has committed to contributing specifically to the following Government outcomes:

- Outcome 2.** A long and healthy life for all South Africans;
- Outcome 4.** Decent employment through inclusive economic growth;
- Outcome 6.** An efficient, competitive and responsive economic infrastructure network;
- Outcome 8.** Sustainable human settlement and improved quality of household life; and
- Outcome 10.** Environmental assets and natural resources that are well protected and continually enhanced.

In this strategic plan, NERSA has formulated the five strategic outcome-oriented goals which will guide its programmes for the next 5 years. These are:

1. To facilitate Security of Supply in order to support sustainable economic development in South Africa;
2. To facilitate investment in infrastructure in the energy industry to support sustainable economic development in South Africa;
3. To promote competitive and efficient functioning of the energy industry in order to sustain economic development in South Africa;

4. To facilitate affordability and accessibility in the energy industry to balance economic interests of all stakeholders in support of economic development of South Africa and a better life for all; and
5. To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

NERSA takes skills development and capacity building in energy regulation seriously. Consequently, a certified qualification in energy regulation has been developed and NERSA currently has ten learners, participating in obtaining this qualification. NERSA will continue to enroll learners into this programme during the five years of this strategic plan.

Apart from the internal capacity building programmes in energy regulation, NERSA is also contributing to broader society understanding of energy regulation through hosting training and development courses that can be attended by external parties.

The development of this Strategic Plan necessitated a rethink regarding the role of NERSA with the emphasis being placed on the outcome and impact of regulating the electricity, piped-gas and petroleum pipelines industries. The implementation of the Strategic Plan may highlight areas where the Strategic Plan needs to be amended. Apart from this, NERSA is aware that the National Energy Regulator Act, 2004 (Act No. 40 of 2004); Gas Act, 2001 (Act No. 48 of 2001); and Electricity Regulation Act, 2006 (Act No. 4 of 2006) are in the process of being amendment. These amendments may have an impact on both

the mandate and business plan of NERSA. Any consequential amendments to the Strategic Plan will be fully motivated and communicated to the relevant authorities as soon as possible.

I am proud to say, NERSA is not only galvanized but also ready and inspired to meet the delivery challenges of the next five years



Phindile Baleni (née Nzimande)  
Chief Executive Officer

## Official sign-off

It is hereby certified that this Strategic Plan was developed by the Energy Regulator with inputs from the Executive Management of NERSA.

The Strategic Plan takes into account all the relevant policies, legislation and other mandates for which NERSA is responsible. It accurately reflects the strategic outcome oriented goals and objectives which NERSA will endeavour to achieve over the period 2012/13 to 2016/17. This Strategic Plan was prepared in line with the Strategic Plan (2011/12 – 2013/14) of NERSA.



Esther Viljoen

**Senior Manager: Strategic Planning and Monitoring**



Busisiwe Chaunzwa

**Chief Financial Officer**



Phindile Baleni (née Nzimande)

**Chief Executive Officer (Accounting Officer)**

**Approved by:**



Cecilia Khuzwayo

**Chairperson (on behalf of the Accounting Authority)**

# Content

<b>National Planning Context</b>	<b>6</b>
<b>PART A: STRATEGIC OVERVIEW</b>	<b>7</b>
1. VISION	7
2. MISSION	7
3. VALUES	7
4. REGULATORY PRINCIPLES	7
5. LEGISLATIVE AND OTHER MANDATES	8
5.1. Policy mandates	10
5.2. NERSA's contribution to Government's outcomes	10
5.3. Relevant court rulings	11
5.4. Planned policy initiatives	11
6. SITUATIONAL ANALYSIS	12
6.1. Performance environment	12
6.2. Stakeholder Analysis and Engagement	21
6.3. Organisational environment	23
6.4. Description of the strategic planning process	26
7. STRATEGIC OUTCOME ORIENTED GOALS	28
<b>PART B: PROGRAMME AND SUB PROGRAMME PLANS</b>	<b>30</b>
7.1. Strategic objectives	30
7.2. Resource considerations	48
7.3. Risk management	48



## National Planning Context

The Government obtains a five year political mandate through the process of democratic elections. The execution of this mandate is funded through the fiscus. Accountability to the nation and transparency as well as prudence in the usage of public resources is the stated rationale for the introduction of the Framework for Strategic Plans and Annual Performance Plans by National Treasury in August 2010. The new Framework for Strategic Plans and Annual Performance Plans is applicable to all national and provincial departments, constitutional institutions and public entities in the development of their strategic plans.

The framework was issued in terms of the mandates set out in sections 215 and 216 of the Constitution. These mandates require that national, provincial, municipal and public entity budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. The mandate further grants the National Treasury the power to ensure both transparency and expenditure control in each sphere of government. The necessary legal basis for the implementation of this Framework is informed by the revised Treasury Regulations 30 issued in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). Compliance is therefore mandatory and critical.

According to the Framework for Strategic Plans and Annual Performance Plans and the Treasury Regulations, NERSA is required to:

- Produce and table a Strategic Plan with a five-year planning horizon, outlining the planned sequencing of projects and programme implementation and associated resource

implications and other prescribed information;

- Produce and table an Annual Performance Plan including forward projections for a further two years, consistent with the medium-term expenditure framework (MTEF) period, with annual and performance targets, where appropriate, for the current financial year and the MTEF period;
- Identify a core set of indicators needed to monitor institutional performance;
- Adopt a quarterly reporting system, including submission of agreed information to the Minister of Energy (Executive Authority) and Department of Energy (responsible department); and
- Ensure that there is alignment of reporting between the Strategic Plan, Annual Performance Plan, budget and annual and quarterly reports.

The Presidency, through the Monitoring and Evaluation Ministry, plays a leading role in defining the standards, processes, and techniques of planning and conducting and communicating the results of evaluations of government programmes and policies. Strategic Plans and Annual Performance Plans are intended to provide a basis for evaluating the organisational performance of public institutions. Strategic Plans identify strategically important outcomes orientated goals and objectives linked to Government wide outcomes against which medium term results can be measured and evaluated by Parliament, provincial legislatures and the public.

Whilst the mandate of NERSA is derived from legislation governing and prescribing the role and functions of the Regulator, the performance

and consequently the relevance of the Regulator must be informed by the tangible impact and benefits of its work on the citizens of South Africa. The creation of public value focus necessitates a fundamental shift in the strategic thrust of NERSA towards an impact driven performance focus.

Availability of reliable, affordable and clean energy from a national planning context is central to stimulating productive capacity leading to sustainable economic and social development. Therefore NERSA's strategic plan reflects the strategic role of effective energy industry regulation.



# PART A: Strategic Overview

## 1. VISION

NERSA strives to regulate the South African electricity, piped-gas and petroleum pipelines industries by ensuring that the most efficient and effective industries are in place to exceed the requirements of existing and future energy customers. This is encapsulated in our vision statement, which is:

### **“To be a world-class leader in energy regulation”**

In this context, being “world-class” means that NERSA:

- *Regulates the energy industry within its mandate without losing sight of its shared vision and values.*
- *Is passionate and sensitive to the needs of its stakeholders, especially employees, consumers, energy suppliers and government, to ensure equity.*
- *Creates an environment that has low regulatory risk as viewed by all stakeholders.*
- *Promote competition and competitiveness and continues to provide sound, objective and professional regulation of monopolies given the existing socio-economic conditions.*
- *Assists all key stakeholders in optimizing the use of energy resources to ensure affordability for all consumers.*
- *Continually evaluates its performance and benchmark itself against the “best-in-class energy regulators in the world”.*

- *Subscribes to the best regulatory practices and standards, including corporate governance principles.*
- *Encourages new ideas, innovation, processes and systems that engender economic efficiency, effectiveness and continuous improvement to meet its aim to be a learning organisation.*
- *Maintains synergy between input, work processes and results through its capable, diverse, highly motivated and dedicated teams.*

## 2. MISSION

By regulating the energy industry in accordance with government laws and policies, NERSA makes a valuable contribution to the socio-economic development and prosperity of the people of South Africa. Our **mission statement**, commits NERSA:

### **“To regulate the energy industry in accordance with government laws and policies, standards and international best practices in support of sustainable and orderly development”**

## 3. VALUES

Values are the expression of what we stand for and how we will conduct ourselves. In this context and in addition to our commitment to comply with the requirements of Section 9 (11) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) and its Code of Conduct, we have adopted the following values:

- **Passion:** We conduct our business with a sense of urgency and commitment and are proud to be part of NERSA
- **Spirit of Partnership:** In working with all our stakeholders we deliver on our promises for the purpose of sustainable development
- **Excellence:** In striving for the best results, we promote growth / development of our staff, and benchmarks ourselves against the “best-in-class” energy regulators across the globe
- **Innovation:** As a learning organization, we strive to set trends and promote creativity by challenging the norm in order to continuously improve
- **Integrity:** Being honest, fair and sincere with all stakeholders and amongst ourselves
- **Responsibility:** We practice responsibility and take ownership of our actions and decisions
- **Professionalism:** We encourage maintenance of high standards of professional competence, interdependence between our teams using effective communication channels to treat everybody as stakeholders

## 4. REGULATORY PRINCIPLES

In regulating the three industries, NERSA must adhere to sound principles and approaches to be able to deliver on its mandate and achieve its objectives. NERSA has given consideration both to international best practice, as well as to the key principles stated in the “AFUR framework for utility regulation in Africa”.

## Strategic Overview

Following the completion of the report *Benchmarking the National Energy Regulator of South Africa against international good practice*, NERSA reviewed the literature on good regulatory principles and identified the good regulatory principles that emerge strongly and consistently as international good practice.

Underpinned by NERSA's legal mandate, NERSA adopted the following internationally accepted regulatory principles to underpin its regulatory approach:

- **Transparency:** The Energy Regulator is required to explain its decisions and processes to regulated entities and other interested parties, implying that the data or information that the decision is based on, is readily available and the reasoning behind it is readily explained. This covers public consultation and accessibility.
- **Neutrality:** The Energy Regulator should be neutral to all market players without favouring one or other group (non-discrimination).
- **Consistency and Predictability:** Decisions must be consistent and should have a reasonable degree of predictability based on previous rulings in similar cases.
- **Independence:** The independence of the Energy Regulator from the regulated companies is a prerequisite for any sound regulatory system. Independence from political influence is also desirable to ensure long-term stability of regulatory practices. Avoidance of regulatory capture by some customer groups is also necessary for successful regulation.

- **Accountability:** The Energy Regulator should be accountable for its actions and decisions. Independence must not be confused with the lack of accountability.
- **Integrity:** The Energy Regulator should exercise professionalism, honesty and objectivity in the management of the Energy Regulator's affairs and in all its dealings with stakeholders.
- **Efficiency:** The Energy Regulator should make the best use of resources to further the regulatory objectives by exercising objectivity and commitment to evidence-based strategies for improvement.

### 5. 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:

## Strategic Overview

- 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.

### 5.1. 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;
- White Paper on Renewable Energy Policy for South Africa of 2003; and
- 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

pipled-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.

### 5.2. 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;
- 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
- Verifying 1 Terrawatt hour (TWh) combined savings from Energy Efficiency and Demand Side Management (EEDSM) projects, including municipalities and Eskom.

**5.3. 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.

**5.4. 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.

## Strategic Overview

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 (IPP's) 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 IPP's.

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. For example, the petroleum industry value chain is regulated by several different economic regulators viz. the Minister of Energy (and her Controller), NERSA, the Petroleum Agency of South Africa, the National Ports Authority, and the Airports Company South Africa. The competition authorities are also investigating the petroleum industry. Each one has its mandate in a different Act and accompanying regulations. There are areas of concurrent jurisdiction and near concurrent jurisdiction. This regulatory dispensation has allowed some licensees to attempt to cherry pick elements of the different regulatory regimes to their advantage

("forum shopping") and this can compromise overall regulatory governance.

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.

## 6. SITUATIONAL ANALYSIS

### 6.1. 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's 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.



## Strategic Overview

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

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

## Strategic Overview

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

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

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

Legal Factors	NERSA response to the challenge
Review of the Acts	<ul style="list-style-type: none"> <li>NERSA is to pro-actively participate in any development / review of applicable legislation</li> <li>Regulatory advocacy</li> </ul>
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	

# Strategic Overview

## 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 ‘light handed’ tariffs and pricing but paradoxically requires more pro-active involvement;
- Creating market structure - preparing market for arrival of competition or new gas finds;
- Increasing electricity prices are rendering gas, such as Liquid Natural Gas (LNG), more attractive, especially for electricity Generation;
- Difficult to promote natural gas as a ‘greener source’ of energy with paucity of domestic gas finds;

- Chicken or egg cliché still holds true – anchor customer for LNG terminal remains elusive;
- Single largest hurdle in growing the gas market is the paucity of Natural Gas finds; 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 in 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 in 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).

# Strategic Overview

## 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.

### 6.2. 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. It's most

## Strategic Overview

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.

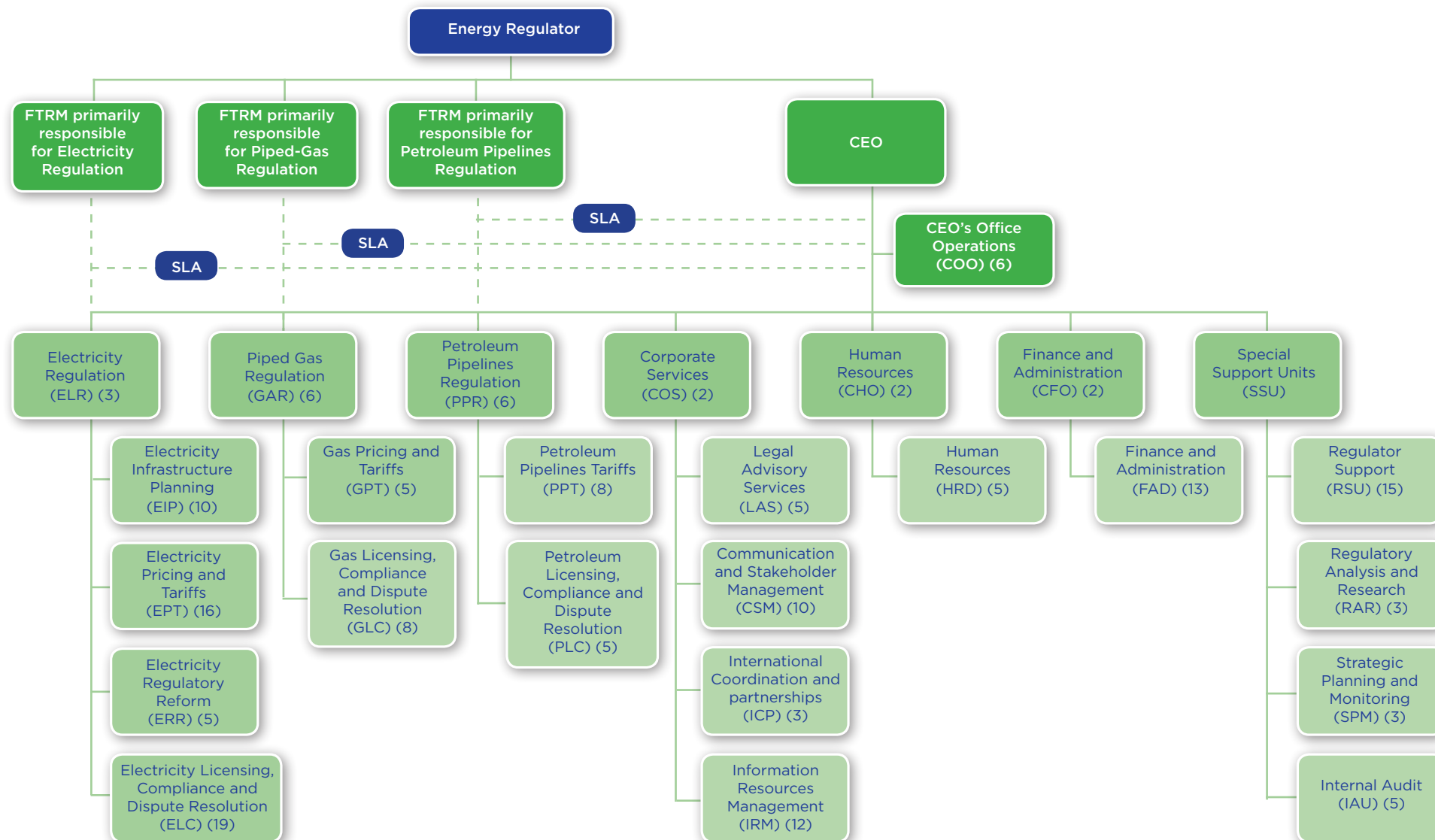
### 4. DIFFUSED GROUPS

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.

### 6.3. ORGANISATIONAL ENVIRONMENT

Following is the approved NERSA Organisational Structure:



## Strategic Overview

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

## Strategic Overview

### 6.4. DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

#### BACKGROUND

At the Energy Regulator meeting of 15 June 2007, the Energy Regulator approved the establishment of the Regulator Executive Committee (REC). As part of its terms of reference, the REC has to recommend the draft Strategic Plan and Business Plan to the Energy Regulator for consideration.

The REC decided at its meeting of 7 April 2008, that the strategic planning process for 2009/10 will be as follows:

- The REC will conduct a Strategic Planning session in May 2008 where the Strategic Framework and Intent for NERSA for the Medium Term Expenditure Framework (MTEF) period 2009/10 – 2011/12 will be discussed.
- Divisional Strategic Planning Sessions will be held. At these sessions, issues specific to the activities of the division will be considered.
- NERSA Management Committee (MANCO) is to have a Strategic Planning Session in June where proposals on how to operationalise the Strategic Framework and Intent for 2009/10 – 2011/12 will be developed.
- During July 2008, the proposal from Manco will be considered by the REC and the REC will make recommendations to the Energy Regulator for consideration at the Energy Regulator Strategic Planning Session and at its meeting at the end of July 2008.

Due to the success of this process, it was decided that a similar process will be followed for the development of every Strategic Plan and Business Plan / Annual Performance Plan from then on.

#### REC STRATEGIC PLANNING SESSION

The REC held a strategic planning session on 4 July 2011. At this session, the REC:

- Was introduced to the new Framework for the development of Strategic Plans as published by National Treasury in August 2010;
- Deliberated on the Vision;
- Deliberated on the Mission;
- Deliberated on the Values;
- Deliberated on the Regulatory Principles;
- Deliberated on the Mandate;
- Deliberated on the Government outcomes and NERSA's role in this regard; and
- Deliberated on the strategic goals for NERSA for the period 2012/13 – 2026/17.

Following the REC strategic planning session, each one of the regulator members primarily responsible for the regulation of the three industries being regulated by NERSA, indicated the priorities for NERSA for the three years in the MTEF planning cycle. These are:

#### a) Electricity Industry Regulation:

- i. Conclusion of all documents that will facilitate the security of supply
  - Power Purchase Agreements and associated agreements authorisation
  - Implementation Agreements authorisation
  - Transmission, Distribution use of system charges approvals
- ii. MYPD2 evaluation and MYPD3 preliminary assessment
  - Capex evaluation
  - Efficiency extraction
  - Future price path
  - MYPD2 impact

- iii. Municipality tariff approval and Inclining Block Tariffs customisation
  - Information accuracy
  - Sustainability assessments
  - Appropriate tariff blocks
  - Compliance monitoring (tariffs, maintenance, capital projects, etc)
- iv. Customer or end user forum establishment
  - NERSA positioning
  - Information sharing and gathering
- v. Streamlining of processes
  - Licensing
  - Tariff evaluation

#### b) Piped-Gas Industry Regulation:

- i. Development of a gas market;
  - monitor trends alternative sources of supply (LNG, shale, CBM etc);
  - NERSA dialogue on impediments to gas infrastructure investment;
  - Participate in Gas Act review;
  - Combine licensing knowledge with national dialogue and advise DoE on ensuring an anchor customer for gas; and
  - Review of the Gas Act (incorporate currently unlicensed activities and clarity of infrastructure planning).
- ii. Sending correct price signals;
  - Implement RRM's to overcome information asymmetry;
  - Market value pricing investigations;
  - Establish and implement maximum pricing methodology in terms of s21(1)(p);
  - Tariff guidelines implemented for Sasol, Transnet, Rompco; and

- Enforce pricing provisions of the Agreement.
- iii. Promote entry and competition;
  - Licence construction applications within statutory deadlines;
  - Licence conditions – excise undeveloped distribution areas;
  - Benchmark licence conditions;
  - Compliance framework implementation and monitoring;
  - Third Party Access enforcement and advocacy; and
  - Advocacy and coordination at exploration stage, e.g. liaising with PASA, INP.
- iv. Create regulatory certainty;
  - Build a reputation as a credible and predictable regulator;
  - Provide incumbents and new entrants with documented decisions;
  - Advocacy and stakeholder education;
  - Facilitating entry, third party access and a clear tariff framework; and
  - Fill policy gaps by participating in any review of Gas Act and Regulations.

#### **c) Petroleum Pipelines Industry Regulation:**

- i. Tariffs: setting/approval, methodologies, publication of data, benchmarking;
- ii. Licensing:
  - Timely decisions on applications for construction, operation, amendment, revocation;
  - Monitoring and compliance: Monitoring and inspections of licences issued;
  - Identification of and appropriate action against unlicensed facilities

- iii. Data collection and analysis
- iv. Access: common carriage and 3rd party access: monitoring facilitation and enforcement
- v. Monitoring security of inland supply

#### **DIVISIONAL STRATEGIC PLANNING SESSIONS**

All divisions within NERSA and Special Support Units held Strategic Planning Sessions where the divisions spent time in deliberating on priorities, key challenges for each department, the key strengths and key weaknesses in each department as well as the risks facing the different departments. These were used to develop presentations in order to inform the Management Committee (Manco) as to the priorities, risks, strengths, weaknesses and risks facing every department.

#### **MANCO STRATEGIC PLANNING SESSION**

Manco held a strategic planning session on 6, 8 and 12 July 2011. At this session, taking the proposed goals by the REC as well as the priorities as indicated by the Full-Time Regulator Members into account, Manco:

- Was introduced to the new Framework for the development of Strategic Plans as published by National Treasury in August 2010;
- Deliberated on the Government outcomes and NERSA's role in this regard;
- Deliberated on departmental priorities, risks, strengths, weaknesses and risks;
- Unpacked the strategic goals as proposed by the REC into key performance indicators and targets;
- Deliberated on the situational analysis (PE(R) STEL Factors Analysis, SWOT Analysis and Stakeholder Analysis);

- Proposed programmes for NERSA for the period 2012/13 – 2016/17, taking the strategic goals as proposed by the REC into account; and
- Deliberated on proposed departmental input into the Annual Performance Plans pertaining to the strategic objectives, annual targets for the strategic objectives, key performance indicators for the strategic objectives, quarterly targets for the key performance indicators for the 2012/13 financial year and key projects for every strategic objective.

Following the Manco Strategic Planning Session, a draft Strategic Plan (2012/13 – 2016/17) was developed. Apart from this the Annual Performance Plan (2012/13 – 2014/15) was also developed.

#### **ENERGY REGULATOR STRATEGIC PLANNING SESSION**

The Energy Regulator strategic planning session was held on 27 and 28 July 2011. During deliberation, the Energy Regulator:

- Was introduced to the new Framework for the development of Strategic Plans as published by National Treasury in August 2010;
- Deliberated on the 12 Outcomes of Government, the Minister of Energy's response to these and NERSA's role in achieving them;
- Deliberated on the challenges, risks and priorities facing the regulation of the electricity industry;
- Deliberated on the challenges, risks and priorities facing the regulation of the piped-gas industry;
- Deliberated on the challenges, risks and priorities facing the regulation of the petroleum pipelines industry;



## Strategic Overview

- Deliberated on the implementation of the 2010/11 business plan and in particular focusing on the highlights and lowlights;
- Deliberated on the cross-cutting and organisational challenges, risks and priorities;
- Deliberated on the PE(R)STEL Factors Analysis and SWOT Analysis; and
- Deliberated on key performance indicators for the organisation.

Following the Energy Regulator Strategic Planning Session, the draft Strategic Plan (2012/13 - 2016/17) and Annual Performance Plan (2012/13 - 2014/15) were revised, taking the comments by the Energy Regulator account. The revised Strategic Plan (2012/13 - 2016/17) and Annual Performance Plan (2012/13 - 2014/15) were approved by the Energy Regulator at its meeting on 29 August 2011.

## 7. STRATEGIC OUTCOME ORIENTED GOALS

The strategic outcome oriented goals of NERSA are cascaded from the mandate and reflect the Presidency identified twelve National outcomes as well as those of the Department of Energy. These goals attest to NERSA's role in facilitating the achievement of the national socio-economic and socio-political development agenda.

<b>Strategic Outcome Oriented Goal 1:</b>	To facilitate Security of Supply in order to support sustainable economic development in South Africa
Goal Statement	To facilitate through regulation that South Africa's current and future energy needs are secured
Link to Department of Energy outcome(s)	Delivery on IRP
Link to national outcome(s)	Environmental assets and natural resources that are well protected and continually enhanced
<b>Strategic Outcome Oriented Goal 2:</b>	To facilitate investment in infrastructure in the energy industry to support sustainable economic development in South Africa
Goal Statement	To facilitate investment in new infrastructure and maintenance of existing infrastructure through regulating the electricity, piped-gas and petroleum pipelines industries
Link to Department of Energy outcome(s)	Liquid Fuels Infrastructure. LPG Regulations
Link to national outcome(s)	An efficient, competitive and responsive economic infrastructure network
<b>Strategic Outcome Oriented Goal 3:</b>	To promote competitive and efficient functioning of the energy industry in order to sustain economic development in South Africa
Goal Statement	To promote efficiency and competition to lower the costs of energy provision
Link to Department of Energy outcome(s)	Create a competitive and efficient energy market
Link to national outcome(s)	A long and healthy life for all South Africans

<b>Strategic Outcome Oriented Goal 4:</b>	To facilitate affordability and accessibility in the energy industry to balance economic interests of all stakeholders in support of economic development of South Africa and a better life for all
Goal Statement	To balance the needs of all stakeholders and contribute to Government's targets of affordability and accessibility by setting prices and tariffs in a cost reflective manner with an emphasis on pro-poor regulation
Link to Department of Energy outcome(s)	Integrated National Electrification Programme
Link to national outcome(s)	Decent employment through inclusive economic growth
<b>Strategic Outcome Oriented Goal 5:</b>	To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
Goal Statement	To ensure regulatory certainty through consistency, fairness and transparency in regulatory decision making
Link to Department of Energy outcome(s)	Profiling the work of the department and that of the energy sector
Link to national outcome(s)	An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

## Programme and Sub-Programme Plans

### 7.1 STRATEGIC OBJECTIVES

The strategic objectives of NERSA expressed as the desired end state of the energy industry are stated as:

- Regulatory environment facilitates investment in energy infrastructure;
- Energy supply is certain and secure for current and future user needs;
- Fair competition exists within the energy industry;
- Regulatory certainty exists within the energy industry;
- Energy is accessible and affordable for all citizens; and
- NERSA is established and positioned as a credible and reliable regulator.

In order to achieve its outcome oriented goals NERSA will deliver on its strategic objectives through the following structured programmes:

- Setting and/or approving tariffs and prices;
- Licensing and registration;
- Compliance monitoring and enforcement;
- Dispute resolution including mediation, arbitration and the handling of complaints;
- Setting of rules, guidelines and codes for the regulation of the three industries; and
- Establishing NERSA as an efficient and effective regulator.

Collectively the programmes form the core regulatory functions of NERSA as stipulated in the mandate. The programmes are defined as the

main areas of service delivery responsibility within NERSA's mandate.

The above programmes' strategic objectives are discussed 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

With regard to resource considerations, Section 13 of the National Energy Regulator Act requires the following:

- The National Energy Regulator must perform its functions in accordance with the Public Finance Management Act;
- The National Energy Regulator must keep separate accounts for the electricity, piped-gas and petroleum pipelines regulatory functions; and
- The costs of the National Energy Regulator must be shared between the electricity, piped-gas and petroleum pipeline regulatory functions in proportion to the costs incurred by the Energy Regulator in respect of each of those regulatory functions.

In view of the above, a methodology was developed in order to ring-fence the budgets and financial statements for the three regulated industries.

Using this methodology the resource considerations for every programme will be divided into the three regulated industries rather than aggregated across the organisation.

## ELECTRICITY INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	To ensure municipalities are sustainable within the ring fenced electricity business.
Objective Statement	To approve municipal tariffs that ensure the financial viability and sustainability of all licensed municipal distributors while also protecting the poor from rapidly increasing electricity prices.
Baseline	To be determined in 2012/13
Justification	Municipalities are a critical stakeholder in ensuring universal access to electricity at affordable prices. Municipalities are also critical in achieving the Governments objectives that are built around creating a better life for all the citizens of South Africa. Municipalities must therefore be provided with sufficient resources that will make them both financially viable and sustainable in the short, medium and long-term
<b>Strategic Objective 1.2:</b>	To ensure the sustainability of Eskom and the ESI
Objective Statement	The approve Eskom's revenue requirements and prices/tariffs that allows for the sustainability of Eskom and therefore the overall viability of the electricity supply industry.
Baseline	To be determined in 2012/13
Justification	Eskom is a key player in the electricity supply industry of South Africa providing generation and transmission and distribution services in the industry. 96% of generation is provided by Eskom and municipalities purchase nearly all of their electricity requirements from Eskom. Eskom is also responsible for 100% of the transmission services in SA. It is therefore critical that all efforts be made to maintain the integrity and viability of Eskom as this will always the viability of the ESI itself. Eskom is also a key player in the South African economy and electricity a key contributor to the Gross Domestic Product (GDP) of the country. Also electricity is a key input in most manufacturing processes in the country and the region. The sustainability of Eskom therefore, influences the sustainability of the ESI and the economy

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

<b>Strategic Objective 2.1:</b>	To control entry and ensure orderly development of the Electricity industry
Objective Statement	<ul style="list-style-type: none"> <li>To ensure that all licence applications for entry into the ESI conform to the requirements of the Electricity Regulation Act and IRP rules; and</li> <li>To ensure that NERSA oversee orderly development of the electricity industry</li> </ul>
Baseline	To be determined in 2012/13 financial year
Justification	Licence applications involve investors, developers and ultimately customers and end-users as well as the public once the electricity infrastructure is constructed. Therefore the licence applications should be processed such that all the interests of stakeholders are balanced. For instance, the investors should be allowed a reasonable return in investment especially diverse sources such as renewable energy that are in the IRP while the customers and end-users receive good quality of supply and good quality of service from the infrastructure. Licensing of new generators ensures security of supply for the country and consequently a vibrant economy.

## Programme and Sub-Programme Plans

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

<b>Strategic Objective 3.1:</b>	To enforce compliance to the quality and reliability level of electricity supply.
Objective Statement	To ensure that all licensees comply to their licence condition, grid codes and regulatory standards
Baseline	To be determined in 2012/13 financial year
Justification	To ensure that the needs of current and future energy users are safeguarded and met by enforcing the performance of licensees to achieve the security and a good quality of supply in the quest to attain economic development in South Africa.
<b>Strategic Objective 3.2:</b>	To ensure efficient operation of the licensed activities
Objective Statement	To ensure that all licensees operate efficiently and effectively according to the licence conditions issued to them
Baseline	To be determined in 2012/13 financial year
Justification	Efficient operation will lead to efficient pricing which will ensure that their tariffs meet affordability requirements of current and future energy users.

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

<b>Strategic Objective 4.1:</b>	To create a fair balance between the needs of all stakeholders
Objective Statement	To ensure that there is fair play within the electricity supply industry amongst all the stakeholders including end-customers and licensees
Baseline	To be determined in 2012/13 financial year
Justification	To ensure that there is a level playing field in such a way that all interested and affected parties' rights and obligations are exercised in a fair and equitable manner.

### Electricity Industry Regulation Programme 5: Setting of rules, guidelines and codes for regulation

<b>Strategic Objective 5.1:</b>	To ensure non- discriminatory access to the electricity infrastructure
Objective Statement	<ul style="list-style-type: none"> <li>To ensure requests for amendment and/or exemptions to the codes by interested and affected parties including new entrants (IPPs) are considered.</li> <li>To ensure that the setting of rules and guidelines promote fair access for all participants</li> </ul>
Baseline	To be determined in 2012/13 financial year
Justification	To ensure that codes of best practices are implemented in the quest to promote uniformity and standardise practices relating to issues of a similar nature – thus harmonization
<b>Strategic Objective 5.2:</b>	To facilitate investment in the ESI
Objective Statement	<ul style="list-style-type: none"> <li>To develop and implement rules and guidelines that will facilitate infrastructure development and incentivise the use of diverse energy sources and promote energy efficiency.</li> <li>To monitor supply/demand balance and the build program based on the IRP.</li> </ul>
Baseline	43GW
Justification	To facilitate investment in the electricity supply industry. Investors and developers need a sound regulatory framework to ensure that they receive the expected returns for their investment.

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

<b>Strategic Objective 6.1:</b>	To facilitate the effectiveness of NERSA in the electricity industry
Objective Statement	To promote the image and exposure of NERSA by ensuring the establishment of the end-user forums amongst the licensees
Baseline	To be determined in 2012/13 financial year
Justification	To promote participation of interested parties including end-users in the electricity services of the licensees in order to ensure that there is harmony and understanding of the way the electricity industry functions. In this way issues of tariffs; security, reliability and quality of supply; quality of services; safety; etc.; will be discussed in these end-user forums to ensure that everyone understands their roles and responsibilities

## Programme and Sub-Programme Plans

### PIPED-GAS INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	To approve prices in line with the published price methodology
Objective Statement	To ensure affordable, equitable and reasonable gas prices
Baseline	Currently, there is no methodology or guidelines to approve maximum prices for licensees. Current maximum and minimum prices are determined in terms of the Schedule One to the Agreement which does not cover licensees not regulated by the Agreement; and the pricing provisions do not achieve the equitability and competitive price levels. The pricing formula and methods stipulated in Schedule One to the Agreement will expire in March 2014.
Justification	This will ensure that prices are equitable and at competitive levels. This will also assist in creating regulatory certainty which will help in attracting much needed investment into the piped-gas industry as future investors will know what to expect from the Regulator once they have entered the market
<b>Strategic Objective 1.2:</b>	To approve and monitor tariffs in line with the published tariff guidelines
Objective Statement	To ensure affordable, equitable and reasonable tariffs
Baseline	Current tariffs are determined in terms of Gas Transportation Agreements, which are not necessarily cost reflective, and do not conform to the current Tariff guidelines. NERSA only approves and monitor tariffs. In addition NERSA does not approve, monitor or regulate tariffs for distribution and regasification.
Justification	NERSA needs to interrogate the tariffs on these contracts to avoid transfer pricing, and to ensure the tariffs conforms to the objectives of the Gas Act. Furthermore, the introduction of storage activities in the industry requires NERSA to monitor and approve storage tariffs.



<b>Strategic Objective 1.3:</b>	To implement pricing provisions of schedule 1 to the Agreement
Objective Statement	<p>To ensure that the pricing provisions as stipulated in schedule 1 of the Agreement is implemented. This will include the following:</p> <ul style="list-style-type: none"> <li>• To implement the price capping mechanism</li> <li>• To approve and enforce the maximum prices for various customer categories</li> <li>• To enforce discounts to small customers</li> <li>• To enforce compliance to Market Value Pricing</li> </ul>
Baseline	<ul style="list-style-type: none"> <li>• Less than 5% of the customers qualify for the maximum prices prescribed by Schedule One to the Agreement. In the case of Brownfields customers, only additional quantities purchased after First Gas by Brownfields customers purchasing a total of between two and eight million Gigajoules per annum are subject to the maximum price levels, but only from 26 March 2009.</li> <li>• Prices of gas with all distributors and reticulators are currently subject to certain maximum price levels. However, prices for distributors and reticulators purchasing quantities in excess of ten (10) million Gigajoules per annum are not subject to a maximum price level. 6 licensees are regulated by this clause and there were no cases of non compliance identified.</li> <li>• Approximately 302 small customers receive discounts to small customers. In 2010/11, 48 cases of non compliance with the prescribed discounts were identified</li> <li>• 70% of the complaints investigated indicated that Sasol Gas did not comply with Market Value Pricing</li> </ul>
Justification	Enforcing of the pricing provisions of Schedule One to the Agreement is important so that gas is competitively priced and customers have the opportunity to contest the “alternative fuel” and the price of that fuel as assigned to the customer.

## Programme and Sub-Programme Plans

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

<b>Strategic Objective 2.1:</b>	To process all licence applications within the statutory deadline
Objective Statement	To issue licensing decisions within 60 days from the end of the comment period as applicable in order to ensure the orderly development of the piped-gas industry in an efficient manner.
Baseline	90% of all licence applications were finalised within statutory deadlines
Justification	The licensing within statutory deadlines is important to ensure that the Energy Regulator is able to discharge its responsibilities efficiently in the interest of an orderly development of the gas industry and to provide investor certainty
<b>Strategic Objective 2.2:</b>	To register gas imports and production
Objective Statement	To provide information regarding gas activities to the Energy Regulator so as to anticipate licensing needs and new developments in terms of gas sources and technologies.
Baseline	10 operations engaged in the production and importation of gas were registered in 2010
Justification	The monitoring of developments in new gas sources, including the production and importation of gas is important as the Energy Regulator needs to have information of such developments to better position itself to provide strategic regulatory interventions and efficient service
<b>Strategic Objective 2.3</b>	To develop the non financial reporting requirements of the RRM
Objective Statement	To provide a complete and accurate overview of licensees' data for monitoring performance and compliance.
Baseline	The RRM currently includes only financial information.
Justification	In evaluating prices, tariffs and licences, the ER requires comprehensive, up-to-date and accurate information to base its decisions on.

<b>Strategic Objective 2.4:</b>	To propose an implementation strategy for the gas to power component of IRP2010
Objective Statement	To facilitate the implementation of gas to power projects
Baseline	The IRP merely mentions the planned MWs in terms of OCGT and CCGT capacity but lacks an implementation strategy.
Justification	The NERSA is mandated to facilitate the growth and development of the piped-gas industry and the investment in gas-fired electricity generation is a critical step in this process by providing an anchor customer for a gas project.
<b>Strategic Objective 2.5:</b>	To propose to the policy makers an implementation strategy for LNG
Objective Statement	To develop an implementation strategy for LNG and propose /present this strategy to the policy maker in order to stimulate the development of the piped gas industry.
Baseline	Currently there is no uptake of LNG for electricity generation. Coal remains dominant and nuclear fired generation gains in prominence.
Justification	To facilitate the growth and development of the piped gas industry and encourage infrastructure investment. .
<b>Strategic Objective 2.6:</b>	To research alternative gas sources from specifically compressed natural gas (CNG),Shale gas and coal bed methane and underground coal gasification
Objective Statement	To provide information to the Energy Regulator on alternative sources of gas and ongoing exploration for Shale gas, CNG and coal bed methane gas for diversification of fuel sources and the development of the piped-gas supply industry.
Baseline	Desktop research was conducted on developments in gas industry, including continued explorations for Shale gas and production of CNG and UCG
Justification	The Energy Regulator needs to monitor the alternative sources of gas for diversification of fuel sources and the development of the piped-gas supply industry

## Programme and Sub-Programme Plans

### Piped-Gas Industry Regulation Programme 3: Compliance monitoring and enforcement

<b>Strategic Objective 3.1:</b>	To monitor the supply of 120m GJ p.a. from Mozambique to South Africa in terms of Schedule One of the Agreement
Objective Statement	To ensure sufficient gas to supply current and future users.
Baseline	Sasol has supplied between 100 and 110 MGJ per annum to the SA market, and only recently reached 120 MGJ p.a. As there is additional gas available and additional transmission capacity has been added to the ROMPCO pipeline, this volume should increase to > 120 MGJ p.a.
Justification	The Agreement places an obligation of Sasol Gas to use its best endeavours to supply 120 MGJ of gas to South African markets. The Energy Regulator, as the authority responsible for administration of the agreement, has a responsibility to monitor the volumes of gas supplied by Sasol Gas to South Africa from Mozambique through the ROMPCO pipeline. The enforcement and monitoring of Sasol Gas' obligation is also important to ensure security of natural gas supply to South African markets.
<b>Strategic Objective 3.2:</b>	To enforce licence conditions with regard to competitive prices and conditions
Objective Statement	To enhance compliance with pricing and tariff provisions and to enforce fair price and tariffs in terms of the Gas Act
Baseline	Complaints received from customers indicate that NERSA has to be concerned about compliance to the Schedule One to the Agreement as three out of four of the investigations concluded indicated non compliance. Furthermore, NERSA is required by the Gas Acts to initiate investigations on activities.
Justification	Given the monopolistic nature of the piped-gas industry, it is important that customers are protected from the misuse of powers and excessively high prices. This is necessary to ensure the development of the piped-gas industry and to give incentives for further investment in the piped-gas infrastructure
<b>Strategic Objective 2.3</b>	To develop the non financial reporting requirements of the RRM
Strategic Objective 3.3:	To analyse compliance to the Regulatory Reporting Manual (RRM)
Objective Statement	To ensure compliance to the RRM by the licensees
Baseline	Currently all gas licensees are part of the implementation of the RRM and complying with the requirements
Justification	Given the vertically integrated entity which is dominant in all the levels of the value chain, it is important that information asymmetry is reduced by prescribing the procedure for submitting information. Furthermore, NERSA has to ensure separation of financial accounts for efficient financial performance of each activity and facility, and avoid cross-subsidization.
<b>Strategic Objective 3.4:</b>	To determine and publish uncommitted capacity in transmission pipelines and storage facilities
Objective Statement	To provide access in and allocate capacity to third parties once NERSA has determined and published information on uncommitted capacity in gas transmission and storage facilities. This will facilitate competitive and efficient use of gas facilities.
Baseline	Since its inception, NERSA has not received applications or requests for third party access to gas transmission and storage facilities. Licensees have not published guidelines regarding the use of uncommitted capacity, and NERSA has not determined uncommitted capacity and allocated mechanism as required by Regulation 6 and 7 of the Regulations to the Gas Act.
Justification	Mandatory third party access to network and gas facilities is crucial to ensure enhanced participation in the gas industry and to promote competition as well as efficient utilisation of gas infrastructure.

#### Piped-Gas Industry Regulation Programme 4: Dispute resolution including mediation, arbitration and handling of complaints

<b>Strategic Objective 4.1:</b>	To ensure fairness and equity in the piped-gas market
Objective Statement	To ensure that investigations into received complaints as well as initiated investigations are concluded within 4 months
Baseline	Currently, investigations into complaints by customers are taking over 12 months to be completed. This may prejudice customers who may suffer harm from the alleged unfair practices.
Justification	Conducting investigations and inquiries on behavior of gas suppliers/ traders and distributors is crucial to ensure growth, fairness and efficient operation of the gas market.

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

<b>Strategic Objective 5.1:</b>	To provide stakeholder education and information sharing
Objective Statement	To provide education to stakeholders on piped-gas regulatory activities, processes and mandate in order to empower and/or enhance stakeholders' understanding of their rights and compliance requirements. This will also be used to obtain feedback from stakeholders on NERSA's regulatory interventions
Baseline	Not much education and awareness campaigns have been conducted by NERSA since its inception. Few consumer and stakeholder workshops conducted for purposes of clarifying specific projects, namely, tariff guidelines and pricing methodology.
Justification	Consumer education and awareness programmes will empower consumers/customers about their rights and obligations on important aspects of the gas industry such as gas supply agreements and the provisions of the Gas Act and Regulations
<b>Strategic Objective 5.2:</b>	To develop; align to relevant legislation; and implement an HDSA scorecard
Objective Statement	To develop a score card for implementation of the requirement in the Gas Act and the Rules regarding the promotion of historically disadvantaged individuals in the gas industry
Baseline	Currently no scorecard in place
Justification	To promote participation of HDSA in the piped gas industry and ensure they become competitive, NERSA should use the information submitted by licensees on plans for training, procurement, enterprise development, work subcontracted to HDSA, participation at senior management, shareholding and in Board of Directors of licensees for development of the scorecard, and as stipulated in Regulation 5. Section 21(1)(a) also requires licensees to provide NERSA with information on commercial arrangements concerning participation of HDSA.
Justification	Given the vertically integrated entity which is dominant in all the levels of the value chain, it is important that information asymmetry is reduced by prescribing the procedure for submitting information. Furthermore, NERSA has to ensure separation of financial accounts for efficient financial performance of each activity and facility, and avoid cross-subsidization.

## Programme and Sub-Programme Plans

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

<b>Strategic Objective 6.1:</b>	To propose regulations and legislative review and to submit approved comments on draft legislative amendments to the policy makers
Objective Statement	To influence policy and legislation applicable to the gas industry through regulatory advocacy and interaction with the Department of Energy
Baseline	The Energy Regulator currently administers the Gas Act and Regulations in its responsibility for the regulation of the gas industry and has experienced some challenges in the implementation of some of the provisions of this legislation.
Justification	As the regulatory body charged with the responsibility to administer the Gas Act and Regulations, the Energy Regulator has significant experience and knowledge of imperfections in this legislation and needs to interact with the Department of Energy and identify the challenges experienced in the implementation of the legislation as well as necessary review/amendment to the Act and the Regulations
<b>Strategic Objective 6.2:</b>	To promote understanding of Energy Regulator decisions to stakeholders
Objective Statement	To ensure regulatory certainty and a firm understanding of the Energy Regulator's decisions by stakeholders.
Baseline	No regulatory advocacy has taken place up to the end of 2010/11
Justification	If stakeholders do not understand the decisions of the Energy Regulator and/or the reasons thereof, it may lead to a lack of stakeholder confidence in the Energy Regulator, not only to existing stakeholders but also to possible future investors in the piped-gas industry

### PETROLEUM PIPELINES INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	To set and approve tariffs in accordance / in line with published methodologies
Objective Statement	All licensees have tariffs set or approved by NERSA
Baseline	67 out of 211 tariffs set or approved by NERSA
Justification	Natural monopolies require regulated tariffs
<b>Strategic Objective 1.2:</b>	To set and approve tariffs that facilitate affordability and accessibility whilst balancing the economic interests of all stakeholders
Objective Statement	All licensees have tariffs set or approved by NERSA.
Baseline	67 out of 211 tariffs set or approved by NERSA
Justification	To ensure that the needs of licensees and also those of customers are met through efficient and transparent tariffs. This objective will allow easier market entry into the industry thus improving competition that will in turn result in lower prices.

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

<b>Strategic Objective 2.1:</b>	To decide on licence applications for pipelines, loading and storage facilities within statutory deadlines
Objective Statement	To have the relevant internal activities and processes geared towards assisting the Energy Regulator to consider and make decisions on applications within the statutory timeframes
Baseline	80% of applications decided on within statutory timeframes
Justification	The 60 days deadline is a statutory requirement
<b>Strategic Objective 2.2:</b>	To decrease the number of unlicensed activities
Objective Statement	To have all petroleum infrastructure licensed.
Baseline	A list has been compiled indicating that there are some 10 – 20 licensable facilities around the country that are suspected to be operating without licences from the Energy Regulator.
Justification	The licensing of petroleum pipelines infrastructure is a statutory requirement.

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

<b>Strategic Objective 3.1:</b>	To monitor and enforce compliance with construction licence conditions
Objective Statement	To have construction licensees keep to the construction schedule and to the reporting requirements prescribed in their licence conditions.
Baseline	80% of reports are currently analysed and ready for noting within 60 days
Justification	Licensed infrastructure needs to be available in the economy within the required time.
<b>Strategic Objective 3.2:</b>	To monitor compliance to HDSA ownership levels requirements within the petroleum pipelines industry
Objective Statement	To keep track of licensee compliance with their commitment to the advancement of HDSA matters within the industry
Baseline	None of the licensees has submitted its HDSA compliance status as required by regulation 8.
Justification	The Energy Regulator is mandated with monitoring licensee compliance with HDSA requirements
<b>Strategic Objective 3.3:</b>	To monitor compliance to third party access legislation requirements
Objective Statement	To ensure that all petroleum pipelines infrastructure is efficiently and effectively utilised and shared amongst the owners and prospective users of the infrastructure
Baseline	The ownership and usage of the petroleum pipeline infrastructure is currently dominated by and shared amongst the six oil majors. The availability of any uncommitted capacity and the utilisation levels within the infrastructure are not known to the Energy Regulator. Currently, none of the licensees comply with all of the utilisation reporting, annual monthly volumes reporting or the publication of their allocation mechanism
Justification	The optimum utilisation by all infrastructure stakeholders can be achieved through increased transparency, fair and non-discriminatory access rules. Enforcing licensee adherence to the third party access requirements will assist in achieving such a status.



## Programme and Sub-Programme Plans

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

<b>Strategic Objective 3.4:</b>	To investigate compliance to common carrier rules
Objective Statement	To ensure that common carrier licensees apply rules, terms and conditions that are consistent with the requirements and objects of the Act.
Baseline	No investigation of compliance has been done on any of the common carriers
Justification	The Energy Regulator has to ensure that common carrier licensees adopt transparent and fair rules and access terms and conditions and also apply these without discrimination.

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

<b>Strategic Objective 4.1:</b>	To investigate complaints regarding non-compliance with legislation
Objective Statement	To ensure that all complaints received regarding licensed activities are investigated and resolved in time.
Baseline	No formal complaints have been received or investigated
Justification	The Energy Regulator has to ensure an effective and functional petroleum pipelines industry

### Petroleum Pipelines Industry Regulation Programme 5: Setting of rules, guidelines and codes for regulation

<b>Strategic Objective 5.1:</b>	To publish licensing guidelines
Objective Statement	To simplify the licensing process by providing easy to understand and follow instructions on how to compile a licence application
Baseline	New entrants are discouraged by a seemingly complicated licensing process
Justification	To encourage new players to enter the market/industry
<b>Strategic Objective 5.2:</b>	To publish tariff guidelines and amend as and when required
Objective Statement	Published up to date tariff methodologies and guidelines
Baseline	<ul style="list-style-type: none"> <li>Petroleum Pipelines methodology dated 31 March 2011</li> <li>Storage and loading facilities methodology dated 31 March 2011</li> <li>Annual tariff guidelines for the assessment of storage and loading facilities tariff applications dated 31 March 2011</li> </ul>
Justification	To promote transparency in the setting and approval of tariffs in the petroleum pipeline industry and the consequential regulatory certainty.

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

<b>Strategic Objective 6.1:</b>	To investigate the bottlenecks in the petroleum pipelines infrastructure in Durban
Objective Statement	To assist in the promotion of an efficient, effective and sustainable use and operation of the petroleum pipelines infrastructure
Baseline	Currently the Energy Regulator has no SWOT data regarding the petroleum pipelines infrastructure ability to handle current and future petroleum products demands.
Justification	The Energy Regulator has to have knowledge of the abilities and potential of the petroleum pipelines infrastructure
<b>Strategic Objective 6.2:</b>	To maintain, update and report on inland supply forecast model - 6 monthly report
Objective Statement	To gather industry information on demand and supply; and to forecast future demand and supply for petroleum products in order to monitor security of inland supply and to facilitate proper planning for future capacity expansion
Baseline	Present NERSA supply and demand model
Justification	Security of supply of petroleum products is vital for economic activity. Supply and demand forecasts inform decisions on capacity expansion.
<b>Strategic Objective 6.3:</b>	To review legislation affecting the petroleum industry and recommend changes (where appropriate)
Objective Statement	To address the problems arising from concurrent jurisdiction with other regulators
Baseline	Review of the Petroleum Pipelines Act was done in the previous financial year
Justification	To effectively and efficiently regulate the industry by removing the opportunity for forum shopping
<b>Strategic Objective 6.4:</b>	To publish relevant industry data
Objective Statement	To assist licensees and improve the quality of tariff applications
Baseline	Published information on MRP, beta and CPI on the NERSA website
Justification	Reduce regulatory burden on licensees. Tariff information assists markets to operate.

## Programme and Sub-Programme Plans

### CROSS-CUTTING REGULATORY

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

<b>Strategic Objective 6.1:</b>	To benchmark regulatory decisions against international best practice
Objective Statement	To establish the credibility of NERSA as a world class regulator and to ensure that quality of NERSA's decisions and reasons for decision are in line with the international best practice
Baseline	Published regulatory decisions are not benchmarked
Justification	NERSA decisions have to be seen to be independent and informed by best practice
<b>Strategic Objective 6.2:</b>	To determine the impact of regulatory decisions
Objective Statement	To ensure that the impact of regulatory decisions are monitored in order to assist the Energy Regulator in determining whether the objectives and envisaged impact of the decisions were reached
Baseline	Annual impact assessment report
Justification	To ensure that decisions taken by the Energy Regulator meet the envisaged objectives and impact and take remedial steps if this is not the case
<b>Strategic Objective 6.3:</b>	To develop the research agenda for the organisation on other new sources of energy
Objective Statement	To facilitate the introduction of information on new sources of energy (e.g. Shale gas)
Baseline	No work/research has been done
Justification	With the growing interest on climate issues caused by the traditional sources of energy (e.g. coal) there is going to be a strong emergence of other sources of energy (e.g. the use of shale gas in the generation of electricity). NERSA should be in a position to advise policy makers on the dynamics of the new sources of energy (economics, challenges, opportunities etc)
<b>Strategic Objective 6.4:</b>	To harmonise regulatory processes within the organisation and increase regulatory processes efficiencies
Objective Statement	To ensure that regulatory processes are harmonised across the three industries. To reduce information asymmetry. To implement systems that enhances efficiency in regulatory processes.
Baseline	Industry specific methodologies; RRM; MIRT; ICT platform.
Justification	By standardising, streamlining and utilizing technology NERSA aims to improve its efficiency in regulatory processes and meet statutory timeframes.

<b>Strategic Objective 6.5:</b>	To empower stakeholders with relevant energy industry knowledge and information
Objective Statement	To establish sustainable end-user forums to be used as a platform to discuss energy related issues. The end-user forums will also be used to conduct customer education activities and engage stakeholders in regulatory public participation processes.
Baseline	No end-user forums have been established
Justification	It is the requirement of the Electricity Regulation Act for licensees to establish end user forums.
<b>Strategic Objective 6.6:</b>	To influence energy sector policy development and amendments to legislation
Objective Statement	To engage in regulatory advocacy to influence policy changes and establish cooperation with other regulators to address issues of concurrent jurisdiction.
Baseline	NERSA regulates certain parts of the regulated industries supply chain.
Justification	In order for full economic impact of regulation of the energy industry as a whole to occur the identified policy gaps need to be addressed.

## Programme and Sub-Programme Plans

### ORGANISATIONAL

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

<b>Strategic Objective 6.1:</b>	To create an efficient and effective world class organisation
Objective Statement	<ul style="list-style-type: none"> <li>To develop, enhance and maintain ICT systems to support business processes</li> <li>To streamline business processes for quick turnaround</li> <li>To ensure that internal audit assurance and consulting activities effectively address the organisation's risks concerns</li> <li>To provide legal advisory services</li> <li>To ensure sound planning and business continuity</li> <li>To improve the effectiveness of the financial processes, systems and procedures</li> <li>To maintain/ support regulatory contact between government and regulated entities through the briefing of policy makers and stakeholders and policy gaps for the sustainability of NERSA.</li> <li>To facilitate the efficient and effective functioning of the energy regulator and its subcommittees through the provision of administrative and legal support</li> </ul>
Baseline	69% successful implementation of the 2010/11 business plan
Justification	<p>The aim is to:</p> <ul style="list-style-type: none"> <li>improve the organisational planning, implementation of the business plan, monitoring of the implementation of the business plan and organisational performance, evaluation of the implementation of the business plan and organisational performance as well as the reporting thereof;</li> <li>Increase the efficiency and effectiveness of organisational processes to ensure that NERSA's mandate is implemented in a manner as cost-effective, efficient and effective as possible.</li> </ul>
<b>Strategic Objective 6.2:</b>	To establish NERSA as an employer of choice
Objective Statement	To implement HR policies, procedures and programmes systems and processes to attract develop and retain requisite skills within NERSA
Baseline	87% filled structure, 50% of employees sent on training and development programmes, 95% staff retention rate
Justification	Attracting, retaining and leveraging the skills and knowledge of employees

<b>Strategic Objective 6.3:</b>	To position and promote the good image of NERSA
Objective Statement	To position and promote NERSA as a world-class leader in energy regulation so that the general public and stakeholders are aware of and appreciate and support the role and actions of the Energy Regulator. This will be done by compiling and publishing NERSA publications aimed at providing information to a wide range of stakeholders and by creating awareness amongst customers about their rights and responsibilities so as to influence better service delivery and to encourage licensees to meet their obligations
Baseline	Stakeholder satisfaction index is 78% (Survey report of 28 June 2010)
Justification	The credibility and good image of NERSA depends on the attitudes and perceptions of its stakeholders and on the degree to which they are informed about NERSA's regulatory functions. The integrated communication strategy is aimed at creating maximum awareness of NERSA's mandate to regulate the electricity, piped-gas and petroleum pipelines industries. The aim is to inform and to educate the public and stakeholders. This requires the use of different approaches and communication mechanisms which include publications tailored for specific target groups. The publications include the annual report, electricity supply statistics, newsletter and other publications such as brochures, pamphlets, flyers, posters and bulletins. It is also important for NERSA to conduct customer educational campaigns to ensure that customers in the energy sector are well informed of their roles and responsibilities on issues pertaining to electricity, piped-gas and petroleum pipelines
<b>Strategic Objective 6.4:</b>	To improve the effectiveness of the financial processes, systems and procedures
Objective Statement	To improve the effectiveness of the financial processes, systems and procedures to enable NERSA to meet its mandate and set targets including meeting the set BEE targets in support of government initiatives of the alleviation of poverty and wealth redistribution. To ensure effective delivery of services related to security asset care hospitality and facilities management
Baseline	2010 management report by the office of the Auditor General
Justification	In order to receive an unqualified annual audit report it is critical that accounting and financial services budgetary control as well as supply chain management logistics services and control are in line with the PFMA Act 1 of 1999 and Treasury regulations. Ensuring a safe and conducive environment by improving the general working environment.

## Programme and Sub-Programme Plans

### 7.2 RESOURCE CONSIDERATIONS

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 ratio's varying by more than 5%.

### 7.3 RISK MANAGEMENT

A comprehensive industry specific and organisational risk register is developed annually and is attached to the Annual Performance Plan.

In line with the requirements of the PFMA and the Treasury Regulations, the Internal Audit Unit provides the Audit and Risk Subcommittee and management with assurance that the internal controls are adequate and effective. This is achieved by means of an independent, objective appraisal and evaluation of the risk management processes, internal controls and governance processes, as well as by identifying corrective actions and suggested enhancements to the controls and processes.

The Internal Audit Unit reports administratively to the Chief Executive Officer and functionally to the Audit and Risk Subcommittee of the Energy Regulator, and has full, unrestricted access to all organisational activities, records, property and personnel.

The NERSA risk management process is formally sponsored at Energy Regulator and Secretariat level, as evidenced by the Audit and Risk Subcommittee and the Operational

Risk Committee. The Risk Monitoring Manager proactively maintains the strategic risk register. This is done by ensuring that each risk identified has a mitigating control and the risk owners are responsible for implementing these controls.

The Audit and Risk Subcommittee is responsible for ensuring that an integrated fraud prevention plan is implemented in order to minimise the risk and opportunity for crime and irregularities, in particular, fraud. A fraud prevention hotline is available for reporting all suspicious irregular activities.

In terms of the Public Audit Act, 2004 (Act No. 25 of 2004), the Auditor-General is responsible for independently auditing and reporting on the financial statements in conformity with the South African Generally Recognised Accounting Principles and Generally Accepted Accounting Practise as well as auditing the performance against objectives.



# ANNUAL PERFORMANCE PLAN

2014/15- 2016/17

## Foreword

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

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

The Annual Performance Plan of NERSA for the period 2014/15 – 2016/17 is informed by the approved five-year Strategic Plan (2012/13 – 2016/17). It reflects government's long term plans as outlined in the medium-term expenditure framework (MTEF). The Plan indicates NERSA's contribution to service delivery through the link to government's 12 outcomes as well as NERSA's contribution to the National Development Plan, the National Infrastructure Plan and the National Industrial Policy Framework.

Priorities which have guided the development of the Annual Performance Plan are as stated in the Strategic Plan. These pertain to the challenges South Africa faces regarding security of supply, especially within the

electricity and petroleum industries, therefore requiring a focus on new electricity generation capacity and the introduction of renewable into the energy mix.

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

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

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

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

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

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

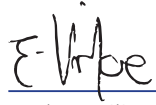
The Energy Regulator fully endorses this Annual Performance Plan and commits to supporting its implementation. I would like to take this opportunity to acknowledge the important work that the Regulator Members, management team and staff are executing and would like to encourage a collective and innovative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



**Cecilia Khuzwayo**  
**Chairperson: NERSA**

## Official sign-off

It is hereby certified that this Annual Performance Plan was developed by the Energy Regulator with inputs from the Executive Management of NERSA. It was prepared in line with the approved Strategic Plan (2012/13 – 2016/17) of NERSA and accurately reflects the performance targets which NERSA will endeavour to achieve given the resources made available in the budget for 2014/15.



Esther Viljoen

**Senior Manager: Strategic Planning and Monitoring**



Zak Lombaard

**Acting Chief Financial Officer**



Phindile Baleni (née Nzimande)

**Chief Executive Officer (Accounting Officer)**

**Approved by:**



Cecilia Khuzwayo

**Chairperson (on behalf of the Accounting Authority)**

# Content

## PART A: STRATEGIC OVERVIEW

1.	UPDATED SITUATIONAL ANALYSIS	58
2.	REVISIONS TO LEGISLATIVE AND OTHER MANDATES	81
3.	OVERVIEW OF 2014/15 BUDGET AND MTEF ESTIMATES	90
4.	NERSA PROGRAMMES AND PURPOSE OF EACH PROGRAMME	91
5.	LINK BETWEEN STRATEGIC OBJECTIVES AND PROGRAMMES	92

## PART B: PROGRAMME AND SUB-PROGRAMME PLANS

6.	ELECTRICITY INDUSTRY REGULATION	94
6.1.	<b>Programme 1:</b> Setting and/or approval of tariffs and prices	
6.1.1.	Strategic objective annual targets for 2014/15 - 2016/17	94
6.1.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	96
6.1.3.	Quarterly targets for 2014/15	98
6.1.4.	Linkage with other macro or infrastructure plans	100
6.2.	<b>Programme 2:</b> Licensing and registration	
6.2.1.	Strategic objective annual targets for 2014/15 - 2016/17	101
6.2.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	101
6.2.3.	Quarterly targets for 2014/15	101
6.2.4.	Linkage with other macro or infrastructure plans	102
6.3.	<b>Programme 3:</b> Compliance monitoring and enforcement	
6.3.1.	Strategic objective annual targets for 2014/15 - 2016/17	102
6.3.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	104
6.3.3.	Quarterly targets for 2014/15	106
6.3.4.	Linkage with other macro or infrastructure plans	108

6.4.	<b>Programme 4:</b> Dispute resolution, including mediation, arbitration and handling of complaints	
6.4.1.	Strategic objective annual targets for 2014/15 - 2016/17	109
6.4.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	109
6.4.3.	Quarterly targets for 2014/15	110
6.4.4.	Linkage with other macro or infrastructure plans	110
6.5.	<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the electricity industry	
6.5.1.	Strategic objective annual targets for 2014/15 - 2016/17	111
6.5.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	112
6.5.3.	Quarterly targets for 2014/15	113
6.5.4.	Linkage with other macro or infrastructure plans	114
6.6.	<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	
6.6.1.	Strategic objective annual targets for 2014/15 - 2016/17	114
6.6.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	114
6.6.3.	Quarterly targets for 2014/15	115
6.6.4.	Linkage with other macro or infrastructure plans	115
7.	<b>PIPED-GAS INDUSTRY REGULATION</b>	
7.1.	<b>Programme 1:</b> Setting and/or approval of tariffs and prices	
7.1.1.	Strategic objective annual targets for 2014/15 - 2016/17	116
7.1.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	118
7.1.3.	Quarterly targets for 2014/15	119
7.1.4.	Linkage with other macro or infrastructure plans	120
7.2.	<b>Programme 2:</b> Licensing and registration	
7.2.1.	Strategic objective annual targets for 2014/15 - 2016/17	120
7.2.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	121
7.2.3.	Quarterly targets for 2014/15	121
7.2.4.	Linkage with other macro or infrastructure plans	122

# Content

7.3.	<b>Programme 3:</b> Compliance monitoring and enforcement	
7.3.1.	Strategic objective annual targets for 2014/15 - 2016/17	122
7.3.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	124
7.3.3.	Quarterly targets for 2014/15	125
7.3.4.	Linkage with other macro or infrastructure plans	126
7.4.	<b>Programme 4:</b> Dispute resolution, including mediation, arbitration and handling of complaints	
7.4.1.	Strategic objective annual targets for 2014/15 - 2016/17	127
7.4.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	128
7.4.3.	Quarterly targets for 2014/15	129
7.4.4.	Linkage with other macro or infrastructure plans	130
7.5.	<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the piped-gas industry	
7.5.1.	Strategic objective annual targets for 2014/15 - 2016/17	130
7.5.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	130
7.5.3.	Quarterly targets for 2014/15	131
7.5.4.	Linkage with other macro or infrastructure plans	131
7.6.	<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	
7.6.1.	Strategic objective annual targets for 2014/15 - 2016/17	132
7.6.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	132
7.6.3.	Quarterly targets for 2014/15	133
7.6.4.	Linkage with other macro or infrastructure plans	133
8.	<b>PETROLEUM PIPELINES INDUSTRY REGULATION</b>	
8.1.	<b>Programme 1:</b> Setting and/or approval of tariffs and prices	
8.1.1.	Strategic objective annual targets for 2014/15 - 2016/17	134
8.1.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	135
8.1.3.	Quarterly targets for 2014/15	136
8.1.4.	Linkage with other macro or infrastructure plans	137

8.2.	<b>Programme 2: Licensing and registration</b>	
8.2.1.	Strategic objective annual targets for 2014/15 - 2016/17	138
8.2.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	139
8.2.3.	Quarterly targets for 2014/15	140
8.2.4.	Linkage with other macro or infrastructure plans	140
8.3.	<b>Programme 3: Compliance monitoring and enforcement</b>	
8.3.1.	Strategic objective annual targets for 2014/15 - 2016/17	141
8.3.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	142
8.3.3.	Quarterly targets for 2014/15	143
8.3.4.	Linkage with other macro or infrastructure plans	144
8.4.	<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>	
8.4.1.	Strategic objective annual targets for 2014/15 - 2016/17	144
8.4.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	144
8.4.3.	Quarterly targets for 2014/15	145
8.4.4.	Linkage with other macro or infrastructure plans	145
8.5.	<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry</b>	
8.5.1.	Strategic objective annual targets for 2014/15 - 2016/17	146
8.5.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	147
8.5.3.	Quarterly targets for 2014/15	148
8.5.4.	Linkage with other macro or infrastructure plans	149
8.6.	<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>	
8.6.1.	Strategic objective annual targets for 2014/15 - 2016/17	149
8.6.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	150
8.6.3.	Quarterly targets for 2014/15	150
8.6.4.	Linkage with other macro or infrastructure plans	150

# Content

## 9. CROSS-CUTTING REGULATORY

9.1.	<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	
9.1.1.	Strategic objective annual targets for 2014/15 - 2016/17	151
9.1.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	152
9.1.3.	Quarterly targets for 2014/15	153
9.1.4.	Linkage with other macro or infrastructure plans	153

## 10. ORGANISATIONAL

10.1.	<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	
10.1.1.	Strategic objective annual targets for 2014/15 - 2016/17	154
10.1.2.	Programme performance indicators and annual targets for 2014/15 - 2016/17	155
10.1.3.	Quarterly targets for 2014/15	156
10.1.4.	Linkage with other macro or infrastructure plans	156

## APPENDICES

Appendix A:	Strategic Risk Register	158
Appendix B:	Budget Assumptions and Parameters	187
Appendix C:	Funding for NERSA	192
Appendix D:	NERSA Consolidated Budget	194
Appendix E:	Notes to the NERSA Budget	196
Appendix F:	Consolidated Electricity Industry Regulation Budget	206
Appendix G:	Consolidated Piped-Gas Industry Regulation Budget	208
Appendix H:	Consolidated Petroleum Pipelines Industry Regulation Budget	210
Appendix I:	Levies Calculation	212
Appendix J:	Programme Budgeting	213



# PART A

## STRATEGIC OVERVIEW

# Updated situational analysis

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

## 1.1. PERFORMANCE ENVIRONMENT

The performance environment of NERSA is impacted upon by energy demand and supply trends and developments in the global, continental, regional and national environments.

### 1.1.1. GLOBAL TRENDS

The global energy map is changing, with potentially far reaching consequences for energy markets. The map is being redrawn by the resurgence in oil and gas production in the United States of America (USA) and could be further reshaped by a retreat from nuclear power in some countries, continued rapid growth in the use of wind and solar technologies and by the global spread of unconventional gas production. Perspectives for international oil markets hinge on Iraq's success in revitalizing its oil sector. If new policy initiatives are broadened and implemented in a concerted effort to improve global energy efficiency, this could likewise be a game changer.

The world energy system is facing key challenges which include meeting the world's ever-growing energy needs (led by rising incomes and populations in emerging economies); providing access to the world's poorest; and bringing

the world towards meeting its climate change objectives. It is estimated that there will be an additional two billion people worldwide by 2040, which will translate into rising electricity needs for homes and other buildings, and increasing energy supplies to power industry. All these make it impossible to put the global energy system onto a more sustainable path.

The International Energy Agency (IEA) expects global energy demand to grow by more than one-third over the period to 2035, with China, India and the Middle East accounting for more than 60% of the increase.

Fossil fuels remain dominant in the global energy mix. Coal has met nearly half of the rise in global energy demand over the last decade, growing faster than total renewable. The rise in coal demand will depend on the strength of policy measures that favor lower emissions energy sources and the deployment of more efficient coal-burning technologies.

Energy developments in the USA are profound and their effect will be felt well beyond North America. The recent rebound in USA oil and gas production, driven by upstream technologies that are unlocking light tight oil and shale gas resources, is spurring economic activity and steadily changing the role of North America in global energy trade. By around 2020 the IEA projects the USA will become the largest global oil producer, resulting in lower US oil imports to the extent that North America becomes a net oil exporter by around 2030. This accelerates the switch in direction of international oil towards Asia, putting a focus on the security of the

strategic routes that bring Middle East oil to Asian markets.

Water needs for energy production are set to grow at twice the rate of energy demand. Water is essential to energy production in as far as power generation; in the extraction, transport and processing of oil, gas and coal; and in irrigation of crops used for biofuels. The IEA estimates that water use will increase by about 85% over the period to 2035. Water is growing in importance as a criterion for assessing the viability of energy projects, as population and economic growth intensify competition for water resources.

The contribution of renewables although off a very low base in the energy mix is gaining traction as the world strives to reduce its carbon footprint. The quest for cleaner burning fuels has also seen an increase in exploration and finds of natural and unconventional gas fields.

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.

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

- The escalation of the "secret Cyber war" into open battle in the cyber domain coupled with the growing presence of independent "armies" of hackers sponsored by organised crime syndicates. This increases the risk of industrial espionage; and

- The deteriorating economic outlook of the world. The cost of energy is going to become a significant factor in driving any recovery of note.

### 1.1.2. REGIONAL DEVELOPMENTS

The vision for the Southern African Development Community (SADC) region is one of the highest possible degree of economic cooperation, mutual assistance where necessary and joint planning of regional development initiatives, leading to integration consistent with socio-economic, environmental and political realities.

SADC has adopted a development integration approach which seeks to address production, infrastructure and efficiency barriers to growth and development.

Sources of electricity in the SADC region include coal, hydro, nuclear, natural gas and diesel-based power. Coal dominates the SADC generation mix, which accounted for about 74.3% in 2010. Hydro, nuclear and diesel accounted for 20.1%, 4% and 1.6%, respectively. The development of renewable technologies like solar and wind is rather slow and their contribution to the generation mix is still small. In the whole SADC region South Africa is the only country that produces electricity from nuclear technology.

The region is facing a critical shortage of power and this situation is expected to persist until 2014. Until May 2011, the region had total installed capacity of 56 GW out of which 50 GW was available. Peak loads are expected to rise to 77 GW by 2020 and 115 GW in 2030. This reflects that the region will be faced with a deficit for the foreseeable future

as generation capacity lags behind the target schedule. The Southern African Power Pool plan shows that currently the whole SADC region has a supply deficit of 608 MW.

Access to electricity in the region is still limited more especially in rural areas of SADC member states.

The region is a net importer of petroleum products with implications on the import bill and subsequent budget implications for most member states. Reserves of oil and gas are however found in some of the member states, with the bulk being in Angola. However, limited refinery capacity still forces the region to import most of the refined products. Currently the largest refineries in the region are in South Africa, which has four refineries with an estimated total capacity of 504 547 bbl/day. Refineries found in other SADC countries are either too small, old or have been mothballed.

SADC has proven natural gas reserves of 9.1 trillion cubic feet (Tcf) constituting 1.9% of Africa's natural gas reserves. The natural gas reserves have been realized in Angola (1.6 Tcf), Mozambique (4.5 Tcf), Namibia (2.2 Tcf), Tanzania (0.8 Tcf) and the Democratic Republic of Congo (DRC) (0.035 Tcf). Botswana is exploring for coal bed methane and is estimated to contain in excess of 12.8 Tcf of coal bed methane (IEA).

### 1.1.3. NATIONAL ENVIRONMENT

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 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.

These trends and developments require that NERSA in regulating the industry be pro-active and responsive to these factors in so far as they affect the South African energy sector in terms of:

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

Uncertainty and mixed policy messages about investment could be contributing to the potential flight of capital out of South Africa and the continued challenge to attract much needed investment, especially in the piped-gas industry.

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

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

# Updated situational analysis

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

Political Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. State led infrastructure expansion	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Regulate in a manner that facilitate sustained security of supply</li> </ul>
2. Climate change imperatives	<ul style="list-style-type: none"> <li>Can impact security of supply because renewable energy generators cannot contribute to meeting peak demand and are unreliable in delivery of energy.</li> <li>They are currently more expensive</li> </ul>	<ul style="list-style-type: none"> <li>Engage with policy makers to make sure that they are aware of the impact so that the allocations are realistic.</li> </ul>
3. Direct political intervention in electricity pricing	<ul style="list-style-type: none"> <li>Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework with all role players</li> <li>Communicate – particularly on how decisions are reached (Not only on website – more proactive)</li> </ul>
4. Municipal distribution	<ul style="list-style-type: none"> <li>Continued price diversion between Eskom and municipalities</li> <li>Key national programmes will be undermined</li> <li>Quality of supply</li> <li>Undermine service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the municipal fiscal framework</li> <li>Advocacy</li> <li>Approval of municipal tariffs</li> <li>Limit surpluses that municipalities can accumulate for cross-subsidisation</li> </ul>
5. Misalignment between long term planning and changes in the term of government	<ul style="list-style-type: none"> <li>Ineffective long term plans as they might have to be changed regularly so as to align them with the new administration.</li> </ul>	<ul style="list-style-type: none"> <li>Plan in such a way that the impact of a change in government is minimised.</li> </ul>

Political Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Lack of policy on gas infrastructure investment	<ul style="list-style-type: none"> <li>• Uncertainty for investment</li> <li>• Lose opportunity to encourage competition in piped-gas industry</li> <li>• High cost of piped-gas</li> <li>• Impede growth of the compressed natural gas market in SA</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory advocacy with DoE, National Planning Commission and other stakeholders</li> <li>• Submit input and comments during review of the Integrated Resource Plan 2010 or facilitate a section 34 of the Electricity Regulation Act determination by the Minister of Energy to increase Combined Cycle Gas Turbines</li> <li>• Monitor implementation of the recent section 34 of the Electricity Regulation Act determination for increase in gas allocation.</li> <li>• Comment on findings of the Technical Study on LNG importation</li> <li>• Continued NERSA dialogues on factors that are prohibiting investment in gas initiative</li> <li>• Comment on all draft policy impacting on gas infrastructure investment</li> </ul>
2. Insufficient gas trade initiatives between Sub-Saharan African countries	<ul style="list-style-type: none"> <li>• SA may not reap rewards of proximity to significant gas finds in Mozambique, Tanzania, Namibia and Angola</li> </ul>	<ul style="list-style-type: none"> <li>• Consult with Government departments and other regulators</li> <li>• Push local source gas development (domestic gas resources that needs development)</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. State led infrastructure expansion <ul style="list-style-type: none"> <li>• Transnet Market Demand Strategy (R300 bn) possible higher risks and Durban dig out port for R100 bn</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of clarity on how expansion is funded – impact may be higher tariffs</li> <li>• Threats to security of supply</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor Transnet financial status</li> <li>• Possible need to intervene in petroleum pipeline regulatory asset base – competing modes of transport</li> <li>• Highlight the implications of the state led infrastructure expansion to the policy makers</li> </ul>
2. Possible consolidation of downstream petroleum regulation	<ul style="list-style-type: none"> <li>• NERSA may not be ready for this possible expansion of its mandate</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare and engage with DoE when it is ready</li> <li>• Be proactive</li> </ul>

# Updated situational analysis

Political Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Cross-Cutting:</b>		
1. Developmental State	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy e.g. user pays</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> <li>Applying an appropriate Cost of equity (Ke) to state-owned monopolies should be encouraged in a Developing State. Monopolies such as Eskom and Transnet, which serve a common interest to serve the country should not be profit driven i.e. Ke should be minimal or 0 because they don't take risk in the market like other entities and benefit from significant Government backing</li> </ul>
2. Manage interface between different policy thrusts of Government (new growth path, IPAP2, Presidential Infrastructure Commission, TNPA)	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Make decisions that are not in conflict with the Acts</li> <li>Identify points of contribution</li> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> <li>Seek interaction with appropriate departments and structures</li> </ul>
3. Policy gaps and inconsistencies	<ul style="list-style-type: none"> <li>Regulatory uncertainty</li> <li>Lack of credibility of regulatory systems</li> </ul>	<ul style="list-style-type: none"> <li>Review impact on NERSA's mandate</li> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> <li>Highlight cost of projects, the impact and implications thereof e.g. Integrated Resource Plan</li> </ul>
4. Impact of possible nationalisation	<ul style="list-style-type: none"> <li>Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>Provide regulatory certainty through consistent decision making</li> <li>Ensure investor confidence through our regulatory decisions and activities</li> <li>Influence perception of investor risk (particularly in piped-gas)</li> </ul>
5. Review of millennium goals (2014)	<ul style="list-style-type: none"> <li>NERSA may not be assisting the country in achieving its goals</li> </ul>	<ul style="list-style-type: none"> <li>Regulate in such a manner that accessibility and affordability is enhanced</li> </ul>

Political Factors	Impact if factor is not addressed	NERSA response to the factor
6. Presidential review on the organs of state / creation of a “super regulator” and collapse all regulators	<ul style="list-style-type: none"> <li>• NERSA may cease to exist / be the base of the super regulator</li> <li>• Regulatory continuity and principles</li> <li>• Regulatory certainty</li> </ul>	<ul style="list-style-type: none"> <li>• Profile NERSA in the public arena</li> <li>• Affirm NERSA’s effectiveness and positioning</li> <li>• Monitor debate</li> <li>• Influence the discussions</li> <li>• Engage with stakeholders</li> <li>• Stakeholder survey</li> <li>• Position NERSA as a low maintenance entity</li> <li>• Highlight the importance of an independent regulator</li> <li>• Improve on current performance</li> <li>• Understand regulatory environment, who are the other regulators</li> <li>• Help / teach / learn from them (other regulators)</li> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>

# Updated situational analysis

Economic Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Lack of competition in electricity supply industry	<ul style="list-style-type: none"> <li>Impact on the ability of the Independent Power Producers to access the industry</li> <li>High electricity prices to industrial consumers</li> </ul>	<ul style="list-style-type: none"> <li>Enforce Third Party Access</li> <li>Add dispatch rules to the Grid Code</li> <li>Proactively contribute to legislative amendments</li> </ul>
2. Subsidies in Industry	<ul style="list-style-type: none"> <li>Subsidies cause wrong investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Review subsidy framework as far as within the Energy Regulators control and rationalise application of subsidies.</li> </ul>
3. Electricity Price to commerce in the municipalities has reached a critical level	<ul style="list-style-type: none"> <li>Commerce and industry closing down</li> </ul>	<ul style="list-style-type: none"> <li>Harmonise tariffs</li> <li>Influence tariff structures</li> <li>Check actual application of tariffs yields expected result.</li> </ul>
4. Impact of poverty	<ul style="list-style-type: none"> <li>Lack of affordability and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>Focus on pro-poor regulation</li> </ul>
5. Perception of imbalance between supply and demand	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Allow primary energy cost as a pass through cost</li> <li>Monitor System Performance and be proactive in interacting with stakeholders.</li> </ul>
6. Increased consumption of energy by China and India	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Regulate the stock piles</li> <li>Promote the introduction of renewable energy in the energy mix (taking into account its limitations)</li> <li>Increase the number of days that the coal stock piles must be kept</li> </ul>
7. Inter-dependency of SADC on SA economy	<ul style="list-style-type: none"> <li>SADC countries' power plans not realised</li> </ul>	<ul style="list-style-type: none"> <li>Create space to be able to facilitate the realisation of SADC countries' power plans</li> <li>Review role in international trade and become an active role player.</li> </ul>
8. Low and slow growth of the GDP	<ul style="list-style-type: none"> <li>Depressed economy leading to less disposable income which in turn would result in an increase in bad debt and an ESI that is not economically viable.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that electricity price increases are kept to the minimum by enforcing efficient licensee operations and that pro-poor regulation is strengthened</li> </ul>



Economic Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Lack of competition in gas industry	<ul style="list-style-type: none"> <li>Barrier to competitive outcomes (price discrimination and access)</li> </ul>	<ul style="list-style-type: none"> <li>Enforce Third Party Access</li> <li>Enforce maximum prices methodology and Tariff Guidelines</li> <li>Proactively contribute to legislative amendments</li> </ul>
2. HDI participation	<ul style="list-style-type: none"> <li>No meaningful transformation of gas industry</li> <li>Renewed calls for nationalisation and increased compulsory BBBEE requirements</li> </ul>	<ul style="list-style-type: none"> <li>Licence conditions – define ways to implement mandate to enable HDSAs to become competitive via licence conditions. Once Gas Amendment Bill is promulgated, make reference to minimum targets to be attained over a specific period in line with BBBEE</li> <li>Enforce rules to information provision</li> </ul>
3. Insufficient gas infrastructure investment and high cost of gas investment (infrastructure and technology)	<ul style="list-style-type: none"> <li>No growth in the gas market</li> </ul>	<ul style="list-style-type: none"> <li>Price certainty</li> <li>Regulatory / policy certainty</li> <li>Review of the Integrated Resource Plan 2010 or facilitate a section 34 of the Electricity Regulation Act determination by the Minister of Energy to increase Combined Cycle Gas Turbines to provide creditworthy off taker</li> </ul>
4. Lack of regulatory certainty	<ul style="list-style-type: none"> <li>Deters investment in infrastructure</li> <li>Reduced investor confidence</li> </ul>	<ul style="list-style-type: none"> <li>Consistent decision making / Reasons for Decision and Regulatory Reporting Manuals</li> <li>Clarity to be provided by DoE to Integrated Resource Plan</li> </ul>
5. Tanzania and Mozambique found significant amounts of Gas	<ul style="list-style-type: none"> <li>SA may not reap rewards of proximity to significant gas finds</li> </ul>	<ul style="list-style-type: none"> <li>Consult with Government departments and other regulators</li> <li>Potential of country to country agreements</li> </ul>
6. Growth in the use of gas in different forms – affordability	<ul style="list-style-type: none"> <li>Hindrance to growth of the piped-gas market – because the demand is reduced if the use of gas is not affordable</li> </ul>	<ul style="list-style-type: none"> <li>Effective implementation of the tariff guidelines and maximum price methodology</li> </ul>

# Updated situational analysis

Economic Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Petroleum Pipelines Industry Regulation:</b>		
1. User pays vs. developmental state	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> </ul>
2. Pipeline volumes	<ul style="list-style-type: none"> <li>Public safety – safer transport mode</li> <li>Increases tariffs if volumes fall</li> </ul>	<ul style="list-style-type: none"> <li>Monitor shift of volumes from other modes of transport</li> <li>Investigate causes of volumes using other modes of transport</li> <li>Engage DoE on regulatory factors affecting pipeline volumes</li> </ul>
3. HDI participation	<ul style="list-style-type: none"> <li>No 3rd party access to storage facilities</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>
<b>Cross-Cutting:</b>		
1. Risk of EURO debt default and the impact on emerging markets	<ul style="list-style-type: none"> <li>Decisions not in line with global developments</li> <li>Funding of projects more challenging</li> </ul>	<ul style="list-style-type: none"> <li>Review of tariffs in line with developments</li> <li>Promote energy conservation</li> <li>Create public awareness</li> </ul>
2. Impact of environmental levies on prices	<ul style="list-style-type: none"> <li>Impossible to facilitate achievement of affordable energy services</li> </ul>	<ul style="list-style-type: none"> <li>Highlight impact of environmental levies to policy makers</li> <li>“pro-poor” regulation</li> </ul>
3. Capital flight (foreign and local)	<ul style="list-style-type: none"> <li>Capital leaving SA</li> </ul>	<ul style="list-style-type: none"> <li>Create regulatory certainty</li> </ul>
4. Impact of the wave of industrial action	<ul style="list-style-type: none"> <li>Entities not prepared</li> </ul>	<ul style="list-style-type: none"> <li>Encourage entities to have better risk management interventions</li> </ul>

Regulatory Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Compliance monitoring and enforcement of licence conditions	<ul style="list-style-type: none"> <li>• Security and quality of supply</li> <li>• Affordability and accessibility of electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for empowering/ governing legislation to provide for punitive measures to be used for none compliance</li> <li>• Work with different institutions in the country such as National Treasury, Auditor-General</li> </ul>
2. An overlap in regulatory mandate with other regulators or institutions	<ul style="list-style-type: none"> <li>• Lack of cooperation may lead to delay in decision making</li> </ul>	<ul style="list-style-type: none"> <li>• MoUs with the appropriate regulators or institutions</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. Regulatory gaps and fragmentation of legislation (gas) (not regulating entire value chain)	<ul style="list-style-type: none"> <li>• Unnecessary regulatory burden</li> <li>• Unintended consequences (e.g. High distribution tariffs)</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>
2. Light handed approach of current regulatory framework and weak enforcement powers	<ul style="list-style-type: none"> <li>• Difficult to effectively enforce regulatory mandate</li> <li>• Inconsistent policy implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework on developing legislation / policy changes</li> <li>• Cooperate with other regulators to reduce confusion and unnecessary regulatory burden and cost</li> <li>• Proactive engagement in legislative amendments</li> </ul>
3. Lack of experience in regulating new activities	<ul style="list-style-type: none"> <li>• Inappropriate regulation of new activities</li> </ul>	<ul style="list-style-type: none"> <li>• Research and benchmarking</li> <li>• Training</li> <li>• Study tours yielding positive results in staff performance</li> </ul>
4. Remnants of the Regulatory agreement	<ul style="list-style-type: none"> <li>• Security of supply is threatened</li> <li>• Investor uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance monitoring</li> <li>• Maximum price methodology</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Lack of consistency in policy focus and applications by different regulators	<ul style="list-style-type: none"> <li>• No Regulatory certainty</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonise regulatory methodologies (internally and externally)</li> <li>• Regulatory advocacy</li> <li>• Revive structures such as the SA Regulators Forum</li> </ul>
2. Multi-year petroleum tariffs	<ul style="list-style-type: none"> <li>• Impact on investor confidence as there is greater certainty</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare for applications</li> <li>• Speed up tariff methodology harmonisation</li> </ul>

# Updated situational analysis

Regulatory Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Cross-Cutting:</b>		
1. Information asymmetry	<ul style="list-style-type: none"> <li>Possible incorrect decisions taken due to lack of all relevant information available</li> </ul>	<ul style="list-style-type: none"> <li>Develop ways of collecting relevant data</li> <li>Regulatory Reporting System for financial data</li> <li>Regulatory Reporting System phase 2 (nonfinancial data)</li> <li>Audits</li> <li>Benchmarks</li> </ul>
2. Insufficient coordination in regulating gas and electricity industries	<ul style="list-style-type: none"> <li>Inconsistent policy messages deterring investment</li> <li>Incorrect signals sent to the market</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen internal coordination and strategic interactions with government structures</li> </ul>
3. Management of concurrent jurisdiction	<ul style="list-style-type: none"> <li>Regulatory overlap</li> <li>No clear roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Conclude MoUs and MoAs with other regulators</li> <li>Regulatory advocacy</li> <li>Co-operate and help other regulators</li> <li>Build closer relationships with other regulators</li> </ul>
4. Perception of independence of the Regulator	<ul style="list-style-type: none"> <li>Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework with all role players</li> <li>Communicate – particularly on how decisions are reached (Not only on website – more proactive)</li> </ul>
5. Guidelines for cross border trading	<ul style="list-style-type: none"> <li>Establishment of Regional Regulator may occur if NERSA does not take an active role</li> <li>Arise of conflicts and conflicts of interest in the Regulatory landscape</li> </ul>	<ul style="list-style-type: none"> <li>NERSA needs to take Active Role and interest in SAPP and RERA issues.</li> <li>NERSA needs to regulate international trade actively in energy matters.</li> </ul>
6. Implementation of regulatory programmes and projects approved at continental and regional level	<ul style="list-style-type: none"> <li>NERSA may not be in a position to contribute to continental and regional matters that may have an impact on the energy industry, and the country as a whole</li> </ul>	<ul style="list-style-type: none"> <li>NERSA needs to incorporate continental and regional programmes in its regulatory activities (<i>since RSA is a member and an important role player in regional and continental structures ,e.g. RERA &amp; AUC</i>)</li> </ul>

Social Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Electricity Resellers	<ul style="list-style-type: none"> <li>Industry not sustainable</li> </ul>	<ul style="list-style-type: none"> <li>Licence resellers</li> <li>Develop rules</li> </ul>
2. Affordability	<ul style="list-style-type: none"> <li>Lack of affordability and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>Pro poor tariff setting</li> </ul>
3. NERSA's impact on poverty	<ul style="list-style-type: none"> <li>NERSA not contributing to Government's target to create a better life for all</li> </ul>	<ul style="list-style-type: none"> <li>Inclining Block Tariffs (IBTs) and evaluation               <ul style="list-style-type: none"> <li>Review and publicise</li> <li>Assess impact of IBTs</li> <li>Further research to include the "working poor"</li> </ul> </li> <li>Possible money in tariff to train artisans</li> </ul>
4. Theft of electricity	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Customer education</li> <li>Monitor non-technical losses</li> <li>Highlight legislative gaps to policy maker</li> </ul>
<b>Piped-Gas Industry Regulation:</b>		
1. Acceptance of usage of gas by households	<ul style="list-style-type: none"> <li>Deter the development of and investment in infrastructure to connect households and businesses gas infrastructure</li> <li>Lack of diversification of the energy mix</li> </ul>	<ul style="list-style-type: none"> <li>Regulate in a manner that will attract investment</li> <li>Ensure continuous supply of gas to South Africa</li> </ul>
2. Skills development	<ul style="list-style-type: none"> <li>Skills in SA not in line with demand of growing gas industries</li> </ul>	<ul style="list-style-type: none"> <li>Continued participation in industry training on regulation</li> <li>Stakeholder workshops</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Uncontrolled building on pipeline servitudes	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Increase pressure on licensees to consult with municipalities</li> </ul>
2. Public knowledge of positioning of pipelines	<ul style="list-style-type: none"> <li>NERSA blamed for prices that are administered by the DoE</li> </ul>	<ul style="list-style-type: none"> <li>Reasons for Decisions to be clear on the mandate scope</li> </ul>

# Updated situational analysis

Social Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Cross-Cutting:</b>		
1. High level of unemployment	<ul style="list-style-type: none"> <li>Political instability that can affect delivery of infrastructure to the poor</li> </ul>	<ul style="list-style-type: none"> <li>Internship and Learnership programmes</li> <li>NERSA can use tariffs to allow licensees to employ young people as apprentice</li> </ul>
2. Service delivery protests (consumer activism)	<ul style="list-style-type: none"> <li>Alienated and marginalised communities</li> <li>Potential increase in tariffs</li> </ul>	<ul style="list-style-type: none"> <li>Customer education</li> <li>Public consultation</li> <li>Mediation</li> <li>Funding mechanisms</li> <li>Need for policy clarity on tariff reducing instruments (State of Nation address)</li> </ul>
3. Resistance to energy infrastructure close to settlements	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that it is ready for expropriation proceedings in terms of the Electricity Regulation Act</li> </ul>

Technological Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Technological innovation e.g. Smart Grid	<ul style="list-style-type: none"> <li>Security of supply</li> <li>Stranded assets</li> </ul>	<ul style="list-style-type: none"> <li>Set Rules</li> <li>Monitor compliance</li> <li>Protect user information</li> <li>Customer education</li> </ul>
2. Renewable Generation	<ul style="list-style-type: none"> <li>Security of supply</li> <li>SA not meeting environmental targets</li> </ul>	<ul style="list-style-type: none"> <li>Licence</li> <li>Dispatch rules</li> <li>Grid code</li> </ul>
3. Gas as primary energy source	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> </ul>
4. Nuclear Generation	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Licensing</li> <li>Customer education</li> <li>Skills upgrade for NERSA</li> </ul>
5. Energy efficiency	<ul style="list-style-type: none"> <li>Revenue shortfall for municipalities/distributors</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for a different funding model for municipalities so that they don't have to depend mainly on electricity revenues.</li> </ul>

Technological Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Regulatory framework lags technological innovation	<ul style="list-style-type: none"> <li>Unregulated gas activities (risk)</li> <li>Deters entry and investment</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> <li>Incentivise through tariffs, prices and licensing</li> </ul>
2. Lack of piped-gas infrastructure for new technology e.g. Compressed Natural Gas/ Liquefied Natural Gas	<ul style="list-style-type: none"> <li>Deters investment and growth of downstream industry</li> </ul>	<ul style="list-style-type: none"> <li>Legislative amendments (e.g. CNG)</li> <li>Request policy clarity (National Treasury on fuel levy)</li> </ul>
3. New gas technology becoming flexible, portable and more accessible globally	<ul style="list-style-type: none"> <li>SA misses out on opportunity to replace crude imports with domestic GTL</li> </ul>	<ul style="list-style-type: none"> <li>Policies driving and encouraging investments in such technologies</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Use of pipeline threatened by the use of alternative forms of energy	<ul style="list-style-type: none"> <li>Lower volumes will lead to higher tariffs</li> </ul>	<ul style="list-style-type: none"> <li>NERSA cannot stop future technological change, it is something that always happens</li> </ul>
2. Fragmentation of the different types of fuel - losing economies of scale	<ul style="list-style-type: none"> <li>Lower volumes will lead to higher tariffs. Higher TPL costs as there are higher interface volumes</li> </ul>	<ul style="list-style-type: none"> <li>Encourage rationalisation of grades and specifications, so that we do not have the same experience as happened in California</li> </ul>
<b>Cross-Cutting:</b>		
1. Mode of transport is changing	<ul style="list-style-type: none"> <li>NERSA lagging behind changes in technology</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and understand the impact of technological developments on revenue streams and households</li> <li>Engage, research and understand</li> </ul>
2. Changes in technologies		

Environmental Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Environmental activism	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy</li> </ul>
2. Embedded and self-generation	<ul style="list-style-type: none"> <li>Municipal sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Engage with stakeholders</li> <li>Regulate tariff to minimise impact on municipality (0.8 Eskom tariff)</li> </ul>
3. Growing awareness of environmental factors	<ul style="list-style-type: none"> <li>SA not meeting its reduction in green house gas emission targets</li> </ul>	<ul style="list-style-type: none"> <li>Utilise the Multi-Year Price Determination to facilitate contributing towards the reduction of green house gas emissions</li> </ul>
4. Carbon tax policy	<ul style="list-style-type: none"> <li>Increase in the price of electricity → more bad debt → less economically viable ESI</li> </ul>	<ul style="list-style-type: none"> <li>Bring this to the attention of policy makers emphasising the detrimental effect it would have on a developmental state like the RSA.</li> </ul>

# Updated situational analysis

Environmental Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Environmental activism towards new gas sources and technologies (e.g. Shale Gas and hydraulic fracturing)	<ul style="list-style-type: none"> <li>SA misses out on significant domestic energy source</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> <li>Research</li> <li>Proactive participation where possible (task teams)</li> </ul>
2. Gas as an alternative to low carbon emissions	<ul style="list-style-type: none"> <li>High carbon emissions with associated health and environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Reduction of carbon emissions – punitive taxes applied	<ul style="list-style-type: none"> <li>Additional cost to the economy with no alternative fuel source of any scale</li> <li>Taxes applied by the economy cannot respond to the signal</li> </ul>	<ul style="list-style-type: none"> <li>Point out to Treasury the issues that indicate that the tax will not have the desired effect</li> <li>Show Treasury that there are no viable alternatives to the proposed tax</li> </ul>

Legal Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>		
1. Electricity Regulation Act under review	<ul style="list-style-type: none"> <li>NERSA's views not taken into consideration</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy</li> </ul>
2. Independent System and Market Operator Bill not yet passed	<ul style="list-style-type: none"> <li>NERSA not ready when the Independent System and Market Operator Bill becomes operational</li> <li>It may not do the intended</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy</li> <li>Proactively start preparing for a change in structures</li> <li>In licensing structures – businesses that can be ringfenced</li> </ul>
3. Regulatory Principles compromised	<ul style="list-style-type: none"> <li>Loss of credibility</li> <li>Listed as Regulatory Risk</li> <li>Subject to liability claims</li> </ul>	<ul style="list-style-type: none"> <li>Make sure all decisions are done in accordance with sound regulatory principles</li> </ul>



Legal Factors	Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>		
1. Legislative amendments and developments	<ul style="list-style-type: none"> <li>Cost of gas may be too high</li> <li>Deter entry into the gas market</li> <li>Weak mandate on regulation of piped gas</li> </ul>	<ul style="list-style-type: none"> <li>Continued proactive engagement during the amendment of the Gas Amendment Bill</li> <li>Comments on provisions of the Bill submitted to DoE</li> <li>Participate in public consultation workshops organised by DoE</li> </ul>
2. Inconsistencies between Gas Act and Agreement as well as competition law	<ul style="list-style-type: none"> <li>Confusion and manipulation of loopholes</li> <li>Forum shopping</li> </ul>	<ul style="list-style-type: none"> <li>Manage inconsistencies</li> <li>Alert policy maker to gaps in Act</li> <li>MoA with Competition Commission</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>		
1. Fragmentation of legislations – possible consolidation of downstream petroleum legislation	<ul style="list-style-type: none"> <li>NERSA may not be ready for this possible expansion of its mandate</li> </ul>	<ul style="list-style-type: none"> <li>Prepare and engage with DoE when it is ready</li> <li>Be proactive</li> </ul>
<b>Cross-Cutting:</b>		
1. National Energy Regulator Amendment Bill	<ul style="list-style-type: none"> <li>NERSA's views not taken into consideration</li> <li>NERSA not ready when the National Energy Regulator Amendment Bill becomes operational</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy</li> <li>Proactively start preparing for a change in mandate</li> </ul>
2. Ability to influence supplementary legislation	<ul style="list-style-type: none"> <li>NERSA's views not included</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> <li>Regulatory advocacy</li> </ul>
3. Compliance with statutory requirements (Public Finance Management Act and others)		
4. Electricity and Gas reticulation in the Constitution		
5. Fragmentation of laws		
6. Infrastructure Development Bill	<ul style="list-style-type: none"> <li>Expectation to fund out of tariff and tax instead of by investment.</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy</li> <li>NERSA needs a clear view of what funding model should be</li> </ul>

# Updated situational analysis

## CHALLENGES AND RISKS

The environmental scan/situational analysis of NERSA's performance environment identified industry specific challenges and risks that have informed the review of the strategic objectives and the programmes as indicated in the Strategic Plan (2012/13 - 2016/17) and the Annual Performance Plan (2014/15 - 2016/17). 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 facing the electricity supply industry

- Although the installed supply (capacity) exceeds the demand, available (operational) supply may not meet demand
  - Partial load losses and forced outages account for more than 10% of the installed capacity; and
  - Maintenance (mandatory) is being undertaken.
- Delays in the commissioning of Medupi, Kusile and Ingula
  - Additional costs and reduced security of supply; and
  - Limited propensity to expand operations by industries.
- Limited success on Energy Efficiency and Demand Side Management (EEDSM)
  - Targeted MW savings not achieved and retained
- Electricity prices have increased steeply over the last 5 years

- Limited growth; and
- Disinvestments (e.g. 35% of the Foundries have closed).
- Sustainability of some of the municipal electricity distributors
  - Affordability of Electricity services vs. funding of the municipality;
  - Divergence of prices from Eskom's prices; and
  - Self/embedded generation by consumers further reducing the electricity revenue.
- Adequacy of the municipal electricity infrastructure
  - Maintenance not at adequate levels in some cases; and
  - Refurbishment and/or upgrading not optimal.
- Introduction of Independent Power Producers (IPP's)
  - Renewable energy IPP's are successful but limited impact on the security of supply; and
  - Implementation of the December 2012 New generation capacity determination in terms of Section 34 of the Electricity Regulation Act by the Minister of Energy leading to
    - 18 to 24 months to financial closure; and
    - 2 to 5 years construction time.

### b) Challenges and risks facing the regulation of the electricity supply industry

- Crafting an affordable electricity price path
  - Enabling economic growth whilst ensuring the sustainability of the electricity utilities; and
  - Fair and delicate balancing the funding

- requirements of municipalities and affordability of electricity services.
- Facilitation of investments to enhance security of supply
  - Provide an enabling wheeling of power environment.
- Appropriate positioning of the Energy Regulator
  - Make decisions that balance the needs and requirements of all stakeholders (e.g. BHP Billiton investigation, requests to be supplied directly by Eskom, etc.);
  - Explain the decisions to avoid being misunderstood; and
  - Provide the necessary inputs to facilitate convergence of viewpoints.

### c) Priorities / mitigation strategies:

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

- Monitoring and enforcement of compliance
  - Implementation of MYPD2 and MYPD 3 as per the decision of the Energy Regulator;
  - Implementation of approved tariffs by all licensees;
  - Appropriate expenditure of the maintenance budget; and
  - Conduct compliance audits as planned.
- Determination of appropriate benchmarks and performance levels
  - Determination of construction, refurbishment, operation and maintenance costs; and
  - Provide updated inputs to the revision of the Independent Resource Plan (IRP).

- Establishment of customer and end-user fora
  - Regional presence in at least 6 provinces (after being approved by the Energy Regulator as part of the Organisational Review); and
  - Continue with the awareness programs.

## PIPED-GAS INDUSTRY REGULATION

### a) Challenges and risks facing the piped-gas industry

- Availability of anchor customers to kick start the gas market and facilitation of investments
  - Conversion of diesel fired power station delayed due to electrical power system operational constraints;
  - Shale gas possibilities may change the conditions (wait and see approach); and
  - Prohibitive conversion costs for some potential gas users.
- Access to the available gas transportation infrastructure
  - Lack of access to ROMPCO pipeline due to a range of factors.
- Acceptance/determination of an appropriate pricing regime
  - Uncertainty regarding the change from Market Value Pricing vs. Maximum Prices

### b) Challenges and risks facing the regulation of the piped-gas industry

- Changes in the pricing/regulatory regime
  - End of special dispensation period (March 2014); and
  - Move from Market Value Pricing to Maximum Prices.

- Facilitation of investments in the gas industry
  - Provide an enabling environment for the investments in the gas infrastructure.
- Appropriate positioning of the Energy Regulator
  - Make decisions that balance the needs and requirements of all stakeholders (e.g. Sasol Gas, Spring Lights Gas, VGN, customers, etc.);
  - Explain the decisions to avoid being misunderstood (e.g. Maximum Prices);
  - Continue with the education and capacity building initiatives; and
  - Foster alignment with all stakeholders on 3rd party access, trading activities, etc.

### c) 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:

- Monitoring and enforcement of compliance
  - Implementation of approved prices and tariffs; and
  - Compliance with license conditions (construction, operation, etc.).
- Continuous improvement of tariff setting methodology
  - Narrow the range of options available for tariff setting.

## PETROLEUM PIPELINES INDUSTRY REGULATION

### a) Challenges and Risks

- Challenge: Single storage methodology to cover:

- Vertically integrated oil companies invest in storage for own use - business model excludes investing in merchant capacity
  - Limits unutilised capacity and therefore 3rd party access; and
  - Tariffs a minor concern – we accept unrealistic low tariffs when we know they will not be applied.
- Merchant storage companies need high tariffs in early years to fund the debt service cover ratio imposed by lenders
- No historic regulatory asset base data: quandary – trended original cost or replacement cost used for same asset
- “Prudently Acquired” investigation into Transnet Pipelines New Multi-Product Pipeline project;
- Security of supply: quality of volume data is poor (oil companies, DoE, Transnet) impacts planning and shortages
- Transnet financial position:
  - Capital expenditure requirements:
    - Market Demand Strategy R300bn; and
    - Durban Dig Out Port R100bn.
  - Revenues:
    - Regulators reducing cash revenues (ports and pipelines).
- Concurrent jurisdictions:
  - DoE regulation – impact on pipeline volumes
  - Transnet National Ports Authority bidding for Build Own Operate Transfer (BOOT) policy
    - Transnet National Ports Authority conducts bids but cannot set / adjudicate tariffs; and

# Updated situational analysis

- Mismatch between BOOT period and life of assets.
- Competition Commission view on data publication.

## b) Priorities / mitigation strategies

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

### 1. Tariffs:

- Setting/approval of tariffs;
- Review of tariff methodologies (pipelines and storage and loading facilities);
- Publication of data;
- Benchmarking;
- Determination of starting regulatory asset base of storage and loading facilities;
- Determine Ke for new investors;
- Investigate “prudently acquired” costs for Transnet’s New Multi-Product Pipeline;
- Scrutinising the increase in Regulatory Asset Base;
- Gearing to be consistent with previous decisions;
- Monitor high increase in operational expenses; and
- Start preparing for possible Multi-Year Tariff applications.

### 2. Licensing:

- Timely decisions on applications for construction, operation, amendment of licences and revocation of licences; and
- Defend Visigro legal action.

### 3. Monitoring and compliance:

- Monitoring and inspections of licences issued; and

- Identification of and appropriate action against unlicensed facilities

### 4. Data collection and analysis;

### 5. Access:

- Common carriage and 3rd party access: monitoring facilitation and enforcement.

### 6. Monitoring security of inland supply.

### 7. Engage DoE on strategic stocks policy and security of supply.

### 8. Address issues of concurrent jurisdiction with the DoE and Transnet National Ports Authority.

## 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 coordinate NERSA activities with other regulators with concurrent jurisdiction;
- Consumer advocacy;
- To assess NERSA’s processes and methodologies against best in world practices through regulatory analysis, research, benchmarking and auditing;
- 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 keep abreast with new developments and adapting regulatory tools for increasing sophistication in the energy business; and
- To sustain the institutional memory of NERSA.

### b) Priorities:

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

## 1.2. STAKEHOLDER ANALYSIS AND ENGAGEMENT

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

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

## 1. Normative Stakeholder Group

Normative groups provide the authority for NERSA to function and the organisation is dependent on their co-operation and goodwill. They are NERSA's stakeholders and are critical for NERSA in the accomplishment of its mission. They have the ability to influence the course of our regulatory functions or existence. These target groups include the Portfolio Committee on Energy; all Parliamentarians and government departments such as the Ministry and Department of Energy; Ministry and Department of Public Enterprises; Ministry and Department of Finance (National Treasury); Ministry and Department of Cooperative Governments and Traditional Affairs; National Planning Commission; Work streams established by the Inter Ministerial Committee; and Auditor-General. NERSA should be actively involved in interacting with decision-makers such as Parliament and Government. Strategic partnerships with international donors, funders and communities such as NORAD, USAid, DFID, AUSAid, NZODA and Daneda are also vital for NERSA to operate more effectively and efficiently through the funding of capacity building and knowledge sharing projects.

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

## 2. FUNCTIONAL GROUPS

Functional groups directly affect many of the day-to-day activities of NERSA. Its most important target group is its employees because the credibility of NERSA is mainly determined by

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

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

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

'An informed employee is an inspired, motivated and productive employee'.

## 3. PUBLIC GROUPS

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

- Utilities, Investors and Licencees  
Eskom, Eskom Enterprises, Metro Councils Local Municipalities, Other Distributors, Transnet, PetroSA, iGas, Shell, Transnet Pipelines, Sasol Gas, All big oil companies, Sasol Oil and Engen. It is mutually beneficial to maintain a meaningful relationship by sharing needs, perceptions and values. It is also important to share information on new projects, progress made on existing ones, successes and breakthroughs.
- Customers
  - Industrial: they are major stakeholders of NERSA and account for 35% of the electrical energy consumed in South Africa. They play an important role in the economic growth, prosperity and development of South Africa. They have a major interest in the outcome of the management and restructuring of the electricity industry. NERSA needs to form close relationships with them through active involvement, engagement and participation in energy-related activities, which have a bearing on the business of energy intensive consumers;
  - Commercial, agricultural, and residential (urban/rural): NERSA needs to form closer relationships with them through active involvement, engagement and participation; and

# Updated situational analysis

- 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.

## STAFF COMPLEMENT

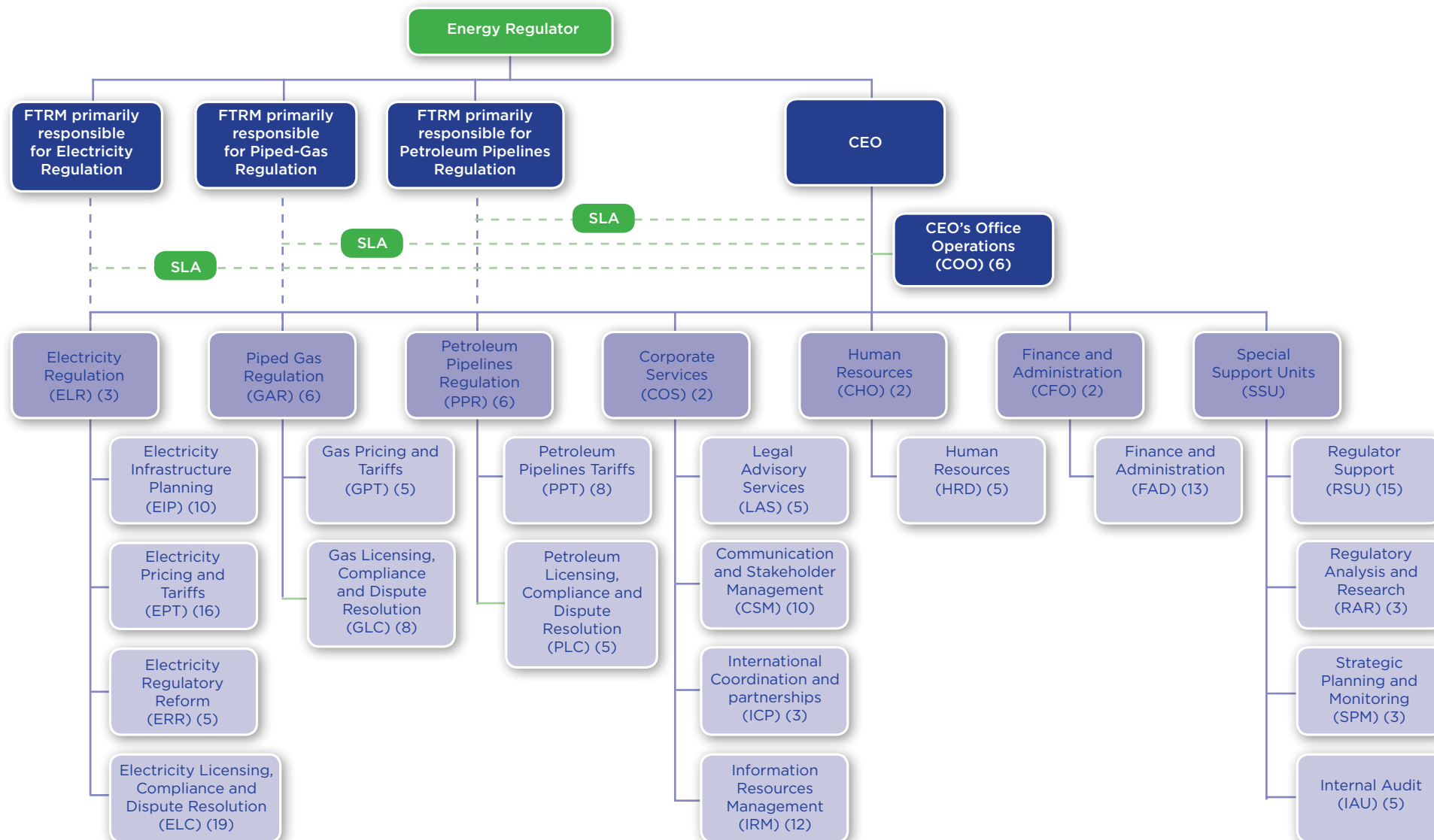
During 2012/13, NERSA managed to fill 88.1% of positions in the approved structure of 177 positions. This is indicating challenges of under capacitation. The lack of specialized industry specific technical skills in both core business and support functions makes NERSA utilise consultants from time to time. NERSA is committed to resourcing the organisational appropriately to achieve its goals.

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 (GLAC)	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

### 1.3. ORGANISATIONAL ENVIRONMENT

Following is the approved NERSA Organisational Structure:



# Updated situational analysis

## ORGANISATIONAL CHALLENGES

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

Challenge	NERSA response to the challenge
Legislative amendment: <ul style="list-style-type: none"> <li>• National Energy Regulator Amendment Bill</li> <li>• Electricity Regulation Amendment Bill</li> <li>• Gas Amendment Bill</li> <li>• Independent System and Market Operator Bill</li> </ul> Possible change in institutional character	Organisational Review
Attraction and retention of requisite skills	<ul style="list-style-type: none"> <li>• Improved Human Resource Policies, Procedures and Systems</li> <li>• Culture recalibration</li> <li>• Conditions of Service</li> </ul>
Enabling technology	<ul style="list-style-type: none"> <li>• Business Process Analysis</li> <li>• Improvement of IT systems and processes</li> <li>• Knowledge Management</li> </ul>
Image of NERSA	<ul style="list-style-type: none"> <li>• Comprehensive stakeholder strategy</li> </ul>
Conducive working environment	<ul style="list-style-type: none"> <li>• Organisational culture development</li> <li>• Refurbishment of the NESRA building</li> </ul>



## 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

## Revisions to legislative and other mandates

- 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;
- White Paper on Renewable Energy Policy for South Africa of 2003; and
- 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 six outcomes that the Minister of Energy has committed to:

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

NERSA contributes through:

- Offering advice/comment with regards to cleaner fuels;
- Driving renewable energy programmes and promoting the introduction of renewables and gas into the energy mix;
- In determining electricity pricing, NERSA has set aside 3.2c/kWh in the second Multi-

Year Price Determination (MYPD2) for the Electrification Cross-subsidy;

- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Implementing inclining block tariffs to protect the low income 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;
- Approving renewable energy licensees to ensure that the socio-economic development commitments specified in the DoE bidding process are met; and
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive.

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

NERSA contributes through:

- Regulating in a manner which facilitates security of supply;
- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage investment;
- Facilitating 3rd party access to facilities; and

- Monitoring compliance and undertaking technical audits leading to regulatory efficiency.

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

NERSA contributes through:

- Facilitating access to electricity / energy services;
- Facilitating reliability of supply;
- Monitoring maintenance of infrastructure;
- Compliance monitoring to licence conditions; and
- Dispute resolution, including mediation, arbitration and handling of complaints.

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

NERSA contributes through:

- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- Promoting energy efficiency in licensees and in the NERSA building;
- Saving of electricity (MYPD1 and MYPD2);
- We have concurred with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) regarding Open Cycle Gas Turbines in order to give effect to the Integrated Resource Plan (IRP);
- Monitoring the implementation of the IRP; and
- Facilitating the transition to a low carbon economy.

## Revisions to legislative and other mandates

### OUTCOME 12:

#### An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

NERSA contributes through:

- Transparent Processes;
- All Decisions and Reasons thereof are made public through being published on the web site;
- The Public is invited to make comments prior to decisions being made (written or in public hearing);
- Customer education;
- Training and development of staff and stakeholders;
- Clean Energy Education and Empowerment; and
- Corporate Social Investment – Luvuyo House, Techno Girl.

### 2.3. NERSA'S CONTRIBUTION TO THE NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP) is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems.

High-level objectives to be achieved by 2030

The high level objectives of the NDP are to:

- Reduce the number of people who live in households with a monthly income below R419 per person (in 2009 prices) from 39 percent to zero; and

- Reduce inequality, as measured by the Gini Coefficient, from 0.69 to 0.6.

#### ENABLING MILESTONES

1. Increase employment from 13 million in 2010 to 24 million in 2030.
2. Raise per capita income from R50 000 in 2010 to R120 000 by 2030.
3. Increase the share of national income of the bottom 40 percent from 6 percent to 10 percent.
4. Establish a competitive base of infrastructure, human resources and regulatory frameworks.
5. Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup.
6. Broaden ownership of assets to historically disadvantaged groups.
7. Increase the quality of education so that all children have at least two years of preschool education and all children in grade 3 can read and write.
8. Provide affordable access to quality health care while promoting health and wellbeing.
9. Establish effective, safe and affordable public transport.
10. Produce sufficient energy to support industry at competitive prices, ensuring access for poor households, while reducing carbon emissions per unit of power by about one-third.
11. Ensure that all South Africans have access to clean running water in their homes.
12. Make high-speed broadband internet universally available at competitive prices.
13. Realise a food trade surplus, with one-third produced by small-scale farmers or households.
14. Ensure household food and nutrition security.

15. Entrench a social security system covering all working people, with social protection for the poor and other groups in need, such as children and people with disabilities.
16. Realise a developmental, capable and ethical state that treats citizens with dignity.
17. Ensure that all people live safely, with an independent and fair criminal justice system.
18. Broaden social cohesion and unity while redressing the inequities of the past.
19. Play a leading role in continental development, economic integration and human rights.

#### CRITICAL ACTIONS

1. A social compact to reduce poverty and inequality, and raise employment and investment.
2. A strategy to address poverty and its impacts by broadening access to employment, strengthening the social wage, improving public transport and raising rural incomes.
3. Steps by the state to professionalise the public service, strengthen accountability, improve coordination and prosecute corruption.
4. Boost private investment in labour-intensive areas, competitiveness and exports, with adjustments to lower the risk of hiring younger workers.
5. An education accountability chain, with lines of responsibility from state to classroom.
6. Phase in national health insurance, with a focus on upgrading public health facilities, producing more health professionals and reducing the relative cost of private health care.
7. Public infrastructure investment at 10 percent of gross domestic product (GDP), financed through tariffs, public-private partnerships, taxes and loans and focused on transport, energy and water.

8. Interventions to ensure environmental sustainability and resilience to future shocks.
9. New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps.
10. Reduce crime by strengthening criminal justice and improving community environments.

#### **NERSA'S CONTRIBUTION:**

Even though NERSA contributes indirectly to most of the enabling milestones, NERSA contributes specifically to the following:

#### **ENABLING MILESTONE 4: Establish a competitive base of infrastructure, human resources and regulatory frameworks**

NERSA contributes through:

- Publication of rules, codes and guides for the regulation of the electricity, piped-gas and petroleum pipelines industries;
- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage investment;
- Facilitating 3rd party access to facilities;
- Monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure;
- Transparent Processes;
- All Decisions and Reasons thereof are made public through being published on the NERSA web site;
- The Public is invited to make comments prior to decisions being made (written or in public hearing); and
- Customer education.

#### **ENABLING MILESTONE 6: Broaden ownership of assets to historically disadvantaged groups**

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;
- Issuing licences to eligible renewable energy operators to ensure that the socio-economic development commitments specified in the DoE bidding process are met; and
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive.

#### **ENABLING MILESTONE 10: Produce sufficient energy to support industry at competitive prices, ensuring access for poor households, while reducing carbon emissions per unit of power by about one-third**

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 set aside 3.2c/kWh in the second Multi-Year Price Determination (MYPD2) for the Electrification Cross-subsidy;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Implementing inclining block tariffs for electricity consumers;
- Regulating in a manner which facilitates security of supply;

- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- Promoting energy efficiency in general in South Africa and in particular in the NERSA building;
- NERSA has concurred with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) regarding Open Cycle Gas Turbines in order to give effect to the Integrated Resource Plan (IRP);
- Monitoring the implementation of the IRP; and
- Facilitating the transition to a low carbon economy.

#### **2.4. NERSA'S CONTRIBUTION TO THE NATIONAL INFRASTRUCTURE PLAN**

The South African Government adopted a National Infrastructure Plan in 2012 that intends to transform our economic landscape while simultaneously creating significant numbers of new jobs, and to strengthen the delivery of basic services. The plan also supports the integration of African economies.

Government will over the three years from 2013/14 invest R827 billion in the building of new and the upgrading of existing infrastructure, Minister of Finance Pravin Gordhan announced in his 2013 Budget Speech.

These investments will improve access by South Africans to healthcare facilities, schools, water, sanitation, housing and electrification. On the other hand, investment in the construction of ports, roads, railway systems, electricity plants,

## Revisions to legislative and other mandates

hospitals, schools and dams will contribute to faster economic growth. The biggest chunk of the investment in infrastructure will continue to come from Eskom which will invest R205.1 billion over the next three years. Eskom's new power stations, Medupi and Kusile, are expected to start producing electricity in 2014 and 2015 respectively.

Eighteen years into our democracy, there are still major challenges of poverty, unemployment and inequality.

The New Growth Path sets a goal of five million new jobs by 2020, identifies structural problems in the economy to be overcome and points to opportunities in specific sectors and markets or "jobs drivers". The first jobs driver is infrastructure: laying the basis for higher growth, inclusivity and job creation.

In order to address these challenges and goals, Cabinet established the Presidential Infrastructure Coordinating Committee (PICC), to:

- coordinate, integrate and accelerate implementation;
- develop a single common National Infrastructure Plan that will be monitored and centrally driven;
- identify who is responsible and hold them to account; and
- develop a 20-year planning framework beyond one administration to avoid a stop-start pattern to the infrastructure roll-out.

Under their guidance, 18 strategic integrated projects (SIPs) have been developed.

### THE 18 STRATEGIC INTEGRATED PROJECTS (SIPS)

The SIPs cover social and economic infrastructure across all nine provinces (with an emphasis on lagging regions).

The SIPs include catalytic projects that can fast-track development and growth. Work is being aligned with key cross-cutting areas, namely human settlement planning and skills development.

The SIPs comprise:

- Five geographically-focused SIPs;
- Three spatial SIPs;
- Three energy SIPs;
- Three social infrastructure SIPs;
- Two knowledge SIPs;
- One regional integration SIP; and
- One water and sanitation SIP.

Following are all the SIPs in each of these categories with detail on Government's planned intervention on the Energy SIPs.

### GEOGRAPHICALLY-FOCUSED SIPS

1. **SIP 1:** Unlocking the northern mineral belt with Waterberg as the catalyst;
2. **SIP 2:** Durban-Free State-Gauteng logistics and industrial corridor;
3. **SIP 3:** South-Eastern node & corridor development;
4. **SIP 4:** Unlocking the economic opportunities in North West; and
5. **SIP 5:** Saldanha-Northern Cape development corridor.

### SPATIAL SIPS

1. **SIP 6:** Integrated municipal infrastructure project
2. **SIP 7:** Integrated urban space and public transport programme
3. **SIP 11:** Agri-logistics and rural infrastructure

### ENERGY SIPS

1. **SIP 8:** Green energy in support of the South African economy
  - Support sustainable green energy initiatives on a national scale through a diverse range of clean energy options as envisaged in the Integrated Resource Plan (IRP2010).
  - Support bio-fuel production facilities.
2. **SIP 9:** Electricity generation to support socio-economic development
  - Accelerate the construction of new electricity generation capacity in accordance with the IRP2010 to meet the needs of the economy and address historical imbalances.
  - Monitor implementation of major projects such as new power stations: Medupi, Kusile and Ingula.
3. **SIP 10:** Electricity transmission and distribution for all
  - Expand the transmission and distribution network to address historical imbalances, provide access to electricity for all and support economic development.
  - Align the 10-year transmission plan, the services backlog, the national broadband roll-out and the freight rail line



development to leverage off regulatory approvals, supply chain and project development capacity.

#### **SOCIAL INFRASTRUCTURE SIPS**

1. **SIP 12:** Revitalisation of public hospitals and other health facilities
2. **SIP 13:** National school build programme
3. **SIP 14:** Higher education infrastructure

#### **KNOWLEDGE SIPS**

1. **SIP 15:** Expanding access to communication technology
2. **SIP 16:** SKA and MeerKat

#### **REGIONAL SIP**

1. **SIP 17:** Regional integration for African cooperation and development

#### **WATER AND SANITATION SIP**

1. **SIP 18:** Water and sanitation infrastructure

#### **NERSA'S CONTRIBUTION:**

Even though NERSA contributes indirectly to more than just the energy SIPs, NERSA contributes specifically to the energy SIPs as follows:

#### **SIP 8: Green energy in support of the South African economy**

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;

- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- NERSA has concurred with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) regarding Open Cycle Gas Turbines in order to give effect to the Integrated Resource Plan (IRP);
- Monitoring the implementation of the IRP; and
- Facilitating the transition to a low carbon economy.

#### **SIP 9: Electricity generation to support socio-economic development**

NERSA contributes through:

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

#### **SIP 10: Electricity transmission and distribution for all**

NERSA contributes through:

- In determining electricity pricing, NERSA set aside 3.2c/kWh in the second Multi-Year Price Determination (MYPD2) for the Electrification Cross-subsidy;

- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Implementing inclining block tariffs for electricity consumers;
- Facilitating access to electricity / energy services;
- Facilitating reliability of supply;
- Monitoring maintenance of infrastructure;
- Compliance monitoring to licence conditions; and
- Dispute resolution, including mediation, arbitration and handling of complaints.

#### **2.5. NERSA'S CONTRIBUTION TO THE NATIONAL INDUSTRIAL POLICY FRAMEWORK**

The Industrial Policy Framework (NIPF) determined the framework for continuous improvement and upscaling of concrete industrial development interventions. The implementation of the NIPF is done through the Industrial Policy Action plan (IPAP) of which successive iterations seek to scale up interventions over rolling three year periods with a ten year outlook on desired economic outcomes. The latest published IPAP is for 2012/13 – 2014/15. The NIPF has the following core objectives:

- To facilitate diversification beyond the economy's current reliance on traditional commodities and non-tradable services that require the promotion of value-addition, characterised particularly by the movement into non-traditional tradable goods and services that compete in export markets and against imports;
- To ensure the long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy;

## Revisions to legislative and other mandates

- To promote a labour-absorbing industrialisation path, with the emphasis on tradable labour-absorbing goods and services and economic linkages that create employment;
- To promote industrialisation, characterised by the increased participation of historically disadvantaged people and marginalised regions in the industrial economy; and
- To contribute towards industrial development in Africa with a strong emphasis on building the continent's productive capacity and secure regional economic integration.

IPAP represents a range and mix of policies that are critical to achieve a scaled-up industrial policy and a shift towards strengthening the productive side of the economy in general. These include:

- Stronger articulation between macro- and micro-economic policies;
- The development of a range of integrated and aligned incentive programmes including the Manufacturing Competitive Enhancement Programme (MCEP);
- Industrial financing channeled to real economy sectors;
- Promotion of public procurement to raise domestic production and employment in a range of sectors. This does not include the need for the alignment of B-BBEE and the industrial development objectives and the encouragement of private procurement processes to support localisation;
- Developmental trade policies that deploy trade measures in a selected and strategic manner, including tariffs, enforcement and Standards, Quality Assurance, Accreditation and Metrology (SQAM) measures. These should be deployed together with stronger

- interventions to prevent illegal imports and customs fraud;
- vi. Competition and regulation policies that lower costs for productive investments and for poor and for poor and working-class households;
- vii. Skills and innovation policies that are aligned to sectoral priorities;
- viii. Interventions designed to stimulate sub-regional growth, including in key sectors and value chains by way of the SEZ policy and programmes;
- ix. Interventions that give expression to Government's commitment to regional economic development and integration in Africa; and
- x. The deployment of these policies in general and in relation to more ambitious sector strategies, building on the significant platforms.

The policies that NERSA contributes to are:

1. **Leverage procurement**, where the key milestones that NERSA contributes to are:
  - Work with departments that are finalising agreements with relevant procuring entities to strengthen and deepen local procurement and supplier development for a range of fleets:
    - Key elements of the coal-fired electricity build programme procured by Eskom;
    - Key elements of the nuclear electricity build programme procured by Eskom; and
    - Key elements of the Transnet National Ports Authority and PetroSA procurement programmes.

2. **Sectors**, where the key milestones relating to the Metal fabrication, capital equipment and transport equipment sector that NERSA contributes to are:
  - Implementation of Energy Efficiency Programme through a combination of minimum energy performance requirements and compulsory labeling requirements for appliances
3. **Sectors**, where the key milestones relating to the Green Industries sector that NERSA contributes to are:
  - Ongoing gradual increment of local content requirements with every successive Renewable Energy Independent Power Producer Procurement Programme bidding round; and
  - Input into the tender and Public Private Partnership specifications to ensure localisation in renewable energy bids.

### 2.6. RELEVANT COURT RULINGS

NERSA received a High Court application from Eskom on the Energy Regulator decision to award Midvaal an electricity distribution licence amendment.

NERSA also received a High Court application from Visigro relating to storage licence conditions imposed on SFF.

These pending decisions by the High Court may have an impact on the contents of the Strategic Plan for the period 2012/13 – 2016/17.



## 2.7. 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 (IPP's) 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 IPP's.

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 coordinated 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.

## Overview of 2014/15 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. Upon reviewing the ring-fencing methodology in preparation of the budget for 2014/15, it was found that there have been no amendments to the organisational structure since the approval of the methodology. The ring-fencing methodology is therefore still valid. NERSA is in the process of

embarking on an organisational review. Once this review has been completed, the revised staff compliment will be used to revisit the methodology. The Energy Regulator also has the discretion to review the ratios should there be indications of actual ratio's varying by more than 5%.

3.2. The total NERSA Expenditure Budget amounts to R324 076 178 for 2014/15 (2013/14: R275 907 346) with the specific budgets for regulating the three industries being as follows:

- Electricity Industry:  
R 181 729 876 (2013/14: R 159 225 099)
- Piped-gas Industry:  
R 73 497 604 (2013/14: R 56 942 531)
- Petroleum Pipelines Industry:  
R 68 848 698 (2013/14: R 59 739 715)

3.3. This expenditure budget represents an increase of 17.46% over the expenditure budget for the National Energy Regulator for the financial year 2013/14, submitted to the Minister of Energy at the end of August 2012.

3.4. The total funding requirement for NERSA for 2014/15 is 17.49% more than the funding requirement of 2013/14. The calculation of this increase includes refunds to the regulated industries and interest receivable.

3.5. Taking this into account, the total amount that NERSA will have to recover through levy income is R303 678 577 for 2014/15 (2013/14: R 236 785 743) with the specific amounts to

be recovered for the three industries being as follows:

- **Electricity Industry:**  
R 173 191 622 (2013/14: R 137 043 936)
- **Piped-gas Industry:**  
R 64 356 969 (2013/14: R 48 808 067)
- **Petroleum Pipelines Industry:**  
R 66 129 986 (2013/14: R 50 933 740)

3.6. The amount to be recovered through levy income represents an increase of 28.3% over the amount that had to be recovered for the financial year 2013/14, submitted to the Minister of Energy at the end of August 2012.

3.7. The expenditure estimates over the three year period 2014/15 – 2016/17 reflect a decrease of 3.01% from 2014/15 to 2015/16 and an increase 2.24% from 2015/16 to 2016/17.

# 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 need 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 licensees 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 licensees. 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.

## 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

# PART B

## PROGRAMME AND SUB-PROGRAMME PLANS

# 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 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To ensure financially sustainable supply of electricity by municipalities and private distributors	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.
		Approved guideline and tariff benchmarks for 2013/14	Published Guidelines for Municipal tariff increases and Benchmarks for 2014/15	Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Published Guidelines for Municipal tariff increases and Benchmarks for 2017/18
		None	None	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered
2.	To ensure affordability of electricity supply to low-income households	Approved Inclining Block Tariffs (IBTs) for 71% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 75% of licensed distributors for residential customers	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered
		Free Basic Electricity Rate for 2012/13 approved and communicated	Free Basic Electricity Rate for 2013/14 approved and communicated	Free Basic Electricity Rate for 2014/15 approved and communicated	Free Basic Electricity Rate for 2015/16 approved and communicated	Free Basic Electricity Rate for 2016/17 approved and communicated
		None	None	Annual report on FBE offering by municipalities considered	Annual report on FBE offering by municipalities considered	Annual report on FBE offering by municipalities considered

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
3.	To facilitate the sustainability of electricity supply by Eskom	Approved Eskom MYPD3	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered
		Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2013/14 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2014/15 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2016/17 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2017/18 in line with statutory guidelines



# Electricity Industry Regulation

## 6.1.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	% of tariff applications of all licensed distributors set and approved	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.	100% of tariffs applications of all licensed distributors approved.
2.	Annually published Guidelines for Municipal tariff increases and benchmarks	Approved guideline and tariff benchmarks for 2013/14	Published Guidelines for Municipal tariff increases and Benchmarks for 2014/15	Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Published Guidelines for Municipal tariff increases and Benchmarks for 2017/18
3.	% of submitted cost of supply studies by municipal distributors considered	None	None	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered
4.	Number of monitoring reports on the implementation of IBTs by licensed distributors in South Africa, considered	Approved Inclining Block Tariffs (IBTs) for 71% of licensed distributors for residential customers	Approved Inclining Block Tariffs (IBTs) for 75% of licensed distributors for residential customers	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered
5.	Annually approved Free Basic Electricity Rate for Eskom communicated	Free Basic Electricity Rate for 2012/13 approved and communicated	Free Basic Electricity Rate for 2013/14 approved and communicated	Free Basic Electricity Rate for 2014/15 approved and communicated	Free Basic Electricity Rate for 2015/16 approved and communicated	Free Basic Electricity Rate for 2016/17 approved and communicated
6.	Number of reports on FBE offering by municipalities, considered	None	None	Annual report on FBE offering by municipalities considered	Annual report on FBE offering by municipalities considered	Annual report on FBE offering by municipalities considered



Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
7.	Number of Reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Approved Eskom MYPD3	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered
8.	Annually approved retail tariffs (ERTSA) of Eskom	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2013/14 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2014/15 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2016/17 in line with statutory guidelines	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2017/18 in line with statutory guidelines

# Electricity Industry Regulation

## 6.1.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of tariff applications of all licensed distributors set and approved	Annually	100% of tariffs applications of all licensed distributors approved.	100% of tariff applications received from licensed distributors analysed, approved and communicated	Consultations with licensees and assistance offered to struggling municipalities for next tariff cycle	Consultations with licensees and assistance offered to struggling municipalities for next tariff cycle	Adopted tariff review plan for next tariff cycle
				-	Published tariff book with all municipal tariffs	-	-
2.	Annually published Guidelines for Municipal tariff increases and benchmarks	Annually	Published Guidelines for Municipal tariff increases and benchmarks for 2015/16	-	Draft Consultation paper on the guideline and benchmarks for the municipal tariff increases	Published Guideline and benchmarks for municipal tariff increases	-
				-	Public Hearings held for the determination of the guideline and benchmarks for the municipal tariff increases	-	-
3.	% of submitted cost of supply studies by municipal distributors considered	Quarterly	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered	100% of cost of supply studies submitted by municipal distributors considered

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
4.	Number of monitoring reports on the implementation of IBTs by licensed distributors in South Africa, considered	Annually	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	-	Annual report on the monitoring implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered	-	-
5.	Annually approved Free Basic Electricity Rate for Eskom communicated	Annually	Free Basic Electricity Rate for 2014/15 approved and communicated	Approved and communicated Free Basic Electricity Rate for the compensation of Eskom for implementation on 1 July 2014	-	-	Draft Free Basic Electricity Rate for implementation on 1 July 2015
6.	Number of reports on FBE offering by municipalities, considered	Annually	Annual report on FBE offering by municipalities considered	-	Report on FBE offering by municipalities submitted to the Energy Regulator for consideration	-	-

## Electricity Industry Regulation

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
7.	Number of Reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Biannually	Bi-annual reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered	Report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD relating to 6 months ending 30 September 2013		Report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD3 relating to 6 months ending 31 March 2014	-
8.	Annually approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom) in line with statutory guidelines	Annually	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom) for 2015/16 in line with statutory guidelines	-	Draft ERTSA for the 2015/16 financial year	-	Approved ERSTA for the 2015/16 financial year

### 6.1.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

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

## 6.2. ELECTRICITY INDUSTRY REGULATION PROGRAMME 2: LICENSING AND REGISTRATION

### 6.2.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To control entry and ensure orderly development of the Electricity industry	80% of licence applications processed within 120 days from application	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information

### 6.2.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Performance Indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	% of licence applications processed within statutory time frames	80% of licence applications processed within 120 days from application	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information

### 6.2.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Estimated performance	Quarterly targets			
			2013/14	1st	2nd	3rd	4th
1.	% of license applications processed within statutory time frames	Quarterly	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information	100% of licence applications processed within 120 days from date of receipt of all required information

## Electricity Industry Regulation

### 6.2.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

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

### 6.3. ELECTRICITY INDUSTRY REGULATION PROGRAMME 3: COMPLIANCE MONITORING AND ENFORCEMENT

#### 6.3.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To promote the quality and reliability level of electricity supply	10 audit reports on the state on compliance of licensees with licence conditions	10 audit reports on the state of compliance of licensees with licence conditions	15 audit reports on the state of compliance of licensees with licence conditions	20 audit reports on the state of compliance of licensees with licence conditions	25 audit reports on the state of compliance of licensees with licence conditions
		-	Monitoring of implementation of all (100%) of corrective action plans submitted by non-complying licensees monitored	Monitoring implementation of all (100%) of corrective action plans submitted by non-complying licensees monitored	Monitoring implementation of all (100%) of corrective action plans submitted by non-complying licensees monitored	Monitoring implementation of all (100%) of corrective action plans submitted by non-complying licensees monitored
		-	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website
		Draft Audit report on Integrated Demand Management (IDM) submitted to Eskom for response to the findings and recommendations	One audit report on the review of the annual performance of IDM for <u>2012/13</u> considered by the Energy Regulator	One audit report on the review of the annual performance of IDM for <u>2013/14</u> considered by the Energy Regulator	One audit report on the review of the annual performance of IDM for <u>2014/15</u> considered by the Energy Regulator	One audit report on the review the annual performance of IDM for <u>2015/16</u> considered by the Energy Regulator

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
		Action plan for the IDM audit for 2011/12	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2012/13 IDM performance	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2015/16 IDM performance
		-	Audit report on Eskom's Transmission Network Development 2012/13 projects for compliance with the South African Grid Code published on NERSA website	Audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code published on NERSA website	Audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code published on NERSA website	Audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code published on NERSA website
		-	-	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2012/13 network projects	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2013/14 network projects	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects
		Four reports on the performance and progress of Renewable Energy for 2012/13.	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2013/14 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17 for publication on NERSA website

# Electricity Industry Regulation

## 6.3.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of audit reports on the state of compliance of licencees with licence conditions	10 audit reports on the state on compliance of licensees with licence conditions	10 audit reports on the state of compliance of licensees with licence conditions	15 audit reports on the state of compliance of licensees with licence conditions	20 audit reports on the state of compliance of licensees with licence conditions	25 audit reports on the state of compliance of licensees with licence conditions
2.	% of corrective action plans received from non-complying licencees monitored	-	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored
3.	Number of reports on state of compliance in the electricity industry published	-	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website	Annual report on state of compliance in the electricity industry published on NERSA website
4.	Number of audit reports on the review of the annual performance of IDM considered by the Energy Regulator	Audit submitted to Eskom for response to the findings and recommendations	One audit report on the review of the annual performance of <u>IDM for 2012/13</u> considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM for 2013/14</u> considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM for 2014/15</u> considered by the Energy Regulator	One audit report on the review the annual performance of <u>IDM for 2015/16</u> considered by the Energy Regulator
5.	Number of monitoring reports on the implementation of the corrective action plan received from Eskom based on the annual audit finding	Action plan for the IDM audit	One annual monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2012/13 IDM performance	One annual monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance	One annual monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance	One annual monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2015/16 IDM performance



Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
6.	Number of audit reports on Eskom's Transmission Network Development projects for compliance with the South African Grid Code published on NERSA website	-	One audit report on Eskom's Transmission Network Development 2012/13 projects for compliance with the South African Grid Code published on NERSA website	One audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code published on NERSA website	One audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code published on NERSA website	One audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code published on NERSA website
7.	Number of monitoring reports on the implementation of the corrective action plan received from Eskom based on the audit finding	-	-	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2012/13 network projects	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2013/14 network projects	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects
8.	Number of reports on the performance and progress of Renewable Energy	Four reports on the performance and progress of Renewable Energy for 2012/13.	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2013/14 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16 for publication on NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17 for publication on NERSA website

## Electricity Industry Regulation

### 6.3.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of audit reports on the state of compliance of licencees with license conditions	Quarterly	15 audit reports on the state of compliance of licensees with licence conditions	5 audit reports	5 audit reports	4 audit reports	1 audit report
2.	% of corrective action plans received from non-complying licencees monitored	Quarterly	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored	All 100% of corrective action plans submitted by non-complying licencees monitored
3.	Number of reports on state of compliance in the electricity industry published	Annually	Annual report on state of compliance in the electricity industry published on NERSA website	Report on the findings of the audited licencees for 2013/14 published on the NERSA website	-	-	-
4.	Number of audit reports on the review of the annual performance of IDM considered by the Energy Regulator	Annually	One audit report on the review of the annual performance of IDM for 2013/14 considered by the Energy Regulator	-	-	Draft report submitted to IDM management for comments	Audit report on the annual IDM performance for 2013/14 considered by the Energy Regulator

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
5.	Number of monitoring reports on the implementation of the corrective action plan received from Eskom based on the annual audit finding	Annually	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for 2013/14 IDM performance	Monitoring report on the implementation of the corrective action plan based on the audit finding of 2012/13 received from Eskom considered by the Energy Regulator	Analysis report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance	Monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance considered by the Energy Regulator	-
6.	Number of audit reports on the findings of the annual audit of Eskom's Transmission Network Development projects for compliance with the South African Grid Code published on NERSA website	Annually	One Audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code published on NERSA website	Data collection from sample of projects	-	Draft analysis report submitted to Eskom Transmission management for comment	Audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code to be considered by the Energy Regulator and published on NERSA website

## Electricity Industry Regulation

Performance indicator	Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
			1st	2nd	3rd	4th
7. Annual monitoring report on the implementation of the corrective action plan based on the audit finding, received from Eskom	Annually	Monitoring report on the implementation of the corrective action plan based on the audit finding of 2012/13 received from Eskom	-	Analysis of the received Eskom Transmission progress report on the implementation of the corrective action plans based on the audit findings for 2012/13 network projects performance	Monitoring report on the Transmission implementation of the corrective action plans based on the audit finding for 2012/13 network projects performance considered by the Energy Regulator	-
8. Number of reports on the performance and progress of Renewable Energy	Biannually	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15 published	-	One monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15 published	-	One monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15 published

### 6.3.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## 6.4. ELECTRICITY INDUSTRY REGULATION PROGRAMME 4: DISPUTE RESOLUTION, INCLUDING MEDIATION, ARBITRATION AND HANDLING OF COMPLAINTS

### 6.4.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To create a fair balance between the needs of all stakeholders	70% of disputes/complaints processed within 120 days from receipt	75% of disputes/complaints closed within 120 days from receipt	80% of disputes/complaints closed within 180 days from receipt	80% of disputes/complaints closed within 180 days from receipt	80% of disputes/complaints closed within 180 days from receipt
		Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published

### 6.4.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	% of disputes/complaints closed within stated timelines	70% of disputes/complaints processed within 120 days from receipt	75% of disputes/complaints closed within 120 days from receipt	80% of disputes/complaints closed within 180 days from receipt	80% of disputes/complaints closed within 180 days from receipt	80% of disputes/complaints closed within 180 days from receipt
2.	Number of reports on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published

## Electricity Industry Regulation

### 6.4.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of disputes/ complaints closed within stated timelines	Quarterly	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt
2.	Number of reports on the trends regarding to the status of disputes and complaints in the electricity industry published	Annually	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published	-	-	-	Annual report on the trends regarding the status of disputes and complaints in the electricity industry published

### 6.4.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## 6.5. ELECTRICITY INDUSTRY REGULATION PROGRAMME 5: SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE ELECTRICITY INDUSTRY

### 6.5.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and Tx grid code, considered within 120 days from application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 80 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 70 days from receipt of application
		75% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 80 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 70 days from receipt of application

# Electricity Industry Regulation

## 6.5.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator	Audited/Actual performance 2012/13	Estimated performance 2013/14	Medium-term targets		
			2014/15	2015/16	2016/17
1. % of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within stated timeline	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 120 days from application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 80 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 70 days from receipt of application
2. % of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within stated timeline	75% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 120 days from application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 80 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within 70 days from receipt of application



### 6.5.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within stated timeline	Quarterly	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application
2.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered within stated timeline	Quarterly	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemption</u> to the South African distribution and transmission grid code, considered within 90 days from receipt of application

## Electricity Industry Regulation

### 6.5.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

### 6.6. ELECTRICITY INDUSTRY REGULATION PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR

#### 6.6.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To facilitate the effectiveness of NERSA in the electricity industry	1 end user forum established in alignment with compliance issues	5 end user forums established in alignment with compliance issues	5 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 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of end-user forums established	1 end user forum established in alignment with compliance issues	5 end user forums established in alignment with compliance issues	5 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 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Estimated performance 2013/14	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of end-user forums established	Quarterly	5 end user forums established in alignment with compliance issues	1 end user forums established in alignment with compliance issues	1 end user forums established in alignment with compliance issues	1 end user forums established in alignment with compliance issues	2 end user forums established in alignment with compliance issues

### 6.6.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

# 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 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To provide piped-gas price certainty	Decision on maximum price applications for two licensees	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered
2.	To provide piped-gas tariff certainty (to approve and monitor gas transmission and storage tariffs)	Decision on Transnet transmission tariff for 2012 within 120 days from the date of publication of the (final) tariff application.	Within 120 days of the date of publishing the preliminary tariff assessment, the transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment, the transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment, the transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment, the transmission tariff applications are considered
3.	To provide regulatory certainty by enforcing compliance with the Regulatory Agreement	Within 110 days after receipt of the relevant information, the 2011/12 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	Within 110 days after receipt of the relevant information, the 2012/13 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	Within 110 days after receipt of the relevant information, the 2013/14 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	-	-

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
		Calculate aggregate prices of gas for each province within 120 days after receipt of the relevant information	Within 120 days after receipt of the relevant information the aggregate prices of gas for 2012/13 for each province are approved	Within 110 days after receipt of the relevant information the aggregate prices of gas for 2013/14 for each province are approved	-	-

## Piped-Gas Industry Regulation

### 7.1.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of days from publishing the draft assessment of the maximum price applications, within which the maximum prices for all licensees are considered	Decision on maximum price applications for two licensees	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered
2.	Number of days from the date of publication of the preliminary tariff assessment, within which transmission tariff applications are considered	Decision on Transnet transmission tariff application for 2012 within 120 days from the date of publication of the (final) tariff application	Within 120 days of the date of publishing the preliminary tariff assessment transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment, the transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment transmission tariff applications are considered	Within 120 days of the date of publishing the preliminary tariff assessment transmission tariff applications are considered
3.	Number of days within which a report on Sasol Gas' compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is provided	Within 110 days after receipt of the relevant information, the 2011/12 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	Within 110 days after receipt of the relevant information, the 2012/13 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	Within 110 days after receipt of the relevant information, the 2013/14 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is completed	-	-
4.	Number of days within which the calculation of aggregate prices of gas for each province in terms the Agreement is completed	Calculate aggregate prices of gas for each province within 120 days after receipt of the relevant information	Within 120 days after receipt of the relevant information the aggregate prices of gas for 2012/13 for each province are approved	Within 110 days after receipt of the relevant information the aggregate prices of gas for 2013/14 for each province are approved	-	-

### 7.1.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of days from publishing the draft assessment of the maximum price applications, within which the maximum prices for all licensees are considered	Annual	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered	Within 120 days of the publication of the draft assessment of the maximum price application, the maximum prices for all licensees other than Sasol Gas are considered
1.	Number of days from the date of publication of the preliminary tariff assessment, within which transmission tariff applications are considered	Annual	Within 120 days of the date of publishing the preliminary tariff assessment transmission tariff applications are considered	Decision on Transnet transmission tariffs for 2013/14.	-	-	-
3.	Number of days within which a report on Sasol Gas' compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement is provided	Annual	Within 110 days after receipt of the relevant information the 2013/14 Report on Sasol Gas compliance with all pricing and tariff provisions in terms of Schedule One to the Agreement completed	-	Receive and analyse data	Consultation and verification of information with licensees and customers	Consideration of report on compliance with all pricing provisions in terms of Schedule One to the Agreement.
4.	Number of days within which the calculation of aggregate prices of gas for each province in terms the Agreement is completed	Annual	Within 110 days after receipt of the relevant information the aggregate prices of gas for 2013/14 for each province are approved	-	Analysis of data received.	Data verification and approved aggregate prices of gas for 2013/14	-

## Piped-Gas Industry Regulation

### 7.1.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

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

### 7.2. PIPED-GAS INDUSTRY REGULATION PROGRAMME 2: LICENSING AND REGISTRATION

#### 7.2.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To ensure orderly development of the piped-gas industry by efficient licensing	97% of all licences processed within statutory deadlines and licensing procedures developed.	50% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period	70% of licence applications considered within 60 days after the end of the objection period	80% of licence applications considered within 60 days after the end of the objection period
2.	To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	All applications are processed within 60 days	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 110 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 100 days from date of receipt.



## 7.2.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	% of licence applications considered within 60 days after the end of the objection period	97% of all licences processed within statutory deadlines and licensing procedures developed.	50% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period	70% of licence applications considered within 60 days after the end of the objection period	80% of licence applications considered within 60 days after the end of the objection period
2.	Number of days taken to consider registration applications	All applications are processed within 60 days	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt	All applications for the registration of gas imports and production are processed and considered within 110 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 100 days from date of receipt.

## 7.2.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of licence applications considered within 60 days after the end of the objection period	Annual	60% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period	60% of licence applications considered within 60 days after the end of the objection period
2.	Number of days taken to consider registration applications	Annual	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.	All applications for the registration of gas imports and production are processed and considered within 120 days from date of receipt.

## Piped-Gas Industry Regulation

### 7.2.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

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

### 7.3. PIPED-GAS INDUSTRY REGULATION PROGRAMME 3: COMPLIANCE MONITORING AND ENFORCEMENT

#### 7.3.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	Assessed 12 monthly volume balance reports	12 monthly volume balance reports assessed and discrepancies investigated	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website
		Conduct 2 audits on the ROMPCO pipeline	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)
2.	To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	3 inspections conducted and non-compliance notices issued (if and when necessary)	4 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	4 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	5 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	6 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
3.	To facilitate entry and competition through third party access to transmission pipelines and storage facilities	Formulate guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities developed	Consulted guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Evaluation report of uncommitted capacity in the ROMPCO pipeline	Procedures for third party access to uncommitted capacity in the ROMPCO pipeline published
4.	To advise government on the impact of the implementation of the Regulatory Agreement	New objective	New objective	Agreed scope for impact analysis of the provisions of the Regulatory Agreement	Data collection and analysis	Final impact assessment report with recommendations

## Piped-Gas Industry Regulation

### 7.3.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of monthly volume balance reports assessed and discrepancies investigated, annual volumes published on NERSA website	Assessed 12 monthly volume balance reports	12 monthly volume balance reports assessed and discrepancies investigated	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website
2.	Number of audits on the ROMPCO pipeline conducted and non-compliance notices issued (if necessary)	Conduct 2 audits on the ROMPCO pipeline	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)
3.	Number of inspections conducted and non-compliance notices issued (if necessary)	3 inspections conducted and non-compliance notices issued (if and when necessary)	4 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	4 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	5 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	6 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)
4.	Publication of procedures for third party access to uncommitted capacity in the ROMPCO pipeline	Formulate guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities developed	Consulted guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Evaluation report of uncommitted capacity in the ROMPCO pipeline	Procedures for third party access to uncommitted capacity in the ROMPCO pipeline published
5.	Impact assessment report on the Regulatory Agreement	New objective	New objective	Agreed scope for impact analysis of the provisions of the Regulatory Agreement	Data collection and analysis	Final impact assessment report with recommendations

### 7.3.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of monthly volume balance reports assessed and discrepancies investigated, annual volumes published on NERSA website	Quarterly	12 monthly volume balance reports assessed and discrepancies investigated, and annual volumes published on NERSA website	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports	Assess 3 monthly volume balance reports
				Initiate investigation where required	Initiate investigation where required	Initiate investigation where required	Initiate investigation where required
2.	Number of audits the ROMPCO pipeline conducted and non-compliance notices issued (if necessary)	Quarterly	2 audits conducted on the ROMPCO pipeline according to the compliance manual and non-compliance notices issued (if necessary)	-	-	-	Conduct 2 audits and compile 2 audit assessment and compliance reports.
3.	Number of inspections conducted and non-compliance notices issued (if necessary)	Quarterly	4 inspections conducted according to the compliance manual and non-compliance notices issued (if and when necessary)	Conduct 1st inspection	Conduct 2nd inspection and report on findings of 1st inspection	Conduct 3rd inspection and report on findings of 2nd inspection	Conduct 4th inspection and report on findings of 3rd inspection

## Piped-Gas Industry Regulation

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
4.	Publication of procedures for third party access to uncommitted capacity in the ROMPCO pipeline	Annual	Consulted guidelines/criteria for determination and publishing of uncommitted capacity in transmission facilities	Conduct consultations with stakeholders	Conduct consultations with stakeholders	Conduct consultations with stakeholders	Final guidelines/ criteria for determination and publishing of uncommitted capacity in transmission facilities
5.	Impact assessment report on the Regulatory Agreement	Annual	Agreed scope for impact analysis of the provisions of the Regulatory Agreement	Data gathering from stakeholders	Data gathering from stakeholders	Analysis of data	Agreed scope for impact analysis of the provisions of the Regulatory Agreement

### 7.3.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## 7.4. PIPED-GAS INDUSTRY REGULATION PROGRAMME 4: DISPUTE RESOLUTION INCLUDING MEDIATION, ARBITRATION AND THE HANDLING OF COMPLAINTS

### 7.4.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To ensure fairness and equity in the piped-gas market	50% of received complaints investigations completed within 9 months	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable
		50% of initiated investigations completed within 9 months	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable
			-	-	Trends in non-compliance identified and reported on, where applicable	-

## Piped-Gas Industry Regulation

### 7.4.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of months within which complaints are investigated and considered and non-compliance notices issued where applicable	50% of received complaint investigations completed within 9 months	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt, all complaints are investigated and considered and non-compliance notices issued where applicable
2.	Number of months within which initiated investigations are conducted and considered and non-compliance notices issued where applicable	50% of initiated investigations completed within 9 months from date of initiation	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable	All initiated investigations are completed and considered within 12 months from date of initiation, and non-compliance notices issued where applicable
			-	-	Trends in non-compliance identified and reported on, where applicable	-



### 7.4.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of months within which complaints are investigated and considered and non-compliance notices issued where applicable	Annual	Within 12 month after receipt all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt all complaints are investigated and considered and non-compliance notices issued where applicable	Within 12 month after receipt all complaints are investigated and considered and non-compliance notices issued where applicable
2.	Number of months within which initiated investigations are conducted and considered and non-compliance notices issued applicable	Annual	Within 12 months all initiated investigations are completed and considered, and non-compliance notices issued where applicable	Within 12 months all initiated investigations are completed and considered, and non-compliance notices issued where applicable	Within 12 months all initiated investigations are completed and considered, and non-compliance notices issued where applicable	Within 12 months all initiated investigations are completed and considered, and non-compliance notices issued where applicable	Within 12 months all initiated investigations are completed and considered, and non-compliance notices issued where applicable

### 7.4.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

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

## Piped-Gas Industry Regulation

### 7.5 PIPED-GAS INDUSTRY REGULATION PROGRAMME 5: SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE PIPED-GAS INDUSTRY

#### 7.5.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To facilitate participation of HDSAs in the piped gas industry	-	Collection of data on HDSAs participation from licensees	Stakeholder consultation on analysis of data received from licensees on HDSAs participation in the gas industry	Proposed HDSAs scorecard framework	Approved HDSAs scorecard framework and implementation plan

#### 7.5.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Developed, approved and implemented HDSA scorecard	-	Collection of data on HDSAs participation from licensees	Stakeholder consultation on analysis of data received from licensees on HDSAs participation in the gas industry	Proposed HDSAs scorecard framework	Approved HDSAs scorecard framework and implementation plan

### 7.5.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Developed, approved and implemented HDSA scorecard	Annual	Stakeholder consultation on analysis of data received from licensees on HDSAs participation in the gas industry	Finalisation and publication of initial consultation paper on analysis of data received from licensees on HDSAs participation in the gas industry	Framework for stakeholder consultation published	Stakeholder consultations conducted	Consolidation report on stakeholder consultations

### 7.5.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## Piped-Gas Industry Regulation

### 7.6 PIPED-GAS INDUSTRY REGULATION PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR

#### 7.6.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To engage in the debate on gas policy and legislation	Publication of NERSA Dialogues findings and engagement of policy makers	Continued engagement with policy makers and comment on proposed legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable
2.	To facilitate understanding of the regulatory framework by stakeholders	4 stakeholder workshops / meetings	4 stakeholder workshops / meetings.	4 stakeholder workshops/meetings and targeted media engagement.	4 stakeholder workshops/meetings and targeted media engagement.	4 stakeholder workshops/meetings and targeted media engagement.

#### 7.6.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Ongoing engagements with policy makers	Publication of NERSA Dialogues findings and engagement of policy makers.	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable	Continued engagement with policy makers and comment on legislative amendments where applicable
2.	Number of stakeholder workshops and media engagements	4 stakeholder workshops / meetings	4 stakeholder workshops / meetings.	4 stakeholder workshops/meetings and targeted media engagement.	4 stakeholder workshops/meetings and targeted media engagement.	4 stakeholder workshops/meetings and targeted media engagement.

### 7.6.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Ongoing engagements with policy makers	Annual	Continued engagement with policy makers and comment on legislative amendments where applicable	Preparation for policy discussion meeting with DoE	Policy discussion meeting	Follow up policy discussion meeting.	Comment on draft legislation where applicable.
2.	Number of stakeholder workshops and media engagements	Quarterly	4 stakeholder workshops/ meetings and targeted media engagement.	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement	1 stakeholder workshop / meeting and targeted media engagement

### 7.6.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

# 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 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	Decision on Transnet pipeline tariffs application	Considered tariffs for Transnet	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)
		Approved tariffs for Chevron	Considered tariffs for BPSA	Within 6 months after publication of the tariff application, all other pipeline tariff applications received are considered	Within 5 months after publication of the tariff application, all other pipeline tariff applications received are considered	Within 4 months after publication of the tariff application, all other pipeline tariff applications received are considered
		Storage and loading facilities tariffs approved for 30% of facilities	Within 120 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 120 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 110 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 100 days after publication of the applications, all received storage and loading facilities tariff applications are considered
2.	To promote competition and efficiency	Consolidated list of storage tariffs is published	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website
		-	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs
		Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website

### 8.1.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of months after publication of tariff applications within which pipeline tariff applications received are considered	Decision on Transnet pipeline tariffs application	Decision on Transnet pipeline tariffs application	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)
		Approved tariffs for Chevron	Considered tariffs for BPSA	Within 6 months after publication of the tariff application, all other pipeline tariff applications received are considered	Within 5 months after publication of the tariff application, all other pipeline tariff applications received are considered	Within 4 months after publication of the tariff application, all other pipeline tariff applications received are considered
2.	Number of days within which received storage and loading facilities tariff applications are considered after publication of the application	Storage and loading facilities tariffs approved for 30% of facilities	Within 120 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 120 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 110 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Within 100 days after publication of the applications, all received storage and loading facilities tariff applications are considered
3.	Updated published storage tariffs	Consolidated list of storage tariffs is published	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website	Consolidated list of storage tariffs is published on NERSA website
4.	Annual report on benchmarking of storage tariffs	-	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs	Benchmark report on storage tariffs
5.	Updated financial and tariff financial information published	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website	Financial and tariff information published on NERSA website

## Petroleum Pipelines Industry

### 8.1.3. QUARTERLY TARGETS FOR 2014/15

Programme performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of months after publication of tariff applications within which pipeline tariff applications received are considered	Annual	Within 8 months after publication of the tariff application, Transnet's tariff application is considered (if received)	-	Adequacy of Application assessed.  Decision on confidentiality	Consideration of Draft Tariff Determination	Tariff consideration
		Annual	Within 6 months after publication of the tariff application, all other pipeline tariff applications received are considered	Tariff consideration (if applicable)	Tariff consideration (if applicable)	Tariff consideration (if applicable)	Tariff consideration (if applicable)
2.	Number of days within which received storage and loading facilities tariff applications are considered after publication of the application	Quarterly	Within 120 days after publication of the applications, all received storage and loading facilities tariff applications are considered	Tariff consideration (if applicable)	Tariff consideration (if applicable)	Tariff consideration (if applicable)	Tariff consideration (if applicable)
3.	Updated published storage tariffs	Annual	Consolidated list of storage tariffs is published on NERSA website	-	-	-	Updated electronic booklet published



Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
4.	Annual report on benchmarking of storage tariffs	Annual	Benchmark report on storage tariffs	Draft report	Approved Report	-	-
5.	Updated financial and tariff financial information published	Quarterly	Financial and tariff information published on NERSA website	Quarterly updated financial and tariff information published on NERSA website	Quarterly updated financial and tariff information published on NERSA website	Quarterly updated financial and tariff information published on NERSA website	Quarterly updated financial and tariff information published on NERSA website

#### 8.1.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

# Petroleum Pipelines Industry

## 8.2. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 2: LICENSING AND REGISTRATION

### 8.2.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered
		Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified unlicensed facilities are investigated and considered	Within 60 days after being identified unlicensed facilities are investigated and considered	Within 60 days after being identified unlicensed facilities are investigated and considered

### 8.2.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of days within which licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered
2.	Number of days within which identified unlicensed facilities are investigated and reported on	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered

## Petroleum Pipelines Industry

### 8.2.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of days within which licence applications are considered	Quarterly	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of the licence applications are considered
2.	Number of days within which identified unlicensed facilities are investigated and reported on	Quarterly	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered	Within 60 days after being identified, unlicensed facilities are investigated and considered

### 8.2.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

### 8.3. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 3: COMPLIANCE MONITORING AND ENFORCEMENT

#### 8.3.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To monitor infrastructure utilization	85% of reports analysed and ready for noting within 60 days	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation
2.	To monitor the development of infrastructure	New Target	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered
3.	To monitor ownership or control by HDSA	50% of licensees HDSA submissions analysed and ready for noting within 60 days	Within 60 days of receipt, the report on the analysis of HDSA indicators is considered	Within 60 days of receipt, the report on the analysis of HDSA indicators is considered	Within 60 days of receipt, the report on the analysis of HDSA indicators is considered	Within 60 days of receipt, the report on the analysis of HDSA indicators is considered
4.	To promote access to petroleum infrastructure	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 13 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 12 days after consideration, all noted storage allocation mechanisms are published on NERSA website
		30% of pipelines and loading facilities investigated	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities

## Petroleum Pipelines Industry

### 8.3.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of infrastructure utilisation reports	85% of reports analysed and ready for noting within 60 days	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation	6-monthly reports on status of infrastructure utilisation
2.	Number of days within which the reports on the analysis of construction status reports are considered	New Target	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered
3.	Number of days within which the analysis of HDSA indicators are considered	50% of licensees HDSA submissions analysed and ready for noting within 60 days	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered
4.	Number of days within which noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 13 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 12 days after consideration, all noted storage allocation mechanisms are published on NERSA website
5.	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	30% of pipelines and loading facilities investigated	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities

### 8.3.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of infrastructure utilisation reports	Bi-annual	6-monthly reports on status of infrastructure utilisation	-	First report on status of infrastructure utilization	-	Second report on status of infrastructure utilization
2.	Number of days within which the reports on the analysis of construction status reports are considered	Quarterly	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered	Within 60 days of receipt, the reports on the analysis of construction status reports are considered
3.	Number of days within which the report on analysis of HDSA indicators is considered	Quarterly	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered	Within 60 days of receipt the report on the analysis of HDSA indicators is considered
4.	Number of days within which noted storage allocation mechanisms are published on NERSA website	Quarterly	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website	Within 14 days after consideration, all noted storage allocation mechanisms are published on NERSA website
5.	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	Annual	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities	-	-	-	Annual report on all received access principles from licensees who received operation licences in the preceding year for their pipelines and loading facilities

## Petroleum Pipelines Industry

### 8.3.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

### 8.4. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 4: DISPUTE RESOLUTION INCLUDING MEDIATION, ARBITRATION AND THE HANDLING OF COMPLAINTS

#### 8.4.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	Within 60 days of receipt, all complaints are investigated and reported on	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered

#### 8.4.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of days taken to investigate and report on complaints received	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered



#### 8.4.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of days taken to investigate and report on complaints received	Quarterly	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered

#### 8.4.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## Petroleum Pipelines Industry

### 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 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To enhance regulatory certainty	New target	-	Published updated Rules in terms of Petroleum Pipelines Act, if necessary	-	-
		New target	Published updated licensing guidelines	Reviewed licensing guidelines, if necessary	-	-
		Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable
		-	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable
		-	Review of the Petroleum pipelines and storage tariff methodologies	3-year review of the Petroleum pipelines and storage tariff methodologies	-	-
2.	Enhancing the regulatory dispensation	-	Annual report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PLAct and government policies and regulations

### 8.5.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Published updated rules in line with relevant legislation	New target	-	Published updated Rules in terms of Petroleum Pipelines Act, if necessary	-	-
2.	Reviewed licensing guidelines published	New target	Published updated licensing guidelines	Reviewed licensing guidelines, if necessary	-	-
3.	Published tariff guidelines for storage facilities	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable
4.	Published reviewed FAQ	-	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable	Annually reviewed FAQ published on NERSA website and revise if applicable
5.	Reviewed tariff methodologies published	-	Review of the Petroleum pipelines and storage tariff methodologies	3-year review of the Petroleum pipelines and storage tariff methodologies	-	-
6.	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	-	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations

## Petroleum Pipelines Industry

### 8.5.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Published updated rules in line with relevant legislation	Annually	Published updated Rules in terms of Petroleum Pipelines Act, if necessary	-	Comments and suggestions gathered, if necessary	Draft of New Rules developed, if necessary	New Rules published, if necessary
2.	Reviewed licensing guidelines published	Annually	Reviewed licensing guidelines, if necessary	-	Review licensing guidelines and gather comments, if necessary	Updated licensing guidelines approved, if necessary	Guidelines for licensing published on NERSA website, if necessary
3.	Published tariff guidelines for storage facilities	Annually	Reviewed annual tariff guidelines for storage facilities and revise and publish on NERSA website if applicable	-	Reviewed Guidelines for storage facilities, if applicable	-	Guidelines for storage facilities published on NERSA website, if applicable
4.	Published reviewed FAQ	Annually	Annually reviewed FAQ published on NERSA website and revise if applicable	-	-	Revision of the FAQ's, if applicable	Approved updated FAQ published on NERSA website, if applicable
5.	Reviewed tariff methodologies published	Annually	3-year review of the Petroleum pipelines and storage tariff methodologies	Review methodology and gather comments	-	Updated methodology approved, if necessary	Approved Petroleum pipelines tariff methodology published on NERSA website

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
6.	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	Annually	Annual report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	-	-	Report on contributions towards alignment between PPA and Petrol PL Act and government policies and regulations	-

#### 8.5.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

### 8.6. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR

#### 8.6.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To promote Security of Supply	Annual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast

## Petroleum Pipelines Industry

### 8.6.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Number of reports on the inland supply forecast	Annual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast	Biannual report on the inland supply forecast

### 8.6.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of reports on the inland supply forecast	Biannual	Biannual report on the inland supply forecast	-	Report considered	-	Report considered

### 8.6.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

## 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 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To determine the impact of regulatory decisions	Finalised Regulatory Impact Assessment concept paper	Approved framework for conducting impact assessment	Conduct impact assessment of regulatory decisions	Impact assessment report	-
2.	To complete the research agenda for the organisation	Report on research agenda topics	Research report on market risk premium	Research reports	Research reports	Research reports
3.	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
		Undertaken 40 stakeholder engagement and education programmes	Undertake 25 stakeholder engagement and education programmes	Undertake 30 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes
4.	To influence energy sector policy development and amendments to legislation	Approved comments on draft policy amendments	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)

## Cross-Cutting Regulatory

### 9.1.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	Report on the impact of regulatory decisions	Finalised Regulatory Impact Assessment concept paper	Approved framework for conducting impact assessment	Conduct impact assessment of regulatory decisions	Impact assessment report	-
2.	Research reports on regulatory issues	Report on research agenda topics	Research report on market risk premium	Research reports	Research reports	Research reports
3.	Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
4.	Number of stakeholder engagement and education programmes conducted	Undertaken 40 stakeholder engagement and education programmes	Undertake 25 stakeholder engagement and education programmes	Undertake 30 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes
5.	Approved proposals / comments on policy changes	Approved comments on draft policy amendments	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)	Approved proposals / comments on policy changes (if and when necessary)



### 9.1.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	Report on the impact of regulatory decisions	Annually	Conduct impact assessment of regulatory decisions	Finalised Terms of Reference for the conducting of the regulatory impact assessment	Appoint service provider	Conduct impact assessment	Conduct impact assessment
2.	Research reports on new sources of energy	Annually	Research reports	-	Draft report	-	Approved research report
3.	Published quarterly newsletters	Quarterly	Quarterly newsletters published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published
4.	Number of stakeholder engagement and education programmes conducted	Quarterly	Undertake 30 stakeholder engagement and education programmes	Conduct 7 stakeholder engagement and education programmes	Conduct an additional 8 stakeholder engagement and education programmes	Conduct an additional 7 stakeholder engagement and education programmes	Conduct an additional 8 stakeholder engagement and education programmes
5.	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

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

## Organisational

### 10.1. ORGANISATIONAL PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR

#### 10.1.1. STRATEGIC OBJECTIVE ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme Strategic objective		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	To create an efficient and effective world class organisation	87% of targets met	90% targets met	92% targets met	94% targets met	95% targets met
2.	To establish NERSA as an employer of choice	88.1% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
		75% of staff undergoing training and development	80% of staff undergoing training and development	85% of staff undergoing training and development	90% of staff undergoing training and development	95% of staff undergoing training and development
3.	To position and promote the good image of NERSA	75.6% customer satisfaction	68% customer satisfaction	75% customer satisfaction	85% customer satisfaction	90% customer satisfaction
4.	To improve the effectiveness of the financial processes, systems and procedures	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
		99% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received

### 10.1.2. PROGRAMME PERFORMANCE INDICATORS AND ANNUAL TARGETS FOR 2014/15 - 2016/17

Programme performance indicator		Audited/Actual performance	Estimated performance	Medium-term targets		
		2012/13	2013/14	2014/15	2015/16	2016/17
1.	% of targets in the Annual Performance Plan met	87% of targets met	90% targets met	92% targets met	94% targets met	95% targets met
2.	% of organisational structure filled	88.1% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
3.	% of staff undergoing training and development	75% of staff undergoing training and development	80% of staff undergoing training and development	85% of staff undergoing training and development	90% of staff undergoing training and development	95% of staff undergoing training and development
4..	Level of (%) customer satisfaction	75.6% customer satisfaction	68% customer satisfaction	77% customer satisfaction	85% customer satisfaction	90% customer satisfaction
5..	Result of annual audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
6.	% of creditors paid within 30 days after all relevant documentation have been received	99% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received

## Organisational

### 10.1.3. QUARTERLY TARGETS FOR 2014/15

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2014/5	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of targets in the Annual Performance Plan met	Annually	92% targets met	85% targets met	88% targets met	90% targets met	92% targets met
2.	% of organisational structure filled	Quarterly	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled	95% of organisational structure filled
3.	% of staff undergoing training and development	Quarterly	85% of staff undergoing training and development	20% of staff undergoing training and development	An additional 20% of staff undergoing training and development	An additional 20% of staff undergoing training and development	An additional 25% of staff undergoing training and development
4.	Level of (%) customer satisfaction	Annually	77% customer satisfaction	2% increase in level of customer satisfaction from baseline	An additional 2% increase in level of customer satisfaction from baseline	An additional 2% increase in level of customer satisfaction from baseline	An additional 3% increase in level of customer satisfaction from baseline
5.	Result of annual audit	Annually	Unqualified audit	-	Unqualified audit	-	-
6.	% of creditors paid within 30 days after all relevant documentation have been received	Quarterly	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received

### 10.1.4. LINKAGE WITH OTHER MACRO OR INFRASTRUCTURE PLANS

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

# APPENDICES

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
1.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Critical skills attraction and retention.	CHO	Inability to attract, develop, motivate and retain experienced regulatory staff. Talent Management (Recruitment, Development, Retention, Deployment and Separation). Inadequate development, motivation and retention of experienced staff. Inadequate training.	Performance management. Remuneration of employees. Salaries not being market related. Credibility of NERSA. Opportunities for continuous professional development. Inadequate development, motivation and retention of experienced staff. Inadequate training.	Loss of skilled individuals. Not attracting the best talent. Inability to perform mandated functions. Poor service delivery. Loss of credibility. Inadequate knowledge within NERSA on energy sector regulation.	74.00 Extreme	43.20 Medium	9.00 Very low	34.40 Medium	Targeted recruitment Performance Contracts and Personal Development Plans Implementation of approved organisational structure International exchange / training programmes. Continuous recruitment of required skills Performance measurement criteria and related bonuses are in place. Implementation of market related salaries. Training in accordance with PDP & WSP Internal capacity building on industry and regulatory matters Implementation of Employee Wellness Programme	Revision of the Training and Development Policy Implementation of dual career path and scarcity premium policies Development of a remuneration policy and model. Institutional and Organisational Review More rigorous selection procedure

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
2.	Cross-Cutting	Fair competition exists within the energy industry  Regulatory certainty exist within the energy industry  Energy is accessible and affordable for all citizens	Existence of unlicensed activities / operators.	EM: ELR EM: PPR EM: GAR	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.	Entities engaging in unlicensed activities can do what they want.  Lack of regulations for e.g. Resellers.  Regulations become a complex issue due to inadequate legislation.	Reputational risk.  End users are not protected.	58.60 High	41.60 Medium	13.40 Low	28.20 Medium	Lobbying for changes to legislation  Identifies and investigate all suspected unlicensed activities (petroleum pipelines)	Lobby with Minister to amend the three industry Acts  Lobby with Minister to publish the relevant Regulations to the Industry Acts
3.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Safeguarding and retention of institutional information.	EM: COS	Cumbersome processes for accessing information.  Hacking of confidential information  No historical information available	Information stored on laptops and not the servers.  Loss of documentation and business records due to discontinuation of IDMS  Staff leaving the organisation without transferring information back to NERSA.  Failure to document institutional knowledge contained in key individuals.  Failure to archive (hard and soft copy) information effectively.	Failure to locate critical documentation.  Inability to defend NERSA in litigation.  Financial losses.  Penalties and fines.  Reputational damage.  Damage to business	53.40 High	32.20 Medium	6.40 Very low	26.00 Low	Automated backups from laptops.  SharePoint is being implemented.  Records management policy is in place.  Disaster Recovery Plan developed  Draft File Plan developed and implemented  Compliance with the Promotion of Access to Information Act	Security Policy  Review and update the records management policy.  Finalisation of File Plan in line with comments from National Archives  Finalisation of Knowledge Management Policy

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
4.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Timeous procurement of goods and services at fair value.	CFO	Supply chain management.  Inability to perform duties	Frequent review of the supplier database.  Bureaucratic approval processes.  Inadequate adherence to procurement policies and procedures.  Ineffective supply chain management practices.  Lack of training on SCM policies and procedures.  SCM structure not able to respond to the needs of NERSA.	Financial losses.  Loss of credibility.  Litigation and disputes in the awarding of tenders.  Poor quality goods and services.  Impacts on NERSA's ability to deliver on its mandate.	63.20 High	35.20 Medium	9.60 Low	25.60 Low	Legal Advisory Services Department is involved in drafting of contracts  Project leaders take responsibility for contracted services  Supply Chain Manager has been appointed.  Bid Adjudication Committees are in place.  Delegation of authority matrix is in place.  Supply Chain Management Policy and Procedures are in place	Development of an integrated Demand Plan  Implement the electronic ordering system.  Development of SLA between SCM Unit and rest of organisation.  Finalisation of Supply Chain Management Procedures  Streamlining approval process  Organisational review  Business process analysis  Quarterly update of supplier database



No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
5.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Adequacy of IT systems to support operations.	EM: COS	Inappropriate or inadequate technology platforms solutions and equipment may lead to ineffective data capture and analysis and delayed or incorrect decision making due to a lack of information.	Lack of input from business on systems requirements. Frequent changes in scope of requirements. Incomplete descriptions of system requirements. Lack of uniformity in naming and saving conventions.	Difficulty in accessing documents and information. Quality and timeliness of reporting. Hacking into system	59.80 High	35.40 Medium	7.80 Very low	27.40 Low	SharePoint is being implemented.  IT governance framework is in place. Approved IT policies and procedures.  As part of the implementation of the Regulatory Reporting Manuals, a Regulatory Reporting System was developed  Regulatory Executive Committee responsible for IT.	Annual review of the ICT Strategy.  Develop demand plan for acquisition of IT equipment and software.  Implementation of Regulatory Reporting System.  Develop Regulatory Reporting System for non-financial data  Development and implementation of standard profiling of documents
6.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Institutional memory.	EM: COS SM: SPM	Information contained in individuals which are not documented.  Dependence on knowledge and experience of individuals	IT Infrastructure. Information security.  Loss of documentation and business records due to discontinuation of IDMS. Physical access security.  Inadequate information management policies and procedures. Information collection.  Lack of a proper Management Information System.  Decentralisation of document storage	Loss of intellectual property.  Business disruption.  Financial losses.  Litigation.  Penalties and fines.	52.60 High	32.60 Medium	5.60 Very low	24.80 Low	All Regulatory Business Processes documented and available on electronic portal  Records Management Policy and Procedures are in place  Draft File Plan implemented  SharePoint being rolled out  Compliance with the Promotion of Access to Information Act	Finalisation of the Knowledge Management Policy  Finalisation of File Plan in line with comments from National Archives  Document all support processes  Finalise SharePoint roll-out  Centralisation of storage of hard-copy documents in Registry and electronic documents on SharePoint

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
7.	Cross-Cutting	NERSA is established and positioned as a credible and reliable regulator	Coordination and synergy within NERSA.	SM: COO SM: SPM	Lack of coordination and synergy within NERSA leads to suboptimal use of resources and possible inefficiencies	<p>Bureaucratic behaviour.</p> <p>Lack of cooperation.</p> <p>Silo mentality.</p> <p>Organisational structure.</p> <p>Insufficient use of the Team Based Network Structure (TBNS) Policy</p>	<p>Suboptimal use of resources.</p> <p>Financial losses.</p> <p>Inefficient service delivery.</p> <p>Overlap of roles and responsibilities.</p> <p>Duplication of effort.</p> <p>Inconsistent messages to stakeholders.</p>	54.00 High	30.40 Medium	8.60 Very low	21.60 Low	<p>Regular EXCO meetings</p> <p>Regular staff get-togethers.</p> <p>Implementation of approved organisational structure</p> <p>Campaign to create awareness of the NERSA values.</p> <p>A code of conduct for the Energy Regulator is in place</p> <p>Corporate governance handbook which includes all NERSA policies is in place</p> <p>Developed integrated communication strategy.</p> <p>Team Based Network Structure Policy in place</p> <p>Development of project charters and project plans that indicate tasks as well as roles and responsibilities</p> <p>Proposed revised regulatory processes taking possible synergies into account</p>	<p>Revise Team Based Network Structure Policy</p> <p>Implement revised regulatory Business Processes</p> <p>Organisational review</p>

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
8.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Business Continuity and Disaster Recovery.	SM: SPM EM: COS	Outdated business continuity plan which may lead to failure to continue with critical business activities in case of a disaster.	Outdated business continuity plan.  Adequacy of testing and simulations.	Complete loss of ability to operate.  Loss of life. Loss of critical data and systems. Loss of credibility. Financial losses. Prolonged business disruption.	53.00 High	26.00 Low	6.00 Very low	20.00 Low	Approved Business Continuity Management Policy  Approved Emergency Response Plan.  Approved Disaster Recovery Plan.  Approved Crisis Management Plan.  Business Continuity Management Procedures.  Approved Disaster Recovery Plan.	Annual testing and updating of Business Continuity Plan  Conduct disaster recovery tests
9.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Confidentiality and security of information.	EM: COS	Access to confidential information.	Staff leaving sensitive information on desks or public places.  External threats.  Staff not following access to information procedures when requests for information are received.	Loss of critical information.  Dissemination of critical and confidential information to the media.  Reputational damage.  Misrepresentation.  Litigation.  Penalties and fines.  Financial losses.	54.00 High	26.40 Low	5.80 Very low	20.60 Low	Security of Information Policy is in place.  Applications process for access to information.	Development of the Security Policy which includes the development of a classification system for confidential documents.  Develop and conduct training on policies and procedures.

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
10.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Health, security and safety.	CHO	OHS Act compliance. Security of facilities. Safety of personnel. Adequacy of facilities.	Location of the office in a high crime area. Insufficient parking for staff.	Injuries / staff fatalities. Penalties and fines. Litigation. Loss of key staff.	50.40 High	27.20 Low	8.60 Very low	18.60 Low	Health and Safety Policy in Place  Health and Safety Committee in Place  Evacuation Procedures in all meeting rooms and at all floor entrances  First Aid Kits on all floors  Regular evacuation drills	Regular training for Health and Safety Reps  Ensure that all health and safety matters identified in audit have been addressed  Review Health and Safety Policy
11.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Reliability and accuracy of information.	EM: COS	Reliability and accuracy of information on which NERSA base decisions and is used for reporting. Insufficient information management may lead to ineffective and inefficient decision-making.	Quality of information received from stakeholders. Accuracy and completeness of information from Licensees (Tariffs, Licenses, Applications, etc.) Difficulty in verifying information. Fraudulent information. Collusion. Verification of information in submitted applications and supporting documentation. Clarity of information requirements.	Inaccurate information on systems  Loss of credibility. Incorrect decisions being made. Financial losses. Litigation. Penalties and fines.	51.60 High	27.00 Low	8.00 Very low	19.00 Low	Licensee Management System for electricity licencees  Regulatory Reporting Manuals and Regulatory Reporting System for financial data  Implementation of SharePoint.  Information criteria for submission from Licensees.  Verification of received information	Further roll-out of RRM for financial data  Development of RRM and RRS for non-financial data  Review of information requirements for Licensees.  Ensure training is conducted to all staff on all information management systems.  Conduct training to staff on SharePoint.  Migration of information from IDMS to SharePoint.  Review and finalization of the information policy and procedures.

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
12.	Electricity Industry	Energy is accessible and affordable for all citizens  NERSA is established and positioned as a credible and reliable regulator	Electricity price path	EM: ELR	Impact of funding of infrastructure on tariffs.  Direct government funding and interference.  Green power and carbon tax.  Affordability of electricity and sustainability.	Cost of infrastructure expansion.  Country credit rating.  Cost of borrowing.  Interference.  Carbon Tax.  Environmental Tax.  Introduction of renewable energy.  Inadequate price analysis.  Availability of skills and capacity.  Political interference	Unsustainable electricity price increases.  Consumer activism.  Community unrest.  Deteriorating socio economic conditions.  Reputational loss.  Illegal connections to infrastructure.  Non-payment for services.  Bad debt and economic losses.  Industry will become less competitive.  Some small municipalities may become unsustainable.	61.60 High	27.00 Low	8.40 Very low	18.60 Low	International best practice methodology for determining Eskom revenue requirements.  Introduction of pricing methodology.  Benchmarking methodology implemented for municipal tariffs.  Stakeholder participation in determining tariff structures and levels for Eskom  Ensure that licensees are efficient in their operations.	Strengthen training of staff.  Implement Regulatory Reporting Manuals.  Ensure that licensees comply with license conditions.

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
13.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Leadership and Management.	SM: COO CHO	Lack of leadership and management development may lead to NERSA not meeting its objectives or not motivating and retaining staff.	Inadequate implementation of Performance Management System Policy and Disciplinary Code  Lack of shared vision and commitment by managers	Lack of leadership and management development may lead to NERSA not meeting its objectives or not motivating and retaining staff.  Low staff morale.	63.20 High	28.20 Low	10.00 Very low	18.20 Low	Revised Organisational Structure  Approved Disciplinary Code and Grievance Procedure  Approved Performance Management System Policy  Continuous professional development.  Management and Leadership training  Culture of performance	Executive Mentoring and Coaching.  Leadership development programme  Values based leadership
14.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Operational and strategic alignment.	SM: SPM	Alignment of operations of NERSA with strategy	Support functions not aligned to the strategy of the organisation  Planning not being taken seriously  Disjuncture between planning and implementation	Operations may not operate as intended.  NERSA may not be able to successfully implement its mandate	54.80 High	25.00 Low	8.00 Very low	17.00 Low	Planning activities carried out at different levels within the organisation  Approved Strategic Plan and Annual Performance Plan  Development of detailed Implementation Plans for every department  Approved Team Based Network Structure Policy in place  Development of project charters and project plans  Approved Performance Management System Policy	Revise and relaunch Team Based Network Structure Policy  Develop Implementation Plan before start of financial year  Ensure alignment between Annual Performance Plan, Implementation plan and individual Performance Contracts

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15.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Organisational culture.	CHO	An organisational culture which is not conducive to optimal performance.	Management style. Silo mentality. Professional ethics.	Poor productivity. Loss of credibility. NERSA not meeting its mandate. Loss of cooperation and synergy	57.60 High	30.00 Medium	12.40 Low	17.60 Low	Weekly news bulletin Information sharing Code of conduct. Monthly staff socials. Regular EXCO meetings Approved Values	Institutional and Organisational Review
16.	Electricity Industry	Energy supply is certain and secure for current and future users  Fair competition exists within the energy industry  Energy is accessible and affordable for all citizens	Compliance of licencees with license conditions.	EM: ELR	Collapse of municipal electricity distribution infrastructure.	Internal capacity to monitor all licensees at all times.  Belief by municipalities that NERSA should not regulate them.  Lack of capacity skills within municipalities.  Lack of teeth to enforce licence compliance in the electricity	Deterioration in terms of quality of supply and service.  Municipalities implementing illegal tariffs to the detriment of customers.  .Affects security of supply.  Inflated prices.	50.60 High	24.80 Low	9.00 Very low	15.80 Low	Approved Compliance monitoring framework Electricity compliance monitoring programme.  Approved audit schedule for next 3 years	Employ fixed term contractors to assist with compliance monitoring.

# A Appendix A: Strategic Risk Register

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17.	Piped-gas Industry	Energy supply is certain and secure for current and future users  Fair competition exists within the energy industry  Energy is accessible and affordable for all citizens	Compliance of licencees with license conditions.	EM: PGR	Non-adherence of licencees to licence conditions	Internal capacity to monitor all licensees at all times.	Deterioration of gas pipelines infrastructure.  Massive disasters caused by explosions.  Deter entry for competition.  Inhibit investment.  Affects security of supply.  Inflated prices.	52.80 High	26.00 Low	9.40 Very low	16.60 Low	Monitoring of construction processes.  Quarterly compliance inspections.  Issue noncompliance notices to enforce compliance.  Conduct proactive investigations into prices, supply, tariff compliance etc.  Approved Compliance monitoring framework	Investigate complaints  Proactive compliance monitoring  Develop HDI scorecard
18.	Petroleum Pipelines Industry	Energy supply is certain and secure for current and future users  Fair competition exists within the energy industry  Energy is accessible and affordable for all citizens	Compliance of licencees with license conditions.	EM: PPR	Non-adherence of licencees to licence conditions	Internal capacity to monitor all licensees at all times.  Lack of teeth to enforce licence compliance in the petroleum industry.  Failure by licensees to provide 3rd party access to infrastructure.	Deterioration in terms of quality of supply and service.  Massive disasters caused by explosions.  Deter entry for competition.  Inhibit investment / encourage investment  Affects security of supply.  Inflated prices.	51.20 High	25.40 Low	9.20 Very low	15.40 Low	Monitoring of construction processes.  Quarterly compliance inspections.  Issue noncompliance notices to enforce compliance.  Approved Compliance monitoring framework  Inspections conducted at petroleum licensees	Investigate complaints  Request information from licencees in compliance with Petroleum Pipelines Act and Regulations such as allocation mechanism etc.  Conduct compliance audits



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19.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Concentration of travel risk.	CFO	Plane crash. Shuttle. Concentration of officials in one mode of transport.	Key individuals and management personnel travelling together. Proper planning for meetings. Lack of a central travel coordination point.	Loss of entire management team. Business disruption.	39.60 Medium	21.80 Low	7.00 Very low	14.80 Low	Approved Travel and Accommodation Policy where this is addressed	Implement a central travel coordination function.  Provide training / awareness campaign on the Travel and Accommodation to all NERSA staff.
20.	Cross-Cutting	NERSA is established and positioned as a credible and reliable regulator	Regulatory decisions impact assessment.	SM: RAR	NERSA may be taking decisions without realising the full extent of the impact of these decisions	Complex process. High cost of impact assessments. Lack of methodology.	Unintended consequences. Loss of credibility.	40.80 Medium	19.40 Low	6.00 Very low	13.40 Low	Economic impact studies are being conducted. Monitoring customer complaints. Conduct surveys.	Finalise and implement the impact assessment.  To organise high level reports and release them in a news worthy manner.

# A Appendix A: Strategic Risk Register

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21.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Stakeholder relations.	EM: COS	<p>Inadequate stakeholder and shareholder relationship management may damage the credibility of NERSA in the eyes of the stakeholders and shareholders.</p> <p>Four groups identified in NERSA.</p> <p>Intra departmental (government) relations.</p>	<p>Maintain credibility to the public, investors and stakeholders: Poor management of stakeholder relationship</p> <p>Public Private Partnerships form part of Government policy to ensure delivery: Reactive response by Energy Regulator</p> <p>Different interpretations of the Acts between NERSA and stakeholders</p> <p>Inadequate networking with international regulators due to inadequate communication strategy</p> <p>Development of National Energy Bill by Government: Failure to timeously react to gaps identified</p> <p>Inadequate consultation processes</p>	<p>Inadequate stakeholder and shareholder relationship management may damage the credibility of NERSA in the eyes of the stakeholders and shareholders.</p> <p>Reputation of NERSA.</p> <p>Stakeholders considering NERSA as irrelevant.</p>	49.20 High	21.80 Low	7.60 Very low	14.20 Low	<p>Stakeholder Communication Strategy in place.</p> <p>Engagement with the heads of stakeholder organisations.</p> <p>International Coordination and Partnerships department.</p> <p>Public participation processes.</p> <p>Regular interaction with shareholders.</p> <p>International exchange / training programmes.</p> <p>Member of AFUR and RERA</p>	<p>Development of international exchange and training programmes.</p> <p>Annual review of international exchange / training programmes.</p> <p>Continued participation in AFUR and RERA</p> <p>Customer satisfaction surveys</p>

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22.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Industrial relations.	CHO	Poor industrial relations management can lead to unfair treatment of staff, low staff morale and high staff turnover Poor productivity Poor management	Inappropriate HR practices. Staff misconduct. Constructive dismissals. Staff grievances	CCMA cases. Litigation. Loss of credibility. Penalties and fines.	53.40 High	23.80 Low	10.60 Low	13.20 Low	Regular meetings with union office bearers  Performance Contracts and Personal Development Plans  Performance Management System in Policy in place  Approved Disciplinary Code and Grievance Procedure  A code of conduct for the Energy Regulator is in place  Management and Leadership training	Implementing coaching and mentoring for staff.

# A Appendix A: Strategic Risk Register

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23.	Cross-Cutting	NERSA is established and positioned as a credible and reliable regulator	Minimising Regulatory burden.	EM: ELR EM: GAR EM: PPR	NERSA is one of several regulators who are involved in the regulation of the value chain.	Some of licensees are also regulated by other entities such as e.g. National Treasury and DoE.  Fragmented processes required for compliance to different regulatory bodies.	Cost of compliance for licensees is high in terms of time spent and resources utilised.  Inhibits investment.  Confusion to parties that need to comply.	42.60 Medium	19.40 Low	6.80 Very low	12.40 Low	Development of regulatory processes that is less prescriptive.  Engagement with National Treasury trying to align reporting.  Regulatory advocacy and coordination.  Approved Minimum Information Requirements for Tariff Applications  Approved financial Regulatory Reporting Manuals  Some MoUs and MoAs in place with regulators with concurrent jurisdiction	Implement the Regulatory Reporting System.  Finalise the data warehouse in the RRS system.  Finalise industry reporting standards.  Develop and implement the Regulatory Reporting System for non-financial data  Regular communication with other regulators  Finalisation of MoUs and MoAs with regulators with concurrent jurisdiction  Assess regulatory burden before any additional major information request is implemented

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24.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Application of sound Corporate Governance.	SM: RSU	If sound Corporate Governance is not applied it can lead to loss of credibility and an organisation that is not functioning effectively and efficiently	Lack of a single driver for corporate governance.	Lack of timely decision making by Energy Regulator.  Loss of credibility due to non-conformance to good governance principles.	47.20 Medium	19.40 Low	7.60 Very low	12.00 Low	Deadlines for submissions are set allowing sufficient time to study documentation.  Annual review of the Terms of Reference of the Subcommittees of the Energy Regulator.  Approved schedule of all Energy Regulator and Subcommittee meetings.  Consideration by regulator members of regulator memorandums.  Code of conduct.	Review delegation of authority annually  Review Terms of Reference of Subcommittees annually  Operating procedures on supporting Energy Regulator and its Subcommittees to be reviewed  Code of Conduct is to be reviewed annually  Consultation, review and approval of schedule of meetings annually  Institutional and Organisational Review to be conducted
25.	Electricity Industry	Energy is accessible and affordable for all citizens	Accuracy in processing tariff applications.	EM: ELR	Errors in processing price and tariff applications can lead to incorrect determinations	Lack of attention to detail.  Complacency.  Lack of supervision.  Insufficient staff.  Inappropriate skills  High application load.  Inadequate / incorrect information from licensee.	Delays in the approval applications.  Approval of applications that do not adhere with requirements.  Loss of credibility.  Financial losses.  Litigation.	58.20 High	25.00 Low	10.20 Very low	14.60 Low	Benchmarking methodology implemented for municipal tariffs.  International best practice methodology for determining Eskom revenue requirements.	All determinations to be double checked by different staff members  Annual audit of sample of price and tariff determinations

# A Appendix A: Strategic Risk Register

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26.	Piped-Gas industry	Energy is accessible and affordable for all citizens	Accuracy in processing tariff applications.	EM: PGR	Errors in processing tariff applications can lead to incorrect determinations.	Lack of attention to detail. Complacency. Lack of supervision. Insufficient staff. Inappropriate skills High application load. Inadequate / incorrect information from licensee.	Delays in the approval applications.  Approval of applications that do not adhere to requirements.  Loss of credibility. Financial losses. Litigation.	56.20 High	21.60 Low	9.80 Very low	11.80 Low	Approved tariff methodologies	Review of tariff methodologies as ad when required  All determinations to be double checked by different staff members  Annual audit of sample of and tariff determinations
27.	Petroleum Pipelines industry	Energy is accessible and affordable for all citizens	Accuracy in processing tariff applications.	EM: PPR	Errors in processing price and tariff applications can lead to incorrect determinations	Lack of attention to detail. Complacency. Lack of supervision. Insufficient staff. Inappropriate skills High application load. Inadequate / incorrect information from licensee	Delays in the approval applications.  Approval of applications that do not adhere to requirements.  Loss of credibility. Financial losses. Litigation.	55.20 High	20.20 Low	9.20 Very low	11.00 Low	Approved Maximum pricing methodology	Review Maximum pricing methodology as and when required  All determinations to be double checked by different staff members  Annual audit of sample of price and tariff determinations

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28.	Cross cutting	Regulatory certainty exists within the energy industry  Regulatory environment facilitates investment in energy infrastructure  NERSA is established and positioned as a credible and reliable regulator	Independence of Energy Regulator.	SM: RSU	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.  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.	Interference by Government.  Regulatory capture by licensees.  Political interests / influence.	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.	53.80 High	18.20 Low	5.60 Very low	12.60 Low	Declaration of interest  Awareness workshops.  National Energy Regulator Act  Code of conduct.  Some MOUs and MOAs with Government Departments and other regulators in place  Regular communication with all stakeholders  Published rules for the regulation of the three industries	Signing of MOUs and MOAs with regulators with concurrent jurisdiction  Continuous awareness campaigns  Regulatory advocacy

# A Appendix A: Strategic Risk Register

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29.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Irregular, unauthorised, fruitless and wasteful expenditure.	CFO	Budget and Financial Management.  Inadequate development and non-adherence to policies and procedures relating to budgeting and financial management may lead to inappropriate budgeting and spending in NERSA.	Non-compliance to financial legislation, processes, policies and procedures, including the PFMA.  Insufficient credit policies and procedures.  Inadequate resources within Finance and Administration to allow for adequate and accurate financial reporting.  Maintenance of documentation.  Budget and financial management not part of managers' performance contracts.  Unplanned procurement.  "Emergency" expenditure.	Financial losses.  Audit qualifications.  Loss of credibility.	43.60 Medium	19.20 Low	7.00 Very low	12.20 Low	Internal audit review of financial compliance  Cost Recovery mechanism in place  Demand management planning.  Delegation of authority metrics is in place.  Supply Chain manager has been appointed.  Corporate governance handbook which includes all NERSA policies is in place	Strengthen demand management planning.  Implement centralised Travel coordination function.  Training on SCM Policy and procedures  Centralisation of SCM functions  Review of delegation of authority as and when required  Segregation of duties



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30.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Legal and Regulatory Compliance.	SM: RSU	<p>Non-compliance with Legislation, Regulations and Rules by NERSA will mean that NERSA is acting ultra vires which can threaten NERSA's existence in future.</p> <p>Compliance with umbrella legislation in National Energy Regulator Act.</p> <p>Compliance with Sectorial Legislation (Electricity Regulation Act, Gas Act and Petroleum Pipelines Act).</p> <p>Compliance with levies Legislation (Section 5B of the Electricity Act, Gas Regulator Levies Act, Petroleum Pipeline Levies Act).</p> <p>Compliance with facilitating Legislation (PFMA, PAIA, PAJA).</p>	<p>Government policy on expanding access to affordable energy.</p> <p>Requirement of legislation to open access networks.</p> <p>Requirement of legislation to third party access.</p> <p>Conflicting legislation may result in non-compliance or non-delivery on mandate e.g. MFMA, MSA and Electricity Regulation Amendment Act.</p> <p>Different interpretations of the Acts between NERSA and stakeholders.</p> <p>Under performance by the Energy Regulator and staff.</p> <p>Conflict between policy and legislation.</p> <p>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.</p> <p>There is concurrent jurisdiction in terms of legislation</p>	<p>Achieving universal access to energy by 2012.</p> <p>Litigation.</p> <p>Loss of credibility.</p> <p>Penalties and fines.</p> <p>Financial losses.</p> <p>Audit qualifications.</p> <p>Audit queries.</p>	48.00 Medium	17.40 Low	6.80 Very low	10.40 Low	<p>Some MOU's with Government Departments and other regulators in place</p> <p>Completion and submission on quarterly basis of PFMA and Treasury Regulations checklist</p> <p>Fully functioning Internal Audit Unit that audits compliance</p> <p>Approved risk based Audit Plan</p>	<p>Develop a compliance register to enable proper compliance monitoring and reporting.</p> <p>Annual Audit Plan approved</p> <p>Signing of MOUs and MOAs with regulators with concurrent jurisdiction</p>

# A Appendix A: Strategic Risk Register

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31.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Positioning of NERSA in the Economy as the Energy Regulator	EM: COS	If there is insufficient awareness of the role and mandate of NERSA amongst stakeholders it may lead to NERSA being declared as non-essential and closed down	Lack of awareness of NERSA role and mandate by all stakeholders. Inconsistent legislation. Overlap in mandates.	Loss of integrity and respect for the Energy Regulator. Credibility of the Energy Regulator being questioned. Lack of investment. Lack of awareness of NERSA decisions. Lack of public awareness.	43.40 Medium	17.60 Low	6.60 Very low	11.00 Low	Public participation processes. Public awareness campaigns. Developed integrated communication strategy.	Promote the image of NERSA through communication with internal and external stakeholders.  Develop a mechanism to enforce the living of the NERSA values. Increase public awareness of NERSA.
32.	Cross-cutting	NERSA is established and positioned as a credible and reliable regulator	Changing legislation and policy.	EM: COS	Regulatory uncertainty caused by Government's restructuring initiatives leads to inaction by the industry and the Energy Regulator.	Review of the NERSA Act. Review of the Electricity Regulation Amendment Act Tabling of the ISMO Bill. Review of the Electricity Pricing Policy Review of the Gas Act Review of the Standard of the Policy. Policies not regularly updated	Inaction by the industry and the Energy Regulator.  Projects being placed on hold until clarity are received.	49.80 High	18.00 Low	8.20 Very low	9.80 Very Low	Engaging with policy makers.  Monitoring of developments in terms of Legislative changed.	Continued participation in amendment task teams  Provide comments on draft legislation if and when requested  Drafting appropriate Rules on the ISMA Bill.  Participate in public consultation processes  Institutional and Organisational review

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33.	Organisational	Regulatory certainty exists within the energy industry	Mandate overlap.	EM: COS	DOE/NERSA overlap/ confusion.  Competition authority.  NCA.  Clarity of role of Energy Regulator by industry stakeholders.	Overlap in NERSA governing legislation with those of other entities.  Interpretation of legislation.  Inconsistencies in legislation.	Possible impact on NERSA's regulatory mandate.	46.00 Medium	16.20 Low	7.00 Very low	9.40 Very Low	Regular interaction with relevant stakeholders  Comments made on proposed legislation impacting on the role of NERSA	Signing of Memorandums of Understanding and Memorandums of Agreement with regulators with concurrent jurisdiction.  Proactive proposals for amendments to legislation and participation in review task teams.  Review alignment of legislation.
34.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Fraud and corruption.	SM: SPM	Potential for fraudulent activity within the awarding of licenses, tenders, etc.	Collusion.  Conflict of interest.  Poor professional ethics.  Leaking of tender documentation and information.  Breach of confidentiality.  Theft of organisational resources (cash, time, information, etc.)  Personal enrichment.	Inappropriate awarding of licenses.  Loss of credibility.  Litigation.  Penalties and fines.  Loss of resources.  Poor quality goods and services	43.00 Medium	15.60 Low	6.40 Very low	9.20 Very Low	Approved Fraud Management Policy  Approved Fraud Prevention Plan.  Segregation of duties.  Demand planning.  Fraud Committee.  Fraud hotline  Developed broad evaluation criteria for licence applications  Code of conduct.  Documented licensing processes,  Detailed procurement process in place  Declaration of interest  Delegation of authority metrics is in place.	Develop and implement a procurement system linked to the supplier database.  Annual review and updates of demand plans.  Fraud Awareness campaigns  Declaration of interest

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
35.	Electricity Industry	Energy supply is certain and secure for current and future user needs	Enabling and monitoring of the Security of energy supply.	EM: ELR	Sustained power station outage	Demand increase exceeding capacity increase Weather conditions impacting on coal supply. Lack of planning by energy producers. Unplanned plant outages. Sabotage / terrorism. Industrial action. Copper cable theft. Electricity theft.	Load shedding. Loss of credibility of the Country as an investment destination. Community unrest. Large scale financial and production losses in the economy. Loss of NERSA Credibility. Damage to the local economic growth.	46.20 Medium	16.00 Low	11.20 Very low	4.80 Very Low	Multi-Year Price Determination Monitoring of the build programme. Allowing municipalities revenue for maintenance of networks. Compliance monitoring. Monitoring of the supply and demand balance. Electricity infrastructure analysis and Integrated Resource Plan New electricity legislation provides detailed and advanced license conditions. International best practice methodology for determining Eskom revenue requirements.	Review the EEDSM framework. Awaiting final review of the standard of our policy by DoE. Licensing of Independent Power Producers Participation in the finalisation of the ISMO Bill as far as possible Licensing of ISMO if and when the ISMO Bill comes into operation

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
36.	Petroleum Pipelines Industry	Energy supply is certain and secure for current and future user needs	Enabling and monitoring of the Security of energy supply.	EM: PPR	Economy grinds to a halt if there is no fuel	Pipeline failure / leakage. Sabotage / terrorism. Industrial action.	Not enough petroleum products in especially the inland market  Loss of credibility of the Country as an investment destination.  Large scale financial and production losses in the economy.  Loss of NERSA Credibility.  Damage to the local economic growth.	40.40 Medium	16.00 Low	8.40 Very low	7.60 Very Low	Review supply and demand balance for Petroleum supply.  Compliance monitoring.  Capacity adequacy reports.  Security of Supply Model	Continued modelling of demand forecast  Continued updating and enhancement of the security of supply model  Process licence applications as soon as possible
37.	Petroleum Pipelines Industry	Regulatory Environment facilitates investment in energy infrastructure  Regulatory certainty exists within the energy industry  NERSA is established and positioned as a credible and reliable regulator	NERSA's role in Country Infrastructure rollout and funding plan.	EM: PPR	Perceived role and relevance of NERSA.  Massive National infrastructure planned spending impacting on petroleum pipelines.  Clarity of role of Energy Regulator by industry stakeholders.	Overlap in jurisdictions.	Uncertainty in investors as to the regulatory environment for investment.	41.80 Medium	17.60 Low	9.80 Very low	7.80 Very Low	Tariff methodology in place	Participate in the finalisation of the Infrastructure Development Bill  Monitor tariff applications for possible cross-subsidies  Liaise with stakeholders as and when necessary

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
38.	Electricity Industry	Regulatory Environment facilitates investment in energy infrastructure  Regulatory certainty exists within the energy industry  NERSA is established and positioned as a credible and reliable regulator	NERSA's role in Country Infrastructure rollout and funding plan.	EM: ELR	Perceived role and relevance of NERSA.  Massive National infrastructure planned spending impacting on electricity industry.  Clarity of role of Energy Regulator by industry stakeholders.	Overlap in jurisdictions.	Uncertainty in investors as to the regulatory environment for investment	42.20 Medium	16.80 Low	9.40 Very low	7.40 Very Low	Multi-Year Price Determination  Monitoring of new build programme	Participate in the finalisation of the Infrastructure Development Bill  Continuous monitoring of new build programme  Monitoring implementation of the MYPD
39.	Petroleum Pipelines Industry	Regulatory environment facilitates investment in energy infrastructure	Evaluating competing licence applications.	EM: PPR	NERSA may in future be faced with the evaluation of more than one competing licence application. These will have to be evaluated and the licence granted to the most deserving applicant.	Petroleum Pipelines Act encourage competition in the market.	Reputational risk. Loss of investors.  Annoyed investors which have met the requirements but have been declined a license.  Deter entry to competitors.  Lack of competition.	38.20 Medium	13.20 Low	6.40 Very low	6.80 Very Low	Energy Regulator and Subcommittee meetings open to the public  Public consultation process  Rules, guidelines and selection criteria are in place.  Developed and approved broad evaluation criteria for licence applications.	Ensure consistency in Energy Regulator decisions  Recommend amendment to the Petroleum Pipelines Act to allow for competitive bidding

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
40.	Piped-Gas Industry	Regulatory environment facilitates investment in energy infrastructure.	Evaluating competing licence applications.	EM: PGR	NERSA may in future be faced with the evaluation of more than one competing licence application. These will have to be evaluated and the licence granted to the most deserving applicant.	Gas Act encourage competition in the market.	Reputational risk. Loss of investors.  Annoyed investors which have met the requirements but have been declined a license.  Deter entry to competitors.  Lack of competition.	38.20 Medium	13.00 Low	6.40 Very low	6.80 Very Low	Energy Regulator and Subcommittee meetings open to the public  Public consultation process  Rules, guidelines and selection criteria are in place.  Developed broad evaluation criteria for licence applications.	Ensure consistency in Energy Regulator decisions
41.	Piped-Gas Industry	Fair competition exists within the energy industry	Creating an enabling environment for competition in the piped-gas industry.	EM: PGR	NERSA's limitations relative to the objectives of the Gas Act	Lack of enabling legislative tools.  Lack of sufficient investment in infrastructure.  High entry barriers.  Single supplier in the market.  Market structure characterised by vertically integrated supplier.	High cost of business for rivals.  High prices for consumers.  Lack of growth in the gas industry.  Discriminatory prices.  Lack of job creation.	46.20 Medium	15.60 Low	11.20 Low	4.40 Very Low	Stakeholder and investor engagement.  Pro investment tariff methodology and structures.  Regulatory advocacy with government and key stakeholders.  Licensing of new or potential entrants in the gas market.  Conduct periodic competition assessment.  Approving maximum prices for gas.  Monitor and approve gas tariffs.	Lobby for amendment of the Gas Act and Regulations.  Licence conditions to provide limited exclusivity where applicable  Advocacy and communication by NERSA  Enforce third party access

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
42.	Piped-Gas Industry	Energy is accessible and affordable for all citizens	Tariff and price determination.	EM: PGR	Incorrect determination of prices and tariffs which may result in windfall profits for licensees; unaffordable prices; financial unsustainability of the industry; and diminished investor appetite.  Benefit of higher tariffs can flow to unintended people.	Incorrect information provided by licensees.  Incorrect assessment by NERSA.  Availability of correct skills and competency to assess applications.  Setting tariffs not conducive to investment.  Information asymmetry.	Unaffordable tariffs.  Unsustainability of the licensee.  The credibility of NERSA is at risk.  Deters investment.	52.80 High	11.20 Low	6.40 Very low	4.80 Very Low	Regulatory reporting manuals.  Public hearings.  Approved Maximum Price Methodology	Enforcement of compliance with regards to Regulatory Reporting Manuals  Consistent decisions  Ensure compliance with the Maximum Price Methodology



No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
43.	Petroleum Pipelines Industry	Energy is accessible and affordable for all citizens	Tariff and price determination.	EM: PPR	<p>Incorrect determination of prices and tariffs which may result in windfall profits for licensees; unaffordable prices; financial unsustainability of the industry; and diminished investor appetite.</p> <p>Benefit of higher tariffs can flow to unintended people.</p>	<p>Incorrect information provided by licensees.</p> <p>Incorrect assessment by NERSA.</p> <p>Availability of correct skills and competency to assess applications.</p> <p>Inappropriate / incomplete tariff applications for petroleum pipelines facilities (storage and loading facilities still largely outstanding).</p> <p>Setting and/or approving tariffs not conducive to investment.</p> <p>Information asymmetry.</p> <p>Department of Energy (DoE) changing regulations pertaining to tariff setting for the industry due to:</p> <p>Transnet Limited in discussions with DoE regarding changing the regulations.</p>	<p>Unaffordable tariffs.</p> <p>Unsustainability of the licensee.</p> <p>The credibility of NERSA is at risk.</p> <p>Deters investment</p>	53.80 High	12.00 Low	7.40 Very low	4.60 Very Low	<p>Regulatory reporting manuals.</p> <p>Minimum information requirements for tariff applications.</p> <p>Public hearings.</p> <p>Approved tariff methodologies for pipelines and storage facilities.</p>	<p>Enforcement of compliance with RRM and MIRT A</p> <p>Consistent decisions</p> <p>Consultation with and information provided to government departments and stakeholders</p> <p>Following of a public participative approach</p> <p>Try to ensure that the DoE follows a public participative approach if changes to the regulations are decided upon.</p>

# A Appendix A: Strategic Risk Register

No.	Context	Strategic Objective	Risk Name	Risk Owner	Risk Description	Root Cause(s)	Consequence(s)	Inherent Risk Score	Residual Risk (Current)	Residual Risk (Desired)	Residual Risk Gap	Controls	Task Details
44.	Electricity Industry	Energy is accessible and affordable for all citizens	Tariff and price determination.	EM: ELR	Incorrect determination of prices and tariffs which may result in windfall profits for licensees; unaffordable prices; financial unsustainability of the industry; and diminished investor appetite.  Benefit of higher tariffs can flow to unintended people.	Incorrect information provided by licensees.  Incorrect assessment by NERSA.  Availability of correct skills and competency to assess applications.  Setting tariffs not conducive to investment.  Information asymmetry.  Department of Energy (DoE) changing regulations pertaining to tariff setting for the industry due to inadequate ring-fencing (amongst others).	Unaffordable tariffs.  Unsustainability of the licensee.  The credibility of NERSA is at risk.	53.00 High	11.60 Low	7.20 Very low	4.40 Very Low	Regulatory reporting manuals.  Minimum information requirements for tariff applications.  International best practice methodology for determining Eskom revenue requirements  Multi-Year Price Determination  MYPD allows for "re-opening" to correct for any over or under recovery  Stakeholder participation in determining tariffs structures and levels for Eskom  A more robust pricing methodology introduced for Metros	Enforcement of compliance with regards to RRM, MIRA and submission of information  Consultation with and information provided to government departments and stakeholders  Following of a public participative approach  Implementing the Pricing Policy
45.	Organisational	NERSA is established and positioned as a credible and reliable regulator	Security of income.	CFO	Late approval of levies by the Minister of Energy in consultation with the Minister of Finance.	Delays by the Minister to approve the levies.	Cash flow constraints.  Financial losses.	25.20 Low	6.60 Very low	3.80 Very low	2.60 Very Low	Lobbying / Advocacy with relevant shareholders.  Collection of levies  Ensuring accuracy of levies	Strengthen engagement with Minister of Energy and National Treasury.

## Appendix B: Budget Assumptions and Parameters

The budget assumptions and parameters that are to be utilised in preparing the NERSA 2014/15 budget and forecasts for 2015/16 and 2016/17 are provided below. These factors affect the budget process in the following ways:

- Inflation rate is used to determine the level at which recurrent expenditure items should increase. Example: National Treasury has directed all departments and entities to budget for salary increases at inflation + 1 percent.
- The exchange rate is used when calculating the budget for international travel as well as other expenses where payments are made in foreign currency.
- Industry volumes are used in calculating the levies payable by each industry based on the required expenditure budget minus any refunds approved by the Energy Regulator.

### 1. ECONOMIC FACTORS

Financial Year	2012/13	2013/14	2014/15	2015/16	2016/17
Inflation rate – CPI	5.6	5.6	5.4	5.4	5.3
Exchange Rate of the Rand (R/USD)	9.62	9.66	10.14	10.65	10.99

#### 1.1 INFLATION RATE

The outlook for consumer inflation (CPI) for the next three years is expected to be around an average of 5.6%. The CPI figures are provided by the National Treasury.

#### 1.2 EXCHANGE RATE OF THE RAND

This exchange rate forecast is based on the information provided by the Bureau for Economic Research as at 30 June 2013. The rand has been on a weakening trend since May 2013. The currency lost further ground to trade at R10.12/\$ on 30 June 2013. On average the rand declined by about 12% against the US dollar between the fourth quarter of 2012 and the first quarter of 2013.

## Appendix B: Budget Assumptions and Parameters

### 1.3 INDUSTRY VOLUMES AND GROWTH

	2012/13 Actual	2013/14 Budget	2014/15 Budget	2015/16 Forecast	2016/17 Forecast
Net electricity sent out from licensed power stations (MWh) (Note 1)	237 373 166	250 615 050	258 151 000	265 779 000	269 461 000
Electricity volume growth %	0.08%	5.58%	3.01%	2.95%	1.39%
Piped-gas volume delivered at inlet flange of licensed pipelines (GJ) (Note 2)	160 275 788	161 800 000	169 672 935	184 879 129	184 194 866
Piped-gas volume growth %	9.15%	0.95%	4.87%	8.96%	2.33%
Petroleum volumes delivered at inlet flange of licensed pipelines (kl) (Note 3)	15 415 446	17 699 523	16 354 000	16 523 000	16 500 000
Petroleum pipelines volume growth %	-7.15%	14.82%	-7.60%	1.03%	-0.14%

#### NOTE 1: ELECTRICITY

The Electricity sent out numbers arrived at were based on the Eskom's projected volumes for the 2012/2013 to 2015/2016 financial years. These include volumes from non-Eskom generators and licensed generators from the Department of Energy Electricity Independent Power Producers Program.

#### NOTE 2: PIPED GAS

The volumes for the 2013/2014 to 2016/17 financial years are based on Sasol's projections.

#### NOTE 3: PETROLEUM PIPELINES

The volumes for the 2013/2014 to 2015/16 financial years are based on Transnet's projections. However Transnet does not provide projections beyond 2015/2016, hence we maintained the volumes as forecast for 2015/16.

## 2. REGULATORY FACTORS

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

## ELECTRICITY INDUSTRY REGULATION

1. Compliance monitoring and enforcement of licence conditions
2. An overlap in regulatory mandate with other regulators or institutions

## PIPED-GAS INDUSTRY REGULATION

1. Regulatory gaps and fragmentation of legislation (gas) (not regulating entire value chain)
2. Light handed approach of current regulatory framework and weak enforcement powers
3. Lack of experience in regulating new activities

## PETROLEUM PIPELINES INDUSTRY REGULATION

1. Lack of consistency in policy focus and applications by different regulators
2. Multi-year petroleum tariffs

## CROSS CUTTING

1. Information asymmetry
2. Insufficient coordination in regulating gas and electricity industries
3. Management of concurrent jurisdiction
4. Perception of independence of the Regulator
5. Guidelines for cross border trading
6. Implementation of regulatory programmes and projects approved at continental and regional level

## 3. SALARY PROJECTIONS

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Projected Salary Increase Percentage*	5.7%	9.0%	6.6%	6.4%	6.4%	6.3%
Projected bonus percentage as a function of total employment cost	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%

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

The above estimated salary increase (CPI + 1%) is based on the National Treasury Medium Term Expenditure Framework (MTEF) Guidelines. The performance bonus is based on previous year's budget at cost to company.

## Appendix B: Budget Assumptions and Parameters

### 4. BUDGETING PRINCIPLES

- The budget is aimed at achieving the NERSA objectives as contained in the Strategic Plan as well as the development of staff and moving towards becoming a world-class Energy Regulator.
- The budget should be linked to projects and programmes in the Strategic Plan and Annual Performance 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. The ratio is due for review during the 2014/15 budget process however there were no significant changes to the NERSA's organisational structure since the approval of the ratio. It is proposed that the review of this ratio be done once the organisational review is finalised.
- 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 complement and based on the projected salary increase.

## 5. HIGHER LEVEL TREND ANALYSIS

	2009/10 R'000	2010/11 R '000	2011/12 R'000	2012/13 R'000
<b>Levies received</b>				
Actual	127 028	155 197	141 637	213 227
Budget	133 361	159 727	151 448	212 960
% Variance - (Under)/Over	(4.7%)	(2.8%)	(6.48%)	0.13%
<b>Operating Expenditure</b>				
Actual	143 818	163 718	184 402	197 291
Budget	173 329	177 159	210 591	232 724
% Variance - Under/(Over)	20.5%	7.6%	13.00%	15.23%
<b>Capital Expenditure</b>				
Actual	5 456	9 999	2 310	5 874
Budget	6 669	8 518	12 301	9 281
% Variance - Under/(Over)	18.2%	(17.4%)	81.22%	37%

## Appendix C: 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 2014/2015 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 2013 to the value of R6,344 million and interest receivable from the bank of R 2,194 million at the average rate of 5.0% per annum.

The levy rate payable by licensed generators of electricity is estimated at 0,06709 cents per kWh based on recovering R173,2 million through an estimated net generation of 258 151 GWh (1GWh = 1 million kWh) for the 2014/15 financial year. This is a 22.69% increase in the levy compared to the 2013/14 financial year

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 leviable amount for piped-gas for 2014/15 amounts to R64.3 million. The projected volume of gas for 2014/15 amounts to 169.6 million GJ, giving a levy rate of 0.37930cents/GJ. This is a 25.74.% increase in the levy compared to the 2013/14 financial year

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

For petroleum pipelines, the levy is payable by the holders of the title to petroleum product as it enters the system licensed by NERSA and is based on litres. The budgeted leviable amount for petroleum pipelines for 2014/15 amounts to R66.13 million. It is estimated that the total volume of petroleum products transported by pipeline would amount to approximately 16.3 billion litres, so the levy would be R0.40437 cents/Kilolitre.



This is a 40.52% increase in the levy compared to the 2013/14 financial year.

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 D: NERSA Consolidated Budget

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA ANNUAL BUDGET FOR THE YEAR 2014/2015

### CONSOLIDATED

### INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2012/2013 TO 2016/2017

DESCRIPTION	ELECTRICITY ACTUAL	APPROVED ELECTRICITY BUDGET	ELECTRICITY BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>TOTAL FUNDING</b>	231 898 522	275 907 345	324 076 178	314 311 000	321 356 892
Levies from Electricity Industry	106 105 805	137 043 936	173 191 622	174 693 806	178 494 920
Levies from Piped-Gas Industry	56 065 272	48 808 067	64 356 969	66 940 591	69 795 464
Levies from Petroleum Pipeline Industry	42 053 337	50 933 740	66 129 986	65 941 620	67 438 192
Refund of Surplus Fund - Prior years	16 534 568	13 432 314	-	-	-
Refund of Surplus Funds	6 791 342	21 548 735	16 614 741	3 994 001	2 905 979
Interest received	4 348 198	4 140 554	3 782 860	2 740 982	2 722 337
<b>TOTAL EXPENDITURE</b>	203 890 812	275 907 346	324 076 178	314 311 000	321 356 892
<b>TOTAL OPERATING EXPENDITURE</b>	198 093 851	252 827 606	272 353 635	288 717 307	306 468 189
Publications, communications and corporate communications	11 287 236	9 351 284	9 978 644	10 517 491	11 085 436
Recruitment costs	1 528 284	568 186	1 610 811	1 697 795	1 789 476
International initiatives	949 376	1 290 402	2 314 597	2 439 585	2 571 323
External auditors fees	1 661 727	1 438 420	1 536 000	1 618 944	1 706 367
Co-sourced internal audit function	453 657	1 500 000	2 000 000	2 108 000	2 221 832
Breakaways	1 250 095	1 942 917	1 882 827	1 984 499	2 091 662
Bank charges	56 996	84 000	88 536	93 317	98 356
Postage and delivery costs	201 812	455 447	277 773	292 773	308 583
Catering and entertainment	1 159 544	1 573 616	1 562 500	1 646 875	1 735 806
Consultant fees	11 895 594	24 253 917	25 291 893	26 657 655	28 097 169
Tribunals, hearings and inquiries	2 085 173	584 325	580 000	611 320	644 331
Insurance	604 217	632 985	664 730	700 625	738 459
Interest Paid	1 222	-	-	-	-
Legal fees	725 042	3 530 000	2 512 871	2 648 566	2 791 589
Knowledge Center	1 450 950	3 776 187	4 019 195	4 236 231	4 464 988
Study fees	711 020	2 449 388	1 922 464	2 026 277	2 135 696
Motor vehicle maintenance costs	204 967	288 000	216 035	227 701	239 997
Office operational costs: Lease of Photocopiers	4 326 068	6 007 225	2 300 000	2 424 200	2 555 107
Other Operational Costs	-	-	1 286 116	1 355 566	1 428 767

DESCRIPTION	ELECTRICITY ACTUAL	APPROVED ELECTRICITY BUDGET	ELECTRICITY BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Software licenses	2 022 075	1 966 132	4 322 000	4 555 388	4 801 379
Water & Electricity	2 120 573	2 662 280	2 353 836	2 480 943	2 614 914
Rates and taxes	649 958	-	936 000	986 544	1 039 817
Employment Costs - Staff	94 647 793	108 760 902	116 304 386	123 747 866	131 667 730
Learnership programme	415 443	1 253 291	1 320 969	1 392 301	1 467 486
Leave pay	805 286	1 498 970	1 120 270	1 191 967	1 268 253
Leave pay: Regulator Members	-	-	30 205	32 138	34 195
Salary temporary staff	1 261 682	14 362 925	15 257 350	16 233 820	17 272 785
Remuneration - Regulator Members	11 689 034	10 068 926	11 620 859	12 364 594	13 155 928
Performance Bonus - Staff	13 069 026	19 728 115	19 771 746	21 037 137	22 383 514
Performance Bonus - Regulator Members	-	-	1 552 710	1 652 084	1 757 817
UIF	270 833	-	-	-	-
Repairs and maintenance	2 416 520	3 624 000	3 819 696	4 025 960	4 283 621
Office Operational Costs: Printing and stationery	300 642	801 461	2 428 500	2 559 639	2 723 456
Subscriptions	765 192	1 005 772	1 324 673	1 396 205	1 485 563
Travel and Accommodation - Regulator Members	2 414 354	2 217 708	3 811 092	4 016 891	4 273 972
Travel and Accommodation - Staff	12 477 368	16 880 398	13 210 398	13 923 759	14 814 880
Travel and Accommodation - Regulator Members (Training Related)	-	-	270 000	284 580	302 793
Travel and Accommodation - Staff (Training Related)	-	-	4 421 261	4 660 009	4 958 249
Telephone and fax	1 130 941	1 641 904	1 879 700	1 981 204	2 108 001
Employee wellness	592 537	1 650 584	704 534	742 579	790 104
Health & Safety	-	10 000	91 824	96 782	102 977
Training and development - Staff	4 411 424	4 565 184	5 233 697	5 516 317	5 869 361
Training and development - Regulator Members	291 311	402 757	522 939	551 177	586 453
Depreciation	5 788 880	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>5 796 961</b>	<b>23 079 740</b>	<b>51 722 542</b>	<b>25 593 693</b>	<b>14 888 703</b>
Motor vehicles	339 097	1 000 000	-	550 000	585 200
Computer software	891 799	7 673 484	4 440 000	4 679 760	4 979 265
Office furniture and equipment	424 237	1 995 156	1 228 500	7 333 683	1 100 052
Building improvements	1 790 612	10 000 000	43 179 042	10 000 000	5 000 000
Computer hardware	2 351 216	2 411 100	2 875 000	3 030 250	3 224 186
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>	<b>-</b>	<b>33 220 125</b>	<b>35 575 374</b>	<b>39 155 914</b>	<b>9 008 727</b>

## Appendix E: Notes to the NERSA Budget

### 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 and a refund of surplus funds as at 31 March 2013 has been calculated and included in the funding portion of the 2014/15 budget, which has an effect of reducing levies.

Total funding requirement for the 2014/15 budget is 17.49% more than the 2013/14 budget. The calculation was done after taking into account the effects of refunds to the industries and interest receivable.

The forecast funding requirement for the 2015/16 financial year decreased by 5.39%, while an increase of 1.96% is expected in 2016/17.

The industry levies for 2014/15 will change as follows compared to the previous year:

Industry	Increase in Levies (R)	Refunds	Expenditure	Volumes	Levy
		% increase/ (decrease)	% increase/ (decrease)	%increase/ (decrease)	% increase
Electricity industry	36 147 686	(67.9%)	14.1%	3.01%	22.69%
Piped-gas industry	15 548 902	14.9%	29.1%	4.87%	25.74%
Petroleum pipelines industry	15 196 246	(75.8%)	15.2%	(7.60)%	40.52%

#### OPERATING EXPENDITURE

The total operating expenditure budget for 2014/15 has increased by R19.5 million or 7.72% compared to the 2013/14 budget. When taking inflation into consideration, the budget has increased by 2.32% in real terms. This is mainly due to the increase in recruitment, international initiatives, knowledge centre and software license renewal costs.

#### CAPITAL EXPENDITURE

Capital expenditure has increased by R28.6 million or 124.1% in nominal terms. Capital expenditure is increasing due to the building refurbishment project and the provision being made for the replacement of computer hardware as well as furniture and equipment.

Computer Software costs decreased by 42.14% due to fewer software packages that will be purchased in the 2014/15 financial year.

The computer hardware budget has also increased by 19.24% due to the planned replacement of old and out-of-warranty computers.

## **INCOME**

### **1. LEVIES FROM ELECTRICITY INDUSTRY**

The levy from the Electricity Industry has increased by 22.69% from 0.0538 cents per KWh to 0.06709 cents per KWh. This is after taking into account refunds amounting to R6 344 195 in respect of surpluses from the previous financial year.

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

### **2. LEVIES FROM PIPED-GAS INDUSTRY**

The piped-gas levy has increased by 25.74% from 25.74c/Gj to 37.930 c/Gj after taking into account interest receivable. This increase was calculated after taking into account an increase of 4.87% in volumes from 161.8 million in 2013/14 to 169.6 million Gj in the 2014/15 financial year and an increase in expenditure allocated to the piped-gas industry

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.

### **3. LEVIES FROM THE PETROLEUM PIPELINES INDUSTRY**

The petroleum pipelines levy has increased by 40.52% from 0.2854 to 0.40437 c/kilo litre. This increase is mainly attributable to the decrease in volumes for the industry and the increase in expenditure allocated to the industry.

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.

### **4. REFUND OF SURPLUS FUNDS**

The Minister of Finance approved that surpluses of R40 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. The balance of above mentioned amount of R13.4 million was refunded in the 2013/14 financial year.

## Appendix E: Notes to the NERSA Budget

As at 31 March 2013 NERSA reported a surplus of R10.2 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:

Industry	Electricity Industry	Piped-Gas Industry	Petroleum Pipelines Industry	Total
Refunds – NER 2013/14	13 432 314			13 432 314
Refunds 2013/14	6 347 328	7 264 948	7 936 459	21 548 735
Refunds 2014/15	6 344 195	8 346 234	1 924 312	16 614 741
Refunds 2015/16		6 799 802		6 799 802
Total Refunds	26 061 827	22 495 446	9 838 319	58 395 592
Approved Commitments				15 009 002
Cash Flow Mitigating Reserve				28 369 791
<b>Total Accumulated Reserves</b>				<b>101 774 385</b>

### 5. CASH FLOW MITIGATION RESERVE

Based on the historical background in the approval of the budget and the payment of levies to NERSA, a Cash Flow Mitigation Reserve has become a necessity for NERSA to be able to fulfill its financial obligations should there be a delay in the approval of the budget by the Minister of Energy 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 is based on the following principles:

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

The 2014/2015 Cash Flow Mitigation Reserve is as follows:

	<b>R</b>
Electricity Industry	16 454 479
Piped-Gas Industry	5 957 656
Petroleum Pipelines Industry	5 957 656
<b>Total</b>	<b><u>28 369 792</u></b>

## **EXPENDITURE**

### **6. PUBLICATION, COMMUNICATIONS AND CORPORATE COMMUNICATION**

There is an overall increase of 6.71%. The increase is due to more advertising for notices of public hearings, notifications and publication of documents on websites as well as advertising of bids above R500 000 .

In order to comply with all the requirements of the Supply Chain Management Policy approved on 26 March 2009, NERSA must advertise all bids above R500 000 (this is both awarded and cancelled tenders). This has resulted in the increase in advertising costs for the financial year.

### **7. RECRUITMENT**

Recruitment expenditure has increased by 183.5% from R0.5 million to R1.6million. The budget caters for advertisement of vacant positions, recruitment agencies to assist with the short listing of candidates, placement fees for appointments made via recruitment agencies and the catering on the days when interviews are conducted. This item was not adequately provided for in the 2013/14 budget given that the actual expenditure for 2012/13 was over R1.5 million. NERSA is also in the process of advertising a tender to appoint a recruitment agency for response handling regarding all advertisements, capturing of CV's and short-listing of candidates.

### **8. INTERNATIONAL INITIATIVES**

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

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

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

The international initiative budget has increased by 79.37% compared to the 2013/14 budget. The main contributor is the expenses related to the South African Economic Regulators Conference, which will be held in 2015/16, for which the process will be started in 2014/15. The total budget for the conference is estimated at R1 539 510. Also included in this line item is the International Relations and Protocol Training, International Coordination and Partnership days, Protocol Related Activities to the amount of R234 000.00 as well as the travelling cost of the Executive Manager: Corporate Services for attending the meetings of the different regulatory associations NERSA is involved with.

## Appendix E: Notes to the NERSA Budget

### 9. EXTERNAL AUDIT FEES

The external audit fees have increased by 6.78%. This increase is in line with the annual increase of the fees by the Auditor-General as approved by their Audit Committee.

### 10. CO-SOURCED INTERNAL AUDIT FUNCTION

The co-sourced Internal Audit's (IA) budget has increased by 33.33% compared to the 2013/14 budget. The reason for this significant variance is due to two factors. Firstly this item was under budgeted for in 2013/14, secondly NERSA is working towards improving and ensuring the highest levels of international controls and internal audit plays a significant role in ensuring that the organisation reaches this goal. Therefore the above is aligned to the approved IA three year rolling plan. The internal audit department has concluded co-sourcing agreements with three external auditing firms to the value of R6 million over three years to perform internal audit functions.

### 11. BREAKAWAYS

The budget for breakaways has decreased by 3.09%. All divisions attend breakaway sessions at least annually. This is mainly to prepare for the strategic planning session for the following financial year.

### 12. POSTAGE AND COURIER

The cost of postage and courier are expected to decrease based on the prices quoted by the supplier recommended for a new contract.

### 13. CATERING AND ENTERTAINMENT

The budget has decreased by 0.71%. This budget covers for catering when there are meetings including Energy Regulator and Subcommittee meetings, public hearings and stakeholder workshops. It also includes a provision for the year end function.

### 14. CONSULTANT FEES

The budget reflects a 4.28% increase as compared to the 2013/14 budget.

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

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

The following tables provide a breakdown of consulting projects included in the budget for 2014/15.



**TABLE 1: PROJECT RELATED CONSULTING FEES**

Cost Centre	Budgeted Amount	Name of Project	Amount per Project
EIP	R 650 000	IDM (EESDMSM) AUDIT	R 650 000
GPT	R 600 000	Review of tariff Guidelines and Procurement	R 600 000
GLC	R3 000 000	Study to determine Integrity of Distribution Pipelines	R3 000 000
PPT	R 900 000	Decommissioning of the DJP	R 900 000
CHO	R3 500 000	Organisational Review	R3 500 000
CSM	R 720 000	Media Monitoring and Exhibitions	R 720 000
FAD	R1 400 000	Support for AccPac	R 480 000
		Management Fee for the Canteen	R 660 000
		Management of Supplier Database	R 60 000
		Ring-fencing Methodology	R 200 000
IAU	R 100 000	Fraud Hotline	R 100 000
IRM	R4 545 877	Geographical Information System	R 400 000
		IT Outsourced Services Contract	R1 214 400
		Electricity Market Research Survey Among Households	R 309 000
		Knowledge Management System	R 280 000
		Licensee Management System	R 550 000
		SharePoint Support	R 500 000
		Development of a D-Forms Electronic Data Collection Tool on the NERSA Website	R 492 477
		IT Disaster Recovery Maintenance	R 800 000
RAR	R6 500 000	RRS	R4 000 000
		Regulatory Impact Assessment	R2 500 000
RSU	R 400 000	Evaluation of the Performance of the Energy Regulator	R 250 000
		Facilitators for ER breakaway - Session	R 150 000
SPM	R1 000 000	Facilitation of Strategic Planning Sessions	R 500 000
		Testing of Business Continuity Plan and Updating of Policy and Procedures	R 500 000
<b>TOTAL</b>	<b>R23 315 877</b>		<b>R23 315 877</b>

## Appendix E: Notes to the NERSA Budget

**TABLE 2: CONTINGENCY CONSULTING FEES**

COST CENTRE	BUDGETED AMOUNT	CONTINGENCY	AMOUNT PER PROJECT
ELR	R 500 000	Contingency	R 500 000
GAR	R 400 000	Contingency	R 400 000
PLC	R 110 000	Contingency	R 110 000
PPR	R 200 000	Contingency	R 200 000
COO	R 320 000	Contingency	R 320 000
CFO	R 226 016	Contingency	R 226 016
COS	R 70 000	Contingency	R 70 000
RSU	R 150 000	Contingency	R 150 000
<b>TOTAL</b>	<b>R1 976 016</b>		<b>R1 976 016</b>

**TOTAL CONSULTANTS BUDGET (TABLE 1 + TABLE 2) = R25 291 893**

### 15. TRIBUNALS, HEARINGS AND ENQUIRIES

The budget has decreased by 0.74%. This is mainly due to a reduction in the number of hearings and enquires in the 2014/15 financial year. Travelling costs attributed with tribunals, hearings and enquiries are budgeted for under travelling costs. This item also caters for public hearings that will be held outside NERSA's premises.

### 16. INSURANCE

The insurance budget has increased by 5.02% compared to the 2013/14 budget. This is due to the change in the rates charged by the insurance company for cover of members of the Energy Regulator and the Movable and Immovable assets owned by NERSA.

### 17. LEGAL FEES

The budget has decreased by 28.81%. 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 experts on the processes of NERSA, contractual issues and reviews of reports. A provision is also made within this line item for potential CCMA cases which can be lodged against NERSA. Currently the budget is allocated between HR, LAS and RSU.

### 18. KNOWLEDGE CENTRE

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

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

The Knowledge Center's budget has increased by 6.44% compared to the 2013/14 budget. The increase is to cater for inflation increases for acquisition of books, journals and other periodicals.

### 19. STUDY FEES

This budget item has decreased by 21.51%. Although the allowance for studies has been increased from R15 000 to R50 000 per employee

per annum, employees repeating their studies do not qualify for funding. The budget is based on employees who are currently studying.

## **20. OFFICE OPERATIONAL COSTS - LEASE OF PHOTOCOPIERS**

The Auditor General requested NERSA to report on the lease of the photocopier machines separately in order to comply with the accounting standards. The budget for lease payments is now a standalone item.

## **21. OFFICE OPERATIONAL COSTS**

This expenditure item has decreased by 61.71%. This budget item previously included the cost of operational lease agreements for photocopy machines, fax machines, printers and maintenance costs. The Auditor-General requested NERSA to report on these items separately in order to comply with the accounting standards. The budget for lease payments is now a standalone item while maintenance costs have been budgeted for under printing and stationery.

## **22. SOFTWARE LICENSES**

The Software licenses budget has increased by 119.82% compared to the 2013/14 budget. This increase is due to the fact that new software was purchased under CAPEX and the licenses will be renewed in the 2014/15 budget year. Included under this item is the license renewal of SAP, Plexos, Blue Coat, Bloomberg, Cibecs, DigSilent, Elfiq, ESRI - Geographical Information system (GIS), Lansweeper, Latitude, ect. VIP used by HR, Teammate and IDEA used by Internal Audit as

well as the license renewals of the latest Microsoft packages for the estimated value of R1 million.

## **23. WATER, ELECTRICITY, RATES AND TAXES**

The budget amount is based on the actual consumption for the 2012/13 financial year plus the approved municipal tariff increase of 8.49% with a small provision for usage increases.

## **24. EMPLOYMENT COSTS - STAFF**

Employment costs in terms of staff have increased by 6.94% after taking into account the inflation linked salary increase and the pay progression. The increase in remuneration is based on the total cost of the approved structure in July 2013 plus the approved increase of 7.9% as signed between Management and Nehawu and the National Treasury guidelines of 5.4%.

## **25. LEARNERSHIP PROGRAMME**

The Republic of South Africa in trying to address the skills shortage, unemployment, prospects of work and labour mobility, productivity in the workplace, competitiveness of employers, promotion of self-employment and delivery of social services introduced the Skills Development Act, 1998 (Act No. 97 of 1998).

The Skills Development 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 /introduced. These cater for establishment of learnerships and approval of Workplace skills plans amongst other duties. Though NERSA is exempted from contributing to the National Skills Fund as prescribed by the National Skills Levy Act, the organization still carries an obligation of Skills Development. In the NERSA Workplace Skills Plan of 2006, one of the areas that need to be addressed is the implementation of learnership within the organisation.

The Learnership budget has increased by 5.4% compared to the 2013/14 budget. The number of learners on the Learnership and internship programmes has been limited to 24. An amount of R1.3 million has been budgeted and will be utilised as follows:

- Learnership - 12 Learners at a remuneration of R4 950 per month for 12 months amounting to R712 800.
- Internship - 12 Graduates at a stipend of R6 000 per month for 12 months amounting to R864 000.

## **26. LEAVE PAY - STAFF AND REGULATOR MEMBERS**

The budget for leave pay has decreased by 25.26%. The main reason for the decrease is to bring the budget in line with the actual expenditure for 2012/13 which was R0.8million.

## Appendix E: Notes to the NERSA Budget

### 27. EMPLOYEE COSTS – TEMPORARY STAFF

The budget for temporary staff has increased by 6.23% compared to the 2013/14 budget. This budget has increased significantly compared to the 2012/13 actual expenditure. The increase was due to more temporary staff needed to handle the organisational work load with the reduction of work performed by consultants. The current organizational structure does not fully support operations of certain divisions e.g. Electricity, IRM, Finance etc.

The increase in the budget for 2013/14 was attributable to the following changes:

- IRM that required 18 additional staff members to be involved in the data analysis section, (Electricity industry related);
- Electricity licensing and compliance with a requirement of 13 additional staff that includes 10 compliance auditors;
- International Coordination and Partnership – 4;
- Finance and Administration – 3;
- Legal Advisory Services – 1;
- Regulator Analysis Research – 1;
- Communication and Stakeholder Management – 1; and
- Petroleum Pipelines Tariffs – 1.

While some of the above positions were budgeted for on a once-off principle in 2013/14 (e.g. the 18 data collection temps for IRM at R6.5 million) and no longer included in the 2014/15 budget, the majority are required on a recurrent basis (e.g. Licensing and Compliance Auditors for Electricity and Temps for Supply Chain Management under FAD).

There were two additional temporary positions for Specialists under RAR and Petroleum Pipelines which were previously budgeted and paid under Consulting Services and Salaries for permanent staff. The two positions alone have increased the budget for Temporary staff by R4.6 million. This brings the net increase from additional temporary positions and salary adjustments of existing temps to R2.7 million for 2014/15.

### 28. REMUNERATION – REGULATOR MEMBERS

Remuneration for Regulator Members has increased by 15.41%. The main reason for this increase is due to:

- Salary increases for Full-Time Regulator Members; and
- Cost of living adjustments which was approved for the Full-Time Regulator Members.

In addition to the salaries of full-time regulator members, the budget provides for meeting attendance and preparatory fees for 5 Part-time Regulator Members, two additional external part-time members for the Human Resources and Remuneration Committee, two additional external members for the Audit and Risk Committee and one external member for the Finance Committee which are based on the rate as approved by the Minister from time to time.

### 29. BONUSES

Performance bonuses are provided for at 17% of the budget for Salaries in line with the budget assumptions and parameters.

### 30. REPAIRS AND MAINTENANCE

The repairs and maintenance budget has increased by 5.4%. This is due to higher costs incurred to repair aging equipment compared to the 2013/14 budget. The repairs and maintenance item include the following services: Cleaning, Security, Plant maintenance, Lift maintenance, Electrical services, plumbing, fire sprinklers, PABX, access control and repairs to the building.

### 31. OFFICE OPERATIONAL COSTS: PRINTING AND STATIONERY

The budget has increased by 203.01%. This is due to copy charges for the photo copier machines being allocated to this item, as well as movements in the stationery stock items.

### 32. SUBSCRIPTIONS

This budget item has increased by 31.71%. Due to the increase in the staff complement, NERSA is paying professional membership for additional staff members employed. Included in the subscriptions are new provisions made by RAR for IEA and RSU for membership of certain association and professional bodies for Energy Regulator members and provision for staff members to belong to professional bodies

### 33. TRAVEL COSTS – REGULATOR MEMBERS

The budget has increased by 71.85%. The budget has increased due to more overseas travel planned for the Full-Time Regulator Members as well as Part-Time Regulators attending conferences, etc. The term of the Part-Time Regulator Members

is ending in December 2013. The new Part-Time Regulator Members will have to attend induction relating to Regulatory issues, e.g. PURC.

### 34. TRAVEL COSTS – STAFF

The Energy Regulator is now focusing on compliance issues and will be auditing and assisting some licensees to ensure compliance with the license conditions, this involves travelling to nationally on a regular basis.

Travel costs attributable to staff has decreased by 21.74%. The travel cost item was split into two items namely, travel costs relating to normal operational services and travel due to training. This is mainly due to the conducting site visits, customer awareness campaigns, RRM implementation, compliance audits, AFUR and RERA related activities and attending exhibitions.

### 35. TELEPHONE AND FAXES

This budget item has increased by 14.48%. Included in this item is the telephone cost for calls made by staff members, the premisses for additional telephone lines to be used and the internet access paid to Telkom and the Bandwith contract with Neotel.

### 36. EMPLOYEE WELLNESS

The budget has decreased by 57.32% compared to the 2013/14 budget. The budget has decreased due to lower than expected activities in the previous financial year. It is not anticipated that the activities will increase in the year under review.

### 37. HEALTH AND SAFETY

The budget has increased by 818.24% compared to the 2013/14 budget. This is due to more health and safety activities to be held as well as the provision of proper first aid kits per floor. Equipment that was purchased in a previous financial year, needs to be upgraded.

### 38. TRAINING AND DEVELOPMENT – STAFF

In line with the Labour Relations Act, specialized 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 represents 4.5% of the total employee cost.

### 39. CAPEX

This item provides for capital expenditure for the acquisition of computer software and hardware, to carry out both the administrative and regulatory functions of NERSA. Computer hardware such as servers and personal computers are required to replace existing equipment that has become obsolete and to issue to new employees as a result of the increase in staff members.

The capital budget has increased by 124.1%. This is mainly due to the inclusion in the CAPEX budget of the following items:

- Furniture and Equipment decreased by 38.43%. The budget provide for the replacement of unserviceable furniture.
- Computer hardware has increased by 19.24% due to more equipment reaching the end of their useful lives and needs to be replaced or upgraded.
- Motor vehicles decreased by 100% as there are no vehicles to be replaced in 2014/15.
- Building improvements increased by 331.79%. Based on the estimated budget for the refurbishment project, NERSA will require more than R60m to complete the project. R10m has been provided for in the 2013/14 budget while the remainder is being provided for over a two year period.

### 40. PROGRAMME BUDGET

In line with the Framework for Strategic Plans and Annual Performance Plans issued by National Treasury, budgets have to be linked to the approved programmes. Appendix J demonstrates the link between the proposed budget and the approved programmes.

# Appendix F: Consolidated Electricity Industry Regulation Budget

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

### ANNUAL BUDGET FOR THE YEAR 2014/2015

#### ELECTRICITY INDUSTRY

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

DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>TOTAL FUNDING</b>	128 076 673	159 225 099	181 729 876	175 774 491	179 482 247
Levies from Electricity Industry	106 105 805	137 043 936	173 191 622	174 693 806	178 494 920
Levies from Piped-Gas Industry	-	-	-	-	-
Levies from Petroleum Pipeline Industry	-	-	-	-	-
Refund of Surplus Funds - Electricity Industry - NER	15 774 866	13 432 314	-	-	-
Refund of Surplus Funds	3 796 002	6 347 328	6 344 195	-	-
Interest received	2 400 000	2 401 521	2 194 059	1 080 685	987 326
<b>TOTAL EXPENDITURE</b>	118 256 671	159 225 099	181 729 876	175 774 491	179 482 247
<b>TOTAL OPERATING EXPENDITURE</b>	114 894 434	145 796 138	151 823 601	160 966 828	170 885 826
Publications, communications and corporate communications	6 546 597	4 202 578	4 797 545	5 056 613	5 329 670
Recruitment costs	886 405	329 548	934 270	984 721	1 037 896
International initiatives	550 638	748 433	1 342 466	1 414 959	1 491 367
External auditors fees	963 802	834 284	890 880	938 988	989 693
Co-sourced internal audit function	263 121	870 000	1 160 000	1 222 640	1 288 663
Seminars/conferences/breakaways	725 055	1 107 209	1 079 819	1 138 130	1 199 589
Bank charges	33 058	48 720	51 351	54 124	57 047
Postage and delivery costs	117 051	246 789	155 468	163 864	172 712
Catering and entertainment	672 536	925 843	918 169	967 750	1 020 008
Consultant fees	6 899 445	13 111 988	11 928 698	12 572 848	13 251 781
Tribunals, hearings and inquiries	1 209 400	338 909	336 400	354 566	373 712
Insurance	350 446	367 131	385 543	406 363	428 306
Interest Paid	709	-	-	-	-
Legal fees	420 524	1 866 614	1 457 465	1 536 168	1 619 121
Knowledge Center	841 551	1 935 016	2 170 015	2 287 195	2 410 704
Study fees	412 392	1 416 586	961 521	1 013 443	1 068 169
Motor vehicle maintenance costs	118 881	167 040	125 300	132 066	139 198
Office operational costs: Lease of Photocopiers	2 509 119	3 484 191	1 334 000	1 406 036	1 481 962
Other Operational Costs	-	-	745 947	786 228	828 685
Software licenses	1 172 804	1 448 217	2 877 200	3 032 569	3 196 328
Water & Electricity	1 229 932	1 544 123	1 365 225	1 438 947	1 516 650

DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Rates and taxes	376 975		542 880	572 196	603 094
Employment Costs - Staff	54 895 720	61 311 598	66 335 898	70 581 396	75 098 605
Learnership programme	240 957	676 700	766 162	807 535	851 142
Leave pay	467 066	869 403	689 472	733 598	780 549
Leave pay: Regulator Members	-		17 519	18 640	19 833
Salary temporary staff	731 775	11 620 194	8 514 569	9 059 502	9 639 310
Remuneration - Regulator Members	6 779 640	5 839 977	6 740 098	7 171 464	7 630 438
Performance Bonus - Staff	7 580 035	11 240 054	11 277 103	11 998 837	12 766 763
Performance Bonus - Regulator Members	-		900 572	958 208	1 019 534
UIF	157 083		-	-	-
Repairs and maintenance	1 401 582	2 101 920	2 215 424	2 335 057	2 484 500
Office Operational Costs: Printing and stationery	174 372	464 847	1 392 000	1 467 168	1 561 067
Subscriptions	443 811	562 647	765 444	806 778	858 412
Travel and Accommodation - Regulator Members	1 400 325	1 286 271	2 210 433	2 329 797	2 478 904
Travel and Accommodation - Staff	7 236 873	10 028 314	7 372 115	7 770 209	8 267 503
Travel and Accommodation - Regulator Members (Training Related)	-		156 600	165 056	175 620
Travel and Accommodation - Staff (Training Related)	-		2 069 495	2 181 248	2 320 848
Telephone and fax	655 946	910 600	1 090 226	1 149 098	1 222 640
Employee wellness	343 671	957 339	408 630	430 696	458 260
Health & Safety	-	-	53 258	56 134	59 726
Training and development - Staff	2 558 626	2 699 459	2 985 115	3 146 312	3 347 676
Training and development - Regulator Members	168 961	233 599	303 304	319 683	340 143
Depreciation	3 357 551		-	-	-
<b>CAPITAL EXPENDITURE</b>	<b>3 362 237</b>	<b>13 428 961</b>	<b>29 906 275</b>	<b>14 807 663</b>	<b>8 596 421</b>
Motor vehicles	196 676	580 000	-	319 000	339 416
Computer software	517 243	4 450 621	2 575 200	2 714 261	2 887 973
Office furniture and equipment	246 058	1 176 353	654 530	4 253 536	638 030
Building improvements	1 038 555	5 800 000	25 043 845	5 800 000	2 900 000
Computer hardware	1 363 705	1 421 988	1 632 700	1 720 866	1 831 001
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		<b>18 866 905</b>	<b>20 127 617</b>	<b>21 389 977</b>	<b>22 741 706</b>
Electricity Levy c/kWh		0,0547	0,0671	0,0661	0,0666
% increase in levy rate		22,3%	22,6%	20,9%	-0,7%

# Appendix G: Consolidated Piped-Gas Industry Regulation Budget

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

### ANNUAL BUDGET FOR THE YEAR 2014/2015

#### PIPED GAS INDUSTRY

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

DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>TOTAL FUNDING</b>	60 026 323	56 942 531	73 497 604	71 764 741	73 568 948
Levies from Electricity Industry					
Levies from Piped-Gas Industry	56 065 272	48 808 067	64 356 969	66 940 591	69 795 464
Levies from Petroleum Pipeline Industry					
Refund of Surplus Fund - Prior years	379 851	-	-	-	-
Refund of Surplus Funds	2 231 200	7 264 948	8 346 234	3 994 001	2 905 979
Interest received	1 350 000	869 516	794 401	830 149	867 505
<b>TOTAL EXPENDITURE</b>	42 817 071	56 942 531	73 497 604	71 764 741	73 568 948
<b>TOTAL OPERATING EXPENDITURE</b>	41 599 709	52 140 038	62 669 470	66 403 345	70 456 451
Publications, communications and corporate communications	2 370 319	2 556 393	3 117 077	3 285 399	3 462 810
Recruitment costs	320 940	119 319	338 270	356 537	375 790
International initiatives	199 369	270 984	486 065	512 313	539 978
External auditors fees	348 963	302 068	322 560	339 978	358 337
Co-sourced internal audit function	95 268	315 000	420 000	442 680	466 585
Seminars/conferences/breakaways	262 520	441 666	490 004	516 464	544 353
Bank charges	11 969	17 640	18 593	19 597	20 655
Postage and delivery costs	42 381	95 054	60 427	63 691	67 130
Catering and entertainment	243 504	325 881	330 197	348 027	366 821
Consultant fees	2 498 075	5 032 507	8 121 598	8 560 164	9 022 413
Tribunals, hearings and inquiries	437 886	122 708	121 800	128 377	135 310
Insurance	126 885	132 927	139 593	147 131	155 076
	257		-	-	-
Legal fees	152 259	675 843	527 703	556 199	586 234
Knowledge Center	304 700	1 075 835	1 109 590	1 169 508	1 232 661
Study fees	149 314	468 521	570 472	601 277	633 746
Motor vehicle maintenance costs	43 043	60 480	45 367	47 817	50 399
Office operational costs: Lease of Photocopiers	908 474	1 261 517	483 000	509 082	536 572
Other Operational Costs	-	-	270 084	284 669	300 041
Software licenses	424 636	258 958	722 400	761 410	802 526
Water & Electricity	445 320	559 079	494 305	520 998	549 132



DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Rates and taxes	136 491	-	196 560	207 174	218 362
Employment Costs - Staff	19 876 036	23 551 356	25 691 653	27 335 919	29 085 418
Learnership programme	87 243	245 012	277 403	292 383	308 172
Leave pay	169 110	314 784	267 168	284 267	302 460
Leave pay: Regulator Members	-	-	6 343	6 749	7 181
Salary temporary staff	264 953	811 365	1 873 250	1 993 138	2 120 699
Remuneration - Regulator Members	2 454 697	2 114 474	2 440 380	2 596 565	2 762 745
Performance Bonus - Staff	2 744 496	4 299 571	4 367 581	4 647 106	4 944 521
Performance Bonus - Regulator Members	-	-	326 069	346 938	369 142
UIF	56 875	-	-	-	-
Repairs and maintenance	507 469	761 040	802 136	845 452	899 560
Office Operational Costs: Printing and stationery	63 135	168 307	507 500	534 905	569 139
Subscriptions	160 690	235 887	283 115	298 403	317 501
Travel and Accommodation - Regulator Members	507 014	465 719	800 329	843 547	897 534
Travel and Accommodation - Staff	2 620 247	3 464 374	3 835 575	4 042 696	4 301 428
Travel and Accommodation - Regulator Members (Training Related)	-	-	56 700	59 762	63 587
Travel and Accommodation - Staff (Training Related)	-	-	920 687	970 404	1 032 510
Telephone and fax	237 498	329 700	394 737	416 053	442 680
Employee wellness	124 433	346 623	147 952	155 942	165 922
Health & Safety	-	-	19 283	20 324	21 625
Training and development - Staff	926 399	854 867	1 156 124	1 218 555	1 296 543
Training and development - Regulator Members	61 175	84 579	109 817	115 747	123 155
Depreciation	1 215 665	-	-	-	-
<b>CAPITAL EXPENDITURE</b>	<b>1 217 362</b>	<b>4 802 493</b>	<b>10 828 134</b>	<b>5 361 395</b>	<b>3 112 497</b>
Motor vehicles	71 210	210 000	-	115 500	122 892
Computer software	187 278	1 611 432	932 400	982 750	1 045 646
Office furniture and equipment	89 090	401 505	236 985	1 540 073	231 011
Building improvements	376 028	2 100 000	9 067 599	2 100 000	1 050 000
Computer hardware	493 755	479 556	591 150	623 072	662 949
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		<b>7 079 178</b>	<b>7 977 098</b>	<b>8 475 169</b>	<b>9 008 727</b>
Piped-Gas levy c/Gj		30,17	37,93	37,25	39,94
% (decrease) / increase in levy rate		-13,8%	25,7%	-1,8%	7,2%

# Appendix H: Consolidated Petroleum Pipelines Industry Regulation Budget

## NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

### ANNUAL BUDGET FOR THE YEAR 2014/2015

#### PETROLEUM PIPELINES INDUSTRY

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

DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
<b>TOTAL FUNDING</b>	44 547 329	59 739 715	68 848 698	66 771 769	68 305 697
Levies from Electricity Industry					
Levies from Piped-Gas Industry					
Levies from Petroleum Pipeline Industry	42 053 337	50 933 740	66 129 986	65 941 620	67 438 192
Refund of Surplus Fund - Prior years	379 851	-	-	-	-
Refund of Surplus Funds	764 141	7 936 459	1 924 312	-	-
Interest received	1 350 000	869 516	794 401	830 149	867 505
<b>TOTAL EXPENDITURE</b>	42 817 071	59 739 715	68 848 698	66 771 769	68 305 697
<b>TOTAL OPERATING EXPENDITURE</b>	41 599 709	54 891 430	57 860 565	61 347 134	65 125 912
Publications, communications and corporate communications	2 370 319	2 592 313	2 064 023	2 175 480	2 292 956
Recruitment costs	320 940	119 319	338 270	356 537	375 790
International initiatives	199 369	270 984	486 065	512 313	539 978
External auditors fees	348 963	302 068	322 560	339 978	358 337
Co-sourced internal audit function	95 268	315 000	420 000	442 680	466 585
Seminars/conferences/breakaways	262 520	394 042	313 004	329 906	347 721
Bank charges	11 969	17 640	18 593	19 597	20 655
Postage and delivery costs	42 381	113 605	61 877	65 219	68 741
Catering and entertainment	243 504	321 892	314 135	331 098	348 977
Consultant fees	2 498 075	6 109 422	5 241 598	5 524 644	5 822 975
Tribunals, hearings and inquiries	437 886	122 708	121 800	128 377	135 310
Insurance	126 885	132 927	139 593	147 131	155 076
	257	-	-	-	-
Legal fees	152 259	987 543	527 703	556 199	586 234
Knowledge Center	304 700	765 335	739 590	779 528	821 623
Study fees	149 314	564 281	390 472	411 557	433 781
Motor vehicle maintenance costs	43 043	60 480	45 367	47 817	50 399
Office operational costs: Lease of Photocopiers	908 474	1 261 517	483 000	509 082	536 572
Other Operational Costs	-	-	270 084	284 669	300 041
Software licenses	424 636	258 958	722 400	761 410	802 526
Water & Electricity	445 320	559 079	494 305	520 998	549 132

DESCRIPTION	PIPED GAS ACTUAL	APPROVED PIPED GAS BUDGET	PIPED GAS BUDGET	FORECAST	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Rates and taxes	136 491	-	196 560	207 174	218 362
Employment Costs - Staff	19 876 036	23 897 948	24 276 834	25 830 552	27 483 707
Learnership programme	87 243	331 579	277 403	292 383	308 172
Leave pay	169 110	314 784	163 629	174 101	185 244
Leave pay: Regulator Members	-	-	6 343	6 749	7 181
Salary temporary staff	264 953	1 931 365	4 869 531	5 181 181	5 512 776
Remuneration - Regulator Members	2 454 697	2 114 474	2 440 380	2 596 565	2 762 745
Performance Bonus - Staff	2 744 496	4 188 491	4 127 062	4 391 194	4 672 230
Performance Bonus - Regulator Members	-	-	326 069	346 938	369 142
UIF	56 875	-	-	-	-
Repairs and maintenance	507 469	761 040	802 136	845 452	899 560
Office Operational Costs: Printing and stationery	63 135	168 307	529 000	557 566	593 250
Subscriptions	160 690	207 238	276 115	291 025	309 650
Travel and Accommodation - Regulator Members	507 014	465 719	800 329	843 547	897 534
Travel and Accommodation - Staff	2 620 247	3 387 709	2 002 708	2 110 854	2 245 949
Travel and Accommodation - Regulator Members (Training Related)	-	-	56 700	59 762	63 587
Travel and Accommodation - Staff (Training Related)	-	-	1 431 078	1 508 356	1 604 891
Telephone and fax	237 498	401 604	394 737	416 053	442 680
Employee wellness	124 433	346 623	147 952	155 942	165 922
Health & Safety	-	10 000	19 283	20 324	21 625
Training and development - Staff	926 399	1 010 858	1 092 458	1 151 450	1 225 143
Training and development - Regulator Members	61 175	84 579	109 817	115 747	123 155
Depreciation	1 215 665	-	-	-	-
<b>CAPITAL EXPENDITURE</b>	1 217 362	4 848 285	10 988 134	5 424 635	3 179 785
Motor vehicles	71 210	210 000	-	115 500	122 892
Computer software	187 278	1 611 432	932 400	982 750	1 045 646
Office furniture and equipment	89 090	417 298	336 985	1 540 073	231 011
Building improvements	376 028	2 100 000	9 067 599	2 100 000	1 050 000
Computer hardware	493 755	509 556	651 150	686 312	730 236
<b>Budgeted Net Surplus (Cash Flow Mitigation Reserve)</b>		7 274 042	7 470 659	7 939 039	8 440 502
Petroleum Pipeline levy c/kilo litre		0,29	0,40	0,40	0,41
% (decrease)/increase in levy rate		5,5%	40,5%	-1,3%	2,4%

## Appendix I: Levies Calculation

LEVY RATE CALCULATION			
	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES
Total Expenditure	181 729 876	73 497 604	68 848 698
Interest Recieved	2 194 059	794 401	794 401
Surplus Funds	6 344 195	8 346 234	1 924 312
	-	-	-
Leviable amount	173 191 622	64 356 969	66 129 986
Projected Volumes	258 151 000	169 672 935	16 354 000
	MWh	Gj	Kl
Electricity Levy (c/kWh)	0,06709		
Piped-Gas Levy (c/Gj)		37,930	
Petroleum Pipeline levy (c/litre)			0,40437
Levy Increase / (Decrease)	22,69%	25,74%	40,52%

LEVY INCREASE / (DECREASE) DUE TO CHANGE IN:			
Volumes	-2,92%	-4,64%	8,23%
Net Expenditure incl interest	16,09%	32,49%	19,51%
Refund of surplus funds	9,52%	-2,11%	12,78%
<b>Total change</b>	<b>22,69%</b>	<b>25,74%</b>	<b>40,52%</b>

## Appendix J: Programme Budgets

J

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA				
Budget per programme 2014/15				
PROGRAMME	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES	TOTAL PER PROGRAMME
<b>PROG 1</b> - Setting an/or approval of tarrifs and prices	55 967 008	15 546 560	29 944 350	<b>101 457 918</b>
<b>PROG 2</b> - Licensing and Registration	28 679 198	11 503 923	13 771 185	<b>53 954 306</b>
<b>PROG 3</b> - Compliance monitoring and enforcement	21 984 415	11 503 923	10 136 983	<b>43 625 320</b>
<b>PROG 4</b> - Dispute resolution including meditation, arbitration and the resolution of complaints	9 555 710	2 464 087	2 476 458	<b>14 496 255</b>
<b>PROG 5</b> - Setting of rules, guides and codes for regulation	45 450 730	12 675 673	6 019 174	<b>64 145 577</b>
<b>PROG 6</b> - Establishing NERSA as an efficient and effective organisation	20 092 814	19 803 439	6 500 549	<b>46 396 802</b>
<b>Total per industry</b>	<b>181 729 876</b>	<b>73 497 604</b>	<b>68 848 698</b>	<b>324 076 178</b>



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