



**STRATEGIC PLAN**  
2015/16 – 2019/20

**ANNUAL PERFORMANCE PLAN**  
2016/17– 2018/19





# STRATEGIC PLAN

2015/16 – 2019/20

## FOREWORD BY THE CHAIRPERSON

Energy is the backbone of the economy with the Energy Regulator as a key enabler in advancing economic growth within South Africa. This is not only from a growth point of view, but also in terms of job creation and social upliftment. In this regard, the availability of reliable, affordable and clean energy is central to stimulating productive capacity, leading to sustainable economic and social development.

It is important to consider the socio-economic environment within which NERSA is operating and the context that will determine the strategic direction of the organisation over the next five years.

The global energy map is changing, with potentially far reaching consequences for energy markets. It is being redrawn by the resurgence in oil and gas production in the United States, a retreat from nuclear power in some countries, continued rapid growth in the use of wind and solar technologies and the global spread of unconventional gas production.

Global growth is in low gear, the drivers of economic activity are changing, and downside risks persist. China and a growing number of emerging market economies are coming off cyclical peaks. Their growth rates are projected to remain much above those of the advanced economies, but below the elevated levels seen in recent years, for both cyclical and structural reasons.

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 energy for the world's poorest; and bringing the world towards meeting its climate change imperatives. All these make it extremely difficult to put the global energy system onto a more sustainable path, yet this path must be found.

Looking ahead, global activity is expected to strengthen moderately, but the risks to the forecast remain to the downside. The impetus is projected to come from the advanced economies, where output is expected to expand at a pace of about 2% in 2014, approximately 0.75 percentage points more than in 2013. The abovementioned global developments have had a direct bearing on the South African economy through various linkages.

It is important to note that despite the growth in renewable or low carbon sources of energy, 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 the total for renewable energy. World coal consumption has risen at an average rate of 1.3% per year, from 147 quadrillion British thermal unit (Btu) in 2010 and the projection is that it will rise to 180 quadrillion Btu in 2020 and 220 quadrillion Btu in 2040.

The United Nations declared 2012 an International Year of Sustainable Energy for All (SE4ALL) with three main objectives to be achieved by 2030, namely, (i) universal access to modern forms of energy; (ii) doubling the share of renewable energy in the total energy mix; and (iii) doubling the rate of energy efficiency improvements. Consequently, the African Heads of State and Governments endorsed the Programme for Infrastructure Development in Africa (PIDA) as the continent's highest priority infrastructure programme. These declarations, and many others, require country action plans to take into account the SE4ALL objectives, and the same would be required of regulators in regulating the energy industry.

On the regional front, the Southern African Development Community (SADC) is facing critical challenges. Access to electricity in the region is still limited – access in rural areas is below 10% in eight of the 15 SADC states. The region is a net

importer of petroleum products with implications on the balance of payments and subsequent budget implications for most member states. Though reserves of oil and gas are found in some of the member states, the limited refinery capacity still forces the region to import most of the refined products.

On the home front, South Africa faces challenges regarding the security of supply, especially within the electricity and petroleum industries. During the five years of this strategic plan, the construction of the Medupi and Kusile coal fired power stations as well as Transnet Pipelines' New Multi-Product Pipeline should be completed. This, together with the introduction of renewable energy Independent Power Producers into the electricity grid 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.

The pivotal role that NERSA plays is underpinned by its mandate 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.

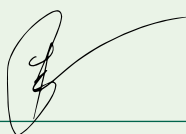
In regulating the electricity, piped-gas and petroleum pipelines industries, NERSA adheres to the regulatory principles of transparency; neutrality; consistency and predictability; independence; accountability; integrity; efficiency; and public interest.

In line with the Honourable President Jacob Zuma's State of the Nation Address on 17 June 2014, NERSA will continue to align

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its regulatory mechanisms with the transformation of the energy sector by ensuring the development of a sustainable energy mix that comprises coal, solar, wind, hydro, gas and nuclear energy. NERSA will also continue to execute its mandate in such a manner that the country's energy constraints are addressed in order to create a conducive environment for growth and to endeavour to strike a fair balance between the interests of consumers on the one hand and regulated entities on the other hand. This is done to ensure that government policy objectives are achieved, customer needs are met and the energy industries are sustainable in the long run.

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.



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**Jacob RD Modise**

*Chairperson: National Energy Regulator*

## 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 socio-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.

In developing this Strategic Plan, the mandate of NERSA as well as key policy priorities were taken into account. These policy priorities include the 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. It also includes the National Development Plan (NDP) which 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. Other key policy priorities taken into consideration include the National Infrastructure Plan and the Industrial Policy Framework.

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 socio-economic development in South Africa;
2. To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa;
3. To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa;
4. To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-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 to date twenty one learners obtained this qualification, most of whom are currently occupying full-time positions within the organisation. 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 and an Economic Regulators Conference (in partnership with the University of Johannesburg) that can be attended by external parties.

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 amended. These amendments may have an impact on the mandate of NERSA. Any consequential amendments to the Strategic Plan will be fully motivated and communicated to the relevant authorities once this becomes necessary.

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



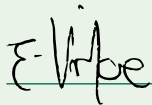
**Phindile Baleni (née Nzimande)**  
Chief Executive Officer

## OFFICIAL SIGN-OFF

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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 2015/16 to 2019/20. This Strategic Plan was prepared in line with the approved Strategic Plan (2012/13 – 2016/17) of NERSA.



**Esther Viljoen**

*Senior Manager: Strategic Planning and Monitoring*

**Approved by**



**JRD Modisen**

*Chairperson (on behalf of the Accounting Authority)*



**Zanele Ngwepe**

*Chief Financial Officer*



**Phindile Baleni (née Nzimande)**

*Chief Executive Officer (Accounting Officer)*

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## ACRONYMS AND ABBREVIATIONS

Acronym / Abbreviation	Stands for
AFUR	African Forum for Utility Regulators
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
CBM	Coal Bed Methane
CNG	Compressed Natural Gas
DoE	Department of Energy
EEDSM	Energy Efficiency and Demand Side Management
EPP	Electricity Pricing Policy
ESI	Electricity Supply Industry
FBE	Free Basic Electricity
GDP	Gross Domestic Product
GHG	Greenhouse gases
GJ	Gigajoule
GTL	Gas-to-liquid
HDI/ HDSA	Historically Disadvantaged Individuals/ South Africans
IBT	Inclining Block Tariff
ICT	Information and Communication Technologies
IDM	Integrated Demand Management
IEA	International Energy Agency
IPAP	Industrial Policy Action Plan
IPPs	Independent Power Producers
IRP	Integrated Resource Plan
ISO	International Organisation for Standardization
Ke	Cost of equity
LNG	Liquefied Natural Gas
MCEP	Manufacturing Competitive Enhancement Programme

Acronym / Abbreviation	Stands for
MTEF	Medium-term Expenditure Framework
MTSF	Medium Term Strategic Framework
MW	Megawatt
NDP	National Development Plan
NERSA	National Energy Regulator
NIPF	National Industrial Policy Framework
NMPP	New Multi-Product Pipeline
NFI	Non-Financial Information
OECD	Organisation for Economic Co-operation and Development
PASA	Petroleum Association of South Africa
PE(R)STEL	Political, Economic, Regulatory, Social, Technological, Environmental and Legal
PICC	Presidential Infrastructure Coordinating Committee
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PPA	Power purchase agreement
RESAP	Renewable Energy Strategy and Action Plan
SAPP	The Southern African Power Pool
RIA	Regulatory Impact Assessment
ROMPCO	Republic of Mozambique Pipeline Investment Company
SADC	Southern African Development Community
SCOA	Standard Chart of Accounts
SFF	Strategic Fuel Fund
SIP	Strategic Integrated Project
SQAM	Standards, Quality Assurance, Accreditation and Metrology

## EXECUTIVE SUMMARY

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The National Energy Regulator (NERSA) is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003). The structure of the Energy Regulator consists of nine members, five of whom are part-time and four are full-time, including the Chief Executive Office (CEO). The Energy Regulator is supported by personnel under the direction of the CEO.

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 move 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 regulation of the electricity, piped-gas and petroleum pipelines industries. The strategy of NERSA over the past five years has been aligned towards its mission and vision, emphasising NERSA as a key enabler in advancing economic growth and social development within South Africa. This document represents a revision to the currently approved NERSA Strategic Plan (2013/14 - 2016/17).

It is not an entirely new strategy but rather an updating of the existing strategy. The recent elections and new term of government necessitates this revision and also presents an opportunity to adjust the plans in a manner that will adequately address any challenges that may have been identified or changes in the legislative and policy environment. The review of the five-year Strategic Plan thus identifies new challenges, updates existing information and provides an update to what has already been achieved. The structure of the strategic plan follows the guidelines from the 'National Treasury Framework for Strategic Planning'.

## 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 (Framework) by National Treasury in August 2010. The 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.

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.

Even though NERSA has an approved Strategic Plan (2012/13 – 2016/17) the Framework prescribes that a new Strategic Plan should be prepared during the course of the first budget cycle following a national election. In South Africa, a national election was held on 7 May 2014 and therefore a new Strategic Plan has to be developed for the period 2015/16 to 2019/20.

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 key policy priorities from government, 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 move 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 regulation of the electricity, piped-gas and petroleum pipelines industries.

## 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 recognised world-class leader in energy regulation”**

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

- Is recognised as a leader within the league of Regulators.
- Regulates the energy industry within its mandate without losing sight of its shared vision and values.
- Creates an environment that has low regulatory risk as viewed by all stakeholders.
- Promotes competition and competitiveness and continues to provide sound, objective and professional regulation of monopolies given the existing socio-economic conditions.
- Subscribes to the best regulatory practices and standards, including corporate governance principles.
- Continually evaluates its performance and benchmark itself against the “best-in-class energy regulators in the world”.
- Is passionate and sensitive to the needs of its stakeholders, especially employees, consumers, energy suppliers and government, to ensure equity.
- Is considered as an efficient and effective regulator.
- 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 our commitment to obtain the best results, we promote growth and 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 take responsibility and ownership of our actions and decisions
- **Professionalism:** We are committed to the maintenance of high standards of professional competence, interdependence between our teams using effective communication channels to treat everybody as stakeholders
- **Pride:** We take pride in what we do

### 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”.

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 honesty, fairness and sincerity 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.
- **Public Interest:** The Energy Regulator should endeavour to take decisions in the interest of the public as far as possible.

## 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).

*The regulatory functions of NERSA, as contained in relevant legislation, are summarised as follows:*

- Issuing of licences with conditions;
- Setting and/or approving tariffs and prices;
- Monitoring and enforcing compliance with licence conditions;
- Dispute resolution including mediation, arbitration and the handling of complaints;
- Gathering, storing and disseminating industry information;
- Setting of rules, guidelines and codes for the regulation of the three industries;
- Determining of conditions of supply and applicable standards;
- Consulting with government departments and other bodies with regard to industry development and regarding any matter contemplated in the three industry Acts;
- Expropriating land as necessary to meet the objectives of the relevant legislation;
- Registration of import and production facilities; and
- Performing any activity incidental to the execution of its duties

*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 foundational legislation are 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 3A 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;
- The Constitution of the Republic of South Africa, 1996; and
- All other applicable laws of the Republic of South Africa.

### 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;

## PART A STRATEGIC OVERVIEW

- Facilitate universal access to electricity;
- Promote the use of diverse energy sources and energy efficiency;
- Promote competitiveness and customer and end user choice; and
- Facilitate a fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public.

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

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

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

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

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

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

## REGULATIONS

### Electricity Industry Regulations

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

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

### Piped-Gas Industry Regulations

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

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

### Petroleum Pipelines Industry Regulations

*The Petroleum Pipelines Act gives the Minister of Energy the power to make Regulations in terms of which NERSA must discharge its mandate. The Minister published the Regulations in terms of*



*Petroleum Pipelines Act on 4 April 2008. The Regulations deal with, amongst others:*

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

## 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 and plans 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;
- Energy Security Master Plan: Liquid fuels published by the Department of Energy in 1998 and 2007; and
- Integrated Resource Plan 2010-30.

Section 36 of the Gas Act incorporates an Agreement between the then 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"). Certain / most of the provisions of this Agreement came to an end on 25 March 2014, e.g. Clause A on Minimum gas supply objectives, and was replaced by the provisions of the Gas Act.

## 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 six outcomes that the Minister of Energy has committed to:

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

*NERSA contributes through facilitating the wider use of electricity instead of coal and wood as energy sources by all South Africans and thus improving respiratory health, amongst others by:*

- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs

to protect the low income electricity consumers;

- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Regulating in a manner which facilitates security of supply; and
- Policy advocacy with regards to cleaner fuels.

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

*By facilitating investment in the energy industry and thereby contributing to economic growth, leading to decent employment, 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;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulating in a manner which facilitates security of supply.

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

*NERSA contributes through:*

- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage efficient investment;

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- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Monitoring compliance and undertaking technical audits leading to regular maintenance and refurbishment of the infrastructure and therefor to the improvement in quality of supply; and
- Promoting competition and competitiveness.

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

#### *NERSA contributes through:*

- Facilitating access to energy services;
- Facilitating reliability of supply;
- Monitoring maintenance of infrastructure;
- Compliance monitoring with licence conditions;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Promoting energy efficiency in licencees and in the NERSA building; 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 has a mandate for environmental protection and remediation through the industry specific Acts that it administers. NERSA contributes through:*

- Incorporating compliance with the National Environmental

Management Act, 1998 (Act No. 107 of 1998) as well as decommissioning remediation and the funding thereof into licence conditions;

- Promoting energy efficiency in licencees and in the NERSA building;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP, the Integrated Energy Plan (once promulgated) and the Gas Utilisation Master Plan (once in promulgated); and
- Facilitating the transition to a low carbon economy.

### **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 website;
- 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, including training to electricity distributors on the completion of the forms requesting information from them;
- Participating in the Clean Energy Education and Empowerment Programme;
- Corporate Social Investment activities; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to NERSA's activities through visits to the organisation during school holidays.

## 5.3. 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 pertinent enabling milestones:*

#### 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 market related prices that encourage investment;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an increase in quality of supply;
- Transparent Processes;
- All decisions and reasons thereof are made public through being published on the NERSA website;
- The public is invited to make comments prior to decisions being made (written or in public hearing);
- Customer education; and
- Setting targets for becoming a more credible, reliable, efficient and effective regulator.

#### Enabling Milestone 5: Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup

##### NERSA contributes through:

- Development and implementation of an Employment Equity Plan;
- Development and implementation of the Youth Employment Accord;
- Implementation of a Learnership Programme as well as an Internship Programme;
- Training and development of staff and stakeholders; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to NERSA's activities through visits to the organisation during school holidays.

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### 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 milestone;
- Issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulatory advocacy for strengthening the powers of the Regulator.

### 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

#### *This enabling milestone encompasses the mandate of NERSA. NERSA thus contributes through:*

- Regulating in a manner which facilitates security of supply;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Registration of gas importation and production facilities;
- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;

- 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;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;
- Development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers;
- Facilitating the transition to a low carbon economy;
- Regulatory advocacy with regards to cleaner fuels policy; and
- Monitoring the implementation of the Gas Utilisation Master Plan (once promulgated).

### 5.4. 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.

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 transversal 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 SPIs in each of these categories with detail on Government's planned intervention on the Energy SPIs.

### Geographically-focused SPIs

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 SPIs

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 SPIs

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 SPIs

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 SPIs

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 SPIs, NERSA contributes specifically to the energy SPIs as follows:*

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

#### *NERSA contributes through:*

- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;
- Facilitating the transition to a low carbon economy; and
- Regulatory advocacy with regards to cleaner fuels policy.

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

#### *NERSA contributes through:*

- Regulating in a manner which facilitates security of supply and investment;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage investment;
- Monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an improvement in quality of supply.

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

#### *NERSA contributes through:*

- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- Taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Facilitating reliability of supply;
- Determining benchmarks and monitoring maintenance of infrastructure;
- Auditing of the implementation of the Transmission Development Plan;
- Monitoring compliance with licence conditions; and
- Dispute resolution, including mediation, arbitration and handling of complaints.

### 5.5. 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;
- 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;

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

#### **NERSA's contribution:**

*Even though NERSA contributes indirectly to a range of these policies:*

#### **Policy vi:**

*Competition and regulation policies that lower costs for productive investments and for poor and working-class households*

#### *NERSA contributes through:*

- Regulating in a manner which facilitates security of supply and investment;
- Taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;

- Registration of gas importation and production facilities; and
- Development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers.

**Policy Ix:**  
*Interventions that give expression to Government's commitment to regional economic development and integration in Africa*

*NERSA contributes through:*

- Founding member and a current member of the Executive Committee of the African Forum for Utility Regulators; and
- Member of and current chair of the Regional Electricity Regulatory Association.

## 5.6. RELEVANT COURT RULINGS

The following table represents all the court cases that are pending. There has been no ruling yet.

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
1.	Visigro Investment	NERSA and Strategic Fuel Fund (SFF) Association	Petroleum Pipelines	<p><i>Issue relates to an operation licence issued to SFF</i></p> <p><b>Synopsis:</b> Visigro, a Property Developer who has built a residential estate known as the Burgundy Estates up to the boundary wall of the SFF tank farm in Milnerton, is challenging NERSA's decision to issue an operation licence to SFF for the tank farm. Visigro alleges, amongst others, that the decision failed to take into consideration the health and safety of the people residing around the tank farm. NERSA contests this assertion.</p>
2.	Association for Body Corporates bodies of townhouses, flats and retirement villages (ACBOT)	CENTLEC and NERSA	Electricity	<p><i>Issue relates to licensee's metering policy</i></p> <p><b>Synopsis:</b> ACBOT represents a large number of residents of townhouses, flats and retirement villages in Bloemfontein within the area of supply of CENTLEC (an entity of the Mangaung Metropolitan Municipality responsible for electricity supply). ACBOT took CENTLEC to court for the review of its metering policy.</p> <p>The court ordered that the matter be referred to NERSA for resolution.</p>

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### 5.6. RELEVANT COURT RULINGS (CONTINUED)

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
3.	NERSA	Fuel Firing Systems Refineries (FFS)	Petroleum Pipelines	<p>Issue relates to revocation of a licensee issued by NERSA</p> <p><b>Synopsis:</b> After applying for a licence to NERSA and being issued with one, FFS expressed a view that its licensed facility should not have been licensed in terms of the Petroleum Pipelines Act. Members of the Regulator were invited to visit the facility for an inspection. It was then concluded that the licence was indeed erroneously issued. NERSA must now approach the High Court for the revocation of the licence.</p>
4.	Eskom	Midvaal and NERSA	Electricity	<p>Issue relates to the electricity supply areas.</p> <p><b>Synopsis:</b> Midvaal municipality applied for the amendment of its electricity distribution licence to NERSA to add other areas of supply. Eskom filed an objection against the application on the basis that some of the areas applied for are supplied by them. A public hearing was held on the matter and all the affected parties made presentations. The Energy Regulator approved the amendment of the municipal licence. Eskom took the Energy Regulator's decision to court for review.</p>
5.	NCP	Ekurhuleni Metro/ NERSA	Electricity	<p>The issue relates to the tariff charged by licensee</p> <p><b>Synopsis:</b> The applicant, NCP referred a dispute for arbitration to NERSA against the unfair treatment on tariffs charged by Ekurhuleni.</p> <p>An arbitration process was undertaken by NERSA and NCP was not satisfied with the award and took the matter to court for review.</p>
6.	PG Group and Others	NERSA and Sasol Gas	Piped-Gas	<p>Issues relates to the approved maximum prices of gas and approved transmission tariffs for Sasol Gas</p> <p><b>Synopsis:</b> PG Group &amp; Others, together called the Gas Users Group (GUG) are unhappy about the maximum prices of gas and transmission tariffs approved for Sasol Gas by NERSA, which came into operation on 26 March 2014. GUG submits that the prices are excessive and therefore seek an order to review and set aside the abovementioned approvals by NERSA as well as an order to review and set aside the methodology used by NERSA to consider the abovementioned maximum price application, or declaring such methodology to be invalid for purposes of such consideration. NERSA contests the assertion by the applicants.</p>
7.	Autocast South Africa and Other	NERSA, Nelson Mandela Metropolitan Bay Municipality and Minister of Energy	Electricity	<p>Issue relates to the NERSA approved tariffs for a licensee</p> <p><b>Synopsis:</b> NERSA approved Nelson Mandela Bay Metropolitan Municipality 2013/14 electricity tariffs in terms of the tariff guideline for municipalities. The applicants are unhappy about NERSA's decision and allege that the decision resulted in a tariff increase above the guideline and it makes their business unsustainable.</p>

## 5.6. RELEVANT COURT RULINGS (CONTINUED)

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
8.	Matjabeng Local Municipality	Eskom and NERSA	Electricity	<p>Issue relates to the licensee's non-payment of its electricity account</p> <p><b>Synopsis:</b> Eskom served the municipality with a notice to terminate the supply of electricity to the whole of the Matjabeng municipal area. Based on the notice, the municipality applied to the High Court for an interdict against Eskom from disconnecting its supply.</p> <p>No relief has been sought against NERSA by the municipality; therefore NERSA did not file any papers in court.</p>
9.	Ekundustria Industries Association	City of Tshwane Metropolitan Municipality and NERSA	Electricity	<p>Issue relates to the resale of electricity and the reseller's non-payment of its electricity account.</p> <p><b>Synopsis:</b> The reseller of electricity, Mpumalanga Economic Growth Agency, was paid for electricity used by the industries occupying the industrial premises owned by the reseller. It is alleged that the reseller has not been paying the money collected from the industries to the City of Tshwane, which resulted in the account being in arrears. The City of Tshwane issued a notice to disconnect the electricity supply to the area. Ekandustria applied to court for an interdict against the City of Tshwane from disconnecting the supply of electricity to the industries.</p> <p>No relief has been sought against NERSA by the applicant; therefore NERSA did not file any papers in court.</p>
10.	Cornelia Magdalena and Johannes Schwab	City of Tshwane Metropolitan Municipality and NERSA	Electricity	<p>Issue relates to the resale of electricity.</p> <p><b>Synopsis:</b> In this matter the applicant, Cornelia Magdalena and Johannes Schwab, are residents in a residential area controlled and administered by a body corporate. The body corporate took a resolution to change the reseller of electricity to the area and appointed a new reseller. The applicant refused to be supplied by the new reseller and requested to be supplied by the City of Tshwane. In the court a quo, the application was dismissed. The matter is currently before the Supreme Court of Appeal and no judgment or order has been made at this stage.</p> <p>No relief has been sought against NERSA, therefore NERSA did not file any papers in court.</p>
11.	Afrisake NPC and Others	City of Tshwane Metropolitan Municipality; PEU Capital Partners (Pty) Ltd; Auditor-General; Minister of Finance; and NERSA	Electricity	<p>Issue relates to the installation of smart meters and the contract concluded by the licensee for such installation</p> <p><b>Synopsis:</b> The applicant is a non-profit company that filed an urgent application to the High Court to order the City of Tshwane to discontinue the installation of equipment for the smart metering project and that the contracts for the installation of the said equipment concluded by the City of Tshwane with PEU Capital Partners (Pty) Ltd be declared invalid.</p> <p>No relief has been sought against NERSA, therefore NERSA did not file any papers in court.</p>



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### 5.6. RELEVANT COURT RULINGS (CONTINUED)

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
12.	Eugene Benjamin Osmers and Hazel Haynes	Eskom and NERSA	Electricity	<p>Issue relates to access to Eskom's power system</p> <p><b>Synopsis:</b> : In this matter the applicants seeks relief to compel Eskom to provide non-discriminatory access to the power systems to the premises of the Eugene Osmers Trust at Portion 4 of Schalk Farm 3, Phalaborwa, Limpopo Province and an order to compel Eskom to conclude an agreement with the Eugene Osmers Trust.</p> <p>No relief is sought against NERSA.</p>
13.	Eugene Benjamin Osmers	Eskom and NERSA	Electricity	<p>Issue relates to access to Eskom's power system</p> <p><b>Synopsis:</b> In this matter the applicants seeks relief to compel Eskom to provide non-discriminatory access to the power systems to the premises of Eugene Benjamin Osmers at Portion 25 of Silonque, Phalaborwa, Limpopo Province and an order to compel Eskom to conclude an agreement with Eugene Benjamin Osmers.</p> <p>No relief is sought against NERSA.</p>

### 5.7. 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.

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.

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, 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

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

#### 6.1.1. Global Trends

The global energy landscape is evolving at a rapid pace, reshaping long-held expectations for our energy future. It is being redrawn by the resurgence in oil and gas production in the US 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 Russia's success in delivering the same output with old and outdated technology. 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: to meet the world's ever-growing energy needs (led by rising incomes and populations in emerging economies); to provide access to the world's poorest; and to bring the world towards meeting its climate change objectives. Exxon Mobil estimates 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. Although there is a shift away from oil, coal and nuclear towards natural gas and renewables, energy demand in the Convention on the Organisation for Economic Co-operation and Development (OECD) countries will somewhat remain unchanged.

Despite the growth in renewable or low carbon sources of energy, fossil fuels remain dominant in the global energy mix at 82% and this is expected to only reduce to 75% by 2035. 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. Apart from this, the only way in which renewable energy generation is a viable alternative for fossil fuel electricity generation currently is through government subsidies, contributing to rising electricity prices.

Energy developments in the United States of America (US) are profound and their effect will be felt well beyond North America and the energy sector. The recent rebound in US 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 US 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 the 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 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.

#### 6.1.2. Regional Developments

*The Southern African Development Community (SADC) region still faces significant challenges in energy development and usage. The Regional Infrastructure Development Master Plan, developed in 2012, highlights the following issues:*

- Only 5% of rural areas in the region have any access to electricity;
- SADC falls behind other Regional Economic Communities in Africa regarding access to electricity. While 24% of the region's residents have access, 36% of the East African Community residents are connected, as are 44% of the Economic Community of West African States residents;
- An electricity shortage has strained the region since 2007. Although this shortage was expected to be corrected by 2014, projects intended to address the shortage lag behind deadline due to lack of funding;
- Low tariffs, poor project preparation, issues with Power Purchase Agreements, and absent regulatory frameworks stunt investment and financing in the energy sector;
- Coal supplies 75% of power generation in Southern Africa, but is considered a contributing factor to global warming;
- Weak infrastructure and foreign commitments inhibit use of the region's abundant petroleum and natural gas resources; and
- Pricing and infrastructure hurdles such as grid connections, manufacturing, and quality testing impede development of the region's renewable energy potential.

Energy is vital to development in Southern Africa. Beyond its use in daily life, fuel and electricity catalyse infrastructure projects that drive both Regional Integration and economic growth. As the SADC region industrialises on its path to improved human development, energy production and distribution will only increase in importance.

Recognising the fundamental role of energy in accomplishing its goals, SADC passed the Protocol on Energy in 1996, which provides a framework for cooperation on energy policy among SADC Member States.

The Protocol on Energy acknowledges the importance of energy in pursuit of the vision of SADC of economic well-being and poverty eradication in Southern Africa. In order to best achieve these ends, the Protocol on Energy invites Member States to cooperate on energy development, harmonising policies, strategies, and procedures

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throughout the region. It also advises that these policies ensure the security, reliability, and sustainability of the energy supply, with Member States cooperating on research and development of low-cost energy sources applicable to Southern Africa.

Since the adoption of the Protocol on Energy, SADC has enacted several strategic plans for energy development in the region: the SADC Energy Cooperation Policy and Strategy in 1996, the SADC Energy Action Plan in 1997, the SADC Energy Activity Plan in 2000, the Renewable Energy Strategy and Action Plan of 2011, and most recently the Regional Infrastructure Development Master Plan and its Energy Sector Plan in 2012. These development strategies set out tangible objectives for SADC and its Member States for infrastructure development in energy and its subsectors of woodfuel, petroleum and natural gas, electricity, coal, renewable energy, and energy efficiency and conservation.

Although implementation of these strategies has been slow, the region has made significant strides, particularly in electricity. At present, nine Member States of SADC have merged their electricity grids into the Southern African Power Pool, reducing costs and creating a competitive common market for electricity in the region. Similarly, SADC has established the Regional Electricity Regulatory Association, which has helped in harmonising the region's regulatory policies on energy and its subsectors.

*While SADC is enacting a number of initiatives to address these issues, it has identified two chief points of focus, as follows:*

- Electricity Generation – Southern Africa has ample resources for electricity generation, though occasionally lacks the capacity for development.

- Hydropower and Renewable Energy – Renewable energy has grown in importance for both regional and global energy markets.

### 6.1.3. 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 greenhouse 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 thee energy industries, 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.

The specific factors considered in the environmental scan are shown in the tables on the following pages:

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>
<b>Piped-Gas Industry Regulation:</b>			
1.	Delays in finalisation of 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> </ul>	<ul style="list-style-type: none"> <li>• Continued proactive engagement</li> </ul>
2.	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>• Impede growth of the gas market in SA</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory advocacy</li> <li>• Review of current infrastructure plan</li> <li>• Recommend policy changes</li> <li>• Implement the Gas Utilisation Master Plan</li> </ul>

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Political Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Petroleum Pipelines Industry Regulation:</b>			
1.	State led infrastructure expansion • Transnet Market Demand Strategy (R300 bn) possible higher risks and Durban dig out port for R100 bn	<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	• NERSA may not be ready for this possible expansion of its mandate	<ul style="list-style-type: none"> <li>• Prepare and engage with DoE when it is ready</li> <li>• Be proactive</li> </ul>
<b>Transversal:</b>			
1.	Developmental State	• Decisions of NERSA could be in conflict with policy	<ul style="list-style-type: none"> <li>• Assist DoE in creating awareness of policy</li> <li>• Proactive engagement with government</li> </ul>
2.	Manage interface between different policy thrusts of Government (new growth path, IPAP2)	• Decisions of NERSA could be in conflict with policy	<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>• See 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>• Comment and proposed amendments for consideration of the policy maker</li> <li>• Highlight cost of projects, the impact and implications thereof e.g. Integrated Resource Plan</li> </ul>
4.	Discussion / debate around nationalisation	• Uncertainty for investment	<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)	• NERSA may not assist the country in achieving its goals	• Regulate in such a manner that accessibility and affordability is enhanced

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>
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>

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Economic Factors		Impact if factor is not addressed	NERSA response to the factor
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>
<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> <li>Likely perpetuation of current monopoly in the industry</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.	Lack of infrastructure investment	<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>Fast-track development of Gas Utilisation Master Plan intended to guide required gas infrastructure investment</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>			
1.	User pays vs. developmental state	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> </ul>
2.	Investment climate and investor expectations of Rate of Return	<ul style="list-style-type: none"> <li>Investors may not invest</li> </ul>	<ul style="list-style-type: none"> <li>Review cost of equity</li> </ul>
3.	HDI participation	<ul style="list-style-type: none"> <li>No 3<sup>rd</sup> 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>

Economic Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Transversal:</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>
3.	Insufficient coordination in regulating electricity industry	<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>

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Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>			
1.	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> </ul>	<ul style="list-style-type: none"> <li>Gas Act review and National Energy Regulator Act review</li> <li>Cooperate with other regulators to reduce confusion and unnecessary regulatory burden and cost</li> </ul>
2.	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>
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.	Information asymmetry	<ul style="list-style-type: none"> <li>Possible incorrect decisions taken due to lack of accurate / adequate information for decision making</li> </ul>	<ul style="list-style-type: none"> <li>Develop ways of collecting relevant data</li> <li>Audits</li> <li>Benchmarks</li> <li>Implement the Regulatory Reporting Manuals to overcome information asymmetry</li> </ul>
5.	Legacy of discriminatory Market Value Pricing	<ul style="list-style-type: none"> <li>Continuation of the utilisation of the regulatory provisions of the Sasol Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the Maximum Price for Gas methodology</li> <li>Monitoring Sasol Gas' compliance with the provisions of the Gas Act</li> </ul>
6.	Concurrent jurisdiction regarding the regulation of gas	<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>Development and implementation of MOUs and MOAs with regulators with concurrent jurisdiction</li> </ul>
7.	Fragmentation of the regulation of gas	<ul style="list-style-type: none"> <li>Investor uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> </ul>



Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
<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> </ul>
2.	Possible market interventions by Government: <ul style="list-style-type: none"> <li>biofuels</li> <li>strategic stocks</li> <li>security of supply</li> <li>cleaner fuels 2</li> </ul>	<ul style="list-style-type: none"> <li>NERSA may not be adequately prepared</li> </ul>	<ul style="list-style-type: none"> <li>Make submissions on drafts published for comment</li> <li>Engage with relevant Departments to try and have adequate warning</li> </ul>
3.	Petroleum Pipelines Regulations on Regulatory Asset Base and 3-5 year review	<ul style="list-style-type: none"> <li>Investors may not invest</li> </ul>	<ul style="list-style-type: none"> <li>Persuade DoE to amend Regulation</li> </ul>
4.	DoE regulation of transport margins in petrol price regulation	<ul style="list-style-type: none"> <li>Sub optimal use of transport modes</li> </ul>	<ul style="list-style-type: none"> <li>Engage DoE on regulatory factors affecting pipeline volumes</li> </ul>
<b>Transversal:</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.	Management of concurrent jurisdiction	<ul style="list-style-type: none"> <li>Regulatory overlap</li> <li>No clear roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>Conclude MoUs and MoAs with other regulators</li> <li>Regulatory advocacy</li> <li>Co-operate and help other regulators</li> <li>Build closer relationships with other regulators</li> </ul>
3.	Perception of independence of the Regulator	<ul style="list-style-type: none"> <li>Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>Develop a strategic engagement framework with all role players</li> <li>Communicate – particularly on how decisions are reached (Not only on website – more proactive)</li> </ul>

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Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
4.	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> <li>Disjointed and unharmonised approach to cross boarder training in the region</li> </ul>	<ul style="list-style-type: none"> <li>NERSA needs to take Active Role and interest in SAPP, RERA and AFUR issues.</li> <li>NERSA needs to regulate international trade actively in energy matters.</li> <li>NERSA needs to implement the guidelines for cross boarder trading at national level.</li> </ul>
5.	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 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.	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>

Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>			
1.	HDI participation	<ul style="list-style-type: none"> <li>No meaningful transformation of gas industry</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 in terms of requirements for measures to promote HDSAs information</li> </ul>
2.	Skills development	<ul style="list-style-type: none"> <li>Monitor construction plans</li> <li>Ensure skills transfer in interactions with specialist service providers (e.g. skills transfer clauses in service level agreements with consultants)</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate skills to match new technically inclined developments upstream</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 could be blamed leaks</li> </ul>	<ul style="list-style-type: none"> <li>Monitor licensees liaison with municipalities</li> </ul>
<b>Transversal:</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>

## PART A STRATEGIC OVERVIEW

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>
<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 (Liquefied Natural Gas, regasification, Compressed Natural Gas, Floating Liquefied Natural Gas, Liquefied Natural Gas tanks etc.)	<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>

Technological Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Resistance to new gas technology (e.g. Shale Gas hydraulic fracturing)	<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>Regulatory advocacy</li> <li>Research</li> <li>Proactive participation where possible (task teams)</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 Transnet Pipeline costs as there are higher interface volumes</li> <li>Reduce available storage capacity for individual products</li> <li>Reduces 3<sup>rd</sup> party access</li> </ul>	<ul style="list-style-type: none"> <li>Encourage rationalisation of grades and specifications</li> <li>Licence tanks to store more than one type of product</li> </ul>
<b>Transversal:</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>
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 municipalities (Self-generators will only be paid up to a maximum of 80% of the corresponding Eskom tariff)</li> </ul>

## PART A STRATEGIC OVERVIEW

Environmental Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Growing awareness of environmental factors	<ul style="list-style-type: none"> <li>SA not meeting its reduction in greenhouse 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 greenhouse gas emissions</li> </ul>
4.	Carbon tax policy	<ul style="list-style-type: none"> <li>Increase in the price of electricity &gt; more bad debt &gt; 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>
<b>Piped-Gas Industry Regulation:</b>			
1.	Environmental activism, global warming, carbon taxes and emissions reduction	<ul style="list-style-type: none"> <li>Gas market cannot grow</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy to promote gas as a more attractive option and environmentally friendly energy source</li> </ul>
2.	Shale Gas hydraulic fracturing perceived as an environmental threat	<ul style="list-style-type: none"> <li>SA misses out on shale gas potential</li> <li>SA misses out on an opportunity to become energy self-sufficient</li> </ul>	<ul style="list-style-type: none"> <li>Research</li> <li>Regulatory advocacy</li> <li>Participate in national debate on shale gas and task teams where possible</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>
<b>Transversal:</b>			
1.	Environmental levies and Carbon tax	<ul style="list-style-type: none"> <li>SA not meeting its environmental targets</li> <li>Lack of affordability</li> </ul>	<ul style="list-style-type: none"> <li>Encourage and facilitate cooperation and coordination between decision making bodies</li> <li>Allowing Transnet to recover land rehabilitation costs</li> <li>Develop an integrated view going forward</li> </ul>
2.	Delays in issuing environmental Impact Assessments	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Participate in the dialogue and educate the public regarding key environmental issues and NERSA decisions</li> </ul>

Environmental Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Health and Safety	<ul style="list-style-type: none"> <li>Possible environmental disasters such as Petroleum/Gas leaks from pipelines, wind turbine blades flying off etc.</li> </ul>	<ul style="list-style-type: none"> <li>NERSA to ensure that it discharges its responsibility regarding health and safety</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>
<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>
<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>

## PART A STRATEGIC OVERVIEW

Legal Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Transversal:</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 regulatory requirements (Public Finance Management Act and others)	<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>
4.	Electricity and Gas reticulation in the constitution	<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>
5.	Fragmentation of legislations	<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>
6.	Infrastructure Development Act	<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>• Learn how it will be implemented</li> <li>• NERSA needs a clear view of what funding model should be</li> </ul>
7.	Pending legal cases	<ul style="list-style-type: none"> <li>• Uncertainty on regulatory decisions and tools</li> </ul>	<ul style="list-style-type: none"> <li>• Ensured that the legal cases are finalised in order to review regulatory decisions and/or tools where necessary.</li> </ul>



## CHALLENGES AND PRIORITIES

The environmental scan/situational analysis of NERSA's performance environment identified industry specific challenges and priorities that have informed the formulation of the strategic objectives and the programmes as indicated in the Strategic Plan (2015/15 – 2019/20) and the Annual Performance Plan (2015/16 – 2017/18). The identified challenges are listed below and linked to identified priorities in respect of each of the three industries being regulated by NERSA as well as with respect to the transversal regulatory environment.

### ELECTRICITY INDUSTRY REGULATION

Challenges	Priorities
Power system operating under "emergency" conditions	<ul style="list-style-type: none"> <li>• Creation of a conducive and appropriate environment for emergency power system conditions</li> <li>• Grid Code adjustment to declare emergency conditions</li> </ul>
<ul style="list-style-type: none"> <li>• Efficient and cost-effective infrastructure development</li> <li>• Delays in the commissioning of Medupi, Kusile, Ingula</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance enforcement</li> <li>• Alignment with determinations in tariffs, maintenance, capex and operations</li> </ul>
Sustainability of some of the municipal electricity distributors	<ul style="list-style-type: none"> <li>• Development of an appropriate embedded/distributed generation and energy efficiency regulatory framework/environment</li> <li>• Funding/ revenue structures of municipalities and Eskom</li> <li>• Facilitation of embedded generation technologies to improve electricity access</li> </ul>
<ul style="list-style-type: none"> <li>• Facilitating affordability of electricity services</li> <li>• Electricity prices have increased steeply over the last 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• Determination of appropriate benchmarks, price/tariff structures and performance levels</li> <li>• Construction, refurbishment, operation and maintenance costs</li> <li>• Resellers price determinations</li> </ul>
High number of customer complaints	<ul style="list-style-type: none"> <li>• Establishment of customer and end-user fora</li> <li>• Reduce customer complaints and improve customer service</li> </ul>
Installed supply (capacity) exceeds the demand (peak)	Eskom should increase its electricity availability factor in line with international best practise
Limited success on EEDSM (even though Eskom managed to avoid building a new power station, they did not manage to reduce the load factor)	Target high load factor programmes

## PART A STRATEGIC OVERVIEW

Challenges	Priorities
Introduction of RE IPP's	Monitor: <ul style="list-style-type: none"> <li>• Performance against forecast production – Regulatory has to know how reliable new sources of supply (how accurate – predicted day before) - monitoring</li> <li>• Impact on system operations (to mitigate against renewable intermittence)</li> <li>• Financial impact of long-term PPAs</li> </ul>
Shareholder “pressure / influence”	Regulatory advocacy
Introduction of Smart Grids and Smart meters including roof-top solar PV	<ul style="list-style-type: none"> <li>• Regulatory framework</li> <li>• Technical norms, standards, codes and rules</li> </ul>

### PIPED-GAS INDUSTRY REGULATION

Challenges	Priorities
<ul style="list-style-type: none"> <li>• Role of gas in the energy mix</li> <li>• Lack of anchor customer(s)</li> <li>• Hurdles to gas infrastructure development</li> <li>• Inadequate competition</li> <li>• Limited domestic gas reserves</li> <li>• Lack of access to the existing gas import facility (was the case for 10 years)</li> </ul>	<ul style="list-style-type: none"> <li>• Development of a gas market               <ul style="list-style-type: none"> <li>• Monitor development of new gas sources (Liquefied Natural Gas (LNG), shale gas, Coal Bed Methane (CBM), etc.)</li> <li>• Advocacy/influence on DoE regarding policy interventions</li> <li>• Inputs on relevant legislative amendments</li> <li>• Participate in the development of the Gas Utilisation Master Plan</li> <li>• Enforce regulations through gas volumes thresholds for eligible customers</li> <li>• Approve maximum prices</li> <li>• Develop guidelines and enforce third party access</li> </ul> </li> <li>• Sending correct price signals               <ul style="list-style-type: none"> <li>• Monitor and approve maximum prices/tariffs decisions</li> <li>• Implement Regulatory Reporting Manuals to overcome information asymmetry</li> </ul> </li> </ul>

Challenges	Priorities
	<ul style="list-style-type: none"> <li>Promote entry and competition               <ul style="list-style-type: none"> <li>License conditions – excise undeveloped licensed distribution areas</li> <li>Facilitate and enforce third party access to existing infrastructure</li> <li>Advocacy and coordination at exploration stage, e.g. liaising with Petroleum Association of South Africa (PASA) and INP</li> <li>Liaise and coordinate with INP on cross-border pipeline issues</li> <li>Conduct Competition assessment</li> <li>Pro-active identification of opportunities in gas distribution and trading in particular (e.g. implementation of provisions of eligible customers, facilitation of third party access to infrastructure)</li> </ul> </li> <li>Create regulatory certainty               <ul style="list-style-type: none"> <li>Build a reputation as a credible and predictable regulator</li> <li>Disseminate information about the industry through workshops and media platforms</li> <li>Fill policy gaps by participating in review of Gas Act and Regulations</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Regulatory issues</li> <li>Policy issues</li> </ul>	Regulatory Advocacy

#### PETROLEUM PIPELINES INDUSTRY REGULATION

Challenges	Priorities
"Procurement" of regulated infrastructure	Regulatory advocacy with regards to the amendment of the Petroleum Pipelines Act and Regulations to bidding rounds
Cost benefit of regulating storage facilities is unfavourable	Regulatory advocacy with regards to the amendment of the Petroleum Pipelines Act
Increasing complexity and challenged/ contested licence applications (more resources needed per application)	Adjust staff complement and skills appropriately
Cost of equity (Ke) needs to be "right": Too low leads to no investment. Too high leads to a 60 year burden on the economy (tariff methodology)	Review cost of equity

## PART A STRATEGIC OVERVIEW

Challenges	Priorities
Inconsistent tariff decisions regarding Regulatory Asset Base / useful life of asset	Regulatory advocacy with regards to the amendment of the Regulations
Government interventions in petroleum markets	Continue to engage DoE on: <ul style="list-style-type: none"> <li>• biofuels</li> <li>• strategic stocks</li> <li>• security of supply</li> <li>• cleaner fuels 2</li> </ul>
Transnet financial position	Monitor Transnet Ltd expansion plans and possible impacts on Transnet Pipelines
Transnet New Multi-Product Pipeline (NMPP) construction delays and cost over runs	Transnet “prudently acquired” investigation
Concurrent jurisdiction issues	<ul style="list-style-type: none"> <li>• Seeks short term solutions by cooperation with other regulators (DoE, Transnet National Ports Authority and National Ports Regulator)</li> <li>• Seek longer term solutions by persuading policy makers to amend Acts and Regulations</li> </ul>
Legal challenges	Defend Visigro (and other?) legal actions

### TRANSVERSAL REGULATORY

Challenges	Priorities
Information Asymmetry	<ul style="list-style-type: none"> <li>• Implementation of the Regulatory Reporting Manuals (Financial and Non-Financial)</li> <li>• Regulatory Reporting System remedial and enhancement</li> </ul>
Assess NERSA's processes and methodologies against best in world practices through regulatory analysis, research, benchmarking and auditing	<ul style="list-style-type: none"> <li>• Regulatory Impact Analysis / Assessment</li> <li>• Benchmarking of regulatory decisions</li> <li>• Harmonisation of regulatory methodologies and processes (internal and external)</li> <li>• Regulatory process refinement <ul style="list-style-type: none"> <li>• Decisions and Reasons for Decision</li> <li>• Sequencing of activities</li> <li>• Language</li> </ul> </li> </ul>

Challenges	Priorities
Consumer Advocacy	<ul style="list-style-type: none"> <li>• Consumer Education</li> <li>• Improve access of customers to public hearing notices</li> </ul>
Coordinate NERSA activities with other regulators with concurrent as well as consequential / complementary / articulated jurisdiction	Memoranda of Understanding
Advise policy makers of NERSA views, policy gaps and NERSA's mandate	Regular communication with Policy Maker(s)

## 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 Strategy is aligned to 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 our strategic 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 Minerals and 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 Local and Provincial Government, – 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. It's most important target group is its employees because the credibility of NERSA is mainly determined by the output of its employees. Various employees interact on different levels and on a regular basis with external stakeholders and they act as the doors and windows of the organization. The better informed they are, the more efficient and credible NERSA is perceived to be. This means that well-informed, empowered and committed NERSA staff can play a very important role as ambassadors of the organization. However, this group also includes 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 -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 a happy and productive employee.'*

## PART A STRATEGIC OVERVIEW

### 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 and suppliers**

Eskom, Eskom Enterprises, Metro Councils Local Municipalities, Other Distributors, PetroSA, iGas, Shell, Transnet, Sasol Gas, All big oil companies, Sasol, Spring Lights Gas, Egoli Gas and Engen. It is mutually beneficial to maintain a meaningful relationship by sharing needs, perceptions and values. 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,

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

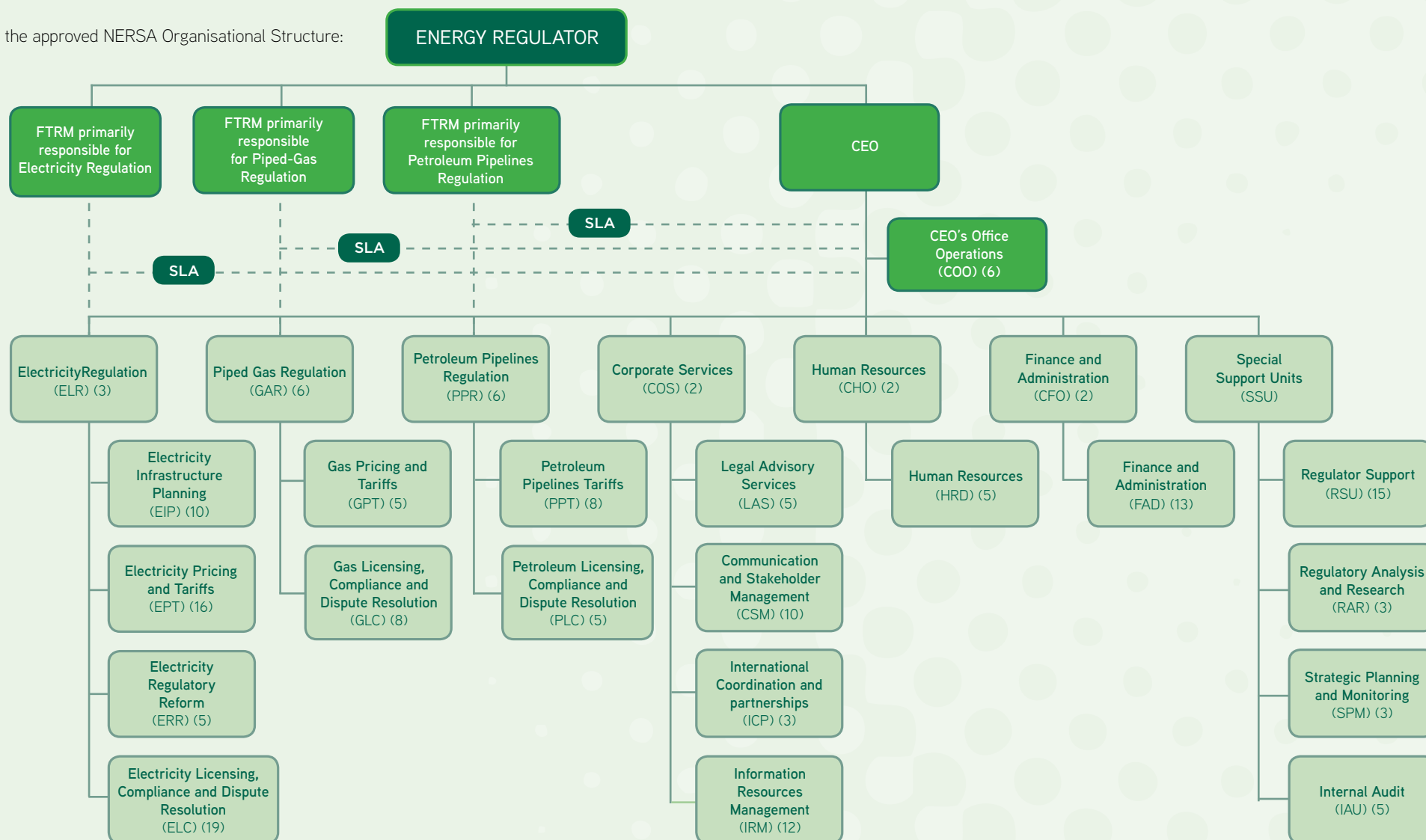
### 4. Diffused groups

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. 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 and not as enemies. In this regard, pro-active actions will be taken to sensitize them of and clarify to them NERSA's role and functions.

### 6.3. ORGANISATIONAL ENVIRONMENT

Following is the approved NERSA Organisational Structure:



## PART A STRATEGIC OVERVIEW

In 2011/12, the Energy Regulator approved an organisational structure with a staff complement of 177 as well as the implementation of this structure. As at the end of 2013/14, the structure is 95% populated. The lack of specialised 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 (GLC)	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 priorities:

Challenges	Priorities
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> <li>Gas Utilisation Master Plan</li> </ul>	<ul style="list-style-type: none"> <li>Organisational Review</li> <li>Alignment towards regulatory methodology harmonisation</li> </ul>
Attraction and retention of requisite skills	<ul style="list-style-type: none"> <li>Integrated Human Resources Strategy</li> <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 Review</li> <li>ICT Systems Review</li> <li>Records Management enhancement</li> </ul>
Conducive working environment	<ul style="list-style-type: none"> <li>Refurbishment of the NERSA building</li> <li>Health, safety and environmental improvements</li> <li>Culture recalibration</li> </ul>
Image of NERSA	<ul style="list-style-type: none"> <li>Repositioning of NERSA's image (brand positioning)</li> <li>Repositioning with stakeholders</li> </ul>

Towards ISO  
Certification

## 6.4. DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

Strategic planning at NERSA is carried out at three different levels. The first strategic planning session is held with the Regulator Executive Committee (a Subcommittee of the Energy Regulator consisting of the four Full-Time Regulator Members) as well as the direct reports to the CEO. The second session is held with the Energy Regulator and lastly, sessions are held with the divisions within the organisation.

At the Regulator Executive Committee session, preparations for the Energy Regulator strategic planning session is finalised by interrogating the environment that NERSA operates in from a global, continental, regional and national perspective. Challenges and priorities facing the three industries being regulated by NERSA as well as the transversal regulatory and organisational environments are identified and discussed. The output of this session is presentations to the Energy Regulator with the Regulator Executive Committee's view on all the issues that were discussed.

At the Energy Regulator strategic planning session, the focus is on the development of the Strategic Plan as this provides the strategic direction of the organisation for the upcoming five years. The Energy Regulator therefore develops the vision, mission, values, regulatory principles, mandate, strategic outcome oriented goals, strategic objectives and programmes in light of the environmental scan, challenges and priorities as presented and discussed. The output of this session is a Strategic Plan with a five year planning horizon.

Once the strategic direction for the organisation has been finalised by the Energy Regulator, divisional strategic planning sessions are held, where the strategic direction is operationalised through the development of key performance indicators and targets. The output of these sessions is an Annual Performance Plan with three year annual targets and detailed quarterly targets for the first year.

Once the Strategic Plan and Annual Performance Plan have been finalised, the Energy Regulator approves both before submission to the Minister of Energy, in line with the timeframes as prescribed in the Framework for Strategic Plans and Annual Performance Plans as published by National Treasury.

## PART A STRATEGIC OVERVIEW

### 7. STRATEGIC OUTCOME ORIENTED GOALS

The strategic outcome oriented goals of NERSA are cascaded from the mandate and reflect the key policy priorities of government. These goals attest to NERSA's role in facilitating the achievement of the national socio-economic and socio-political development agenda. The strategic outcome oriented goals, within the limit of NERSA's mandate are:

<b>Strategic Outcome Oriented Goal 1:</b>	<b>To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa</b>
Goal Statement	To facilitate through regulation of the electricity, piped-gas and petroleum pipelines industries that South Africa's current and future energy needs are secured
<b>Strategic Outcome Oriented Goal 2:</b>	<b>To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa</b>
Goal Statement	To facilitate investment in new infrastructure and maintenance of existing infrastructure through regulating the electricity, piped-gas and petroleum pipelines industries
<b>Strategic Outcome Oriented Goal 3:</b>	<b>To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa</b>
Goal Statement	To promote efficiency, competition and competitiveness to lower the costs of energy provision and to promote the orderly development of the industries, through licensing and registration
<b>Strategic Outcome Oriented Goal 4:</b>	<b>To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all</b>
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
<b>Strategic Outcome Oriented Goal 5:</b>	<b>To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty</b>
Goal Statement	To ensure regulatory certainty through adherence to the regulatory principles of transparency, neutrality, consistence and predictability, independence, accountability, integrity; efficiency and public interest

## PART B 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:*

- Promote energy supply that is certain and secure for current and future user needs;
- Create a regulatory environment that facilitates investment in energy infrastructure;
- Promote competition and competitiveness within the energy industry;
- Promote regulatory certainty within the energy industry;
- Promote accessible and affordable energy for all citizens; and
- Establish and position NERSA 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 transversal regulatory and organisational environment

*With regards 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 pipelines 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 as well as aggregated across the organisation.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### ELECTRICITY INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	<b>To ensure financially sustainable supply of electricity by municipalities and private distributors</b>
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	<ul style="list-style-type: none"> <li>100% of tariff applications of licensed distributors approved within 60 days of receipt of complete application.</li> <li>Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16</li> </ul>
<b>Strategic Objective 1.2:</b>	<b>To ensure affordability of electricity supply to low-income households</b>
Objective Statement	To ensure affordability of electricity supply through pro-poor regulation
Baseline	<ul style="list-style-type: none"> <li>One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee</li> <li>Free Basic Electricity Rate for 2014/15 approved and communicated</li> <li>One report on FBE offering by municipalities, considered</li> </ul>
<b>Strategic Objective 1.3:</b>	<b>To facilitate the sustainability of electricity supply by Eskom</b>
Objective Statement	To 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	<ul style="list-style-type: none"> <li>Two reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered</li> <li>Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory guidelines for tabling in Cabinet by 15 March 2015</li> <li>Documented Reasons for Decision for MYPD2 and MYPD3 Regulatory Clearing Account reviews</li> </ul>

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

<b>Strategic Objective 2.1:</b>	<b>To control entry and ensure orderly development of the electricity industry</b>
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	100% of licence applications processed within 120 days from receipt of all required information

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

<b>Strategic Objective 3.1:</b>	<b>To promote the quality and reliability level of electricity supply</b>
Objective Statement	To ensure that all licensees comply with their licence condition, codes and regulatory standards
Baseline	<ul style="list-style-type: none"> <li>• 10 distribution audit reports on the state of compliance of licensees with licence conditions considered</li> <li>• 6 generation audit reports on the state of compliance of power stations with licence conditions considered</li> <li>• 6 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions</li> <li>• 2 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees</li> <li>• 1 generation, 1 transmission and 1 distribution report on state of compliance in the electricity industry published on NERSA website</li> <li>• One audit report on the review of the annual performance of IDM for 2013/14 considered</li> <li>• One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2012/13 IDM performance considered</li> <li>• One audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code, considered and published on NERSA website</li> <li>• 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 considered</li> <li>• Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15, considered and published on the NERSA website</li> </ul>

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

<b>Strategic Objective 4.1:</b>	<b>To create a fair balance between the needs of all stakeholders</b>
Objective Statement	To ensure that there is fair play within the electricity supply industry amongst all the stakeholders including end-customers and licensees
Baseline	<ul style="list-style-type: none"> <li>• 80% of disputes/ complaints closed within 180 days from receipt</li> <li>• One report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee and published on the NERSA website</li> </ul>

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

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

<b>Strategic Objective 5.1:</b>	<b>To ensure non- discriminatory access to as well as safe and reliable operation of the electricity infrastructure</b>
Objective Statement	To ensure requests for amendment and/or exemptions to the codes by interested and affected parties including new entrants (IPPs) are considered
Baseline	<ul style="list-style-type: none"> <li>100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered within 90 days from receipt of application</li> <li>100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered within 90 days from receipt of application</li> </ul>

### PIPED-GAS INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	<b>To provide piped-gas price certainty</b>
Objective Statement	To ensure affordable, equitable and reasonable gas prices
Baseline	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application
<b>Strategic Objective 1.2:</b>	<b>To provide piped-gas tariff certainty</b>
Objective Statement	To ensure affordable, equitable and reasonable tariffs
Baseline	<ul style="list-style-type: none"> <li>100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application</li> <li>4 calculations and publication of the ROMPCO tariff for volumes below 120 million Gigajoule</li> </ul>

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

<b>Strategic Objective 2.1:</b>	<b>To ensure orderly development of the piped-gas industry by efficient licensing</b>
Objective Statement	To issue licences to piped-gas infrastructure in order to ensure the orderly development of the piped-gas industry in an efficient manner
Baseline	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received.

<b>Strategic Objective 2.2:</b>	<b>To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production</b>
Objective Statement	To register gas import and production facilities in order to ensure the orderly development of the piped-gas industry in an efficient manner
Baseline	100% of registration applications of gas imports and production are processed and considered within 120 days from date of receipt of complete application.

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

<b>Strategic Objective 3.1:</b>	<b>To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)</b>
Objective Statement	To ensure sufficient gas to supply current and future users.
Baseline	<ul style="list-style-type: none"> <li>Assessed 12 monthly volume balance reports</li> <li>Conducted 2 audits on the ROMPCO pipeline</li> </ul>

<b>Strategic Objective 3.2:</b>	<b>To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions</b>
Objective Statement	To enhance compliance with licence conditions and thus creating a reputable competitive, sustainable and safe industry
Baseline	4 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered

<b>Strategic Objective 3.3:</b>	<b>To advise government on the impact of the implementation of the Regulatory Agreement</b>
Objective Statement	The Regulatory Agreement came to an end on 25 March 2014 and NESRA has to advise government of the impact of the Agreement
Baseline	Agreed scope for impact analysis of the provisions of the Regulatory Agreement

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

<b>Strategic Objective 4.1:</b>	<b>To ensure fairness and equity in the piped-gas market</b>
Objective Statement	To ensure that investigations into received complaints as well as initiated investigations are concluded
Baseline	<ul style="list-style-type: none"> <li>50% of complaint investigations completed within 12 months and a report on findings considered</li> <li>50% of initiated complaints investigated within 12 months and a report on findings considered</li> </ul>

## PART B 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>	<b>To engage in the debate on gas policy and legislation</b>
Objective Statement	To influence policy and legislation applicable to the gas industry through regulatory advocacy and interaction with the Department of Energy
Baseline	One report considered by the relevant Subcommittee inputs/comments made regarding further amendments to the Gas Act
<b>Strategic Objective 6.2:</b>	<b>To facilitate understanding of the regulatory framework by stakeholders</b>
Objective Statement	To ensure regulatory certainty and a firm understanding of the Energy Regulator's decisions by stakeholders.
Baseline	One report considered by the relevant Subcommittee on stakeholder workshops / meetings

## PETROLEUM PIPELINES INDUSTRY REGULATION

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

<b>Strategic Objective 1.1:</b>	<b>To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry</b>
Objective Statement	Through the setting and approving of tariffs, NERSA promotes security of supply and investment in the petroleum pipelines industry
Baseline	60% of pipeline, storage and loading facility tariff applications considered within 8 months of receipt of complete application

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

<b>Strategic Objective 2.1:</b>	<b>To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure</b>
Objective Statement	Through licensing of petroleum pipelines facilities NERSA will promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure
Baseline	<ul style="list-style-type: none"> <li>100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act</li> <li>Within 60 days after being identified, unlicensed facilities are investigated and considered (determined licensable or not)</li> </ul>



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

<b>Strategic Objective 3.1:</b>	<b>To monitor infrastructure utilisation and 3<sup>rd</sup> party access</b>
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	One report on trends regarding utilisation of storage facilities and 3 <sup>rd</sup> party access, considered
<b>Strategic Objective 3.2:</b>	<b>To monitor the development of infrastructure</b>
Objective Statement	To monitor and report on the development of infrastructure in the petroleum pipelines industry in order to facilitate investment and ensure orderly development in the industry
Baseline	Four reports on the construction of new facilities, considered
<b>Strategic Objective 3.3:</b>	<b>To monitor licencees' compliance with statutory reporting requirements</b>
Objective Statement	To ensure that all licencees adhere to statutory reporting requirements, analyses these reported information and publish results in order to facilitate informed decision-making in the petroleum pipelines industry
Baseline	Four reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements

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

<b>Strategic Objective 4.1:</b>	<b>To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure</b>
Objective Statement	To ensure that all complaints received regarding licensed activities are investigated and resolved within 60 days of receipt.
Baseline	Within 60 days of receipt, all complaints are investigated and considered

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

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

<b>Strategic Objective 5.1:</b>	<b>To enhance regulatory certainty</b>
Objective Statement	To ensure transparency, openness and predictability, leading to regulatory certainty, publishing tariff methodologies
Baseline	Tariff methodologies published and reviewed when necessary

<b>Strategic Objective 5.2:</b>	<b>Enhancing the regulatory dispensation</b>
Objective Statement	To enhance the regulatory dispensation through regulatory advocacy regarding amendments to petroleum legislation, regulations and government policies
Baseline	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies

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

<b>Strategic Objective 6.1:</b>	<b>To promote Security of Supply</b>
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	Two reports on the inland supply forecast

## TRANSVERSAL REGULATORY

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

<b>Strategic Objective 6.1:</b>	<b>To determine the impact of regulatory decisions</b>
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	Conduct impact assessment of regulatory decisions

<b>Strategic Objective 6.2:</b>	<b>To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information</b>
Objective Statement	To facilitate a broadening of knowledge on the relevant energy industries as well as economic regulation and thereby empowering stakeholders
Baseline	<ul style="list-style-type: none"> <li>Approved concept for the publication of the NERSA Economic Regulation Journal (name of Journal still to be finalised)</li> <li>Quarterly newsletters published</li> <li>Undertake 30 stakeholder engagement and education programmes</li> </ul>

## ORGANISATIONAL

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

<b>Strategic Objective 6.1:</b>	<b>To create an efficient and effective world class organisation</b>
Objective Statement	To create an efficient and effective organisation in line with the vision of NERSA (To be a recognised world-class leader in energy regulation) through the conducting of an organisational review, a comprehensive Information and Communication Technology (ICT) systems review, moving towards ISO certification and training and development of NERSA staff
Baseline	<ul style="list-style-type: none"> <li>• Conducting of the organisational review with an approved implementation plan</li> <li>• 85% of staff undergoing training and development</li> <li>• Conducted a comprehensive Information and Communication Technology (ICT) systems review</li> <li>• Implementation of selected “to be” business processes that will assist in obtaining ISO certification</li> </ul>
<b>Strategic Objective 6.2:</b>	<b>To position and promote the good image of NERSA</b>
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.
Baseline	Conduct a comprehensive customer and stakeholder perception and satisfaction survey in order to obtain baseline values
<b>Strategic Objective 6.3:</b>	<b>To improve the effectiveness of the financial processes, systems and procedures</b>
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	<ul style="list-style-type: none"> <li>• Unqualified audit</li> <li>• 100% of creditors paid within 30 days after all relevant documentation have been received</li> </ul>
<b>Strategic Objective 6.4:</b>	<b>To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy</b>
Objective Statement	To engage in regulatory and policy advocacy to influence policy changes and establish cooperation with other regulators to address issues of concurrent jurisdiction.
Baseline	Approved proposals / comments on policy changes (if and when necessary)

## PART B 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. all direct costs attributable to each of the three industries must be allocated to that industry
- ii. the direct staff complement in the industry-specific functions is used to proportionately allocate the remaining (common) costs to the respective industries
- iii. the common costs allocation ratio for electricity, piped-gas and petroleum pipelines industries is 58%:21%:21%.

### 7.3 RISK MANAGEMENT

A comprehensive strategic risk register is developed annually and is attached to the Annual Performance Plan.

In line with the requirements of the Public Finance Management Act and the Treasury Regulations, the Internal Audit Unit provides the Audit and Risk Committee 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 Committee 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 personnel level, as evidenced by the Audit and Risk Committee 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 Committee monitors the implementation of an integrated fraud prevention plan 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 predetermined objectives, information communication technology and human resources.

# ANNUAL PERFORMANCE PLAN

2016/17 – 2018/19

## 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; efficiency; and public interest.

The Annual Performance Plan of NERSA for the period 2016/17 – 2018/19 is informed by the approved five-year Strategic Plan (2015/16 – 2019/20). 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 14 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 energy 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 new players into the energy sector, particularly in light of 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 ensure 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.



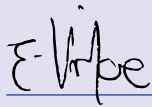
**Jacob RD Modise**

*Chairperson: National Energy Regulator*

## OFFICIAL SIGN-OFF

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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 (2015/16 – 2019/20) and accurately reflects the performance targets which NERSA will endeavour to achieve given the resources made available in the budget for 2016/17.



**Esther Viljoen**

*Senior Manager: Strategic Planning and Monitoring*

**Approved by**



**JRD Modisen**

*Chairperson (on behalf of the Accounting Authority)*



**Zanele Ngwepe**

*Chief Financial Officer*



**Paseka Nku**

*Acting Chief Executive Officer (Accounting Officer)*

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## ACRONYMS AND ABBREVIATIONS

Acronym / Abbreviation	Stands for
AFUR	African Forum for Utility Regulators
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
CBM	Coal Bed Methane
CNG	Compressed Natural Gas
DoE	Department of Energy
EEDSM	Energy Efficiency and Demand Side Management
ELR	Electricity Regulation
EPP	Electricity Pricing Policy
ESI	Electricity Supply Industry
FBE	Free Basic Electricity
GDP	Gross Domestic Product
GHG	Greenhouse gases
GJ	Gigajoule
GTL	Gas-to-liquid
HDI/ HDSA	Historically Disadvantaged Individuals/ South Africans
IBT	Inclining Block Tariff
ICT	Information and Communication Technologies
IDM	Integrated Demand Management
IEA	International Energy Agency
IPAP	Industrial Policy Action Plan
IPPs	Independent Power Producers
IRP	Integrated Resource Plan
ISO	International Organisation for Standardization
Ke	Cost of equity
LNG	Liquefied Natural Gas
MCEP	Manufacturing Competitive Enhancement Programme

Acronym / Abbreviation	Stands for
MTEF	Medium-term Expenditure Framework
MTSF	Medium Term Strategic Framework
MW	Megawatt
NDP	National Development Plan
NERSA	National Energy Regulator
NIPF	National Industrial Policy Framework
NMPP	New Multi-Product Pipeline
NFI	Non-Financial Information
OECD	Organisation for Economic Co-operation and Development
Org	Organisational
PASA	Petroleum Association of South Africa
PE(R)STEL	Political, Economic, Regulatory, Social, Technological, Environmental and Legal
PICC	Presidential Infrastructure Coordinating Committee
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)
PGR	Piped-Gas Regulation
PPA	Power purchase agreement
PPR	Petroleum Pipelines Regulation
RESAP	Renewable Energy Strategy and Action Plan
SAPP	The Southern African Power Pool
RIA	Regulatory Impact Assessment
ROMPCO	Republic of Mozambique Pipeline Investment Company
SADC	Southern African Development Community
SCOA	Standard Chart of Accounts
SFF	Strategic Fuel Fund
SIP	Strategic Integrated Project
SQAM	Standards, Quality Assurance, Accreditation and Metrology
Trans	Transversal Regulatory



# PART A

## STRATEGIC OVERVIEW

## PART A STRATEGIC OVERVIEW

### 1. UPDATED SITUATIONAL ANALYSIS

This Annual Performance Plan has been developed based on the approved Strategic Plan for the period (2015/16 – 2019/20). There being no changes to the mandate of NERSA in this planning period, the Strategic Plan for the five year period remains unchanged. The Annual Performance Plan, reviewed on an annual basis, takes into account any changes in the performance environment which would impact on the execution of NERSA's mandate. In this regard NERSA undertook an environmental scan to assess such factors.

#### 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

Global energy demand will dramatically increase over the next 20 years, but turmoil in many key producing regions and the difficulties in formulating the right energy policies mean the world may not be able to respond with adequate supply. Energy security concerns are on the rise. According to the International Energy Agency (IEA), global energy demand is set to grow by 37% by 2040. Today half of oil demand is in emerging economies.

The short-term picture of a well-supplied oil market is disguising the challenges that lie ahead as reliance grows on a relatively small number of producers. The situation in the Middle East is a major concern given steadily increasing reliance on this region for oil production growth – the region remains the only large source of low-cost oil. Conflict between Russia and Ukraine has reignited concerns about gas security.

Nuclear power, which for some countries plays a strategic role in energy security, faces an uncertain future. Electricity remains inaccessible to many people, including two out of every three people in sub-Saharan Africa. The point of departure for the climate negotiations, due to reach a climax in 2015 at the 21st Conference of Parties (COP21) to be held in Paris in December 2015, is not

encouraging: a continued rise in global greenhouse-gas emissions and stifling air pollution in many of the world's fast-growing cities.

Demand for natural gas is expected to grow by more than half, the fastest rate among the fossil fuels, and increasingly flexible global trade in liquefied natural gas (LNG) offers some protection against the risk of supply disruptions. The main regions that push global gas demand higher are China and the Middle East, but gas is also expected to become the leading fuel in the OECD energy mix by around 2030. The key uncertainty is whether gas can be made available at prices that are attractive to consumers while still offering incentives for the necessary large capital-intensive investments in gas supply.

While coal is abundant and its supply secure, its future use is constrained by measures to tackle pollution and reduce CO<sub>2</sub> emissions. Global coal demand is expected to grow by 15% to 2040, but almost two-thirds of the increase is expected to occur over the next ten years.

Renewable energy technologies, a critical element of the low-carbon pillar of global energy supply, are rapidly gaining ground, helped by global subsidies amounting to \$120 billion in 2013. With rapid cost reductions and continued support, renewables is expected to account for almost half of the increase in total electricity generation to 2040.

##### 1.1.2. Continental Developments

In October 2014, the IEA published a special World Energy Outlook Report titled Africa Energy Outlook. This section contains information from this report.

Sub-Saharan Africa is rich in energy resources, but very poor in energy supply. Making reliable and affordable energy widely available is critical to the development of a region that accounts for 13% of the world's population, but only 4% of its energy demand. Since 2000, sub-Saharan Africa has seen rapid economic growth and energy use has risen by 45%.

In sub-Saharan Africa as a whole, only 290 million out of 915 million people have access to electricity and the total number without access

is rising. Efforts to promote electrification are gaining momentum, but are outpaced by population growth. Although investment in new energy supply is on the rise, two out of every three dollars put into the sub-Saharan energy sector since 2000 have been committed to the development of resources for export.

A severe shortage of essential electricity infrastructure is undermining efforts to achieve more rapid social and economic development. For the minority that has a grid connection today, supply is often unreliable, necessitating widespread and costly private use of back-up generators running on diesel or gasoline. Electricity tariffs are, in many cases, among the highest in the world and, outside South Africa, losses in poorly maintained transmission and distribution networks are double the world average. Urban areas experience the largest improvement in the coverage and reliability of centralised electricity supply. Elsewhere, mini-grid and off-grid systems provide electricity to 70% of those gaining access in rural areas.

Bioenergy use – mainly fuelwood and charcoal – outweighs demand for all other forms of energy combined, a picture that changes only gradually even as incomes rise. Four out of five people in sub-Saharan Africa rely on the traditional use of solid biomass, mainly fuelwood, for cooking. Scarcity, along with efforts to make alternative fuels like liquefied petroleum gas available, results in some switching away from wood use, especially in towns. Promotion of more efficient biomass cookstoves reduces the health effects of pollution from indoor smoke. Nonetheless, more than one-third of an expanding population, still cook with biomass in an inefficient and hazardous way.

Almost 30% of global oil and gas discoveries made over the last five years have been in sub-Saharan Africa, reflecting growing global appetite for African resources. Nigeria is the richest resource centre of the oil sector, but regulatory uncertainty, militant activity and oil theft in the Niger Delta are deterring investment and production, so much so that Angola is set to overtake Nigeria as the region's largest producer of crude oil at least until the early 2020s.

Natural gas resource-holders can power domestic economic development and boost export revenues, but only if the right regulation, prices and infrastructure are in place. The incentives to



use gas within sub-Saharan Africa are expected to grow as power sector reforms and gas infrastructure projects move ahead but, for the moment, as much gas is flared as is consumed within the region. The IEA is predicting that natural gas will nearly triple its share of the energy mix in Africa to 11% by 2040. Nigeria remains the region's largest gas consumer and producer, but the focus for new gas projects also shifts to the east coast and to the huge offshore discoveries in Mozambique and Tanzania. The size of these developments and remoteness of their location raises questions about how quickly production can begin, but they are expected to provide a 75 billion cubic metre (bcm) boost to annual regional output (which reaches 230 bcm in total) by 2040, with projects in Mozambique larger in scale and earlier in realisation. East coast LNG export is helped by relative proximity to the importing markets of Asia, but – alongside the benefits from an estimated \$150 billion in fiscal revenue to 2040 – both countries are determined to promote domestic markets for gas, which will need to be built from a very low base.

*Three actions in the energy sector, if accompanied by more general governance reforms, could boost the sub-Saharan economy by 30% in 2040, an extra decade's worth of growth in per-capita incomes:*

- An additional \$450 billion in power sector investment, reducing power outages by half and achieving universal electricity access in urban areas.
- Deeper regional co-operation and integration, facilitating new large-scale generation and transmission projects and enabling a further expansion in cross-border trade.
- Better management of resources and revenues, adopting robust and transparent processes that allow for more effective use of oil and gas revenues.

### 1.1.3. Regional Developments

*The Southern African Development Community (SADC) region still faces significant challenges in energy development and usage. The Regional Infrastructure Development Master Plan, developed in 2012, highlights the following issues:*

- Only 5% of rural areas in the region have any access to electricity;
- SADC falls behind other Regional Economic Communities in Africa regarding access to electricity. While 24% of the region's residents have access, 36% of the East African Community residents are connected, as are 44% of the Economic Community of West African States residents;
- An electricity shortage has strained the region since 2007. Although this shortage was expected to be corrected by 2014, projects intended to address the shortage lag behind deadline due to lack of funding;
- Low tariffs, poor project preparation, issues with Power Purchase Agreements, and absent regulatory frameworks stunt investment and financing in the energy sector;
- Coal supplies 75% of power generation in Southern Africa, but is considered a contributing factor to global warming;
- Weak infrastructure and foreign commitments inhibit use of the region's abundant petroleum and natural gas resources; and
- Pricing and infrastructure hurdles such as grid connections, manufacturing, and quality testing impede development of the region's renewable energy potential.

Energy is vital to development in Southern Africa. Beyond its use in daily life, fuel and electricity catalyse infrastructure projects that drive both Regional Integration and economic growth. As the SADC region industrialises on its path to improved human development, energy production and distribution will only increase in importance.

Recognising the fundamental role of energy in accomplishing its goals, SADC passed the Protocol on Energy in 1996, which provides a framework for cooperation on energy policy among SADC Member States.

The Protocol on Energy acknowledges the importance of energy in pursuit of the vision of SADC of economic well-being and poverty eradication in Southern Africa. In order to best achieve these ends, the Protocol on Energy invites Member States to cooperate on energy development, harmonising policies, strategies, and procedures throughout the region. It also advises that these policies ensure

the security, reliability, and sustainability of the energy supply, with Member States cooperating on research and development of low-cost energy sources applicable to Southern Africa.

Since the adoption of the Protocol on Energy, SADC has enacted several strategic plans for energy development in the region. Although implementation of these strategies has been slow, the region has made significant strides, particularly in electricity. At present, nine Member States of SADC have merged their electricity grids into the Southern African Power Pool, reducing costs and creating a competitive common market for electricity in the region. Similarly, SADC has established the Regional Electricity Regulatory Association, which has helped in harmonising the region's regulatory policies on energy and its subsectors.

*While SADC is enacting a number of initiatives to address these issues, it has identified two chief points of focus, as follows:*

- Electricity Generation – Southern Africa has ample resources for electricity generation, though occasionally lacks the capacity for development.
- Hydropower and Renewable Energy – Renewable energy has grown in importance for both regional and global energy markets

## ELECTRICITY

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 2013. Hydro, nuclear and diesel accounted for 20.1%, 4% and 1.6%, respectively in 2013. 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.

Southern Africa expects to commission new power projects between 2012 and 2016 that will add 14,300 MW of electricity to the regional grid, allowing the region to match supply and demand. Part of this capacity was initiated in 2012 through commissioning

## PART A STRATEGIC OVERVIEW

at least eight energy generation projects that added about 1,230 MW of electricity to the regional grid, slightly above the 1,110 MW of additional electricity commissioned the previous year. The additional power will come from Botswana, Democratic Republic of Congo (DRC) and South Africa respectively.

Southern Africa will experience a gradual increase in the uptake of cleaner energy sources that will result in reduced carbon emission in the next few years. This follows the adoption of a wide range of strategies aimed at aligning the region with new trends in the global energy sector, which now favours renewable energy as opposed to fossil fuels.

*Renewable energy sources such as solar, hydro and wind are less polluting to the environment, and do not use resources that can be depleted. Recently the SADC Meeting of Energy Ministers' workshop on the Renewable Energy Strategy and Action Plan (RESAP) agreed on the following:*

- The Southern African Power Pool (SAPP) must achieve a renewable energy mix in the regional grid of at least 32% by 2020 and 35% by 2030 of new capacity;
- SADC member States must identify all renewable energy projects that can be connected to the regional grid; and
- SAPP must develop a Renewable Energy Development Plan that lists projects according to priority and should be linked to the proposed SADC Infrastructure Master Plan.

### PETROLEUM

The region is a net importer of petroleum products with implications on the expenditure on imports 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. Most of the oil produced by Angola (approximately 95%) is however exported, mainly to China and the US.

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 and two synfuel refineries. Refineries found in other SADC countries are either too small, old or have been mothballed.

### PIPED-GAS

Gas is gaining a voice in the regional energy mix supported by emerging policy responses by governments in South Africa, Mozambique, Tanzania, and Namibia concerning the utilization of gas as an alternative for transport and power generation.

In the SADC region only 6 countries have proven gas reserves with Namibia being the only one of these with no gas production. The Gas Master plan is central to the gas resource utilisation and distribution strategy.

Large discoveries of promising shelf reserves for gas have been found in Tanzania, Mozambique and Kenya. East Africa is becoming a global offshore hot spot for gas, and a likely LNG export region. However, inadequate regulatory frameworks both in Tanzania and Mozambique threaten to slow the pace of development. Onshore gas exploration activities are progressing within the SADC region.

#### 1.1.4. 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 greenhouse 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 three energy industries, 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.

*In his State of the Nation Address on 12 February 2015, the President of the Republic of South Africa, Mr Jacob Zuma, indicated the following key issues relating to energy:*

- The ambition of achieving a growth target of 5% by 2019 is at risk, because of the slow global growth as well as domestic constraints in energy, skills, transport and logistics amongst others. The economy needs a major push forward. In this regard, he shared his nine point plan to ignite growth and create jobs, of which resolving the energy challenge was number one.
- South Africa is experiencing serious energy constraints which are an impediment to economic growth and is a major inconvenience to everyone in the country. Overcoming these energy constraints is the number one programme for the year. Government's strategies to deal with this challenge focuses on short, medium and long-

term responses to the challenges. The short and medium-term plan involves improved maintenance of Eskom power stations, enhancing the electricity generation capacity and managing the electricity demand. The long term plan involves finalising our long term energy security master plan.

- Eskom's finances will be stabilised as a matter of priority, to enable the utility to manage the current period. In this regard, Government will honour its commitment to give Eskom around R23 billion in the next fiscal year.
- The "War Room" established by Cabinet in December 2014 is working diligently around the clock with Eskom, to stabilise the electricity supply system and contain the load shedding.
- Given the high cost of diesel, Eskom has been directed to switch from diesel to gas as a source of energy for the utility's generators.
- Government has begun with the procurement of 2 400 megawatts of new coal-fired power generation capacity, from Independent Power Producers and that the procurement process for 2 400 megawatts of new gas-fired generation will commence in the first quarter of the 2015/16 financial year.
- A total of 2 600 megawatts of hydro-electric capacity will be sourced from the Southern African Development Community (SADC) region and 15 000 megawatts from the Grand Inga Hydro-electrical Project partnership with the Democratic Republic of Congo.
- Government is exploring the procurement of the 9 600 megawatts nuclear build programme as approved in the Integrated Resource Plan 2010-2030 with a target of connecting the first unit to the grid by 2023, just in time for Eskom to retire part of its aging generation fleet.
- Copper cable and metal theft must be fought with Government to introduce tougher measures to deal with this crime.

*In her Budget Vote Speech on 19 May 2015, the Minister of Energy, Ms Tina Joemat-Pettersson, indicated the following in respect of energy:*

- Energy Security is a pre-requisite for achieving the 5.5% economic growth target as envisaged by the National Development

Plan. The development of the electricity infrastructure, through amongst others, IPP's, the nuclear build programme, gas to power by exploiting the indigenous shale gas resources and other interventions will contribute towards ensuring our countries economic growth and development.

- The government's urgent response to load shedding has accelerated the finalisation of the much awaited Integrated Energy Plan. Once approved by Cabinet, the Integrated Energy Plan will be published as a policy document. This Plan will inform the future energy mix and prioritise policy interventions for future programmes within the energy sector.
- A package of energy supply and demand options was announced in April 2015. This will increase the independent power producer energy supply to the grid by means of renewable energy, coal, gas and co-generation by 17,000 Megawatts towards the end of 2022. An annual increase of 2,400 Megawatts of additional energy capacity will be added to the grid.
- The approach in relation to the procurement of co-generation has been revised in line with the IRP to assist with the current electricity challenges. The RFP for the revised co-generation approach, totalling 1,800 MW's is on track for release to the market. The announcement of the preferred bidders is expected in the third quarter of 2015. The new approach will ensure that the approval process is expedited and financial close accelerated.
- The REIPPP Request for Proposals for an additional 1,800 MWs from existing Bid Submissions is on course for release to the market by June 2015. This bidding process would be open to all unsuccessful Bidders from all previous Bid Windows which are ready for re-submission. The appointment of additional preferred bidders from Bid Window 4 will be announced in early June.
- The Gas Utilization Master Plan is in the final stage of internal approval and will be released for public comment during the second Quarter of the 2015 financial year.
- The Request for Information for Gas fired generation was released to the market on 19 May 2015. The outcome of this RFI will guide the Department in the design of the Gas to Power Procurement Programme for a combined 3,126 Megawatts allocation. This is a significant step forward in the diversification of our energy

mix. The Request for Proposals is expected to be released to the market in September 2015, with a Bid Submission phase planned for the First Quarter in 2016.

- Third party access to the network and the wheeling of power will be improved.
- The actual nuclear procurement process will commence in the second quarter of this financial year to select a Strategic Partner or Partners in a competitive, fair, transparent and cost effective manner. It is expected that the outcome of this procurement process will be presented to Cabinet by year end.
- The National Energy Efficiency Strategy and Action Plan will be finalised. Draft regulations have already been published for compulsory energy management plans to be put in place by targeted end users.
- Concerns regarding the proposed Biofuel Subsidy Models and the risks posed to the fiscus and the National Revenue Fund, as well as concerns regarding food security are currently being dealt with.
- Oil companies are requested to do more in changing the landscape of ownership in the petroleum space, with a particular emphasis on women and youth.
- Over the recent period, major strides were made towards the licensing of fuel import capacity. NERSA licensed import facilities in Richards Bay, Saldanha, Cape Town and Coega, which in should enhance competition in the liquid fuels sector whilst ensuring a more robust energy security regime. Government will align the regulatory dispensation by the different organs of state to aid efficiencies in this area.
- The Department believes that now is an opportune time for revisiting the cleaner fuels programme, as well as investment in new refining capacity. The Task Team working on the cleaner fuels has already begun its deliberations. A Task Team that will prepare the ground for a decision on new refining capacity, focussing on Coega as the preferred site for such a refinery and also clarifying state participation in such an investment will be announced soon.
- The uptake of Liquid Petroleum Gas in South Africa remains disappointing, in the main due to infrastructure impediments. Proposals on how to deal with identified regulatory shortcomings

## PART A STRATEGIC OVERVIEW

that are hampering increased LPG usage will be developed by the Department, including the Draft LPG Fuel Switching Strategy, which provides a framework for the expansion of the use of LPG in South Africa with special emphasis on the household sector.

- Prospects of a settlement between Iran and the US, China, Russia and some EU countries should benefit crude oil price stability. The use of the opportunity of lower crude oil prices to bolster our emergency crude oil stocks is being looked at. The Strategic Fuel Fund will look at modalities for increasing the strategic stocks of crude oil.
- Working together with Minister of Mineral Resources, the Department of Energy will accelerate efforts that will result in exploration for oil and gas within our territorial waters. Alignment between the amendment process of the Mineral and Petroleum Resources Development Act and Energy Policy will be critical for the development of the oil and gas potential in the country.
- The Department has now finalised all processes to introduce legislative amendments pertaining to the Electricity Regulation Second Amendment Bill and the National Energy Regulator Amendment Bill to Parliament after Cabinet approval. The public consultation process in this regard has taken over 2 years and public comments have been incorporated. Other Bills that are in process and will be released during this financial year for comments include the Gas Amendment Bill, the Electricity Industry Structure Bill and the Strategic Fuel Fund Bill.

From the above it is evident that Government is focusing on the energy challenges as it is a serious impediment to economic growth and job creation. NERSA needs to ensure that it is ready for either the receipt of an application for the Regulatory Clearing account or for a complete new Multi-Year Price Determination (MYPD4) application in order to provide Eskom with more funding; to strengthen its compliance monitoring on Eskom Generation's compliance with licence conditions; to strengthen its role and contribution to SADC and the SAPP in order to facilitate cross-border trading; and assist Government where possible (and within NERSA's mandate) regarding the procurement of new generation capacity.

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> <li>• Additional governance structures created causes confusion with sector (non-statutory bodies - no legal basis)</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.	Delays in finalisation of 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> </ul>	<ul style="list-style-type: none"> <li>• Continued proactive engagement</li> <li>• Regulatory advocacy</li> </ul>
2.	Processing of directives from government structures	<ul style="list-style-type: none"> <li>• Delays in some key processes</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>
3.	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>• Impede growth of the gas market in SA</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory advocacy</li> <li>• Review of current infrastructure plan</li> <li>• Recommend policy changes</li> <li>• Implement the Gas Utilisation Master Plan</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>

## PART A STRATEGIC OVERVIEW

Political Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Transversal Regulatory:</b>			
1.	Developmental State	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> </ul>
2.	Manage interface between different policy thrusts of Government (new growth path, IPAP2)	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Make decisions that are not in conflict with the Acts</li> <li>Identify points of contribution</li> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> <li>Seek interaction with appropriate departments and structures</li> </ul>
3.	Policy gaps and inconsistencies	<ul style="list-style-type: none"> <li>Regulatory uncertainty</li> <li>Lack of credibility of regulatory systems</li> </ul>	<ul style="list-style-type: none"> <li>Review impact on NERSA's mandate</li> <li>Comment and proposed amendments for consideration of the policy maker</li> <li>Highlight cost of projects, the impact and implications thereof e.g. Integrated Resource Plan</li> </ul>
4.	Discussion / debate around nationalisation	<ul style="list-style-type: none"> <li>Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>Provide regulatory certainty through consistent decision making</li> <li>Ensure investor confidence through our regulatory decisions and activities</li> <li>Influence perception of investor risk (particularly in piped-gas)</li> </ul>
5.	Review of millennium goals (2014)	<ul style="list-style-type: none"> <li>NERSA may not assist the country in achieving its goals</li> </ul>	<ul style="list-style-type: none"> <li>Regulate in such a manner that accessibility and affordability is enhanced</li> </ul>
6.	Presidential review on the organs of state / creation of a "super regulator" and collapse all regulators	<ul style="list-style-type: none"> <li>NERSA may cease to exist / be the base of the super regulator</li> <li>Regulatory continuity and principles</li> <li>Regulatory certainty</li> </ul>	<ul style="list-style-type: none"> <li>Profile NERSA in the public arena</li> <li>Affirm NERSA's effectiveness and positioning</li> <li>Monitor debate</li> <li>Influence the discussions</li> <li>Engage with stakeholders</li> <li>Stakeholder survey</li> <li>Position NERSA as a low maintenance entity</li> <li>Highlight the importance of an independent regulator</li> <li>Improve on current performance</li> <li>Understand regulatory environment, who are the other regulators</li> <li>Help / teach / learn from them (other regulators)</li> <li>Develop a strategic engagement framework on developing legislation / policy changes</li> </ul>



Economic Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</b>			
1.	Lack of competition in electricity supply industry	<ul style="list-style-type: none"> <li>Impact on the ability of the Independent Power Producers to access the industry</li> <li>High electricity prices to industrial consumers</li> </ul>	<ul style="list-style-type: none"> <li>Enforce Third Party Access</li> <li>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>

## PART A STRATEGIC OVERVIEW

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> <li>Likely perpetuation of current monopoly in the industry</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.	Lack of infrastructure investment	<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>Fast-track development of Gas Utilisation Master Plan intended to guide required gas infrastructure investment</li> </ul>
3.	Supply and demand dilemma in gas industry	<ul style="list-style-type: none"> <li>Impact growth of gas industry</li> <li>Discourage investment</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> <li>Input into GUMP</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>			
1.	User pays vs. developmental state	<ul style="list-style-type: none"> <li>Decisions of NERSA could be in conflict with policy</li> </ul>	<ul style="list-style-type: none"> <li>Assist DoE in creating awareness of policy</li> <li>Proactive engagement with government</li> </ul>
2.	Investment climate and investor expectations of Rate of Return	<ul style="list-style-type: none"> <li>Investors may not invest</li> </ul>	<ul style="list-style-type: none"> <li>Review cost of equity</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>Transversal Regulatory:</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>



Economic Factors		Impact if factor is not addressed	NERSA response to the factor
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>
3.	Insufficient coordination in regulating electricity industry	<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>
<b>Piped-Gas Industry Regulation:</b>			
1.	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> </ul>	<ul style="list-style-type: none"> <li>Gas Act review and National Energy Regulator Act review</li> <li>Cooperate with other regulators to reduce confusion and unnecessary regulatory burden and cost</li> </ul>
2.	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>

## PART A STRATEGIC OVERVIEW

Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Lack of experience in regulating new activities (eg. LNG and Shale gas)	<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.	Information asymmetry	<ul style="list-style-type: none"> <li>Possible incorrect decisions taken due to lack of accurate / adequate information for decision making</li> </ul>	<ul style="list-style-type: none"> <li>Develop ways of collecting relevant data</li> <li>Audits</li> <li>Benchmarks</li> <li>Implement the Regulatory Reporting Manuals to overcome information asymmetry</li> </ul>
5.	Legacy of discriminatory Market Value Pricing	<ul style="list-style-type: none"> <li>Continuation of the utilisation of the regulatory provisions of the Sasol Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the Maximum Price for Gas methodology</li> <li>Monitoring Sasol Gas' compliance with the provisions of the Gas Act</li> </ul>
6.	Concurrent jurisdiction regarding the regulation of gas	<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>Development and implementation of MOUs and MOAs with regulators with concurrent jurisdiction</li> </ul>
7.	Fragmentation of the regulation of gas	<ul style="list-style-type: none"> <li>Investor uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy</li> </ul>
8.	Gaps and inconsistencies between regulations and the Act	<ul style="list-style-type: none"> <li>Regulator uncertainty</li> <li>Leads to confusion among stakeholders</li> <li>Legal challenges</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory advocacy regarding refinement of piped gas regulations</li> <li>Provide proposed amendments</li> </ul>
9.	Coordination and harmonisation of regional regulatory approaches	<ul style="list-style-type: none"> <li>Regulatory uncertainty for investors</li> <li>Cross subsidisation potential</li> <li>Possible inflated tariffs and prices</li> </ul>	<ul style="list-style-type: none"> <li>Bilateral engagements with other regulatory authorities</li> <li>Utilise regional structure to facilitate coordination and harmonisation</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> </ul>

Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
2.	Possible market interventions by Government: <ul style="list-style-type: none"> <li>• biofuels</li> <li>• strategic stocks</li> <li>• security of supply</li> <li>• cleaner fuels 2</li> </ul>	<ul style="list-style-type: none"> <li>• NERSA may not be adequately prepared</li> </ul>	<ul style="list-style-type: none"> <li>• Make submissions on drafts published for comment</li> <li>• Engage with relevant Departments to try and have adequate warning</li> </ul>
3.	Petroleum Pipelines Regulations on Regulatory Asset Base and 3-5 year review	<ul style="list-style-type: none"> <li>• Investors may not invest</li> </ul>	<ul style="list-style-type: none"> <li>• Persuade DoE to amend Regulations</li> </ul>
4.	DoE regulation of transport margins in petrol price regulation	<ul style="list-style-type: none"> <li>• Sub optimal use of transport modes</li> </ul>	<ul style="list-style-type: none"> <li>• Engage DoE on regulatory factors affecting pipeline volumes</li> </ul>
<b>Transversal Regulatory:</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.	Management of concurrent jurisdiction	<ul style="list-style-type: none"> <li>• Regulatory overlap</li> <li>• No clear roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Conclude MoUs and MoAs with other regulators</li> <li>• Regulatory advocacy</li> <li>• Co-operate and help other regulators</li> <li>• Build closer relationships with other regulators</li> </ul>
3.	Perception of independence of the Regulator	<ul style="list-style-type: none"> <li>• Uncertainty for investment</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a strategic engagement framework with all role players</li> <li>• Communicate – particularly on how decisions are reached (Not only on website – more proactive)</li> </ul>

## PART A STRATEGIC OVERVIEW

Regulatory Factors		Impact if factor is not addressed	NERSA response to the factor
4.	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> <li>Disjointed and unharmonised approach to cross boarder training in the region</li> </ul>	<ul style="list-style-type: none"> <li>NERSA needs to take Active Role and interest in SAPP, RERA and AFUR issues.</li> <li>NERSA needs to regulate international trade actively in energy matters.</li> <li>NERSA needs to implement the guidelines for cross boarder trading at national level.</li> </ul>
5.	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 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 (since RSA is a member and an important role player in regional and continental structures, e.g. RERA &amp; AUC)</li> </ul>
Social Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Electricity Industry Regulation:</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>

Social Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>			
1.	HDI participation	<ul style="list-style-type: none"> <li>No meaningful transformation of gas industry</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 in terms of requirements for measures to promote HDSAs information</li> </ul>
2.	Skills development	<ul style="list-style-type: none"> <li>Monitor construction plans</li> <li>Ensure skills transfer in interactions with specialist service providers (e.g. skills transfer clauses in service level agreements with consultants)</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate skills to match new technically inclined developments upstream</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 could be blamed leaks</li> </ul>	<ul style="list-style-type: none"> <li>Monitor licensees liaison with municipalities</li> </ul>
<b>Transversal Regulatory:</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>

## PART A STRATEGIC OVERVIEW

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>
<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 (Liquefied Natural Gas, regasification, Compressed Natural Gas, Floating Liquefied Natural Gas, Liquefied Natural Gas tanks etc.)	<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>

Technological Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Resistance to new gas technology (e.g. Shale Gas hydraulic fracturing)	<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>Regulatory advocacy</li> <li>Research</li> <li>Proactive participation where possible (task teams)</li> </ul>
<b>Petroleum Pipelines Industry Regulation:</b>			
1.	Use of pipeline threatened by the use of alternative forms of energy and efficiency	<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> <li>Monitor trends and potential alignment of tariff methodologies</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 Transnet Pipeline costs as there are higher interface volumes</li> <li>Reduce available storage capacity for individual products</li> <li>Reduces 3rd party access</li> </ul>	<ul style="list-style-type: none"> <li>Encourage rationalisation of grades and specifications</li> <li>Licence tanks to store more than one type of product</li> </ul>
<b>Transversal Regulatory:</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>
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 municipalities</li> </ul>
3.	Growing awareness of environmental factors	<ul style="list-style-type: none"> <li>SA not meeting its reduction in greenhouse 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 greenhouse gas emissions</li> </ul>
4.	Carbon tax policy	<ul style="list-style-type: none"> <li>Increase in the price of electricity &gt; more bad debt &gt; 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>

## PART A STRATEGIC OVERVIEW

Environmental Factors		Impact if factor is not addressed	NERSA response to the factor
<b>Piped-Gas Industry Regulation:</b>			
1.	Environmental activism, global warming, carbon taxes and emissions reduction	<ul style="list-style-type: none"> <li>Gas market cannot grow</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Advocacy to promote gas as a more attractive option and environmentally friendly energy source</li> </ul>
2.	Shale Gas hydraulic fracturing perceived as an environmental threat	<ul style="list-style-type: none"> <li>SA misses out on shale gas potential</li> <li>SA misses out on an opportunity to become energy self-sufficient</li> </ul>	<ul style="list-style-type: none"> <li>Research</li> <li>Regulatory advocacy</li> <li>Participate in national debate on shale gas and task teams where possible</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>
<b>Transversal Regulatory:</b>			
1.	Environmental levies and Carbon tax	<ul style="list-style-type: none"> <li>SA not meeting its environmental targets</li> <li>Lack of affordability</li> </ul>	<ul style="list-style-type: none"> <li>Encourage and facilitate cooperation and coordination between decision making bodies</li> <li>Allowing Transnet to recover land rehabilitation costs</li> <li>Develop an integrated view going forward</li> </ul>
2.	Delays in issuing environmental Impact Assessments	<ul style="list-style-type: none"> <li>Security of supply</li> </ul>	<ul style="list-style-type: none"> <li>Participate in the dialogue and educate the public regarding key environmental issues and NERSA decisions</li> </ul>
3.	Health and Safety	<ul style="list-style-type: none"> <li>Possible environmental disasters such as Petroleum/Gas leaks from pipelines, wind turbine blades flying off etc.</li> </ul>	<ul style="list-style-type: none"> <li>NERSA to ensure that it discharges its responsibility regarding health and safety</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>



Legal Factors		Impact if factor is not addressed	NERSA response to the factor
2.	Separation on transmission from generation and distributions as envisaged in the White Paper on Energy	<ul style="list-style-type: none"> <li>NERSA not ready when separation is implemented</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 ring-fenced</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>
<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>
<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 the DoE when it is ready</li> <li>Be proactive</li> </ul>
<b>Transversal Regulatory:</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>

## PART A STRATEGIC OVERVIEW

Legal Factors		Impact if factor is not addressed	NERSA response to the factor
3.	Compliance with regulatory requirements (Public Finance Management Act and others)	<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>
4.	Electricity and Gas reticulation in the constitution		
5.	Fragmentation of legislations		
6.	Infrastructure Development Act	<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>Learn how it will be implemented</li> <li>NERSA needs a clear view of what *funding model should be</li> </ul>
7.	Pending legal cases	<ul style="list-style-type: none"> <li>Uncertainty on regulatory decisions and tools</li> </ul>	<ul style="list-style-type: none"> <li>Ensured that the legal cases are finalised in order to review regulatory decisions and/or tools where necessary.</li> </ul>

Other factors considered by the Energy Regulator were the strengths, weaknesses, opportunities and threats NERSA needs to mitigate or leverage in carrying out its mandate.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Public participation processes</li> <li>• Independence of decision-making processes</li> <li>• Regulatory processes</li> <li>• Brand NERSA – in the space of energy regulation (some highly skilled staff )</li> <li>• Independent source of financing</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient practical knowledge and experience in the energy industry</li> <li>• Inadequate understanding of the operations of the regulator by the support functions</li> <li>• Organisational culture (eg. lack of accountability, timekeeping, punctuality, petty theft, not living the values)</li> <li>• Inadequate ICT infrastructure and systems (IT architecture)</li> <li>• Inadequate social media presence: Website (lack of adequate content) and under-utilisation of social media platforms</li> <li>• Insufficient implementation/utilisation of all the regulatory enforcement tools available</li> <li>• Inadequate institutionalisation of knowledge gained by staff</li> <li>• Records management abilities</li> <li>• Inability to change quickly to accommodate new needs and requirements in respect of staff (operating with 39% temporary staff members and high % of vacancies in some higher level positions) (Culture)</li> <li>• Inadequate HR policies (Poor planning and coordination of training – not based on assessment of training needs (Culture – performance management of individuals)</li> <li>• Poor marketing of NERSA – lack general awareness of NERSA and its operating environment</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Gas and oil discovery in the region</li> <li>• Potential changes in policies and legislation in the different regulated industries</li> <li>• Power challenges in SA – in respect of regulatory decisions, contribute to the development of SA (Nuclear, renewables and gas)</li> <li>• Changes in the technologies and potential changes in utility structures – develop new sets of skills and regulatory processes; “do it right” through learning from others (benchmarking) and being pro-active</li> <li>• Reduce red tape and regulatory burden and make it easier for economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Power challenges in SA</li> <li>• Possible political changes (e.g. Cabinet reshuffle, change in leadership)</li> <li>• Slow finalisation of policies and legislation (new and amendments)</li> <li>• Policy and legislative inadequacies and gaps</li> <li>• Skills poaching (industry, Government Expansion Programme)</li> <li>• Environmental activism against certain technologies and emissions from energy sources (delaying/ threaten policy decisions)</li> <li>• Legal challenges against NERSA’s decisions</li> </ul>

## PART A STRATEGIC OVERVIEW

### CHALLENGES AND PRIORITIES

The environmental scan/situational analysis of NERSA's performance environment identified industry specific challenges and priorities that have informed the formulation of the key performance indicators as reflected in the proposed Annual Performance Plan (2016/17 – 2018/19). The identified challenges are listed below and linked to identified priorities in respect of each of the three industries being regulated by NERSA as well as with respect to the transversal regulatory environment.

#### ELECTRICITY INDUSTRY REGULATION

CHALLENGES	PRIORITIES
Demand exceeds available capacity due to Eskom's poor plant performance and Maintenance Regime.	<ul style="list-style-type: none"> <li>• Monitoring of maintenance schedule and its implementation</li> <li>• Monitoring of plant performance</li> <li>• Monitoring supply demand balance</li> <li>• Issue notices of non-compliance if and when necessary</li> <li>• Publish findings and recommendations</li> </ul>
Ongoing delays in the completion of the new generation capacity	<ul style="list-style-type: none"> <li>• Assessment of Eskom's next revenue application in a manner that aligns forecasts with reality</li> <li>• Modify the MYPD methodology accordingly</li> </ul>
Increased costs of the new build with potential claims estimated to be in excess of R100bn	<ul style="list-style-type: none"> <li>• Assessment of Eskom's next revenue application in a manner that aligns forecasts with reality</li> <li>• Modify the MYPD methodology accordingly</li> <li>• A prudently acquired study once the infrastructure has been completed</li> <li>• Determination of appropriate benchmarks, price/tariff structures and performance levels</li> </ul>
Embedded generation such as rooftops solar may not solve the entire generation capacity problem but they contribute to its solution	<ul style="list-style-type: none"> <li>• Development of an appropriate embedded/distributed generation and energy efficiency regulatory framework/environment</li> </ul>
Sustainability of some of the municipal electricity distributors	<ul style="list-style-type: none"> <li>• In the short term</li> <li>• Determination of appropriate benchmarks, price/tariff structures and performance levels</li> <li>• Develop a framework for the cost of supply studies</li> <li>• In the medium to long term Evaluate the municipal tariffs based upon Cost of supply studies done by the municipalities</li> </ul>

CHALLENGES	PRIORITIES
Compliance enforcement limitations.	<ul style="list-style-type: none"> <li>• Increase efforts and frequency of compliance monitoring and enforcement in accordance with the provisions of the ERA.</li> <li>• Publish findings and recommendations</li> </ul>
Shareholder “pressure / influence”	<ul style="list-style-type: none"> <li>• Communicate more and align with shareholder</li> </ul>
Governance of: <ul style="list-style-type: none"> <li>a) Eskom</li> <li>b) Municipal distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate with relevant stakeholders</li> </ul>
Facilitating affordability of electricity services	<ul style="list-style-type: none"> <li>• Assessment of all tariff application in a manner that ensures efficient operation</li> <li>• Perform economic impact analysis of tariffs</li> <li>• Establishment of customer &amp; end-user fora</li> </ul>

#### PIPED-GAS INDUSTRY REGULATION

CHALLENGES	PRIORITIES
Legislative / Regulatory challenges	
Limited regulatory approach in the Gas Act	<ul style="list-style-type: none"> <li>• Regulatory advocacy (Gas Act being amended by the DoE)</li> </ul>
Inconsistencies in the empowering provisions of the Gas Act and the Regulations	<ul style="list-style-type: none"> <li>• Regulatory advocacy (amendment of the Regulations)</li> </ul>
Policy Interventions	
Potential investors/gas suppliers awaiting policy signals and commitments	<ul style="list-style-type: none"> <li>• Regulatory advocacy (Gas Utility Master Plan (GUMP))</li> </ul>

## PART A STRATEGIC OVERVIEW

CHALLENGES	PRIORITIES
Coordination / Cooperation among regulatory authorities	
Fragmentation of legislation regulating gas	<ul style="list-style-type: none"> <li>Regulatory advocacy (Alignment of gas regulatory approach from upstream to downstream)</li> <li>Develop workgroups with other regulatory authorities in order to coordinate / streamline regulatory processes affecting the development of gas projects in SA</li> </ul>
Risks	
Cross-border pipeline risks (impact of tariffs and gas supply)	<ul style="list-style-type: none"> <li>Close monitoring of RMPCO / Sasol activities in Mozambique</li> <li>Coordination between NERSA and INP</li> </ul>
Reliance on a single supplier and geopolitical risks	<ul style="list-style-type: none"> <li>Regulatory advocacy (diversification of supply is necessary)</li> </ul>
Escalating gas prices could make gas an unattractive option as an alternative energy source	<ul style="list-style-type: none"> <li>Review weights and diesel component of the GE formula to provide stability and certainty on gas prices</li> </ul>
Incorrect implementation of new maximum prices for gas	<ul style="list-style-type: none"> <li>Continuous monitoring and enforcement of approved maximum prices for gas</li> </ul>
Lack of appropriate planning for gas infrastructure development	<ul style="list-style-type: none"> <li>Regulatory advocacy (Gas Utility Master Plan (GUMP))</li> </ul>
Regulatory framework not evolving with the market	<ul style="list-style-type: none"> <li>Review of current regulatory tools (methodologies, rules and licence conditions) required) to facilitate the implementation of government industry initiatives (Gas IPP Programme) and investment in the industry</li> </ul>

## PETROLEUM PIPELINES INDUSTRY REGULATION

CHALLENGES	PRIORITIES
Storage <ul style="list-style-type: none"> <li>• Tariffs not part of regulated prices</li> <li>• 3rd party access not really working</li> <li>• Export tariffs not permitted</li> <li>• Market failure? Cost benefit of regulating is unfavourable</li> </ul>	<ul style="list-style-type: none"> <li>• Continue engagement with DoE</li> <li>• Adapt to legislative amendments (NERSA, Pipelines, Products Acts and Regulations)</li> </ul>
Uncertainties: revised Regulations; Biofuels transition from storage to manufacturing	<ul style="list-style-type: none"> <li>• Continue engagement with DoE</li> </ul>
Risk: Conversion from TOC to Replacement cost	<ul style="list-style-type: none"> <li>• Continue engagement with DoE</li> <li>• Finalise and implement Storage and Loading Tariff Methodology (Replacement cost no depreciation?)</li> <li>• Adapt to legislative amendments (NERSA, Pipelines, Products Acts and Regulations)</li> </ul>
Storage: Increasing complexity and challenges / contested applications & new tariff approaches – skills challenge. More resources per application	<ul style="list-style-type: none"> <li>• Finalise and implement Storage and Loading Tariff Methodology (Replacement cost no depreciation?)</li> <li>• Adapt to legislative amendments (NERSA, Pipelines, Products Acts and Regulations)</li> </ul>
NMPP managing prudently incurred study results	<ul style="list-style-type: none"> <li>• Continue Transnet “prudently acquired” investigation (depending the outcome of the decision in 2015/16 regarding the future of this project)</li> </ul>

## PART A STRATEGIC OVERVIEW

### TRANSVERSAL REGULATORY

CHALLENGES	PRIORITIES
Information Asymmetry	<ul style="list-style-type: none"> <li>• Implementation of the Regulatory Reporting Manuals (Financial and Non-Financial)</li> <li>• Regulatory Reporting System remedial and enhancement</li> <li>• Develop innovative ways of reducing regulatory burden</li> </ul>
Assess NERSA's processes and methodologies against best in world practices through regulatory analysis, research, benchmarking and auditing	<ul style="list-style-type: none"> <li>• Regulatory Impact Analysis / Assessment</li> <li>• Benchmarking</li> </ul>
Consumer Advocacy	<ul style="list-style-type: none"> <li>• Consumer Education</li> <li>• Improve access of customers to public hearing notices</li> <li>• Utilisation of social media</li> </ul>
Coordinate NERSA activities with other regulators with concurrent as well as consequential jurisdiction	<ul style="list-style-type: none"> <li>• Memoranda of Understanding</li> </ul>
Advise policy makers of NERSA views, policy gaps and NERSA's mandate	<ul style="list-style-type: none"> <li>• Regular communication with Policy Maker</li> </ul>

### 1.2. STAKEHOLDER ANALYSIS AND ENGAGEMENT

This is an era where strategic interactions with key stakeholders are crucial for an organisation in the accomplishment of its vision and mission. Organisations such as NERSA are embarking on strategic alliances to strengthen their knowledge base, corporate image and performance effectiveness. These strategic alliances are co-operative relationships between independent stakeholders, designed to achieve mutually beneficial business goals.

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 Strategy is aligned to 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 our strategic 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 Minerals and 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 Local and Provincial Government, Auditor-General. NERSA should be actively involved in interacting with decision-makers such as Parliament, and Government. Strategic partnerships with international donors,

fundors 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. It's most important target group is its employees because the credibility of NERSA is mainly determined by the output of its employees. Various employees interact on different levels and on a regular basis with external stakeholders and they act as the doors and windows of the organization. The better informed they are, the more efficient and credible NERSA is perceived to be. This means that well-informed, empowered and committed NERSA staff



can play a very important role as ambassadors of the organization. However, this group also includes 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 specialised 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 - people who work mainly with administrative tasks and who communicate across organisational boundaries.

NERSA's vision is to be a recognised 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 a happy 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 and suppliers**

Eskom, Eskom Enterprises, Metro Councils, Local Municipalities, Other Distributors, PetroSA, iGas, Shell, Transnet, Sasol Gas, all big oil companies, Sasol, Spring Lights Gas, Egoli Gas and Engen. It is mutually beneficial to maintain a meaningful relationship by sharing needs, perceptions and values. 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,

These stakeholders need to be engaged and encouraged to actively participate in the Energy Regulator's processes by being open, 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. 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 and not as enemies. In this regard, pro-active actions will be taken to sensitize them of and clarify to them NERSA's role and functions.

The table on the following page indicates NERSA's stakeholder map.

## PART A STRATEGIC OVERVIEW

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>1. NERSA</b>		
<ul style="list-style-type: none"> <li>Regulator members</li> <li>Executive Management</li> <li>Heads of Department</li> <li>Employees/Staff</li> </ul>	<ul style="list-style-type: none"> <li>Individuals/groups who have high levels of knowledge and involvement in the energy industry</li> <li>Functional experts and professionals in technical, financial, economics, customer and support services areas.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>2. GOVERNMENT</b>		
<ul style="list-style-type: none"> <li>Ministry and Department of Energy</li> <li>Ministry and Department of Public Enterprises</li> <li>Ministry and Department of Finance (National Treasury) – Auditor-General</li> <li>Ministry and Department of Cooperative Governance and Traditional Affairs</li> </ul>	<ul style="list-style-type: none"> <li>Individuals/groups who have high levels of knowledge and involvement in the energy industry</li> <li>Decision-makers and opinion leaders</li> <li>Regulator members appointed by Minister</li> </ul>	<ul style="list-style-type: none"> <li>A formal working relationship with regular meetings needs to be established between the DoE and NERSA to ensure pro-active cooperation on such matters as draft gas and petroleum pipelines regulations, draft legislation e.g. Electricity Regulation Amendment Bill; reticulation with local authorities; etc.</li> <li>Strategic stakeholders - they are critical, crucial, essential, important or vital for NERSA in the accomplishment of its mission.</li> <li>The Ministry of Energy has the ability to influence the course of our regulatory functions or existence.</li> </ul>
<b>3. PARLIAMENT</b>		
<ul style="list-style-type: none"> <li>Portfolio Committee on Energy</li> <li>All Parliamentarians</li> </ul>	<ul style="list-style-type: none"> <li>Individuals/groups with high levels of involvement, but low knowledge about the energy industry</li> <li>Decision-makers and opinion leaders</li> </ul>	<ul style="list-style-type: none"> <li>They are our strategic stakeholders and are critical, crucial, essential, important or vital for NERSA in the accomplishment of its mission.</li> <li>NERSA should be actively involved in regulatory advocacy with decision-makers such as Parliament, Government etc.</li> <li>They have the ability to influence the course of our regulatory functions or existence. We are dependent on their co-operation and goodwill.</li> </ul>

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>4. CUSTOMERS</b>		
<b>Industrial</b> <ul style="list-style-type: none"> <li>• EIUG (Energy Intensive Users Group)</li> <li>• Sasol</li> <li>• Anglo American</li> <li>• Iscor</li> <li>• Samancor</li> <li>• Highveld Steel</li> <li>• Columbus Steel</li> <li>• SAPPI</li> <li>• Ingwe Coal</li> <li>• Amplats</li> <li>• Sasol Synthetic Fuels</li> <li>• RBM</li> <li>• Mondi</li> <li>• Bayside and Hillside Smelter</li> <li>• Sasol Gas Ltd</li> <li>• Rompco</li> <li>• Transnet Pipelines</li> <li>• Spring Lights Gas</li> <li>• IGas</li> <li>• Egoli Gas</li> <li>• Unigas</li> <li>• Novo Energy</li> <li>• Anglo Coal Division</li> </ul>	<ul style="list-style-type: none"> <li>• Large energy intensive consumers in the fields of mining, materials beneficiation and materials manufacture.</li> <li>• Individuals/groups who have high levels of knowledge and involvement in the energy industry</li> <li>• Direct consumers of electricity and do not distribute or resell electricity to other consumers.</li> <li>• Membership has been restricted to the very large consumers who consume in excess of 500GWh per annum</li> <li>• The purpose of the EIUG is to promote the interests of large energy users to ensure that low cost, good quality and reliable energy is available to industry in South Africa.</li> </ul>	<ul style="list-style-type: none"> <li>• Major stakeholders of NERSA - they account for 35% of the electrical energy consumed in South Africa.</li> <li>• They play an important role in the economic growth, prosperity and development of South Africa</li> <li>• They have a major interest in the outcome of the management and restructuring of the electricity industry</li> <li>• NERSA need 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</li> <li>• NERSA has a duty to see to their protection against abuse and discrimination</li> </ul>
<b>Commercial</b> <ul style="list-style-type: none"> <li>• SACOB (SA Chamber of Business)</li> <li>• FABCOS (Foundation for African Business and Customer Services)</li> <li>• NAFCO (National African Federated Chamber of Commerce and Industry)</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals/groups with high levels of involvement, but low knowledge about the energy industry</li> </ul>	<ul style="list-style-type: none"> <li>• NERSA need to form closer relationships with them through active involvement, engagement and participation</li> <li>• NERSA has a duty to see to their protection against abuse and discrimination</li> </ul>

## PART A STRATEGIC OVERVIEW

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>Residential (Urban/Rural)</b> <ul style="list-style-type: none"> <li>Customer Communication Forums</li> <li>SANCU (SA Consumer Union)</li> <li>Consumer Councils</li> </ul>	<ul style="list-style-type: none"> <li>Individuals who have low levels of knowledge about and involvement in, the energy industry</li> <li>Concerned with protecting the rights of other people</li> </ul>	<ul style="list-style-type: none"> <li>NERSA need to form closer relationships with them through active involvement, engagement and participation</li> <li>NERSA has a duty to see to their protection against abuse and discrimination</li> </ul>
<b>Agricultural</b> <ul style="list-style-type: none"> <li>SAAU (SA Agricultural Union)</li> <li>Agri SA</li> </ul>	<ul style="list-style-type: none"> <li>Individuals/groups with high levels of involvement, but low knowledge about the energy industry</li> <li>Concerned with protecting the rights of other people</li> </ul>	<ul style="list-style-type: none"> <li>NERSA need to form close relationships with them through active involvement, engagement and participation</li> <li>NERSA has a duty to see to their protection against abuse and discrimination</li> </ul>
<b>Associations/Organisations/Unions</b> <ul style="list-style-type: none"> <li>AMEU</li> <li>COSATU (Congress of SA Trade Unions)</li> <li>FEDUSA (Federation of Unions of SA)</li> <li>IMATU (Independent Municipal and Allied Trade Union)</li> <li>NACTU (National Council of Trade Unions)</li> <li>NUM (National Union of Mine Workers)</li> <li>SALGA (SA Local Government Association)</li> <li>SAMWU (SA Municipal Workers Union)</li> <li>SAPIA (South African Petroleum Industry Association)</li> <li>PASA (Petroleum Agency of South Africa)</li> </ul>	<ul style="list-style-type: none"> <li>Individuals/groups who have high levels of knowledge and involvement in the energy industry (AMEU, SALGA)</li> <li>Individuals/groups with high levels of involvement, but low knowledge about the electricity industry</li> <li>Concerned with protecting the rights of other people</li> <li>Individuals/groups who have high levels of knowledge and involvement in the petroleum and piped-gas industries (SAPIA, PASA)</li> </ul>	<ul style="list-style-type: none"> <li>NERSA need to form close relationships with them through active involvement, engagement and participation</li> <li>PASA is in the best position to assist in building up a data bank on exploration and production of gas in South Africa</li> </ul>
<b>5. REGULATORS</b>		
<b>National Regulators</b> <ul style="list-style-type: none"> <li>National Nuclear Regulator</li> <li>ICASA</li> <li>Postal Regulator</li> <li>Competition Commission</li> <li>Ports Regulator</li> <li>Transnet National Ports Authority</li> <li>Airports Regulator</li> </ul>	<ul style="list-style-type: none"> <li>Continental, Regional and National utility or sectoral regulators/agencies</li> </ul>	<ul style="list-style-type: none"> <li>Building/maintaining partnerships through information sharing, capacity building, harmonisation of regulatory policies, encouragement of good corporate governance and the promotion of sound relationships with other stakeholders.</li> </ul>

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>Associations/Forums</b> <ul style="list-style-type: none"> <li>• AFUR (African Forum for Utility Regulators)</li> <li>• RERA (Regional Electricity Regulators Forum)</li> </ul>		
<b>6. MEDIA</b>		
<ul style="list-style-type: none"> <li>• Specialist/trade media (magazine and publications in the energy field)</li> <li>• Electronic media (national, regional and local) – radio and television</li> <li>• Press (national, regional and local) – daily, weekly, Sunday papers, bi-weekly</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals/groups with high levels of involvement, but low knowledge about the electricity industry</li> </ul>	<ul style="list-style-type: none"> <li>• They are in a position to influence and educate the general public (negatively or positively) – use them as a partner to portray NERSA as a credible regulator as well as distributing information to the public</li> </ul>
<b>7. ACADEMIC INSTITUTIONS</b>		
<ul style="list-style-type: none"> <li>• Registrars</li> <li>• Heads of Departments</li> <li>• Research bodies/foundations</li> <li>• Students</li> </ul>	<ul style="list-style-type: none"> <li>• Individuals/groups who have high levels of knowledge, but low levels of knowledge about the electricity industry</li> </ul>	<ul style="list-style-type: none"> <li>• Need to form an strategic alliance with this group to strengthen NERSA's knowledge base – sharing of information on research studies – one step closer to becoming a world-class regulator</li> </ul>
<b>8. ELECTRICITY</b>		
<b>Suppliers:</b> <ul style="list-style-type: none"> <li>• Eskom</li> <li>• Eskom Enterprises</li> <li>• Metro Councils</li> <li>• Local Municipalities</li> <li>• Other Distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Eskom is an electricity company, supplying over 95% of South Africa's electricity needs and over 50% of the electricity needs of the African Continent.</li> <li>• Individuals/groups who have high levels of knowledge and involvement in the electricity industry</li> </ul>	<ul style="list-style-type: none"> <li>• It is mutually beneficial to maintain a meaningful relationship by sharing needs, perceptions and values</li> <li>• Important to share information on new projects, progress made on existing ones, successes and breakthroughs</li> </ul>

## PART A STRATEGIC OVERVIEW

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>9. PIPED-GAS</b>		
<b>Suppliers:</b>		
<ul style="list-style-type: none"> <li>PetroSA</li> <li>Egoli Gas</li> <li>Transnet SOC Limited</li> <li>Sasol Gas Ltd</li> <li>Transnet Pipelines</li> <li>Spring Lights Gas</li> <li>Novo Energy (Pty) Ltd, Virtual</li> <li>Gas Networks and NGV (Pty) Ltd</li> <li>Iscor, Columbus Stainless Steel and Hulett's Aluminium, Bokomo Foods (Pty) Ltd</li> </ul>	<ul style="list-style-type: none"> <li>PetroSA is a division of CEF</li> <li>Operates a GTL refinery in Mosselbay.</li> <li>The company is currently exploring for gas offshore in Western Cape with the intention of piping the gas through to Mosselbay.</li> <li>PetroSA is also participating in exploration activities in Mozambique</li> <li>Gas distributor to residential and industrial areas in Gauteng.</li> <li>Owns and operate gas and petroleum transmission pipelines between Gauteng and Kwazulu Natal</li> <li>The main supplier of natural gas. Co owns a transmission pipeline from Mozambique to Secunda and has distribution networks in Durban (in partnership with Spring Light Gas) and in industrial areas in Witbank. It is the main user and distributor of gas in South Africa</li> <li>Owns and operates a gas transmission pipeline from Secunda to Sasolburg.</li> <li>Gas supplier in the Durban South area.</li> <li>Traders of compressed natural gas. They supply customers in Gauteng, KZN, Free State and Mpumalanga.</li> <li>Significant users of gas and energy in general</li> </ul>	<ul style="list-style-type: none"> <li>PetroSA will be required to apply for a construction license in the Western Cape at the right time</li> <li>PetroSA gas in Mozambique will be piped through the Moz/RSA pipeline and there are third party access implications.</li> <li>Egoli is the only gas reticulator. NERSA will be required to identify gaps in the regulatory framework</li> <li>Transnet Limited is a NERSA regulated entity subject to the Gas Act and NERSA's rules and license conditions and the Sasol Agreement administered by NERSA.</li> <li>Sasol Gas is a NERSA regulated entity subject to the Gas Act and NERSA's rules and license conditions and the Sasol Agreement administered by NERSA</li> <li>Transnet Pipelines is a NERSA regulated entity subject to the Gas Act and NERSA's rules and license conditions</li> <li>Spring Lights Gas is a NERSA regulated entity subject to the Gas Act and NERSA's rules and license conditions</li> <li>Novo Energy, VGN and NGV are all NERSA regulated entities subject to the Gas Act and NERSA's rules and license conditions</li> <li>Implications to tariff structures</li> </ul>

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>10. PETROLEUM PIPELINES</b>		
<b>Suppliers:</b>		
<ul style="list-style-type: none"> <li>Transnet Pipelines</li> </ul>	<ul style="list-style-type: none"> <li>Transnet Pipelines, a division of Transnet Limited, dominates the petroleum pipeline industry. Transnet Pipeline's business is to transport petroleum and gas</li> <li>Transnet Pipelines is currently running out of pipeline capacity for the inland region of the country (Gauteng) and has investment plans for only around 201</li> </ul>	<ul style="list-style-type: none"> <li>Transnet Limited is a NERSA regulated entity subject to the Petroleum Pipelines Act and NERSA's rules and licence conditions</li> </ul>
<ul style="list-style-type: none"> <li>All big oil companies</li> <li>Sasol Oil</li> <li>Chevron, BP</li> </ul>	<ul style="list-style-type: none"> <li>There is a general view that the oil companies operate as "club" with some of the transactions amongst them more like battering than commercial. The industry has long been "self-regulating" and may not take kindly to "outsiders".</li> <li>Sasol Oil is the largest and main fuels supplier to the inland regions and is currently enjoying high fuel prices while its cost base is low because of efficiencies in its operations.</li> <li>Engen has the largest fuel distribution network in the inland region (particularly the more important Gauteng area).</li> </ul>	<ul style="list-style-type: none"> <li>NERSA will need to get establish and to exercise authority. It is possible that the industry may not be obliging in forwarding information that would assist the Regulator in carrying out its functions. Attempts at opening up the industry to free market competition could be scuttled. Price collusion could in the aftermath of price deregulation be a problem</li> </ul>
<ul style="list-style-type: none"> <li>Engen</li> </ul>	<ul style="list-style-type: none"> <li>These companies own petroleum pipelines</li> </ul>	<ul style="list-style-type: none"> <li>Particular prudence should be exercise in licensing the Engen storage facilities, since they could be key in unraveling the market for competition and fro entry by smaller player. The relationship between Engen and its "agencies" (i.e. companies or persons operating the Engen brand) should be closely monitored for possible price-to-market control</li> </ul>
<ul style="list-style-type: none"> <li>Oil company resellers</li> <li>Island View Storage, Vopak, Transnet (Tarlton)</li> </ul>		<ul style="list-style-type: none"> <li>There will be a need to monitor closely what is happening with these stakeholders so as to be pro-active as a Regulator. It could be beneficial to have a relationship with these players for information sharing</li> </ul>
<b>Transnet Pipeline's main customers:</b>		
<ul style="list-style-type: none"> <li>BP, Shell, Engen, Sasol Oil, Sasol Gas, Chevron, Total</li> <li>AFRICOIL and KHULACO did recent shipments</li> </ul>	<ul style="list-style-type: none"> <li>These companies make use of Transnet's pipelines to transport their petroleum</li> </ul>	<ul style="list-style-type: none"> <li>These players could have a useful impact. There should be a relationship with them. This will assist the Regulator in obtaining information from the "affected" parties although they might not be the end-users.</li> </ul>

## PART A STRATEGIC OVERVIEW

STAKEHOLDER	KEY CHARACTERISTICS	POSSIBLE IMPACT/RELATIONSHIP
<b>11. OTHER STAKEHOLDERS</b>		
<ul style="list-style-type: none"> <li>• Competition Commission</li> <li>• Department of Cooperative Governance</li> <li>• Department of Labour</li> <li>• Department of Environmental Affairs</li> <li>• Transnet National Port Authority</li> <li>• Ports Regulator</li> <li>• Airports Regulator</li> </ul>	<ul style="list-style-type: none"> <li>• In terms of section 21 (1) (h) of the Competition Act agreements should be negotiated between the Competition Commission and Regulatory Authorities to ensure the consistent application of the principles of the Competition Act.</li> <li>• Reticulation has been specifically excluded from the Gas Act but liaison with the relevant Local Government Authorities will still be required as: <ul style="list-style-type: none"> <li>• The gas for the reticulation areas will be supplied by licensees and through pipelines that resort under the Gas Act;</li> </ul> </li> <li>• The Constitution requires the concurrent competence of national and local government for gas reticulation.</li> <li>• Liaison in connection with NERSA's role re safety in the supply of gas, petroleum and electricity</li> <li>• Liaison in connection with cooperation re Environmental Impact Assessments and licensing of facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on Regulation. Regulator should be involved</li> <li>• Memorandum of Understanding</li> <li>• ongoing relationship should be established with COGTA.</li> <li>• Memorandum of Understanding</li> <li>• Memorandum of Understanding</li> <li>• Memorandum of Understanding</li> </ul>





## PART A STRATEGIC OVERVIEW

In 2011/12, the Energy Regulator approved an organisational structure with a staff complement of 177 as well as the implementation of this structure. As at the end of 2014/15, the structure was 92.6% populated. The lack of specialised 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 (GLC)	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 priorities:

Challenges	Priorities
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>Gas Utilisation Master Plan</li> <li>Possible change in institutional character</li> </ul>	<ul style="list-style-type: none"> <li>Organisational Review</li> </ul>
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>Implementation of “to-be” Business Processes</li> <li>Implementation of recommendations from ICT Systems Review</li> <li>Records Management enhancement</li> </ul>
Conducive working environment	<ul style="list-style-type: none"> <li>Refurbishment of the NERSA building</li> </ul>
Image of NERSA	<ul style="list-style-type: none"> <li>Repositioning of NERSA’s image (brand positioning)</li> <li>Utilisation of less conventional means of communication</li> <li>NERSA Website improvement</li> </ul>

Towards ISO Certification

## 2. REVISIONS TO LEGISLATIVE AND OTHER MANDATES

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

*NERSA’s mandate is anchored on the following four primary Acts:*

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

*The regulatory functions of NERSA, as contained in relevant legislation, are summarised as follows:*

- Issuing of licences with conditions;
- Setting and/or approving tariffs and prices;
- Monitoring and enforcing compliance with licence conditions;
- Dispute resolution including mediation, arbitration and the handling of complaints;
- Gathering, storing and disseminating industry information;
- Setting of rules, guidelines and codes for the regulation of the three industries;
- Determining of conditions of supply and applicable standards;
- Consulting with government departments and other bodies

## PART A STRATEGIC OVERVIEW

with regard to industry development and regarding any matter contemplated in the three industry Acts;

- Expropriating land as necessary to meet the objectives of the relevant legislation;
- Registration of import and production facilities; and
- Performing any activity incidental to the execution of its duties

*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 foundational legislation are 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 3A 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;
- The Constitution of the Republic of South Africa, 1996; and
- All other applicable laws of the Republic of South Africa.

### OBJECTS OF THE ACTS

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

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

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

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

- Promote the efficient, effective, sustainable and orderly development and operation of gas transmission, storage, distribution, liquefaction and re-gasification facilities and the provision of efficient, effective and sustainable gas transmission, storage, distribution, liquefaction, re-gasification and trading services;
- Facilitate investment in the gas industry;

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

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

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

- Promote the development of competitive markets for petroleum products;
- Promote access to affordable petroleum products; and
- Ensure an appropriate supply of petroleum to meet market requirements.

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

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

## REGULATIONS

### Electricity Industry Regulations

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

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

### PIPED-GAS INDUSTRY REGULATIONS

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

- third party access to transmission and storage facilities;
- expropriation procedures and timelines;

- mechanisms to promote historically disadvantaged South Africans;
- mediation and arbitration procedures; and
- price regulation principles and procedures.

## PETROLEUM PIPELINES INDUSTRY REGULATIONS

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

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

## 2.1. POLICY MANDATES

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

*The relevant policies and plans 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;
- Energy Security Master Plan: Liquid fuels published by the Department of Energy in 1998 and 2007; and
- Integrated Resource Plan 2010-30.

Section 36 of the Gas Act incorporates an Agreement between the then 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"). Certain / most of the provisions of this Agreement came to an end on 25 March 2014, e.g. Clause A on Minimum gas supply objectives, and was replaced by the provisions of the Gas Act.

## 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 fourteen outcomes, which is based on Government's Medium Term Strategic Framework (MTSF) that clearly articulates the agenda of the Government. The set of 14 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:

## PART A STRATEGIC OVERVIEW

### Outcome 2:

*A long and healthy life for all South Africans*

*NERSA contributes through facilitating the wider use of electricity instead of coal and wood as energy sources by all South Africans and thus improving respiratory health, amongst others by:*

- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Regulating in a manner which facilitates security of supply; and
- Policy advocacy with regards to cleaner fuels.

### Outcome 4:

*Decent employment through inclusive economic growth*

*By facilitating investment in the energy industry and thereby contributing to economic growth, leading to decent employment, 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;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulating in a manner which facilitates security of supply.

### Outcome 6:

*An efficient, competitive and responsive economic infrastructure network*

*NERSA contributes through:*

- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage efficient investment;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Monitoring compliance and undertaking technical audits leading to regular maintenance and refurbishment of the infrastructure and therefor to the improvement in quality of supply; and
- Promoting competition and competitiveness.

### Outcome 8:

*Sustainable human settlements and improved quality of household life*

*NERSA contributes through:*

- Facilitating access to energy services;
- Facilitating reliability of supply;
- Monitoring maintenance of infrastructure;
- Compliance monitoring with licence conditions;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Promoting energy efficiency in licencees and in the NERSA building; 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 has a mandate for environmental protection and remediation through the industry specific Acts that it administers. NERSA contributes through:*

- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) as well as decommissioning remediation and the funding thereof into licence conditions;
- Promoting energy efficiency in licencees and in the NERSA building;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP, the Integrated Energy Plan (once promulgated) and the Gas Utilisation Master Plan (once promulgated); and
- Facilitating the transition to a low carbon economy.

### 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 website;
- 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, including training to electricity distributors on the completion of the forms requesting information from them;
- Participating in the Clean Energy Education and Empowerment Programme;
- Corporate Social Investment activities; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to NERSA's activities through visits to the organisation during school holidays.

### 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.

## PART A STRATEGIC OVERVIEW

### NERSA's contribution:

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

#### 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 market related prices that encourage investment;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an increase in quality of supply;
- Transparent Processes;
- All decisions and reasons thereof are made public through being published on the NERSA website;
- The public is invited to make comments prior to decisions being made (written or in public hearing);
- Customer education; and
- Setting targets for becoming a more credible, reliable, efficient and effective regulator.

#### Enabling Milestone 5:

*Ensure that skilled, technical, professional and managerial posts better reflect the country's racial, gender and disability makeup*

#### NERSA contributes through:

- Development and implementation of an Employment Equity Plan;
- Development and implementation of the Youth Employment Accord;
- Implementation of a Learnership Programme as well as an Internship Programme;
- Training and development of staff and stakeholders; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to NERSA's activities through visits to the organisation during school holidays.

#### 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 milestone;
- Issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulatory advocacy for strengthening the powers of the Regulator.

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

*This enabling milestone encompasses the mandate of NERSA. NERSA thus contributes through:*

- Regulating in a manner which facilitates security of supply;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Registration of gas importation and production facilities;
- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- 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;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;
- Development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers;
- Facilitating the transition to a low carbon economy;
- Regulatory advocacy with regards to cleaner fuels policy; and



- Monitor the implementation of the Gas Utilisation Master Plan (once promulgated).

## 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.

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 transversal 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

## PART A STRATEGIC OVERVIEW

### 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:*

- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;
- Facilitating the transition to a low carbon economy; and
- Regulatory advocacy with regards to cleaner fuels policy.

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

*NERSA contributes through:*

- Regulating in a manner which facilitates security of supply and investment;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;

- Setting rules and frameworks that facilitate the building of new infrastructure;
- Setting and/or approving cost reflective tariffs and prices that encourage investment;
- Monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an improvement in quality of supply.

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

*NERSA contributes through:*

- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- Taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating and enforcing (piped-gas) 3rd party access to facilities;
- Facilitating reliability of supply;
- Determining benchmarks and monitoring maintenance of infrastructure;
- Auditing of the implementation of the Transmission Development Plan;
- Monitoring compliance with 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 2015/16 - 17/18).

*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;
- 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:*

- i. Stronger articulation between macro- and micro-economic policies;
- ii. The development of a range of integrated and aligned incentive programmes including the Manufacturing Competitive Enhancement Programme (MCEP);
- iii. Industrial financing channeled to real economy sectors;
- iv. 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;
- v. 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 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.

**NERSA's contribution:**

*Even though NERSA contributes indirectly to a range of these policies:*

**Policy vi:**  
*Competition and regulation policies that lower costs for productive investments and for poor and working-class households*

*NERSA contributes through:*

- Regulating in a manner which facilitates security of supply and investment;
- Taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Registration of gas importation and production facilities; and
- Development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers.

**Policy ix:**

*Interventions that give expression to Government's commitment to regional economic development and integration in Africa*

*NERSA contributes through:*

- Founding member and a current member of the Executive Committee of the African Forum for Utility Regulators; and
- Member of and current chair of the Regional Electricity Regulatory Association.

## PART A STRATEGIC OVERVIEW

### 2.6. RELEVANT COURT RULINGS

Current court cases are summarised in the table below:

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
1.	Visigro Investment	NERSA and SFF Association	Petroleum Pipelines	<p><a href="#">Issue relates to: an operation licence issued to SSF</a></p> <p><b>Synopsis:</b> Visigro, a Property Developer who has built a residential estate known as the Burgundy Estates up to the boundary wall of the Strategic Fuel Fund (SFF) Association farm in Milnerton, is challenging NERSA's decision to issue an operation licence to SFF for the tank farm. Visigro alleges, amongst others, that the decision failed to take into consideration the health and safety of the people residing around the tank farm. NERSA contests this assertion.</p> <p><b>Status:</b> NERSA is waiting for the matter to be set down for trial.</p>
2.	ACBOT	CENTLEC and NERSA	Electricity	<p><a href="#">Issue relates to: licensee's metering policy</a></p> <p><b>Synopsis:</b> The Association for Body Corporates bodies of townhouses, flats and retirement villages (ACBOT) represents a large number of residents of townhouses, flats and retirement villages in Bloemfontein within area of supply of CENTLEC (an entity of the Mangaung Metropolitan Municipality responsible for electricity supply). ACBOT took CENTLEC to court for the review of its metering policy.</p> <p><b>Status:</b> The court ordered that the matter be referred to NERSA for resolution. NERSA communicated with all the parties regarding its inability to deal with the matter. ACBOT took the matter to court for trial and the Court ruled against ACBOT. There was no appeal against the ruling.</p>
3.	NERSA	FFS Refineries	Petroleum Pipelines	<p><a href="#">Issue relates to: revocation of a licensee issued by NERSA</a></p> <p><b>Synopsis:</b> After applying for a licence to NERSA and being issued with one, Fuel Firing Systems (FFS) Refiners expressed a view that its licensed facility should not have been licensed in terms of the Petroleum Pipelines Act. Members of the Energy Regulator were invited to visit the facility for an inspection. It was then concluded that the licence was indeed erroneously issued.</p> <p><b>Status:</b> NERSA must now approach the High Court for the revocation of the licence. The founding affidavit has been finalised for the lodgement of the application.</p>

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
4.	ESKOM	Midvaal and NERSA	Electricity	<p><a href="#">Issue relates to: the electricity supply areas</a></p> <p><b>Synopsis:</b> Midvaal municipality applied for the amendment of its electricity distribution licence to NERSA to add other areas of supply. Eskom filed an objection against the application on the basis that some of the areas applied for are supplied by them. A public hearing was held on the matter and all the affected parties made presentations. The Energy Regulator approved the amendment of the municipal licence. Eskom took the Energy Regulator's decision to court for review.</p> <p><b>Status:</b> After the filing of all documents relating to the matter with the Registrar, Eskom did not amend its founding affidavit. Through the intervention of the DoE using the Intergovernmental Relations Framework Act, Eskom abandoned the application.</p>
5.	NCP	Ekurhuleni Metro/ NERSA	Electricity	<p><a href="#">Issue relates to: the tariff charged by licensee</a></p> <p><b>Synopsis:</b> The applicant, NCP referred a dispute for arbitration to NERSA against the unfair treatment on tariff charged by Ekurhuleni. An arbitration process was undertaken by NERSA and NCP was not satisfied with the award and took the matter to court for review.</p> <p><b>Status:</b> Subsequent to the application by NCP, Ekurhuleni Metropolitan Municipality filed a counter application. The answering affidavit dealing with both main and counter application has been filed and awaiting further direction from the Applicant.</p>
6.	PG Group and Others	NERSA and Sasol Gas	Piped-Gas	<p><a href="#">Issue relates to: the approved maximum prices of gas and approved transmission tariffs for Sasol Gas</a></p> <p><b>Synopsis:</b> PG Group and Others, together called the Gas Users Group (GUG) are unhappy about the maximum prices of gas and transmission tariffs approved for Sasol Gas by NERSA, which came into operation on 26 March 2014. GUG submits that the prices are excessive and therefore seek an order reviewing and setting aside the abovementioned approvals by NERSA; as well as an order reviewing and setting aside the methodology used by NERSA to consider the abovementioned maximum price application, or declaring such methodology to be invalid for purposes of such consideration. NERSA contests the assertion by applicants.</p> <p><b>Status:</b> The matter was heard in the North Gauteng High Court on 13, 14 and 15 May 2015. NERSA is currently awaiting the verdict</p>

## PART A STRATEGIC OVERVIEW

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
7.	Autocast South Africa and Other	NERSA, Nelson Mandela Metropolitan Bay Municipality and Minister of Energy	Electricity	<p>Issue relates to: the NERSA approved tariffs for a licensee</p> <p>Synopsis: NERSA approved Nelson Mandela Bay Metropolitan Municipality 2013/14 electricity tariffs in terms of the tariff guideline for municipalities. The applicants are unhappy about NERSA's decision and allege that the decision resulted in a tariff increase above the guideline and it makes their business unsustainable.</p> <p>Status: The NERSA Answering affidavit has been filed and NERSA is waiting further action from the Applicants.</p>
8.	Matjabeng Local Municipality	Eskom and NERSA	Electricity	<p>Issue relates to: the licensee's non-payment of its electricity account</p> <p>Synopsis: Eskom served the municipality with a notice to terminate the supply of electricity to the whole of the Matjhabeng municipal area. Based on the notice, the municipality applied to the High Court for an interdict against Eskom from disconnecting its supply.</p> <p>Status: No relief has been sought against NERSA by the municipality; therefore NERSA did not file any papers in court.</p>
9.	Ekandustria Industries Association	City of Tshwane Metropolitan Municipality and NERSA	Electricity	<p>Issue relates to: the resale of electricity and the reseller's non-payment of its electricity account</p> <p>Synopsis: The reseller of electricity, Mpumalanga Economic Growth Agency, was paid for electricity used by the industries occupying the industrial premises owned by the reseller. It is alleged that the reseller has not been paying the money collected from the industries to the City of Tshwane, which resulted in the account being in arrears. The City of Tshwane issued a notice to disconnect the electricity supply to the area. Ekandustria applied to court for an interdict against the City of Tshwane from disconnecting the supply of electricity to the industries.</p> <p>Status: No relief has been sought against NERSA by the applicant; therefore NERSA did not file any papers in court.</p>
10.	Cornelia Magdalena and Johannes Schwab	City of Tshwane Metropolitan Municipality and NERSA	Electricity	<p>Issue relates to: the resale of electricity</p> <p>Synopsis: In this matter the applicant, Cornelia Magdalena and Johannes Schwab, are residents in a residential area controlled and administered by a body corporate. The body corporate took a resolution to change the reseller of electricity to the area and appointed a new reseller. The applicant refused to be supplied by the new reseller and requested to be supplied by the City of Tshwane.</p> <p>Status: In the court a quo, the application was dismissed. The matter is currently before the Supreme Court of Appeal and no judgment or order has been made at this stage. No relief has been sought against NERSA, therefore NERSA did not file any papers in court.</p>

Item	Plaintiff/ Applicant	Defendant/ Respondent	Industry	Cause of Action
11.	Afrisake NPC and Others	City of Tshwane Metropolitan Municipality; PEU Capital Partners (PTY) Ltd: Auditor General: Minister of Finance and NERSA	Electricity	<p>Issue relates to: the installation of smart meters and the contract concluded by the licensee for such installation</p> <p>Synopsis: The applicant, a non-profit company, filed an urgent application to the High Court to order the City of Tshwane to discontinue the installation of equipment of the smart metering project and that the contracts for the installation of the said equipment concluded by the City of Tshwane with PEU Capital Partners (Pty) Ltd be declared invalid.</p> <p>Status: No relief has been sought against NERSA and therefore NERSA did not file any papers in court.</p>
12.	Eugene Benjamin Osmers N.O and Hazel Haynes N.O	Eskom and NERSA	Electricity	<p>Issue relates to: access to Eskom's power system</p> <p>Synopsis: In this matter the applicants seeks relief to compel Eskom to provide non-discriminatory access to the power systems to the premises of the Eugene Osmers Trust at Portion 4 of Schalk Farm 3, Phalaborwa, Limpopo Province and an order to compel ESKOM to conclude an agreement with Eugene Osmers Trust.</p> <p>Status: No relief is sought against NERSA and therefore NERSA did not file any papers in court.</p>
13.	Eugene Benjamin Osmers	Eskom and NERSA	Electricity	<p>Issue relates to: access to Eskom's power system</p> <p>Synopsis: In this matter the applicants seeks relief to compel Eskom to provide non-discriminatory access to the power systems to the premises of the Eugene Benjamin Osmers at Portion 25 of Silonque, Phalaborwa, Limpopo Province and an order to compel Eskom to conclude an agreement with Eugene Benjamin Osmers.</p> <p>Status: No relief is sought against NERSA and therefore NERSA did not file any papers in court.</p>
14.	Total South Africa Ltd	Transnet SOC Ltd and NERSA	Petroleum Pipelines	<p>Issue relates to: to compel NERSA to publish its decision and reasons thereof on the Transnet annual tariff application (02 April 2014 to 31 March 2015)</p> <p>Synopsis: NERSA approved an increase for Transnet for the period 02 April 2014 to 31 March 2015. The new tariffs were due to be effective from 02 April 2014. Total applied for an urgent interdict to be heard on 01 April 2014 to restrain Transnet from implementing the new tariffs prior to NERSA publishing the decision and the reasons for decision.</p> <p>Status: This matter has been withdrawn.</p>



## PART A STRATEGIC OVERVIEW

### 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.

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". Thus it is completion for the market but not within the market at this stage.

However, 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.

There has also been no indication from DoE on how Rooftop Solar will be handled. The New Generation Regulations are only applicable to state entities. This is a major gap which needs to be closed soon. It is a risk to the Regulator's credibility as there may be a repeat of what happened with the Renewable Energy Feed-In Tariff (REFIT) initiative.

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

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, NERSA is aware that licensing is becoming increasingly complex, involving methodological analysis of financial, technical and legal considerations.

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

## 3. OVERVIEW OF 2016/17 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 2015/16, 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 complement 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 R319 119 058 for 2016/17 (2015/16: R332 171 042). This expenditure budget represents decrease of 6.0% over the expenditure budget for the National Energy Regulator for the financial year 2015/16, as approved by the Minister of Energy in concurrence with the Minister of Finance.

3.3. The total funding requirement for NERSA for 2016/17 is 3.93% less than the funding requirement of 2015/16. The calculation of this decrease includes refunds to the regulated industries, interest receivable and other income.

3.4. Taking this into account, the total amount that NERSA will have to recover through levy and licence fee income is R288 937 445 for 2016/17 (2015/16: R308 944 776) with the specific amounts to be recovered for the three industries being as follows:

- **Electricity Industry:**  
R 166 210 126 (2015/16: R 179 665 887)
- **Piped-gas Industry:**  
R 55 945 854 (2015/16: R 57 701 785)



- **Petroleum Pipelines Industry:**  
R 66 781 465 (2015/16; R 71 577 104)

**3.5.** The amount to be recovered through levy and licence fee income represents a decrease of 6.9% over the amount that had to be recovered for the financial year 2015/16, as approved by the Minister of Energy in concurrence with the Minister of Finance.

**3.6.** The expenditure estimates over the three year period 2016/17 – 2018/19 reflect an increase of 8.5% from 2016/17 to 2017/18 and an increase of 2.5% from 2017/18 to 2018/19.

## 4. NERSA PROGRAMMES AND PURPOSE OF EACH PROGRAMME

### 4.1. PROGRAMME 1:

#### SETTING AND/OR APPROVAL OF TARIFFS AND PRICES

The programme purpose is to set and/or approve tariffs, prices and charges in order to ensure a fair balance between the needs of the customer and the regulated entity. While the customer needs to be protected against misuse of monopolistic powers and unnecessary price hikes, the regulated entities 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 licencees and customers or end-users are managed effectively and settled in a manner that is appropriate. This programme will also ensure that when needed, any mediation or arbitration required will be done within prescribed procedures.

### 4.5. PROGRAMME 5:

#### SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE THREE ENERGY INDUSTRIES

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

### 4.6. PROGRAMME 6:

#### ADMINISTRATION (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.

## PART A STRATEGIC OVERVIEW

### 5. LINK BETWEEN STRATEGIC OBJECTIVES AND PROGRAMMES

The following table indicates the link between the strategic objectives as defined in the Strategic Plan (2015/16 – 2019/20) and the programmes as discussed above:

Strategic Objective	Programme
Promote energy supply that 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
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Administration (Establishing NERSA as an efficient and effective regulator)
Create a regulatory environment that facilitates investment in energy infrastructure	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
Promote competition and competitiveness 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
Promote regulatory certainty 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
	Administration (Establishing NERSA as an efficient and effective regulator)

Strategic Objective	Programme
Promote accessible and affordable energy 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
Establish and position NERSA 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
	Administration (Establishing NERSA as an efficient and effective regulator)

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





## PART B PROGRAMMES AND SUB-PROGRAMME PLANS

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 6. ELECTRICITY INDUSTRY REGULATION

#### 6.1. ELECTRICITY INDUSTRY REGULATION PROGRAMME 1: SETTING AND/OR APPROVAL OF TARIFFS AND PRICES

##### 6.1.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To ensure financially sustainable supply of electricity by municipalities and private distributors	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.
		Approved Inclining Block Tariffs (IBTs) for 75% of licensed distributors for residential customers	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee
2.	To facilitate the sustainability of electricity supply by Eskom	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee
		Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements
		FBE rate for 2014/15 approved by the relevant Subcommittee	FBE Rate for 2015/16 approved by the relevant Subcommittee	FBE Rate for 2016/17 approved by the relevant Subcommittee	FBE Rate for 2017/18 approved by the relevant Subcommittee	FBE Rate for 2018/19 approved by the relevant Subcommittee
		Documented Reasons for Decision for MYPD2 Regulatory Clearing Account reviews	Documented Reasons for Decision for MYPD3 Regulatory Clearing Account reviews	Revised MYPD mechanism approved by the relevant Subcommittee	-	-

### 6.1.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.
2.	Number of monitoring reports of the implementation of Inclining Block Tariffs (IBTs) by licensed distributors in South Africa, considered by the relevant Subcommittee	Approved Inclining Block Tariffs (IBTs) for 75% of licensed distributors for residential customers	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee
3.	Number of reports on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee
4.	Annual retail tariffs (ERTSA) of Eskom including the Free Basic Electricity (FBE) rate approved by the relevant subcommittee in line with statutory requirements	Approved ERTSA of Eskom for 2015/16 in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements
		FBE rate for 2014/15 approved by the relevant Subcommittee	FBE Rate for 2015/16 approved by the relevant Subcommittee	FBE Rate for 2016/17 approved by the relevant Subcommittee	FBE Rate for 2017/18 approved by the relevant Subcommittee	FBE Rate for 2018/19 approved by the relevant Subcommittee
5.	Revised mechanism for the determination of Eskom's revenues and prices (MYPD) approved by the relevant Subcommittee	Documented Reasons for Decision for MYPD2 Regulatory Clearing Account reviews	Documented Reasons for Decision for MYPD3 Regulatory Clearing Account reviews	Revised MYPD mechanism approved by the relevant Subcommittee	-	-

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 6.1.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application	Annually	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications for 2016/17 received from licensed distributors analysed, approved and communicated within 60 days of receipt of complete application	-	-	100% of tariff applications for 2017/18 received from licensed distributors analysed, approved and communicated within 60 days of receipt of complete application
2.	Number of monitoring reports of the implementation of Inclining Block Tariffs (IBTs) by licensed distributors in South Africa, considered by the relevant Subcommittee	Annually	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	-	1 Report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	-	-
3.	Number of reports on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	Annually	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	-	-	-	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee



Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
4.	Annual retail tariffs (ERTSA) of Eskom including the Free Basic Electricity (FBE) rate approved by the relevant subcommittee in line with statutory requirements	Annually	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	-	Draft ERTSA for the 2017/18 financial year	-	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee
			FBE Rate for 2016/17 approved by the relevant Subcommittee	Free Basic Electricity Rate for the compensation of Eskom for implementation on 1 July 2016 approved by the relevant Subcommittee	-	-	-
5.	Revised mechanism for the determination of Eskom's revenues and prices (MYPD) approved by the relevant Subcommittee	Annually	Revised MYPD mechanism approved by the relevant Subcommittee	-	Draft revised MYPD mechanism approved for stakeholder consultation	-	Revised MYPD mechanism approved by the relevant Subcommittee

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

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

#### 6.2.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To control entry and ensure orderly development of the Electricity industry	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information

#### 6.2.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information

#### 6.2.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of licence applications processed within 120 days from receipt of all required information	Quarterly	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information

#### 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 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To promote the quality and reliability level of electricity supply	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee
		7 generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	7 generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee
		8 transmission audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	8 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee
		2 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
		1 audit report on the review of the annual performance of IDM for 2013/14 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2014/15 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2015/16 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2016/17 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2017/18 considered by the relevant Subcommittee
		1 audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)
		2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2017/18, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2018/19, considered by the relevant Subcommittee
		-	-	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee

### 6.3.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of consolidated audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee
		7 generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	7 generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee
		8 transmission audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	8 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee
2.	Number of progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	2 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee
3.	Number of audit reports on the review of the annual performance of the Integrated Demand Management (IDM) considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2013/14 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2014/15 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2015/16 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2016/17 considered by the relevant Subcommittee	1 audit report on the review of the annual performance of IDM for 2017/18 considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
4.	Number of audit reports on Eskom's Transmission Network Development projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)
5.	Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2017/18, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2018/19, considered by the relevant Subcommittee
6.	Number of reports on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	-	-	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee

### 6.3.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of consolidated audit reports on the state of compliance of licencees with licence conditions considered by the relevant Subcommittee	Annually	1 consolidated distribution audit report on the state of compliance of licencees with licence conditions considered by the relevant Subcommittee	-	-	-	1 consolidated distribution audit report on the state of compliance of licencees with licence conditions considered by the relevant Subcommittee
		Annually	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	-	-	-	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee
		Annually	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	-	-	-	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee
2.	Number of progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the relevant subcommittee	Annually	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the relevant subcommittee	-	-	-	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the relevant subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
3.	Number of audit reports on the review of the annual performance of the Integrated Demand Management (IDM) considered by the relevant Subcommittee	Annually	1 audit report on the review the annual performance of IDM for 2015/16 considered by the relevant Subcommittee	-	-	-	1 audit report on the review the annual performance of IDM for 2015/16 considered by the relevant Subcommittee
4.	Number of audit reports on Eskom's Transmission Network Development projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	Annually	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	-	-	-	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)
5.	Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator, considered by the relevant Subcommittee	Biannually	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	-	1st monitoring report on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	-	2nd monitoring report on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee



Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
6.	Number of reports on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	Annually	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	-	-	-	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

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

#### 6.4.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To create a fair balance between the needs of all stakeholders	82% 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	85% of disputes/ complaints closed within 180 days from receipt	85% of disputes/ complaints closed within 180 days from receipt
		1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee

#### 6.4.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of disputes/ complaints closed within stated timelines	82% 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	85% of disputes/ complaints closed within 180 days from receipt	85% 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 considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee

#### 6.4.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	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 considered by the relevant Subcommittee	Annually	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	-	-	-	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
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 requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 30 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application
		100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 30 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application

### 6.5.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions and/or amendments to the South African distribution and transmission grid code, considered by the relevant Subcommittee within stated timeline	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 30 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application
		100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 30 days from receipt of application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 6.5.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions and/or amendments to the South African distribution and transmission grid code, considered by the relevant Subcommittee within stated timeline	Quarterly	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application
			100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application

### 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: ADMINISTRATION (ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR)

### 6.6.1. Strategic objective annual targets for 2016/17 - 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To promote Security of Supply	-	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee

### 6.6.2. Programme performance indicators and annual targets for 2016/17 - 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of System Adequacy Reports considered by the relevant Subcommittee	-	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee

### 6.6.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of System Adequacy Reports considered by the relevant Subcommittee	Annually	1 System Adequacy Report considered by the relevant Subcommittee	-	-	-	1 System Adequacy Report considered by the relevant Subcommittee

### 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 effective and efficient regulator is one of NERSA's objectives; a necessary concurrent activity to obtain security of supply.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 7. PIPED-GAS INDUSTRY REGULATION

#### 7.1. PIPED-GAS INDUSTRY REGULATION PROGRAMME 1: SETTING AND/OR APPROVAL OF TARIFFS AND PRICES

##### 7.1.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To provide piped-gas price certainty	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application
		-	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment
2.	To provide tariff certainty through the approval and monitoring of piped-gas transmission tariffs	-	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application
3.	To provide tariff certainty through the calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee



### 7.1.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application
2.	% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	-	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment
3.	% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	-	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application
4.	Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 7.1.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	Quarterly	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application
2.	% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	Quarterly	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment
3.	% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	Quarterly	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
4.	Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	Quarterly	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	1 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	1 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	1 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	1 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

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

#### 7.2.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To ensure orderly development of the piped-gas industry by efficient licensing	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received
2.	To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.

#### 7.2.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
2.	% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.

### 7.2.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	Quarterly	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received
2.	% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	Quarterly	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee
		2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee
2.	To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	84 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	15 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	25 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	30 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee
3.	To monitor licencees' compliance with approved transmission tariffs	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
4.	To monitor licencees' compliance with approved Maximum Prices	-	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee

### 7.3.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee
2.	Number of audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee
3.	Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	84 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	15 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	25 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	30 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee
4.	Number of monitoring reports on the implementation of transmission tariffs considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
5.	Number of monitoring reports on the implementation of Maximum Prices considered by the relevant Subcommittee	-	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee

### 7.3.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	Monthly	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	3 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	3 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	3 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	3 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee
2.	Number of audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	Annually	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	-	-	-	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee
3.	Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	Quarterly	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	5 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	5 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	5 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	5 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee



Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
4.	Number of monitoring reports on the implementation of transmission tariffs considered by the relevant Subcommittee	Quarterly	Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	-	One monitoring report on ROMPCO's transmission tariffs considered by the relevant Subcommittee	One monitoring report on Transnet's transmission tariffs considered by the relevant Subcommittee	One monitoring report on Sasol Gas' transmission tariffs considered by the relevant Subcommittee
5.	Number of monitoring reports on the implementation of Maximum Prices considered by the relevant Subcommittee	Annually	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	-	-	-	One monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To ensure fairness and equity in the piped-gas market	100% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee
		100% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee

#### 7.4.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	100% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee
2.	% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	100% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee

#### 7.4.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	Quarterly	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee
2.	% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	Quarterly	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee

#### 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 obtain security of supply.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 - 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To enhance regulatory certainty in the piped-gas market	Tariff and pricing methodologies developed	-	Tariff Guidelines reviewed (if deemed necessary)	1 monitoring report considered by the relevant Subcommittee on the monitoring of the implementation of Tariff Guidelines and the Maximum Pricing Methodology	Maximum Pricing Methodology reviewed (if deemed necessary)

#### 7.5.2. Programme performance indicators and annual targets for 2016/17 - 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Tariff and pricing methodologies and guidelines reviewed (if deemed necessary)	Tariff and pricing methodologies developed	-	Tariff Guidelines reviewed (if deemed necessary)	1 monitoring report considered by the relevant Subcommittee on the monitoring of the implementation of Tariff Guidelines and the Maximum Pricing Methodology	Maximum Pricing Methodology reviewed (if deemed necessary)

#### 7.5.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Tariff and pricing methodologies and guidelines reviewed (if deemed necessary)	Annually	Tariff Guidelines reviewed (if deemed necessary)	-	-	-	Tariff Guidelines reviewed (if deemed necessary)

#### 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 obtain security of supply.

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

#### 7.6.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To engage in the debate on gas policy and legislation	Continued engagement with policy makers and comment on legislative amendments where applicable	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy
2.	To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market	16 stakeholder workshops/ meetings were held	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings
3.	To ensure an understanding of and monitor new developments in the gas industry	-	1 report on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 7.6.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of reports considered by the relevant Subcommittee on gas regulatory advocacy	Continued engagement with policy makers and comment on legislative amendments where applicable	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the relevant Subcommittee on gas regulatory advocacy
2.	Number of reports considered by the relevant Subcommittee on stakeholder workshops / meetings	16 stakeholder workshops/ meetings were held	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings
3.	Number of reports on new developments in the gas industry considered by the relevant Subcommittee	-	1 report on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee

### 7.6.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of reports considered by the relevant Subcommittee on gas regulatory advocacy	Annually	1 report considered by the relevant Subcommittee on gas regulatory advocacy	-	-	-	1 report considered by the relevant Subcommittee on gas regulatory advocacy
2.	Number of reports considered by the relevant Subcommittee on stakeholder workshops / meetings	Annually	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	-	-	-	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings
3.	Number of reports on new developments in the gas industry considered by the relevant Subcommittee	Biannually	2 reports on new developments in the gas industry considered by the relevant Subcommittee	-	1 report on new developments in the gas industry considered by the relevant Subcommittee	-	1 report on new developments in the gas industry considered by the relevant Subcommittee

#### 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 obtain security of supply.

## 8. PETROLEUM PIPELINES INDUSTRY

### 8.1. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 1: SETTING AND/OR APPROVAL OF TARIFFS AND PRICES

#### 8.1.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	65% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	70% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application

#### 8.1.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	65% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	70% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 8.1.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	Quarterly	60% of pipeline and storage tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application

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

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

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

### 8.2.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
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	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act
		Within 60 days after being identified, unlicensed facilities are investigated and considered (determined licensable or not)	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee



### 8.2.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	% of licence applications that will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	Within 60 days after date of letter to applicant on confirmation of completeness of application, 100% of licence applications are considered	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act
2.	Number of reports on investigations done into suspected unlicensed activities considered by the relevant Subcommittee	Within 60 days after being identified, unlicensed facilities are investigated and considered (determined licensable or not)	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee

### 8.2.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	% of licence applications that will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	Quarterly	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act
2.	Number of reports on investigations done into suspected unlicensed activities considered by the relevant Subcommittee	Quarterly	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	1 report on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	1 report on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	1 report on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	1 report on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To monitor infrastructure utilisation and 3rd party access	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee
2.	To monitor the development of infrastructure	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee
3.	To monitor licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements

#### 8.3.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
2.	Number of reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee
3.	Number of reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements

### 8.3.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	Annually	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	-	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	-	1 report on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee
2.	Number of reports on the construction of new facilities, considered by the relevant Subcommittee	Quarterly	4 reports on the construction of new facilities, considered by the relevant Subcommittee	1 report on the construction of new facilities, considered by the relevant Subcommittee	1 report on the construction of new facilities, considered by the relevant Subcommittee	1 report on the construction of new facilities, considered by the relevant Subcommittee	1 report on the construction of new facilities, considered by the relevant Subcommittee
3.	Number of reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	Quarterly	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	1 report considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	1 report considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	1 report considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	1 report considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 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 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
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 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
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 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	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.

### 8.5. PETROLEUM PIPELINES INDUSTRY REGULATION PROGRAMME 5: SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE PETROLEUM PIPELINES INDUSTRY

#### 8.5.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To enhance regulatory certainty	Tariff methodologies published and reviewed when necessary	Tariff methodologies published and reviewed when necessary	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary
2.	Enhancing the regulatory dispensation	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies

#### 8.5.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Tariff methodologies reviewed when necessary	Tariff methodologies published and reviewed when necessary	Tariff methodologies published and reviewed when necessary	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary
2.	Number of reports on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 8.5.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Tariff methodologies reviewed when necessary	Quarterly	Tariff methodologies published and reviewed when necessary	Tariff methodologies and/or FAQ reviewed when necessary	Tariff methodologies and/or FAQ reviewed when necessary	Tariff methodologies and/or FAQ reviewed when necessary	Tariff methodologies and/or FAQ reviewed when necessary
2.	Number of reports on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	Annually	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	-	-	-	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies

### 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: ADMINISTRATION (ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR)

### 8.6.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To promote Security of Supply	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast

#### 8.6.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast	2 reports on the inland supply forecast

#### 8.6.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of reports on the inland supply forecast	Biannually	2 reports on the inland supply forecast	-	1 report on the inland supply forecast	-	1 report on the inland supply forecast

#### 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.

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 9. TRANSVERSAL REGULATORY

#### 9.1. TRANSVERSAL REGULATORY PROGRAMME 6: ADMINISTRATION (ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR)

##### 9.1.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To determine the impact of regulatory decisions	Conduct impact assessment of regulatory decisions	Impact assessment report	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	-	-
2.	To benchmark NERSA against recognised world-class regulators	-	-	Reviewed benchmarking framework considered by the relevant Subcommittee	Report on the benchmarking of NERSA considered by the relevant Subcommittee	-
3.	To complete the research agenda for the organisation	-	Research Agenda developed and approved	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee
4.	To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
		Undertake 52 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes	Undertake 45 stakeholder engagement and education programmes	Undertake 50 stakeholder engagement and education programmes

##### 9.1.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Report on the impact of regulatory decisions	Conduct impact assessment of regulatory decisions	Impact assessment report	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	-	-



Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
2.	Report on the benchmarking of NERSA considered by the relevant Subcommittee	-	-	Reviewed benchmarking framework considered by the relevant Subcommittee	Report on the benchmarking of NERSA considered by the relevant Subcommittee	-
3.	Number of reports on research conducted in line with the approved research agenda considered by the relevant Subcommittee	-	Research Agenda developed and approved	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee
4.	Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published
5.	Number of stakeholder engagement and education programmes conducted	Undertake 52 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes	Undertake 45 stakeholder engagement and education programmes	Undertake 50 stakeholder engagement and education programmes

### 9.1.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Report on the impact of regulatory decisions	Annually	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	-	-	-	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee
2.	Report on the benchmarking of NERSA considered by the relevant Subcommittee	Annually	Reviewed benchmarking framework considered by the relevant Subcommittee	-	-	-	Reviewed benchmarking framework considered by the relevant Subcommittee

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
3.	Number of reports on research conducted in line with the approved research agenda considered by the relevant Subcommittee	Annually	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	-	-	-	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee
4.	Published quarterly newsletters	Quarterly	Quarterly newsletters published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published	Quarterly newsletter published
5.	Number of stakeholder engagement and education programmes conducted	Quarterly	Undertake 40 stakeholder engagement and education programmes	Undertake 9 stakeholder engagement and education programmes	Undertake 12 stakeholder engagement and education programmes	Undertake 8 stakeholder engagement and education programmes	Undertake 11 stakeholder engagement and education programmes

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

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

## 10. ORGANISATIONAL

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

#### 10.1.1. Strategic objective annual targets for 2016/17 – 2018/19

Programme Strategic objective		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	To create an efficient and effective world class organisation	-	Conduct a comprehensive Information and Communication Technology (ICT) systems review	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	-	-
		Implementation of selected “to be” business processes that will assist in obtaining ISO certification	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	ISO certification obtained	-
2.	To position and promote the good image of NERSA	Approved report on the comprehensive customer and stakeholder perception and satisfaction survey with baseline values	6.5% improvement on the customer and stakeholder perception and satisfaction level (baseline is 82.5%)	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level
3.	To improve the effectiveness of the financial processes, systems and procedures	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
		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
4.	To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy	Approved proposals / comments on policy changes (if and when necessary)	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy

## PART B PROGRAMME AND SUB-PROGRAMME PLANS

### 10.1.2. Programme performance indicators and annual targets for 2016/17 – 2018/19

Programme performance indicator		Audited/Actual performance 2014/15	Estimated performance 2015/16	Medium-term targets		
				2016/17	2017/18	2018/19
1.	Number of progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive Information and Communication Technology (ICT) systems review	-	Conduct a comprehensive Information and Communication Technology (ICT) systems review	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	-	-
2.	Number of progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	Implementation of selected “to be” business processes that will assist in obtaining ISO certification	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	ISO certification obtained	-
3.	% improvement on the customer and stakeholder perception and satisfaction level	Approved report on the comprehensive customer and stakeholder perception and satisfaction survey with baseline values	6.5% improvement on the customer and stakeholder perception and satisfaction level (baseline is 82.5%)	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level
4.	Result of annual audit	Clean audit	Unqualified audit	Unqualified audit	Unqualified audit	Unqualified audit
5.	% 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	100% of creditors paid within 30 days after all relevant documentation have been received
6.	Number of reports considered by the relevant Subcommittee on regulatory and policy advocacy	Approved proposals / comments on policy changes (if and when necessary)	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy

### 10.1.3. Quarterly targets for 2016/17

Performance indicator		Reporting period (Quarterly, Biannual, Annual)	Annual target 2016/17	Quarterly targets			
				1st	2nd	3rd	4th
1.	Number of progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive Information and Communication Technology (ICT) systems review	Quarterly	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	1 progress report considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	1 progress report considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	1 progress report considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	1 progress report considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review
2.	Number of progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	Annual	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	1 progress report considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	1 progress report considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	1 progress report considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	1 progress report considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification
3.	% improvement on the customer and stakeholder perception and satisfaction level	Quarterly	2% improvement on the customer and stakeholder perception and satisfaction level	0.5% improvement on the customer and stakeholder perception and satisfaction level	0.5% improvement on the customer and stakeholder perception and satisfaction level	0.5% improvement on the customer and stakeholder perception and satisfaction level	0.5% improvement on the customer and stakeholder perception and satisfaction level
4.	Result of annual audit	Annually	Unqualified audit	-	Unqualified audit	-	-
5.	% 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
6.	Number of reports considered by the relevant Subcommittee on regulatory and policy advocacy	Quarterly	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	1 report considered by the relevant Subcommittee on regulatory and policy advocacy	1 report considered by the relevant Subcommittee on regulatory and policy advocacy	1 report considered by the relevant Subcommittee on regulatory and policy advocacy	1 report considered by the relevant Subcommittee on regulatory and policy advocacy

### 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

## 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	Org	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.	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	Implementation of the revised Training and Development Policy Implementation of dual career path and scarcity premium policies Implementation of the remuneration policy and model. Implementation of the 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
												Internal capacity building on industry and regulatory matters .  Implementation of Employee Wellness Programme.	
2	Trans	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.	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	Regulatory advocacy relating to changes to legislation.  Identifies and investigate all suspected unlicensed activities (petroleum pipelines).	Regulatory advocacy.

## 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
3	Org	NERSA is established and positioned as a credible and reliable regulator.	Safeguarding and retention of institutional information.	EM: COS	<p>Cumbersome processes for accessing information.</p> <p>Hacking of confidential information.</p> <p>No historical information available.</p>	<p>Information stored on laptops and not the servers.</p> <p>Loss of documentation and business records due to discontinuation of IDMS.</p> <p>Staff leaving the organisation without transferring information back to NERSA.</p> <p>Failure to document institutional knowledge contained in key individuals.</p> <p>Failure to archive (hard and soft copy) information effectively.</p>	<p>Failure to locate critical documentation.</p> <p>Inability to defend NERSA in litigation.</p> <p>Financial losses.</p> <p>Penalties and fines.</p> <p>Reputational damage.</p> <p>Damage to business.</p>	53.40 High	32.20 Medium	6.40 Very low	26.00 Low	<p>Automated backups from laptops.</p> <p>SharePoint is being implemented.</p> <p>Records management policy is in place.</p> <p>Disaster Recovery Plan developed.</p> <p>Draft File Plan developed and implemented.</p> <p>Compliance with the Promotion of Access to Information Act.</p>	<p>Implementation of the Security Policy.</p> <p>Implementation of the records management policy.</p> <p>Implementation of the File Plan.</p> <p>Implementation of the Knowledge Management Policy.</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
4	Org	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.  Implementation of the SLA between SCM Unit and rest of organisation.  Implementation of the Supply Chain Management Procedures.  Streamlining approval process.  Implementation of the Organisational review.  Implementation of the Business process analysis.  Quarterly update of supplier database.

## 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
5	Org	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 is 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.  Implementation of standard profiling of documents.

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
6	Org	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.	Implementation of the Knowledge Management Policy.  Implementation of the File Plan.  Implementation of the Business Process Analysis.  Implementation of SharePoint.  Centralisation of storage of hard-copy documents in Registry and electronic documents on SharePoint.

## 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	Trans	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.	Bureaucratic behaviour.  Lack of cooperation.  Silo mentality.  Organisational structure.  Insufficient use of the Team Based Network Structure (TBNS) Policy.	Suboptimal use of resources.  Financial losses.  Inefficient service delivery.  Overlap of roles and responsibilities.  Duplication of effort.  Inconsistent messages to stakeholders.	54.00 High	30.40 Medium	8.60 Very low	21.60 Low	Regular EXCO meetings.  Implementation of approved organisational structure.  Campaign to create awareness of the NERSA values.  A code of conduct for the Energy Regulator is in place.  Corporate governance handbook which includes all NERSA policies is in place.  Developed integrated communication strategy.  Team Based Network Structure Policy in place.	Revised Team Based Network Structure Policy.  Implement revised regulatory Business Processes.  Implementation of the Organisational review.

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
												<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>	
8	Org	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.	<p>Outdated business continuity plan.</p> <p>Adequacy of testing and simulations.</p>	<p>Complete loss of ability to operate.</p> <p>Loss of life.</p> <p>Loss of critical data and systems.</p> <p>Loss of credibility.</p> <p>Financial losses.</p> <p>Prolonged business disruption.</p>	53.00 High	26.00 Low	6.00 Very low	20.00 Low	<p>Approved Business Continuity Management Policy.</p> <p>Approved Emergency Response Plan.</p> <p>Approved Disaster Recovery Plan.</p> <p>Approved Crisis Management Plan.</p> <p>Business Continuity Management Procedures.</p>	<p>Annual testing and updating of Business Continuity Plan.</p> <p>Conduct disaster recovery tests.</p>

## 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
9	Org	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.	Implementation of the Security Policy which includes a classification system for confidential documents.  Conduct training on policies and procedures.
10	Org	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.  Implementation of the Health and Safety Policy.



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
11	Org	NERSA is established and positioned as a credible and reliable regulator.	Reliability and accuracy of information.	EM: COS	<p>Reliability and accuracy of information on which NERSA base decisions and is used for reporting.</p> <p>Insufficient information management may lead to ineffective and inefficient decision-making.</p>	<p>Quality of information received from stakeholders.</p> <p>Accuracy and completeness of information from Licensees (Tariffs, Licenses, Applications, etc.)</p> <p>Difficulty in verifying information.</p> <p>Fraudulent information.</p> <p>Collusion.</p> <p>Verification of information in submitted applications and supporting documentation.</p> <p>Clarity of information requirements.</p>	<p>Inaccurate information on systems.</p> <p>Loss of credibility.</p> <p>Incorrect decisions being made.</p> <p>Financial losses.</p> <p>Litigation.</p> <p>Penalties and fines.</p>	51.60 High	27.00 Low	8.00 Very low	19.00 Low	<p>Licencee Management System for electricity licencees.</p> <p>Regulatory Reporting Manuals and Regulatory Reporting System for financial data.</p> <p>Implementation of SharePoint.</p> <p>Information criteria for submission from Licensees.</p> <p>Verification of received information.</p>	<p>Further roll-out of RRM for financial data.</p> <p>Development of RRM and RRS for non-financial data.</p> <p>Review of information requirements for Licensees.</p> <p>Ensure training is conducted to all staff on all information management systems.</p> <p>Conduct training to staff on SharePoint.</p> <p>Implementation of the information policy and procedures.</p>

## 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
12	ELR	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.

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	Org	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.

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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
14	Org	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 Operational Plan before start of financial year.  Ensure alignment between Annual Performance Plan, Operational Plan and individual Performance Contracts.

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15	Org	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.	Implementation of the Organisational Review.
16	ELR	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 licensee compliance in the electricity industry.	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.	Implementation of the Organisational Review.

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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
17	PGR	<p>Energy supply is certain and secure for current and future users.</p> <p>Fair competition exists within the energy industry.</p> <p>Energy is accessible and affordable for all citizens.</p>	Compliance of licencees with license conditions.	EM: GAR	Non-adherence of licencees to licence conditions.	Internal capacity to monitor all licensees at all times.	<p>Deterioration of gas pipelines infrastructure.</p> <p>Massive disasters caused by explosions.</p> <p>Deter entry for competition.</p> <p>Inhibit investment.</p> <p>Affects security of supply.</p> <p>Inflated prices.</p>	52.80 High	26.00 Low	9.40 Very low	16.60 Low	<p>Monitoring of construction processes.</p> <p>Quarterly compliance inspections.</p> <p>Issue noncompliance notices to enforce compliance.</p> <p>Conduct proactive investigations into prices, supply, tariff compliance etc.</p> <p>Approved Compliance monitoring framework.</p>	<p>Investigate complaints.</p> <p>Proactive compliance monitoring.</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
18	PPR	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 licensee 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.
19	Org	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 Policy to all NERSA staff.

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20	Trans	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.	Conduct a Regulatory Impact Assessment.  To organise high level reports and release them in a news worthy manner.
21	Org	NERSA is established and positioned as a credible and reliable regulator.	Stakeholder relations.	EM: COS	Inadequate stakeholder and shareholder relationship management may damage the credibility of NERSA in the eyes of the stakeholders and shareholders.  Four groups identified in NERSA.  Intra departmental (government) relations.	Maintain credibility to the public, investors and stakeholders: Poor management of stakeholder relationship.  Public Private Partnerships form part of Government policy to ensure delivery: Reactive response by Energy Regulator.  Different interpretations of the Acts between NERSA and stakeholders.	Inadequate stakeholder and shareholder relationship management may damage the credibility of NERSA in the eyes of the stakeholders and shareholders.  Reputation of NERSA.  Stakeholders considering NERSA as irrelevant.	49.20 High	21.80 Low	7.60 Very low	14.20 Low	Stakeholder Communication Strategy in place.  Engagement with the heads of stakeholder organisations.  International Coordination and Partnerships department.  Public participation processes.  Regular interaction with shareholders.  International exchange / training programmes.	Continued participation in AFUR and RERA.  Customer satisfaction surveys.



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						<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>						Member of AFUR and RERA.	

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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
22	Org	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.  Possible strike action.	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.

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23	Trans	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 National Treasury and DoE.  Fragmented processes required for compliance to different regulatory bodies.  The Minister of Mineral Resources regulates the upstream gas and has gazetted the Mineral and Petroleum Resources Development Act (MPRDA).	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 industry reporting standards.  Develop and implement the Regulatory Reporting System for non-financial data.  Regular communication with other regulators.  Implementation of the MoUs and MoAs with regulators with concurrent jurisdiction.  Assess regulatory burden before any additional major information request is implemented.

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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
24	Org	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 delegations of authority annually.  Review Terms of Reference of Subcommittees annually.  Implementation of the Operating procedures on supporting Energy Regulator and its Subcommittees.  Code of Conduct is to be reviewed annually.  Consultation, review and approval of schedule of meetings annually.  Implementation of the Organisational Review.

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25	ELR	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.
26	PPR	Energy is accessible and affordable for all citizens.	Accuracy in processing tariff applications.	EM: PPR	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 and when required.  All determinations to be double checked by different staff members.  Annual audit of sample of and tariff determinations.

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27	PGR	Energy is accessible and affordable for all citizens.	Accuracy in processing tariff and maximum price applications.	EM: GAR	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.  Approved tariff guidelines.	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.

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
28	Trans	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.	Implementation of the MOUs and MOAs with regulators with concurrent jurisdiction.  Continuous awareness campaigns.  Regulatory advocacy.

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



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30	Org	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>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>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>Implementation of the compliance register to enable proper compliance monitoring and reporting.</p> <p>Annual Audit Plan approved.</p> <p>Implementation of the MOUs and MOAs with regulators with concurrent jurisdiction.</p>

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					Compliance with facilitating Legislation (PFMA, PAIA, PAJA).	Conflict between policy and legislation.  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.  There is concurrent jurisdiction in terms of legislation.							
31	Org	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.  Implementation of the mechanism to enforce the living of the NERSA values.  Increase public awareness of NERSA.  Utilisation of social media for communication purposes.

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32	Trans	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.	<p>Review of the NERSA Act.</p> <p>Review of the Electricity Regulation Amendment Act</p> <p>Review of the Electricity Pricing Policy.</p> <p>Review of the Gas Act.</p> <p>Review of the Standard Offer Policy.</p> <p>Policies not regularly updated.</p>	<p>Inaction by the industry and the Energy Regulator.</p> <p>Projects being placed on hold until clarity are received.</p>	49.80 High	18.00 Low	8.20 Very low	9.80 Very Low	<p>Engaging with policy makers.</p> <p>Monitoring of developments in terms of Legislative changed.</p>	<p>Continued participation in amendment task teams.</p> <p>Provide comments on draft legislation if and when requested.</p> <p>Participate in public consultation processes.</p> <p>Implementation of the Organisational review.</p>

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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
33	Org	Regulatory certainty exists within the energy industry.	Mandate overlap.	EM: COS	DoE/DMR/TNPA/ NERSA overlap/ confusion.  Competition authorities.  Consumer Protection Act (National Consumer Commission).  Clarity of role of Energy Regulator by industry stakeholders.	Overlap in NERSA governing legislation with those of other entities.  Interpretation and implementation of legislation.  Inconsistencies in legislation.  The Minister of Mineral Resources regulates the upstream gas and has gazetted the Mineral and Petroleum Resources Development Act (MPRDA).	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.	Implementation of the 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.

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
34	Org	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.	Implement a procurement system linked to the supplier database. Annual review and updates of demand plans. Fraud Awareness campaigns. Declaration of interest.

## 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	ELR	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.	<p>Decreased availability of installed capacity</p> <p>Weather conditions impacting on coal supply.</p> <p>Lack of planning by energy producers.</p> <p>Unplanned plant outages.</p> <p>Sabotage / terrorism.</p> <p>Maintenance scheduling and implementation.</p> <p>Industrial action.</p> <p>Copper cable theft.</p> <p>Electricity theft.</p>	<p>Load shedding.</p> <p>Loss of credibility of the Country as an investment destination.</p> <p>Community unrest.</p> <p>Large scale. financial and production losses in the economy.</p> <p>Loss of NERSA Credibility.</p> <p>Damage to the local economic growth.</p>	46.20 Medium	16.00 Low	11.20 Very low	4.80 Very Low	<p>Multi-Year Price Determination</p> <p>Monitoring of the build programme.</p> <p>Allowing municipalities revenue for maintenance of networks.</p> <p>Compliance monitoring.</p> <p>Monitoring of the supply and demand balance.</p> <p>Electricity infrastructure analysis and Integrated Resource Plan.</p> <p>New electricity legislation provides detailed and advanced license conditions.</p> <p>International best practice methodology for determining Eskom revenue requirements.</p>	<p>Review the EEDSM framework.</p> <p>Licensing of Independent Power Producers.</p> <p>System Adequacy Report.</p> <p>Consider applications for Regulatory Clearing Account / MYPD4.</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
36	PPR	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.	<p>Pipeline failure / leakage.</p> <p>Sabotage / terrorism.</p> <p>Industrial action.</p>	<p>Not enough petroleum products in especially the inland market.</p> <p>Loss of credibility of the Country as an investment destination.</p> <p>Large scale financial and production losses in the economy.</p> <p>Loss of NERSA Credibility.</p> <p>Damage to the local economic growth.</p>	40.40 Medium	16.00 Low	8.40 Very low	7.60 Very Low	<p>Review supply and demand balance for Petroleum supply.</p> <p>Compliance monitoring.</p> <p>Capacity adequacy reports.</p> <p>Security of Supply Model.</p>	<p>Continued modelling of demand forecast.</p> <p>Continued updating and enhancement of the security of supply model.</p> <p>Process licence applications as soon as possible.</p>

## 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
37	PPR	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.



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	ELR	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	PPR	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.

## 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
40	PGR	Regulatory environment facilitates investment in energy infrastructure.	Evaluating competing licence applications.	EM: GAR	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.	<p>Reputational risk.</p> <p>Loss of investors.</p> <p>Annoyed investors which have met the requirements but have been declined a license.</p> <p>Deter entry into the gas market.</p> <p>Lack of competition.</p>	38.20 Medium	13.00 Low	6.40 Very low	6.80 Very Low	<p>Energy Regulator and Subcommittee meetings open to the public.</p> <p>Public consultation process.</p> <p>Rules, guidelines and selection criteria are in place.</p> <p>Developed broad evaluation criteria for licence applications.</p>	Ensure consistency in Energy Regulator decisions.

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
41	PGR	Fair competition exists within the energy industry.	Creating an enabling environment for competition in the piped-gas industry.	EM: GAR	NERSA's limitations relative to the objectives of the Gas Act.	<p>Lack of enabling legislative tools.</p> <p>Lack of sufficient investment in infrastructure.</p> <p>High entry barriers.</p> <p>Single supplier in the market.</p> <p>Market structure characterised by vertically integrated supplier.</p>	<p>High cost of business for rivals.</p> <p>High prices for consumers.</p> <p>Lack of growth in the gas industry.</p> <p>Discriminatory prices.</p> <p>Lack of job creation.</p>	46.20 Medium	15.60 Low	11.20 Low	4.40 Very Low	<p>Stakeholder and investor engagement.</p> <p>Pro investment tariff methodology and structures.</p> <p>Approved Maximum Prices for Gas Methodology.</p> <p>Regulatory advocacy with government and key stakeholders.</p> <p>Licensing of new or potential entrants in the gas market.</p> <p>Conduct periodic competition assessment.</p> <p>Approving maximum prices for gas.</p> <p>Monitor and approve gas tariffs.</p>	<p>Regulatory advocacy regarding the amendment of the Gas Act and Regulations.</p> <p>Licence conditions to provide limited exclusivity where applicable.</p> <p>Advocacy and communication by NERSA.</p> <p>Enforce third party access.</p>

## 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	PGR	Energy is accessible and affordable for all citizens.	Tariff and price determination.	EM; GAR	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.	ncorrect 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.
43	PPR	Energy is accessible and affordable for all citizens.	Tariff and price determination.	EM; PPR	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.	Incorrect information provided by licensees.  Incorrect assessment by NERSA.  Availability of correct skills and competency to assess applications.	Unaffordable tariffs.  Unsustainability of the licensee.  The credibility of NERSA is at risk.  Deters investment.	53.80 High	12.00 Low	7.40 Very low	4.60 Very Low	Regulatory reporting manuals.  Minimum information requirements for tariff applications.  Public hearings.	Enforcement of compliance with RRM and MIRT.  Consistent decisions.  Consultation with and information provided to government departments and stakeholders.

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
					Benefit of higher tariffs can flow to unintended people.	<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.</p>						Approved tariff methodologies for pipelines and storage facilities.	<p>Following of a public participative approach.</p> <p>Regulatory advocacy.</p>

## 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	ELR	Energy is accessible and affordable for all citizens.	Tariff and price determination.	EM: ELR	<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>Setting 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 inadequate ring-fencing (amongst others).</p>	<p>Unaffordable tariffs.</p> <p>Unsustainability of the licensee.</p> <p>The credibility of NERSA is at risk.</p>	53.00 High	11.60 Low	7.20 Very low	4.40 Very Low	<p>Regulatory reporting manuals.</p> <p>Minimum information requirements for tariff applications.</p> <p>International best practice methodology for determining Eskom revenue requirements</p> <p>Multi-Year Price Determination MYPD allows for "re-opening" to correct for any over or under recovery.</p> <p>Stakeholder participation in determining tariffs structures and levels for Eskom.</p> <p>A more robust pricing methodology introduced for Metros.</p>	<p>Enforcement of compliance with regards to RRM, MIRA and submission of information.</p> <p>Consultation with and information provided to government departments and stakeholders.</p> <p>Following of a public participative approach.</p> <p>Implementing the Pricing Policy.</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
45	Org	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	Regulatory advocacy.  Collection of levies.  Ensuring accuracy of levies.	Strengthen engagement with Minister of Energy and National Treasury.
EMERGING RISKS													
1	ELR	Promote energy supply that is certain and secure for current and future user needs.	Balance in Supply and grid demand.  Promote accessible and affordable energy for all citizens.	EM: ELR	Over-estimation of demand forecast in IRP resulting in inadequate recovery of fixed costs and stranded assets.	Delays in the build programme.  Customers switching to other sources of energy due to load shedding.  Unrealistic forecast of electricity sales.  Reduction in the demand due to businesses moving to other countries or closing down.	Premature mothballing of power stations.  Inflated electricity prices.					Monitoring system adequacy.  Updating MYPD rules.  Regulatory advocacy.	Monitoring system adequacy.  Updating MYPD rules.  Regulatory advocacy.  Provide input into IRP and IEP.  Develop regulatory framework for embedded generation.

## 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
2	Trans	Promote energy supply that is certain and secure for current and future user needs.	Project delays by utilities.	EM: ELR EM: GAR EM: PPR	Increase of the costs and tariffs.	Inadequate project management.  Unrealistic planning.	Security of supply.  Project overruns.  Higher tariffs.					Compliance monitoring and enforcement of construction licences (piped-gas and petroleum pipelines).  Prudently acquired investigations	Compliance monitoring and enforcement of construction licences (piped-gas and petroleum pipelines).  Prudently acquired investigations.
3	Trans	Promote energy supply that is certain and secure for current and future user needs.  Establish and position NERSA as a credible and reliable regulator.	Change in geopolitical landscape.	EM: COS	Emergence of geopolitical issues such as xenophobia.	Place undue stress on regional and continental coordination and agreements.	Security of supply.					Regulatory advocacy.  Continued involvement in regional and continental regulatory structures.	Regulatory advocacy.  Continued involvement in regional and continental regulatory structures.
4	Trans	Create a regulatory environment that facilitates investment in energy infrastructure.	Change in investment climate.	EM: ELR EM: GAR EM: PPR	Investment climate declining resulting in fewer investments in the energy industry.	All legislation directly impacting on NERSA being amendment.  Lack of policy and regulatory certainty.	Slow-down in investment in energy sector.  Slower economic growth.					Provide regulatory certainty.  Taking pro-investment decisions.	Provide regulatory certainty.  Taking pro-investment decisions.



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	PGR	Promote accessible and affordable energy for all citizens.  Create a regulatory environment that facilitates investment in energy infrastructure.	Regulation of the cross-border activities.	EM: GAR	Regulatory uncertainty created by jurisdictional requirements of regulatory authorities of different countries.	No coordination or harmonisation in regional regulatory approach.	Cross-subsidisation.  Regulatory uncertainty for investors.  Possible inflated tariffs and prices.					Participate in the activities of the Gas Commission.	MOU with INP.  Bilateral discussions with other regulatory authorities.  Utilise regional structures to facilitate coordination and harmonisation.
6	PGR	Promote energy supply that is certain and secure for current and future user needs.  Promote competition and competitiveness within the energy industry.	Gas demand and supply.	EM: GAR	Reliance on single supplier of gas.	Insufficient local gas reserves.  Lack of infrastructure.	Sasol controls the market.  Difficult to grow the gas market.					Regulatory advocacy.  Pro-investment regulation.	Regulatory advocacy.  Pro-investment regulation.

## 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	PGR	Promote accessible and affordable energy for all citizens.  Create a regulatory environment that facilitates investment in energy infrastructure.	Joint investment on regulatory assets.	EM: GAR	The absence of clarity in the investment arrangement could cause customers to pay double.	Investment arrangement not detailed enough.	Customers paying double.					Address through licencing process.  Compliance monitoring.  Implementation of the regulatory reporting manual.	Address through licencing process.  Compliance monitoring.  Implementation of the regulatory reporting manual.
8	PPR	Promote energy supply that is certain and secure for current and future user needs.	Tightlining (bypassing of coastal accumulator tanks) in pipelines.	EM: PPR	Due to the tightlining, if there is one problem, the whole system comes to a standstill.	The accumulator tanks in Durban have not been built.	Can cause interruptions to supply.					Monitor construction licence.  Participate in heads of supply committee.  Regular interaction with licencees.  Ongoing prudency investigation.	Monitor construction licence.  Participate in heads of supply committee.  Regular interaction with licencees.  Ongoing prudency investigation.  Ensure that Transnet complies with its licence conditions.

## APPENDIX B BUDGET ASSUMPTIONS AND PARAMETERS

### NERSA BUDGET PLANNING ASSUMPTIONS AND PARAMETERS

The budget assumptions and parameters that are to be utilised in preparing the NERSA 2016/17 budget and forecasts for 2017/18 and 2018/19 are provided below.

#### 1. BUDGETING PRINCIPLES

- 1.1. 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 leader in energy regulation.
- 1.2. The budget should be linked to programmes and key performance indicators in the Strategic Plan and Annual Plan.
- 1.3. Expense items are justified based on legal requirements, NERSA policies and our regulatory mandate.

#### 2. ECONOMIC FACTORS

##### 2.1 Inflation rate

The outlook for consumer inflation (CPI) for the next three years is expected to be around an average of 5.9%. The CPI figures are provided by the National Treasury.

The 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.

- 1.4. Costs that can be directly attributable to an industry-specific regulatory function are charged directly to that function.
- 1.5. 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. 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.
- 1.6. 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.
- 1.7. The funding requirement from each industry is determined for each year to cover the following: total expenditure (operating plus capital) and also allocated cost to the regulation of the industry.
- 1.8. Employment costs are budgeted at full staff complement and based on the projected salary increase.

Financial Year	2013/14 Actual	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Inflation rate – CPI	5.6	5.7	5.4	6.2	5.8	5.8

## APPENDIX B BUDGET ASSUMPTIONS AND PARAMETERS

### 2.2 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 2015.

The exchange rate is used when calculating the budget for international travel as well as other expenses where payments are made in foreign currency.

Calendar Year	2013 Actual	2014 Actual	2015 Budget	2016 Budget	2017 Forecast	2018 Forecast
Exchange Rate of the Rand (R/USD)	9.65	10.84	12.14	12.63	12.68	12.82

### 2.3 Industry volumes and growth

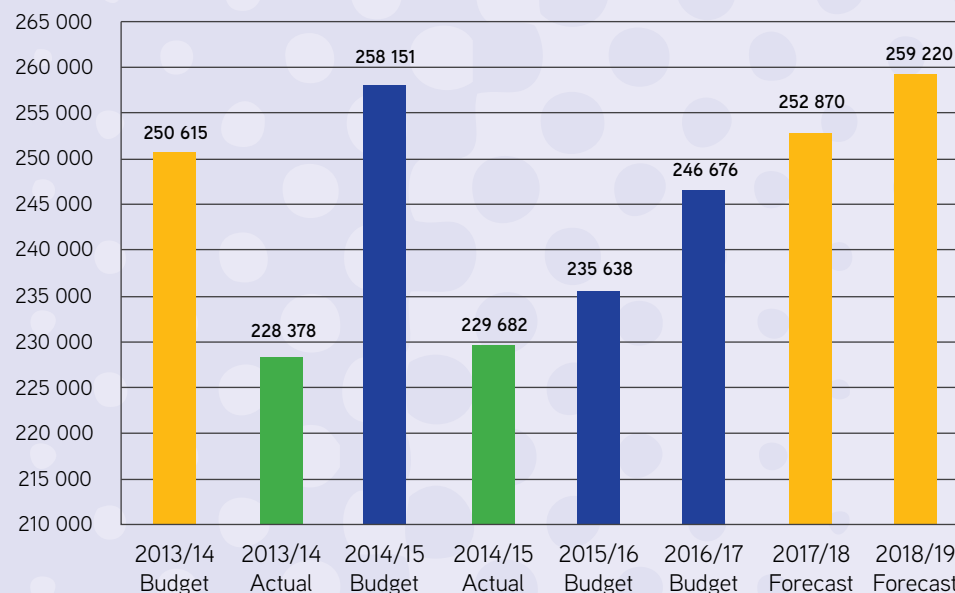
Industry volumes are used in calculating the levy rate payable by each industry based on the required expenditure budget minus any refunds approved by the Energy Regulator.

#### Note 1: Electricity Volumes

The budgeted volumes are based mainly on Eskom projections and also include other small electricity generators.

Financial Year	2013/14 Actual	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Net electricity sent out from licensed power stations (MWh) (Note 1)	228 378 283	229 681 689	235 638 000	246 676 279	252 870 250	259 219 750
Electricity volume growth %		0.57%	2.59%	4.68%	2.51%	2.51%

### Net Electricity Sent Out (Mwh)



#### Electricity Volume Assumptions:

- Medupi and Kusile will be completed in 2015/16
- NERSA will grant Eskom an additional tariff increase in 2015/16
- Other

#### Note 2: Piped Gas Volumes

The budgeted volumes are based on Sasol Gas projections.

Financial Year	2013/14 Actual	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Piped-gas volume delivered at inlet flange of licensed pipelines (GJ) (Note 2)	172 282 305	176 609 720	176 295 555	184 279 820	187 246 725	191 197 631
Piped-gas volume growth %		2.51%	(0.18%)	4.53%	1.61%	2.11%

## APPENDIX B BUDGET ASSUMPTIONS AND PARAMETERS

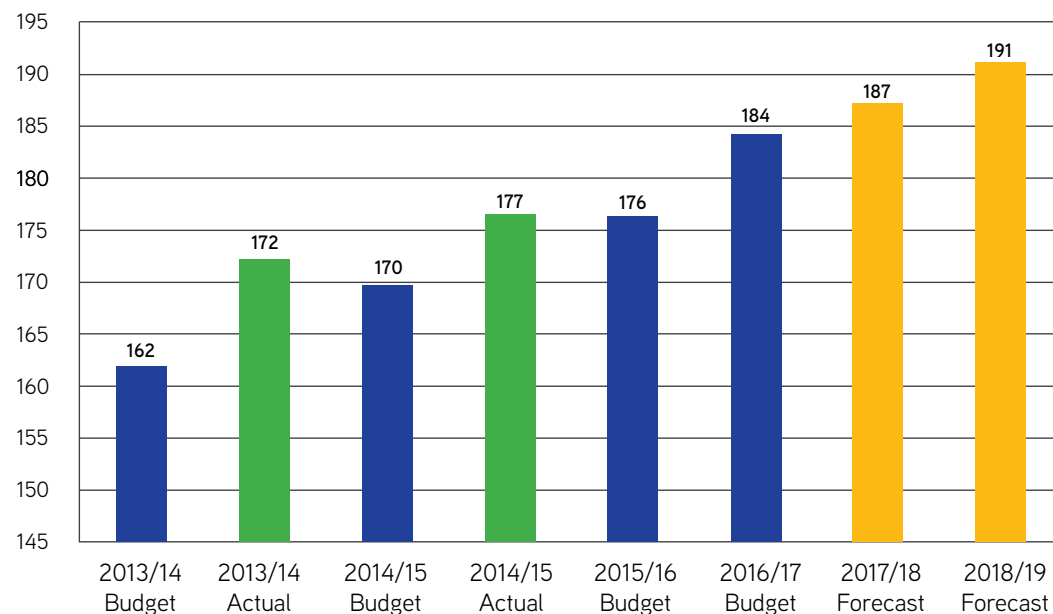
### Piped-Gas Volume Assumptions:

- Additional infrastructure investment to be made in Mozambique
- The infrastructure expansion will add 7.8 million gigajoules to the capacity of the pipeline.

### Note 3: Petroleum Pipelines Volumes

The budgeted volumes are based on Transnet Pipelines projections.

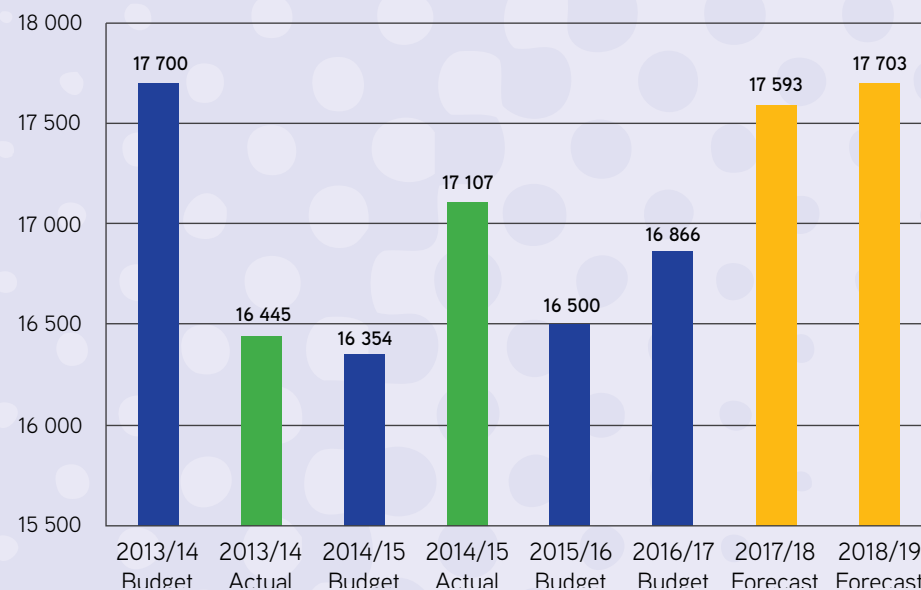
Piped-gas Volumes (GJ)



Financial Year	2013/14 Actual	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Petroleum volumes delivered at inlet flange of licensed pipelines (kt) (Note 3)	16 444 629	17 107 188	16 500 000	16 866 000	17 593 000	17 703 000
Petroleum pipelines volume growth %		4.03%	(3.55%)	2.22%	4.13%	0.63%

Petroleum Volumes (kl)

Thousands



### 3. SALARY PROJECTIONS

Financial Year	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Approved Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Salary Increase - Staff	7.0%	7.9%	8.0%	7.0%	7.2%	6.8%	6.8%
Salary Increase FTRM's					0%	0%	0%
Approved Permanent Staff	159	171	167	177	176	176	176
FTRM Headcount	3	3	3	3	4	4	4
Permanent Employees Salary Bill (excl Bonus)	R93.7 M	R104.2 M	R122.0 M	R129.9 M	R140.9 M	R153.1 M	R165.8 M
FTRM's Salary Bill			R10.6 M	R11.9 M	R11.1 M	R12 M	R12.9 M

## APPENDIX B BUDGET ASSUMPTIONS AND PARAMETERS

Financial Year	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Approved Budget	2016/17 Budget	2017/18 Forecast	2018/19 Forecast
Temporary Staff (Headcount)	25	47	46	53	53	53	53
Temporary Employees Salary Bill	R1.3 M	R11,3 M	R14.9 M	R18.0 M	R19.8 M	R21.7 M	R23.9 M
Performance Bonus –staff	R13.1 M	R17.4 M	R20.4 M	R22.1 M	R24.0 M	R26.1 M	R28.2 M
Performance Bonus – FTRM's			R1.46M	R1.63M	R1.18M	R1.28M	R1.37M
Bonus/ salaries % - staff	13%	16%	18.4%	17%	17%	17%	17%
Bonus/ salaries % - FTRM's				17%	14%	14%	14%
Average Performance Score	3.8	3.8	3.9	3.9	3.9	3.9	3.9

**3.1.** 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.

**3.2.** The above estimated salary increase (CPI + 1%) is based on the National Treasury Medium Term Expenditure Framework (MTEF) Guidelines.

**3.3.** FTRM salary and Bonus increases are determined by the Public Services Act.

**3.4.** The performance bonus is based on previous year's actual payments and forecast based on average performance per employee.

**3.5.** The 2016/17 budget assumes a vacancy rate of 5% for permanent employees based historical trends.

### 4. OTHER ASSUMPTIONS

**4.1.** The impact of the Organisational Review project has not been taken into account as the project is still at an early stage.

**4.2.** The impact of the National Energy Regulator Amendment Bill has not been taken into account as the process of approval is at its early stages. We have assumed that the budget for Temporary employees will cover the impact of the Org Review project.

**4.3.** Please refer to the Annual Performance Plan (APP) for regulatory factors, risks and challenges that may have an impact on the Budget for 2016/17 and Forecast for 2017/18 and 2018/19.

**4.4.** Refund of prior year surplus funds are refunded to all industries in the levy rate calculation on the bases of 50:30:20

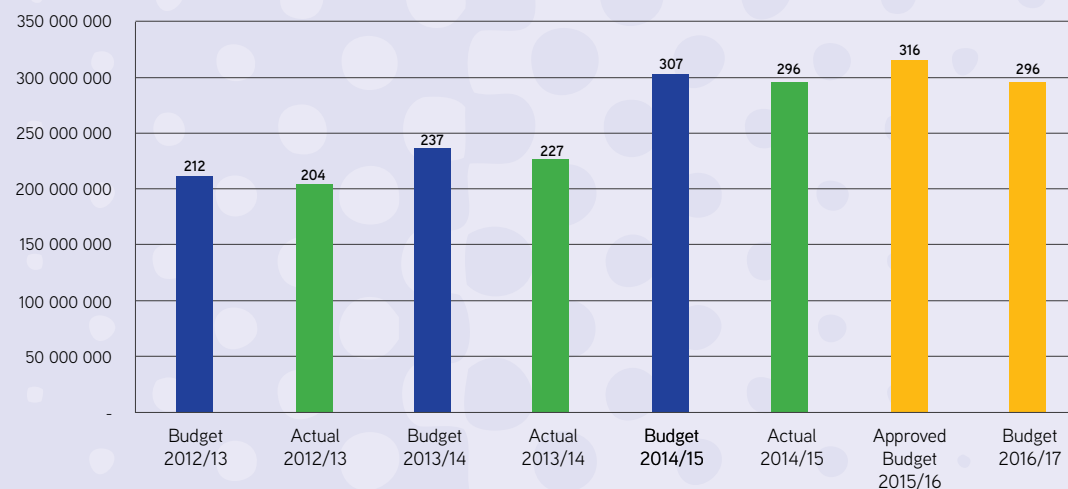
**4.5.** Interest received is based on CPD rates.



## 5. HIGHER LEVEL TREND ANALYSIS

### Levies Received

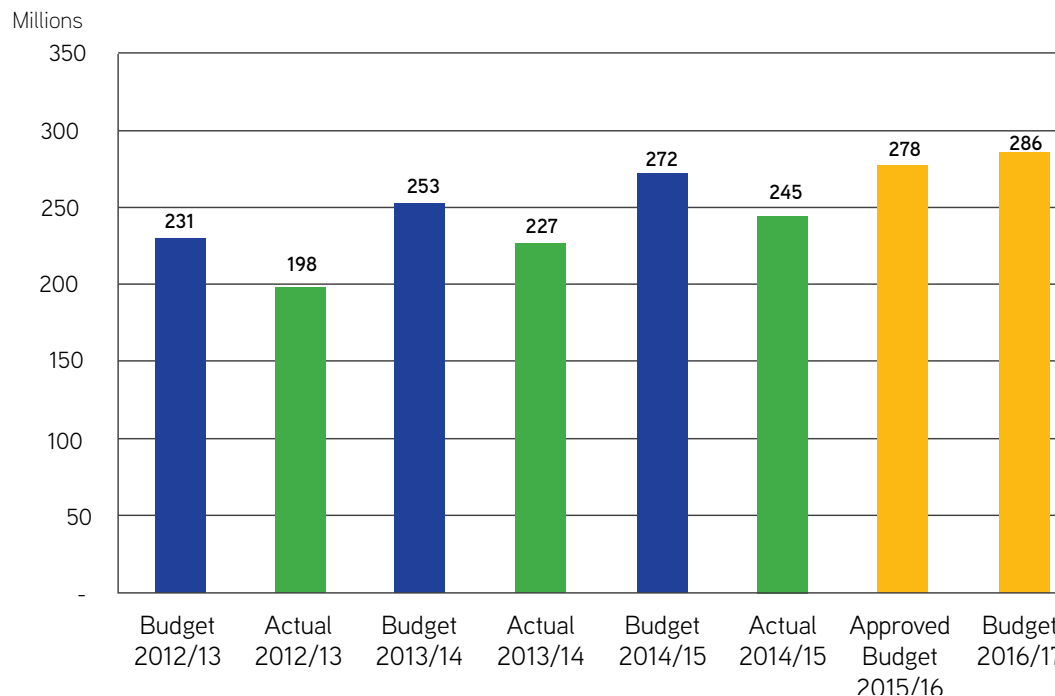
**Levies Received**



Levies received	Actual 2010/11 R '000	Actual 2011/12 R'000	Actual 2012/13 R'000	Actual 2013/14 R'000	Actual 2014/15 R'000
Actual	155 197	141 637	204 224	226 977	290 262
Budget	159 727	151 448	211 926	236 786	303 678
% Variance – Under/(Over)	2.8%	6.48%	3.63%	4.14%	4.41%

## APPENDIX B BUDGET ASSUMPTIONS AND PARAMETERS

### Operating Expenditure

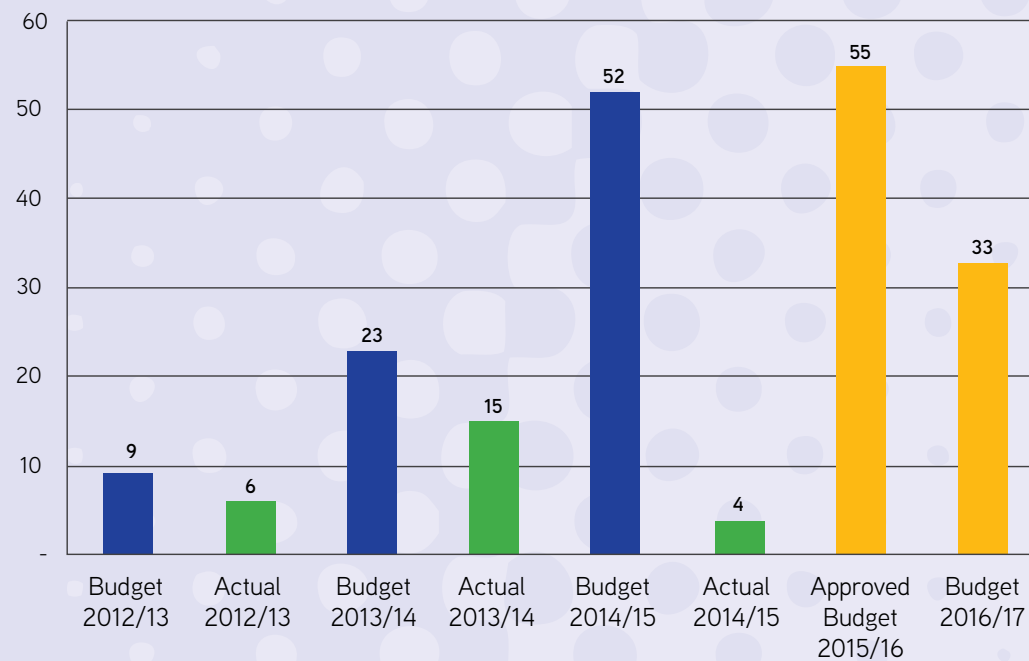


### Operating Expenditure

Operating Expenditure	Actual 2010/11 R '000	Actual 2011/12 R '000	Actual 2012/13 R '000	Actual 2013/14 R '000	Actual 2014/15 R '000
Actual	163 718	184 402	198 370	227 007	252 119
Budget	177 159	210 591	231 305	252 828	272 354
% Variance – Under/(Over)	7.6%	13.00%	14.24%	10.21%	7.4%

## Capital Expenditure

Millions



### Capital Expenditure

Capital Expenditure	Actual 2010/11 R '000	Actual 2011/12 R '000	Actual 2012/13 R '000	Actual 2013/14 R '000	Actual 2014/15 R '000
Actual	9 999	2 310	6 103	15 186	3 951
Budget	8 518	12 301	9 281	23 080	52 723
% Variance – Under/(Over)	(17.4%)	81.22%	34.25%	34.20%	92.4%

## APPENDIX C FUNDING FOR NERSA

### FUNDING FOR THE NATIONAL ENERGY REGULATOR

1. 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.
2. 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, 1987 (Act No. 47 of 1987) since charges for disputes and other services are excluded for the electricity industry.
3. 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.
4. 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 license fees by Notice in the Government Gazette.
5. 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 at least thirty days before the piped-gas and petroleum pipelines industries start paying the levies.
6. 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 license fees as prescribed by Section 5B of the Electricity Act.
7. In order to calculate the license fees the estimated energy production figures for the 2016 calendar year for Eskom 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 license fees 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.
8. 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. The estimated volumes are obtained from Sasol in this regard.
9. For the piped-gas, the levy is payable by the holders of the title to gas as it enters the system licensed by NERSA and is based on gigajoules.
10. 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.
11. 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.

## APPENDIX D EXECUTIVE SUMMARY

### EXECUTIVE SUMMARY

#### Operating Expenditure

Operating expenditure for the 2016/17 financial year amounts to R286 million which is 3.1% higher than the R278 million of 2015/16. The increase per category is as follows:

- Employment costs increases by 8.2%
- Facility Management increases by 22.1%
- Professional Fees increase by 9.5%
- Advertng, Promotion and Communication decreases by 7.0%
- Office Administration decreases by 10.8%
- Travel, Accommodation and Training decreases by 18.2%
- Other Expenses decreases by 29.4%

#### Capital Expenditure

Capital expenditure for the 2016/17 financial year amounts to R33 million which 39.9% lower than the R55 million of R 2015/16.

#### Funding

Funding is obtained by charging levies/license fees to the relevant industries. Interest receivable from the banks, other income and a refund of surplus funds of previous financial years have been calculated and deducted from the leviable amount in order to calculate the levy/license fee rate for the 2016/2017 budget.

Total funding requirement for the 2016/17 budget is 3.93% less than the 2015/16 funding requirement. The calculation was completed after taking into account the effects of refunds to the industries and interest receivable.

The forecast funding requirement for the 2017/18 financial year increases by 8.51% and increased by 2.54% in 2018/19 due to changes in refunds to industries.

The industry levies/license fees for 2016/2017 will change as follows compared to the previous year:

Industry Levies/license fees	Increase / (Decrease) in refunds		Expenditure % increase on previous year	% Increase / (Decrease)	
	Amount (R)	Percentage		Volume	Levy
Electricity	4 764 485	75.64%	(3.94)	4.68%	(11.63%)
Piped-Gas	2 016 761	24.25%	(2.28)	4.53%	(7.24%)
Petroleum Pipelines	(687 716)	(35.96%)	(5.45)	2.22%	(8.72%)

## APPENDIX E SUMMARY OF THE NERSA CONSOLIDATED BUDGET

### ANNUAL BUDGET FOR THE YEAR 2016/2017 - CONSOLIDATED INCOME AND EXPENDITURE BUDGET 2016/17 AND FORECAST FOR THE PERIOD 2017/18 AND 2018/19

DESCRIPTION	NOTES	"CONSOLIDATED BUDGET AFTER VIREMENTS"	ACTUAL	% Variance (A /B)	APPROVED BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL INCOME</b>		<b>307 461 437</b>	<b>296 280 350</b>	<b>(3,6%)</b>	<b>315 692 722</b>	
Levies from Electricity Industry	1	173 191 622	154 093 445	(11,0%)	179 665 887	
Levies from Piped-Gas Industry	2	64 356 969	66 988 067	4,1%	57 701 785	
Levies from Petroleum Pipeline Industry	3	66 129 986	69 181 468	4,6%	71 577 104	
Interest received	4	3 782 860	5 558 190	46,9%	6 693 359	
Other income			459 180	0,0%	54 587	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>272 353 635</b>	<b>244 823 918</b>	<b>(10,1%)</b>	<b>277 545 412</b>	
Advertising, Promotion and Communication	5	13 473 241	11 272 230	(16,3%)	11 782 259	
Employment cost	6	169 037 526	158 274 712	(6,4%)	175 103 551	
Facilities Maintenance	7	8 661 683	7 233 748	(16,5%)	9 253 509	
Office Administration	8	11 142 676	10 307 778	(7,5%)	9 599 503	
Professional fees	9	31 448 461	27 152 871	(13,7%)	29 626 638	
Travel, Accommodation and Training	10	31 866 777	24 403 587	(23,4%)	33 018 980	
<b>Other Expenses</b>	<b>11</b>	<b>6 723 272</b>	<b>6 178 992</b>	<b>(8,1%)</b>	<b>9 160 971</b>	
<b>NET SURPLUS/ (DEFICIT) before Depreciation</b>		<b>35 107 802</b>	<b>51 456 432</b>	<b>46,6%</b>	<b>38 147 311</b>	
<b>Depreciation</b>		<b>-</b>	<b>7 489 032</b>	<b>0,0%</b>	<b>7 907 612</b>	
<b>NET SURPLUS/ (DEFICIT) for the period</b>		<b>35 107 802</b>	<b>43 967 400</b>	<b>25,2%</b>	<b>30 239 698</b>	
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>12</b>	<b>51 722 542</b>	<b>3 943 605</b>	<b>(92,4%)</b>	<b>54 625 630</b>	
				0,0%		
Motor vehicles		-	-	0,0%	600 000	
Computer software	12,1	4 440 000	357 879	(91,9%)	2 000 000	
Office furniture and equipment	12,2	1 228 500	1 637 059	33,3%	6 346 588	
Building improvements	12,3	43 179 042	308 798	(99,3%)	43 179 042	
Computer hardware	12,4	2 875 000	1 639 869	(43,0%)	2 500 000	
<b>Funding Requirement (Opex excl Dep + Capex)</b>		<b>324 076 177</b>	<b>248 767 523</b>	<b>(23,2%)</b>	<b>332 171 042</b>	
<b>Cash Flow Mitigating Reserve</b>		<b>33 220 125</b>		<b>-100,0%</b>	<b>39 597 444</b>	

	ESTIMATED FORECAST	% Variance (D /B)	CONSOLIDATED BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	313 710 460	5,9%	296 497 119	(6,1%)	(5,5%)	319 272 948	339 615 162
	176 888 036	14,8%	166 210 126	(7,5%)	(6,0%)	187 076 024	193 872 039
	58 242 340	(13,1%)	55 945 854	(3,0%)	(3,9%)	58 175 981	66 215 467
	71 464 368	3,3%	66 781 465	(6,7%)	(6,6%)	66 023 256	71 066 574
	7 062 204	27,1%	7 503 557	12,1%	6,2%	7 938 763	8 399 211
	53 512	(88,3%)	56 118	2,8%	4,9%	58 924	61 870
		0,0%					
	263 329 302	7,6%	286 269 058	3,1%	8,7%	308 968 069	328 562 616
	12 358 945	9,6%	10 953 858	(7,0%)	(11,4%)	12 946 514	12 293 012
	168 564 464	6,5%	189 522 876	8,2%	12,4%	205 253 275	220 236 764
	7 775 367	7,5%	11 298 609	22,1%	45,3%	11 953 928	12 647 256
	9 424 924	(8,6%)	8 561 113	(10,8%)	(9,2%)	9 057 658	9 583 002
	27 920 818	2,8%	32 445 875	9,5%	16,2%	34 327 736	36 318 744
	30 071 079	23,2%	27 014 900	(18,2%)	(10,2%)	28 581 764	30 239 507
	7 213 705	16,7%	6 471 827	(29,4%)	(10,3%)	6 847 193	7 244 331
	50 381 158	(2,1%)	10 228 061	(73,2%)	(79,7%)	10 304 879	11 052 546
	7 907 612	5,6%	9 176 816	16,1%	16,1%	9 698 272	10 260 772
	42 473 546	(3,4%)	1 051 245	(96,5%)	(97,5%)	606 607	791 774
	15 850 000	(69,4%)	32 850 000	(39,9%)	107,3%	37 300 000	26 500 000
	600 000	0,0%	-	(100,0%)	(100,0%)	800 000	-
	750 000	(83,1%)	600 000	(70,0%)	(20,0%)	1 500 000	1 500 000
	2 500 000	103,5%	9 500 000	49,7%	280,0%	5 000 000	5 000 000
	10 000 000	(76,8%)	20 000 000	(53,7%)	100,0%	28 000 000	18 000 000
	2 000 000	(30,4%)	2 750 000	10,0%	37,5%	2 000 000	2 000 000
	279 179 302	(13,9%)	319 119 058	(3,93%)	14,3%	346 268 069	355 062 616
	37 827 470		41 965 903	6,0%	10,9%	45 401 313	48 582 403

## APPENDIX F NERSA CONSOLIDATED BUDGET

### CONSOLIDATED - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019

DESCRIPTION	NOTES	"CONSOLIDATED BUDGET AFTER VIREMENTS"	ACTUAL	% Variance (A / B)	APPROVED BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL INCOME</b>		<b>307 461 437</b>	<b>296 280 350</b>	<b>(3,6%)</b>	<b>315 692 722</b>	
Levies from Electricity Industry	1	173 191 622	154 093 445	(11,0%)	179 665 887	
Levies from Piped-Gas Industry	2	64 356 969	66 988 067	4,1%	57 701 785	
Levies from Petroleum Pipeline Industry	3	66 129 986	69 181 468	4,6%	71 577 104	
Interest received	4	3 782 860	5 558 190	46,9%	6 693 359	
Other income			459 180	0,0%	54 587	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>272 353 635</b>	<b>244 823 918</b>	<b>(10,1%)</b>	<b>277 545 412</b>	
International initiatives	5,1	2 314 597	19 837	(99,1%)	1 743 711	
Publications, communications and corporate communications	5,2	10 578 644	10 702 234	1,2%	9 458 548	
Tribunals, hearings and inquiries	5,3	580 000	550 159	(5,1%)	580 000	
<b>Advertising, Promotion and Communication</b>	<b>5</b>	<b>13 473 241</b>	<b>11 272 230</b>	<b>(16,3%)</b>	<b>11 782 259</b>	
Employment Costs - Staff	6.1	116 304 386	111 433 327	(4,2%)	120 335 142	
Internship Allowance	6.2	-	35 040	0,0%	881 496	
Learnership Allowance	6.2	-	99 000	0,0%	881 496	
Leave pay	6.3	1 120 270	671 639	(40,0%)	981 893	
Leave pay: Regulator Members	6,4	30 205	145 909	383,1%	84 479	
Performance Bonus - Regulator Members	6,6	1 552 710	1 461 482	(5,9%)	1 623 972	
Performance Bonus - Staff	6,5	19 771 746	18 940 593	(4,2%)	20 456 974	
Remuneration - Regulator Members		11 620 859	10 602 009	(8,8%)	11 898 520	
Salary temporary staff	6,7	18 637 350	14 885 713	(20,1%)	17 959 579	
UIF		-	-	0,0%	-	
<b>Employment cost</b>	<b>6</b>	<b>169 037 526</b>	<b>158 274 712</b>	<b>(6,4%)</b>	<b>175 103 551</b>	
Motor vehicle maintenance costs	7.1	216 035	267 785	24,0%	252 667	
Other Operational Costs	7,2	1 336 116	1 309 398	(2,0%)	1 375 388	



	ESTIMATED FORECAST	% Variance (D /B)	CONSOLIDATED BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	313 710 460	5,9%	296 497 119	(6,1%)	(5,5%)	319 272 948	339 615 162
	176 888 036	14,8%	166 210 126	(7,5%)	(6,0%)	187 076 024	193 872 039
	58 242 340	(13,1%)	55 945 854	(3,0%)	(3,9%)	58 175 981	66 215 467
	71 464 368	3,3%	66 781 465	(6,7%)	(6,6%)	66 023 256	71 066 574
	7 062 204	27,1%	7 503 557	12,1%	6,2%	7 938 763	8 399 211
	53 512	(88,3%)	56 118	2,8%	4,9%	58 924	61 870
		0,0%					
	263 329 302	7,6%	286 269 058	3,1%	8,7%	308 968 069	328 562 616
	1 743 711	8690,3%	418 400	(76,0%)	(76,0%)	1 800 000	500 000
	9 650 037	(9,8%)	9 915 540	4,8%	2,8%	10 490 641	11 099 098
	965 197	75,4%	619 918	6,9%	(35,8%)	655 874	693 914
	12 358 945	9,6%	10 953 858	(7,0%)	(11,4%)	12 946 514	12 293 012
	116 101 173	4,2%	130 740 970	8,6%	12,6%	141 592 470	151 928 720
	587 664	1577,1%	936 000	6,2%	59,3%	1 013 688	1 087 687
	785 664	693,6%	792 000	(10,2%)	0,8%	857 736	920 351
	962 255	43,3%	1 056 680	7,6%	9,8%	1 144 384	1 227 924
	80 256	(45,0%)	364 458	331,4%	354,1%	394 708	423 522
	1 623 972	11,1%	1 183 342	(27,1%)	(27,1%)	1 281 560	1 375 114
	20 456 974	8,0%	22 225 965	8,6%	8,6%	24 070 720	25 827 882
	10 619 079	0,2%	11 131 201	(6,4%)	4,8%	12 055 091	12 935 113
	17 347 427	16,5%	21 092 260	17,4%	21,6%	22 842 918	24 510 451
	-	0,0%	-	0,0%	0,0%	-	-
	168 564 464	6,5%	189 522 876	8,2%	12,4%	205 253 275	220 236 764
	225 803	(15,7%)	268 332	6,2%	18,8%	283 896	300 362
	783 599	(40,2%)	1 468 277	6,8%	87,4%	1 553 437	1 643 536

## APPENDIX F NERSA CONSOLIDATED BUDGET

### CONSOLIDATED - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	"CONSOLIDATED BUDGET AFTER VIREMENTS"	ACTUAL	% Variance (A /B)	APPROVED BUDGET	
		2014/15	2014/15		2015/16	
Rates and taxes	7.3	936 000	850 799	(9,1%)	992 490	
Facilities Management	7,4	3 819 696	2 303 269	(39,7%)	4 112 964	
Electricity	7,5	2 353 836	2 502 497	6,3%	2 520 000	
<b>Facilities Maintenance</b>	<b>7</b>	<b>8 661 683</b>	<b>7 233 748</b>	<b>(16,5%)</b>	<b>9 253 509</b>	
Insurance	8.1	664 730	548 015	(17,6%)	486 099	
Office operational costs: Leases	8.2	2 100 000	2 064 104	(1,7%)	2 283 600	
Office Operational Costs: Printing and stationery	8.3	2 428 500	2 363 141	(2,7%)	2 001 768	
Postage and delivery costs	8.4	277 773	253 380	(8,8%)	323 005	
Software licenses	8.5	4 322 000	3 867 787	(10,5%)	3 259 833	
Subscriptions	8.6	1 349 673	1 211 351	(10,2%)	1 245 199	
<b>Office Administration</b>	<b>8</b>	<b>11 142 676</b>	<b>10 307 778</b>	<b>(7,5%)</b>	<b>9 599 503</b>	
Consultant fees	9.1	21 318 098	17 010 195	(20,2%)	19 985 989	
Co-sourced internal audit function	9.2	4 266 681	3 608 563	(15,4%)	2 000 000	
External auditors fees	9.3	1 740 000	2 387 654	37,2%	2 117 316	
Legal fees	9.4	2 512 871	3 739 170	48,8%	3 000 000	
Recruitment costs	9.5	1 610 811	407 289	(74,7%)	2 523 333	
<b>Professional fees</b>	<b>9</b>	<b>31 448 461</b>	<b>27 152 871</b>	<b>(13,7%)</b>	<b>29 626 638</b>	
Learnership programme	10,1	1 320 969	552 172	(58,2%)	1 000 000	
Breakaways		1 573 827	192 682	(87,8%)	-	
Study fees	10,2	1 742 614	435 664	(75,0%)	1 855 531	
Training and development - Regulator Members	10,3	522 939	277 034	(47,0%)	535 433	
Training and development - Staff	10,3	5 223 697	5 749 478	10,1%	5 415 081	
Travel and Accommodation - Regulator Members	10,4	3 811 092	2 613 343	(31,4%)	3 634 310	
Travel and Accom - Regulator Members (Training Related)	10,4	270 000	84 863	(68,6%)	1 335 866	
Travel and Accommodation - Staff	10,4	12 296 361	13 490 292	9,7%	7 052 881	
Travel and Accommodation - Staff (Training Related)	10,4	5 105 278	1 008 060	(80,3%)	12 189 877	
<b>Travel, Accommodation and Training</b>	<b>10</b>	<b>31 866 777</b>	<b>24 403 587</b>	<b>(23,4%)</b>	<b>33 018 980</b>	

	ESTIMATED FORECAST	% Variance (D /B)	CONSOLIDATED BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	992 490	16,7%	962 000	(3,1%)	(3,1%)	1 017 796	1 076 828
	3 227 712	40,1%	6 000 000	45,9%	85,9%	6 348 000	6 716 184
	2 545 762	1,7%	2 600 000	3,2%	2,1%	2 750 800	2 910 346
	<b>7 775 367</b>	<b>7,5%</b>	<b>11 298 609</b>	<b>22,1%</b>	<b>45,3%</b>	<b>11 953 928</b>	<b>12 647 256</b>
	911 745	66,4%	537 869	10,7%	(41,0%)	569 065	602 071
	2 283 600	10,6%	1 400 000	(38,7%)	(38,7%)	1 481 200	1 567 110
	1 614 526	(31,7%)	1 773 497	(11,4%)	9,8%	1 876 360	1 985 189
	273 220	7,8%	287 402	(11,0%)	5,2%	304 072	321 708
	2 977 079	(23,0%)	3 209 894	(1,5%)	7,8%	3 396 068	3 593 040
	1 364 754	12,7%	1 352 451	8,6%	(0,9%)	1 430 893	1 513 885
	<b>9 424 924</b>	<b>(8,6%)</b>	<b>8 561 113</b>	<b>(10,8%)</b>	<b>(9,2%)</b>	<b>9 057 658</b>	<b>9 583 002</b>
	19 109 004	12,3%	21 544 128	7,8%	12,7%	22 793 687	24 115 721
	1 921 263	(46,8%)	2 500 000	25,0%	30,1%	2 645 000	2 798 410
	2 236 513	(6,3%)	2 290 936	8,2%	2,4%	2 423 810	2 564 391
	2 732 301	(26,9%)	4 500 000	50,0%	64,7%	4 761 000	5 037 138
	1 921 736	371,8%	1 610 811	(36,2%)	(16,2%)	1 704 238	1 803 084
	<b>27 920 818</b>	<b>2,8%</b>	<b>32 445 875</b>	<b>9,5%</b>	<b>16,2%</b>	<b>34 327 736</b>	<b>36 318 744</b>
	951 569	72,3%	1 000 000	0,0%	5,1%	1 058 000	1 119 364
	15 795	(91,8%)	-	0,0%	(100,0%)	-	-
	1 276 313	193,0%	1 492 024	(19,6%)	16,9%	1 578 561	1 670 118
	569 704	105,6%	500 904	(6,4%)	(12,1%)	529 956	560 694
	4 843 116	(15,8%)	5 883 344	8,6%	21,5%	6 224 578	6 585 603
	2 430 315	(7,0%)	3 255 489	(10,4%)	34,0%	3 444 307	3 644 077
	1 964 670	2215,1%	754 880	(43,5%)	(61,6%)	798 663	844 985
	7 789 521	(42,3%)	5 720 141	(18,9%)	(26,6%)	6 051 909	6 402 919
	10 230 075	914,8%	8 408 119	(31,0%)	(17,8%)	8 895 790	9 411 746
	<b>30 071 079</b>	<b>23,2%</b>	<b>27 014 900</b>	<b>(18,2%)</b>	<b>(10,2%)</b>	<b>28 581 764</b>	<b>30 239 507</b>

## APPENDIX F NERSA CONSOLIDATED BUDGET

### CONSOLIDATED - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	"CONSOLIDATED BUDGET AFTER VIREMENTS"	ACTUAL	% Variance (A /B)	APPROVED BUDGET	
		2014/15	2014/15		2015/16	
Bad Debts		-	249 150	0,0%	-	
Bank charges	11.1	118 535	134 940	13,8%	116 046	
Catering	11.2	1 545 365	1 040 334	(32,7%)	1 558 600	
Employee wellness	11,3	704 535	548 316	(22,2%)	1 306 386	
Health & Safety		91 824	33 933	(63,0%)	91 824	
Loss on assets		-	193 988	0,0%	-	
Knowledge Center	11,4	2 689 193	2 805 301	4,3%	4 600 037	
Telephone and fax	11,5	1 573 820	1 173 028	(25,5%)	1 488 079	
<b>Other Expenses</b>	<b>11</b>	<b>6 723 272</b>	<b>6 178 992</b>	<b>(8,1%)</b>	<b>9 160 971</b>	
<b>NET SURPLUS/ (DEFICIT) before Depreciation</b>		<b>35 107 802</b>	<b>51 456 432</b>	<b>46,6%</b>	<b>38 147 311</b>	
Depreciation Building		-	1 567 897	0,0%	2 391 760	
Depreciation Hardware		-	1 273 304	0,0%	1 722 742	
Depreciation Motor Vehicles		-	423 042	0,0%	448 218	
Depreciation Office Equipment		-	540 105	0,0%	1 122 936	
Depreciation Software		-	3 684 684	0,0%	2 221 957	
<b>Depreciation</b>		<b>-</b>	<b>7 489 032</b>	<b>0,0%</b>	<b>7 907 612</b>	
<b>NET SURPLUS/ (DEFICIT) for the period</b>		<b>35 107 802</b>	<b>43 967 400</b>	<b>25,2%</b>	<b>30 239 698</b>	
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>12</b>	<b>51 722 542</b>	<b>3 943 605</b>	<b>(92,4%)</b>	<b>54 625 630</b>	
				0,0%		
Motor vehicles		-	-	0,0%	600 000	
Computer software	12,1	4 440 000	357 879	(91,9%)	2 000 000	
Office furniture and equipment	12,2	1 228 500	1 637 059	33,3%	6 346 588	
Building improvements	12,3	43 179 042	308 798	(99,3%)	43 179 042	
Computer hardware	12,4	2 875 000	1 639 869	(43,0%)	2 500 000	
<b>Funding Requirement (Opex excl Dep + Capex)</b>		<b>324 076 177</b>	<b>248 767 523</b>	<b>(23,2%)</b>	<b>332 171 042</b>	
<b>Cash Flow Mitigating Reserve</b>		<b>33 220 125</b>		<b>-100,0%</b>	<b>39 597 444</b>	

	ESTIMATED FORECAST	% Variance (D / B)	CONSOLIDATED BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	-	(100,0%)	-	0,0%	0,0%	-	-
	123 228	(8,7%)	151 332	30,4%	22,8%	160 109	169 395
	1 552 959	49,3%	1 536 691	(1,4%)	(1,0%)	1 625 820	1 720 117
	1 738 980	217,1%	614 922	(52,9%)	(64,6%)	650 587	688 321
	91 824	170,6%	90 000	(2,0%)	(2,0%)	95 220	100 743
	-	(100,0%)	-	0,0%	0,0%	-	-
	2 706 145	(3,5%)	2 832 533	(38,4%)	4,7%	2 996 820	3 170 635
	1 000 569	(14,7%)	1 246 350	(16,2%)	24,6%	1 318 638	1 395 119
	<b>7 213 705</b>	<b>16,7%</b>	<b>6 471 827</b>	<b>(29,4%)</b>	<b>(10,3%)</b>	<b>6 847 193</b>	<b>7 244 331</b>
	<b>50 381 158</b>	<b>(2,1%)</b>	<b>10 228 061</b>	<b>(73,2%)</b>	<b>(79,7%)</b>	<b>10 304 879</b>	<b>11 052 546</b>
	2 391 760	52,5%	2 424 872	1,4%	1,4%	2 565 514	2 714 314
	1 722 742	35,3%	2 151 983	24,9%	24,9%	2 276 798	2 408 852
	448 218	6,0%	444 181	(0,9%)	(0,9%)	469 943	497 200
	1 122 936	107,9%	1 455 771	29,6%	29,6%	1 540 205	1 629 537
	2 221 957	(39,7%)	2 700 010	21,5%	21,5%	2 845 810	3 010 867
	<b>7 907 612</b>	<b>5,6%</b>	<b>9 176 816</b>	<b>16,1%</b>	<b>16,1%</b>	<b>9 698 272</b>	<b>10 260 772</b>
	<b>42 473 546</b>	<b>(3,4%)</b>	<b>1 051 245</b>	<b>(96,5%)</b>	<b>(97,5%)</b>	<b>606 607</b>	<b>791 774</b>
	<b>15 850 000</b>	<b>(69,4%)</b>	<b>32 850 000</b>	<b>(39,9%)</b>	<b>107,3%</b>	<b>37 300 000</b>	<b>26 500 000</b>
	600 000	0,0%	-	(100,0%)	(100,0%)	800 000	-
	750 000	(83,1%)	600 000	(70,0%)	(20,0%)	1 500 000	1 500 000
	2 500 000	103,5%	9 500 000	49,7%	280,0%	5 000 000	5 000 000
	10 000 000	(76,8%)	20 000 000	(53,7%)	100,0%	28 000 000	18 000 000
	2 000 000	(30,4%)	2 750 000	10,0%	37,5%	2 000 000	2 000 000
	<b>279 179 302</b>	<b>(13,9%)</b>	<b>319 119 058</b>	<b>(3,93%)</b>	<b>14,3%</b>	<b>346 268 069</b>	<b>355 062 616</b>
	<b>37 827 470</b>		<b>41 965 903</b>	<b>6,0%</b>	<b>10,9%</b>	<b>45 401 313</b>	<b>48 582 403</b>

## APPENDIX G NOTES TO THE NERSA BUDGET

### REVENUE

Total funding requirement for the 2016/17 budget is 3.93% less than the 2015/16 funding requirement. The calculation was done after taking into account the effects of refunds to the industries and interest receivable.

#### 1. LICENSE FEES FROM ELECTRICITY INDUSTRY

The license fees from the Electricity Industry have decreased by 7.5% from R179.7 million to R166.1 million. This is after taking into account refunds amounting to R11 million in respect of surpluses from the previous financial year, a decrease of R7.5 million in expenditure allocated to the Electricity industry and an increase of 4.68% in budgeted volumes from 235.6 million MWh in 2015/16 to 256.7 million MWh in the 2016/17 budget.

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

The piped-gas levies have decreased by 3.0% from R57.7 million to R55.9 million. This decrease was calculated after taking into account an increase of 4.53% in budgeted volumes from 176.3 million GJ in 2015/16 to 184.3 million GJ in the 2016/17 budget, refunds amounting to R10.3 million in respect of surpluses from the previous financial years and a decrease of R1.6 million in expenditure allocated to the Piped Gas industry

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

The petroleum pipelines levy has decreased by 6.7% from R71.6 million to R66.8 million. This is after taking into account refunds amounting to R1.2 million in respect of surpluses from the previous financial year, an increase of R4 million in expenditure allocated to the Petroleum Pipelines industry and an increase of 2.2% in budgeted volumes from 16.5 million Kilo litres in 2015/16 to 16.9 million Kilo litres in the 2016/17 budget.

### 4. INTEREST RECEIVED

Interest received is budgeted at an average of just over R125 million at 6.0% (based on the actual interest received for 2014/15 at an average of 5.88%) per annum compared to an average of just over R120 million at 5.5% in the 2015/16 budget. Approximately R40 M of the capital expenditure budget of 2015/16 will not be utilised in 2015/16 and thus a decrease in the cash outflow for 2015/16. The additional funds will be invested at the Corporation for Public Deposits.

### OPERATING EXPENDITURE

The total operating expenditure budget for 2016/17 is R286 269 058 which represents an increase of 3.1% compared to the 2015/16 budget.

### 5. ADVERTISING, PROMOTION AND COMMUNICATION

There is an overall decrease of 7% attributable to international initiatives, publications & communications and also Public hearings.

#### 5.1 International Initiatives

This line item is used for International Co-ordination and Partnership activities which include International Relations and Protocol Training, Protocol Related Activities for AFUR and RERA and the hosting of the South African Economic Regulators Conference (SAERC).

The 76% decline budget on budget is as a result of SAERC not being hosted in 2016/17 but hosted in 2015/16 as it is hosted every two years. The 2016/17 budget R 0.3 million is provided for the preparation of the 2017/18 SAERC and this includes the call for papers which tends to be a lengthy process.

#### 5.2 Publications, Communications and Corporate Communications

*This line items is mainly for adverts and corporate communications. On average one advert per newspapers is estimated at R 35 000. Some notices require adverts in more than two newspapers. The 4.8% budget on budget increase is attributable to the following:*

##### a) Electricity

R 1.1 million is budgeted for 21 notices to be placed in more than one publication nationally and locally based on the affected areas in respect of license applications, invitation for comments, public hearings and other notices. The electricity industry has a 41% decline budget on budget due to less usage of radio advertisements .According to the Electricity Division the radio advertisements done in 2014/15 were a once off event and not expected to be done in 2016/17.

##### b) Piped-Gas

R 1.9 million is budgeted for 26 notices to be placed in more than one publication nationally and locally based on the affected areas in respect of license applications, invitation for comments, public hearings and other notices. The piped gas industry has a 46% increase budget on budget due to an increase in the number of expected notices and/or advertisements.

##### c) Petroleum Pipelines

R 2.7 million is budgeted for 42 advertisements to be placed in more than one publication nationally and locally based on the affected areas for license applications, invitation for comments, public hearings and other notices. The petroleum pipelines industry has a 33% increase budget on budget due to an increase in the number of notices or advertisements. The actual expenditure for 2014/15 was higher than the budget for 2015/16 and this trend on applications is expected to continue into 2016/17.

#### d) Support Services

R 4.2 million is budgeted for corporate stationery, design and printing of annual report and strategic plans, quarterly newsletters, customer educational material and sponsorships. Included in the R4.2 million is R 1 million budgeted for tender advertisements and other notices. Support services has a 9% decline budget on budget due to a reduction in the budget for corporate stationery and printing. This reduction is attributable to management decision to cut down on the number of copies printed for publications such as the annual report, strategic plans, etc. in order to reduce costs. A reduction in the number of corporate gifts is also anticipated to reduce as part of the implementation of cost containment measures.

#### 5.3 Tribunals, Hearing and Inquiries

This line item is for costs related to public hearings not hosted internally at Kulawula House. The cost includes venue hires, sound and audio systems and in some instances language interpreters.

Each regulatory division has planned for two public hearings to be hosted externally. The total budget is allocated equally amongst regulatory divisions. The balance of the budget relates to other departments that engage in customer education workshops.

### 6. EMPLOYMENTS COST

There is an overall 8.1% increase in employment cost which is mainly attributable to gross salaries for staff, leave pay provision, performance bonuses and salaries for temporary employees.

#### 6.1 Employment Cost Staff

*Employment cost for staff is 8.6% higher budget on budget mainly due to:*

- An increase in the approved staff complement from 177 to 183 as there are six new approved positions in the Human Resources department.
- National Treasury provides for CPI plus 1% cost of living adjustment which adds up to 7.2%. The increase in employment costs has been partly off-set by the 5% vacancy rate that was taken into account for the budget.

#### 6.2 Internship and Learnership Allowance

- Internship – 12 graduates at a remuneration of R 6 500 per month
- Learnership – 12 learners at a remuneration of R 5 500 per month

In the 2015/16 budget, Interns and Learners were both incorrectly budgeted for at R 6112 per month. This has been corrected in the 2016/17 budget resulting in 10.2% reduction for learners. The 6.2% increase for Interns is linked to inflation adjustment.

#### 6.3 Leave Pay Staff

The budget for leave pay is based on 8% salary increase, a 7% increase due to new appointments and a 5% decrease due to resignations. It is assumed that the average number of days per person will remain the same at 9 days per employee.

#### 6.4 Leave Pay Regulator Members

The budget for leave pay is based on the renewal or new appointments of two Full Time Regulator members (FTRM) whose terms expire at the end of March 2016 and the appointment of the Chief Executive Officer (CEO). It is assumed that all FTRM will have an average of 15 leave days (which is based on the balances as at 31 March 2015) at the end of March 2017 with 0% in salary increases.

#### 6.5 Performance Bonus Staff

The provision for performance bonus staff is budgeted for at 17% of employment costs for permanent staff.

The 8.6% budget on budget increase is due to changes in employment cost permanent staff.

#### 6.6 Performance Bonus Regulator Members

In the 2015/16 the performance bonus for Full Time Regulator Members was incorrectly budgeted for at 17%. For 2016/17 this has been revised to 14% as provided in the Public Service Act.

#### 6.7 Remuneration Regulator Members

The decrease of 6.4% year in year budget is attributable to the ER decision not to increase salaries of FTRM in 2016/17 as well as the non-implementation of the 7% salary increase for 2015/16 which was originally budgeted for.

## APPENDIX G NOTES TO THE NERSA BUDGET

### 6.8 Salary Temporary Staff

The budget has increased by 17.4% due to the number of existing and planned temporary positions, pending the completion of the organisational review, as indicated in the table below:

COST CENTRE	TEMPORARY POSITIONS	BUDGET
EIP	1 x Project Administrator	R 253 522
ELC	4 x Compliance Monitoring Officers 7 x Dispute Resolution (Six new positions)	R 4 975 626
EPT	<b>4 x Validation Analysts</b>	R 1 811 194
TOTAL ELECTRICITY		R 7 040 342
GLC	1 x Licensing Administrator	R 235 029
GPT	1 x Analysts	R 286 222
TOTAL PIPED GAS		R 521 251
PLC	6 x Licensing Administrator (two new positions)	R 1 699 788
PPT	1 x Tariff Administrator 1 x Tariff Specialist	R 1 000 000
TOTAL PETROLEUM PIPELINES		R 2 699 788



COST CENTRE	TEMPORARY POSITIONS	BUDGET
IRM	1 x ICT Governance Manager in the IRM department 8 x Field Workers in the IRM department 3 x Data Capturers in the IRM department 1 x Video Audio Specialist in the IRM department	R 7 370 181
FAD	1 x Financial Manager 1 x Accountant: AM & Governance 1 x Senior SCM Officer 1 x Asset Management Practitioner 1 x SCM Officer 1 x Payroll Officer (New Position)	R 3 938 940
RAR	1 x Assistant Researcher 1 x Financial Specialist	R 2 059 719
IAU	1 x Administrator	R 236 589
COO	1 x Officer Administrator	R 217 393
TOTAL SUPPORT SERVICE		R10 830 879
TOTAL NERSA (49)		R 21 092 260

## 7. FACILITIES MAINTENANCE

There is an overall 22.1% increase in facilities management costs which is mainly attributable to vehicle maintenance, repairs and maintenance, water and electricity, rates and taxes and other operational costs.

### 7.1 Motor Vehicle Maintenance Cost

This line items is used for the fuel consumption and adhoc repairs and maintenance of motor vehicles. The budget is based on the 2015/16 budget plus an inflation adjustment.

### 7.2 Other Operating Costs

This line item is mainly for leasing of parking bays outside the building for employees and visitors. The 6.8% increase budget on budget is in line with the inflation.

### 7.3 Rates and Taxes

This line item is for property rates and taxes and water usage paid to City of Tshwane. NERSA also pays additional rates to The Arcadia District Improvements. The reduction in the budget was based on the lower than budget actual cost for 2014/15 that was a result of lower water consumption.

### 7.4 Facilities Management

NERSA has appointed a service provide for the provision of facilities management services. The budget is based on the annual cost of this contract at R 6 million per annum. The contract expires at the end of July 2018. The following are examples of some of the services that will be rendered by the Integrated Facilities Management Service Provider:

- Heating and Ventilation
- Cleaning Services

## APPENDIX G NOTES TO THE NERSA BUDGET

- Security Services
- General Building Repairs and Maintenance
- Catering and Canteen Management

### 7.5 Electricity

NERSA is using a prepaid electricity meter and spending an average of R200 000 a month. The budget is based on the current spending pattern plus provision for a tariff increase in 2016.

### 8. OFFICE ADMINISTRATION

There is an overall 10.8% decrease in office administration costs which is mainly attributable to a decrease in operational lease cost, printing costs and software licenses.

#### 8.1 Insurance

NERSA has entered into a five year agreement with the Insurance service provider for fixed assets and Directors and Officers Liability effective 1 April 2015. The budget is based on the annual charge in terms of this contract.

#### 8.2 Office Operational Cost: Leases

This line item is for lease payments for printing and photocopy machines. The current lease agreement is coming to an end in September 2015. The reduction in the budget for 2016/17 is based on the lease payment proposed by the preferred bidder.

#### 8.3 Office Operational Cost: Printing And Stationery

This line item is for printing costs per page in terms of the operating lease agreement for printers and copiers and stationery consumables which includes printing paper.

The 11.4% decrease budget on budget is as a result of the expected decline in printing costs per page due to reduced rates and the expected reduction in the number of copies to be made with the introduction of electronic meeting packs.

#### 8.4 Postage And Delivery Costs

This line item is for postage and courier services. The 11.0% decrease budget on budget is due to lower costs in 2014/15.

#### 8.5 Software Licenses

This line item caters for the right to use computer software. The budget is based on the list of software licenses that is maintained

by IT. The 1.5% reduction in the budget is due to the cancellation of certain licenses such as SAP and Cibecs. The reduction was however offset by the addition of new software such as Boardpad.

#### 8.6 Subscriptions

Subscriptions are in respect of membership to professional bodies by employees and NERSA membership to bodies such as AFUR and RERA.

The 12.7% increase in the budget is mainly due to an increase in the membership fees to AFUR and RERA. The amendment is due to appointment of managers.

### 9. PROFESSIONAL FEES

There is an overall 9.5% increase in professional fees attributable to consulting fees, co-sourced internal audit, external audit fees, Legal fees and Recruitment costs.

#### 9.1 Consulting Fees

The budget for Consulting Fees is based on the number of planned projects as indicated in the table below:

COST CENTRE	NAME OF PROJECT	COST CENTRE TOTAL	AMOUNT PER PROJECT
EIP	IDM (EEDSM) AUDIT	R 1 000 000	R 1 000 000
EPT	MYPD Investigation	R 2 000 000	R 2 000 000
TOTAL ELECTRICITY			R 3 000 000

COST CENTRE	NAME OF PROJECT	COST CENTRE TOTAL	AMOUNT PER PROJECT
GLC	Industry Network code	R 700 000	R 700 000
GPT	Review of Tariff Guidelines	R1 000 000	R1 000 000
TOTAL PIPED GAS			R 1 700 000
PPT	New Multi-product pipeline	R 600 000	R 600 000
PLC	Decommissioning of the DJP	R 600 000	R 300 000
	Methodology to determine uncommitted capacity		R 300 000
TOTAL PETROLEUM PIPELINES			R 1 200 000
IRM	Sharepoint Support	R 4 470 000	R 500 000
	Customer Management System		R 350 000
	Website Management		R 250 000
	Geographical Information System		R 250 000
	IT Disaster Recovery Maintenance		R 870 000
	IT Licensee Management Systems		R 500 000
	Server Room Maintenance		R 250 000
	IT Outsource		R 1 500 000

## APPENDIX G NOTES TO THE NERSA BUDGET

COST CENTRE	NAME OF PROJECT	COST CENTRE TOTAL	AMOUNT PER PROJECT
CSM	Media Monitoring	R 810 000	R 480 000
	Exhibition Stands designs		R 330 000
FAD	Accpac Support	R 2 400 000	R 800 000
	SCM Strategy		R 500 000
	Accpac System Review		R 500 000
	Policy Review		R 600 000
IAU	Fraud Hotline	R 60 000	R 60 000
RAR	Review of RRM Templates	R 2 700 000	R 200 000
	Energy Journal		R 500 000
	Benchmarking of the Energy Regulator		R 2 000 000
RSU	Board Assessment	R 600 000	R 600 000
SPM	Business Continuity Plan	R 1 263 000	R 250 000
	Facilitation of the Strategic Planning Sessions		R 513 000
	Risk Assessment		R 500 000

COST CENTRE	NAME OF PROJECT	COST CENTRE TOTAL	AMOUNT PER PROJECT
HRD	Job evaluations, VIP, Remuneration Surveys and Industrial Relation	R 1 521 128	R 1 521 128
TOTAL SUPPORT SERVICES			R 13 824 128
TOTAL		R19 724 128	R 19 724 128

TABLE 2: CONTINGENCY CONSULTING FEES (2016/2017)

COST CENTRE	BUDGETED AMOUNT	CONTINGENCY	AMOUNT PER PROJECT
CFO	R 400 000	Contingency	R 400 000
RSU	R 200 000	Contingency	R 200 000
GAR	R 400 000	Contingency	R 400 000
CHO	R 500 000	Contingency	R 500 000
COO	R 250 000	Contingency	R 250 000
COS	R 70 000	Contingency	R 70 000
TOTAL	R 1 820 000		R 1 820 000

TOTAL CONSULTANTS BUDGET (TABLE 1 + TABLE 2)

R 21 544 128

## APPENDIX G NOTES TO THE NERSA BUDGET

### 9.2 Co-Source Internal Audit Function

Internal Audit Unit uses a combination of projects completed by own internal resources and those allocated to audit firms where NERSA does not have the capacity to execute the project.

The 25% increase on the budget is due to NERSA entering into a new 3 year contract at the beginning of 2016/17 and the hourly rates are expected to increase.

### 9.3 External Audit Fees

This line item is for audit fees paid to the Auditor General of South Africa.

The 8.2% increase on the budget is based on the historical spending trend by the Auditors and the approval of additional costs granted by the Audit and Risk Committee as well as the expected annual inflation adjustment of the rates by the Auditor General.

### 9.4 Legal Fees

This line item is for potential litigation for and against NERSA, legal opinions, dispute resolutions and other legal matters including Labour related. Based on the expenditure incurred in 2014/15, current litigation matters and the anticipated expenditure for 2015/16, legal fees are on an upward trajectory. While it is not practical to estimate legal fees, LAS has requested a budget on R4.5m for 2016/17 based on the above mentioned factors.

### 9.5 Recruitment Costs

This line item caters for costs related to recruitment of employees such as vetting, response handling and advertisements.

*The reduction in the 2016/17 budget is due to the following reasons:*

- The 2014/15 expenditure was significantly below the budget

- The above point is however partially offset by the fact that advertising costs for vacancies which were previously paid for under Publications and Communications will now be budgeted for under this item.

### 10. TRAVEL, ACCOMMODATION AND TRAINING

There is an overall 18.2% reduction in Travel, Accommodation and Training due to less planned trips and travelling costs.

#### 10.1 Learnership Programme

This line item is for the service provider for the provision of tutorials for National Certificate: Energy Regulation for 12 learners. The lower than budget actual for 2014/15 was due to the late appointment of the service provider for the Learnership Programme.

#### 10.2 Study Fees

This line item is for bursary to employees who are studying for formal qualifications with institutions of higher learning.

The 19.6% budget on budget decrease is due to a consistent underspending of this budget due to fewer employees studying for formal qualifications.

#### 10.3 Training and Development (Regulator Members and Staff)

This line items are for the local and international courses which are required for personal development and continued professional development by Staff and Regulator Members. The budget is based on 4.5% of employment costs for both Staff and Regulator Members.

#### 10.4 Travel and Accommodation

The budget for Travel and Accommodation has been decreased to bring it in line with the actual spending for 2014/15 and the anticipated reduction in spending due to the implementation of the cost-containment measures.

The revision of the Training and Development policy is also expected to have an impact on the Travel and Accommodation for Training Purposes.

### 11. OTHER EXPENSES

There is an overall decrease of 29.4% budget on budget for other expenses due to a movement of funds from Employee Wellness to IFMS and a reduction in the Knowledge Centre Budget.

#### 11.1 Bank Charges

Included in bank charges is the cost to order foreign currency from the bank for international travel and subsistence.

The 30.4% increase budget on budget is in line with the actual costs for 2014/15.

#### 11.2 Catering

In terms of the National Treasury Instruction on cost containment measures, no catering is allowed for internal meetings unless there are external stakeholder/invitees attending the meeting or deviations for catering internal meetings are approved per the delegation matrix.

The 1.5% increase on the budget is due to the expected increase in the number of public hearings and stakeholder engagement and training in 2016/17.

#### 11.3 Employee Wellness and Health and Safety

NERSA provides a comprehensive, integrated, employee wellness programme through a service provider.

The 52.9% decrease budget on budget is due to the management of the canteen which was previously included in this line item. The management of the canteen is now included with Integrated Facilities Management System contract under Facilities Management.

#### 11.4 Knowledge Centre

NERSA is a knowledge driven organization and provides for knowledge management system comprising electronic subscriptions, books, newspapers and journals.

The 38.4% decrease budget on budget is due to a reduction in the number of subscriptions and a reduction in prices for electronic subscriptions. The two subscriptions include Plats for Gas and Lex Info for Legal.

#### 11.5 Telephone and Fax

This line item is landline costs and internet costs

The 16.2% decrease budget on budget is due to general reduction in prices for data lines and call charges as well as a reduction in telephone usage for business purposes.

### 12. CAPITAL EXPENDITURE

The total capital expenditure budget for 2016/17 is R32 million. There was a reduction of R22 million which represents a decrease of 39.9% compared to the 2015/16 budget.

#### 12.1 Computer Software

The 70% budget on budget decrease in is mainly due to the acquiring of Microsoft Office in 2013/14 for a period of 3 years. The next payment due to Microsoft will be in respect of license renewal in 2017/18.

#### 12.2 Office Furniture

The 49.7% increase budget on budget is mainly due to the planned Refurbishment project which will lead to the replacement of furniture.

#### 12.3 Building Improvements

The 53.7% decrease budget on budget is as a result of the spending for the refurbishment over a three (3) year period.

#### 12.4 Computer Hardware

The 10.0% increase budget on budget is due to the planned replacement of 60 laptops 10 desktop computers two servers and specialised network devices for the server room

## APPENDIX H CONSOLIDATED ELECTRICITY INDUSTRY REGULATION BUDGET

### ELECTRICITY INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019

DESCRIPTION	NOTES	ELECTRICITY BUDGET	ELECTRICITY ACTUAL	% Variance (A /B)	ELECTRICITY BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL FUNDING</b>		<b>175 385 681</b>	<b>157 317 195</b>	<b>(10,3%)</b>	<b>183 579 696</b>	
Levies from Electricity Industry		173 191 622	154 093 445	(11,0%)	179 665 887	
Interest received		2 194 059	3 223 750	46,9%	3 882 148	
Other income		-	266 325	0,0%	31 660	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>55 972 755</b>	<b>53 411 264</b>	<b>(4,6%)</b>	<b>61 286 130</b>	
International initiatives		-	-	0,0%	-	
Publications, communications and corporate communications		2 231 197	1 740 218	(22,0%)	1 983 764	
Tribunals, hearings and inquiries		-	71 262	0,0%	-	
<b>Advertising, Promotion and Communication</b>		<b>2 231 197</b>	<b>1 811 480</b>	<b>(18,8%)</b>	<b>1 983 764</b>	
Employment Costs - Staff		35 545 977	35 443 467	(0,3%)	36 936 140	
Internship Allowance		-	-	0,0%	-	
Learnership Allowance		-	49 500	0,0%	-	
Leave pay		345 558	117 188	(66,1%)	288 304	
Leave pay: Regulator Members		-	-	0,0%	-	
Performance Bonus - Regulator Members		-	-	0,0%	-	
Performance Bonus - Staff		6 042 816	6 176 281	2,2%	6 279 144	
Remuneration - Regulator Members		-	-	0,0%	-	
Salary temporary staff		3 340 832	3 142 035	(6,0%)	3 670 086	
<b>Employment cost</b>		<b>45 275 183</b>	<b>44 928 471</b>	<b>(0,8%)</b>	<b>47 173 674</b>	
Motor vehicle maintenance costs		-	-	0,0%	-	
Other Operational Costs		-	5 200	0,0%	-	
Rates and taxes		-	-	0,0%	-	
Facilities Management		-	-	0,0%	-	
Electricity		-	-	0,0%	-	
<b>Facilities Maintenance</b>		<b>-</b>	<b>5 200</b>	<b>0,0%</b>	<b>-</b>	



	ELECTRICITY FORECAST	% Variance (D /B)	ELECTRICITY BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	181 015 151	15,1%	170 594 737	(7,1%)	(5,8%)	191 714 682	198 779 466
	176 888 036	14,8%	166 210 126	(7,5%)	(6,0%)	187 076 024	193 872 039
	4 096 078	27,1%	4 352 063	12,1%	6,2%	4 604 482	4 871 542
	31 037	(88,3%)	32 548	2,8%	4,9%	34 176	35 885
	59 994 047	12,3%	64 129 155	4,6%	6,9%	69 141 523	73 991 843
	-	0,0%	-	0,0%	0,0%	-	-
	1 376 043	(20,9%)	1 177 642	(40,6%)	(14,4%)	1 245 945	1 318 210
	-	(100,0%)	159 918	0,0%	0,0%	169 194	179 007
	1 376 043	(24,0%)	1 337 560	(32,6%)	(2,8%)	1 415 139	1 497 217
	37 727 881	6,4%	37 885 207	2,6%	0,4%	41 029 680	44 024 846
	-	0,0%	-	0,0%	0,0%	-	-
	99 000	100,0%	-	0,0%	(100,0%)	-	-
	282 538	141,1%	349 068	21,1%	23,5%	378 040	405 637
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	6 279 144	1,7%	6 440 485	2,6%	2,6%	6 975 046	7 484 224
	-	0,0%	-	0,0%	0,0%	-	-
	3 717 202	18,3%	7 040 342	91,8%	89,4%	7 624 690	8 181 293
	48 105 765	7,1%	51 715 102	9,6%	7,5%	56 007 456	60 096 000
	-	0,0%	-	0,0%	0,0%	-	-
	-	(100,0%)	5 832	0,0%	0,0%	6 170	6 528
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	(100,0%)	5 832	0,0%	0,0%	6 170	6 528

## APPENDIX H CONSOLIDATED ELECTRICITY INDUSTRY REGULATION BUDGET

### ELECTRICITY INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	ELECTRICITY BUDGET	ELECTRICITY ACTUAL	% Variance (A /B)	ELECTRICITY BUDGET	
		2014/15	2014/15		2015/16	
Insurance		-	-	0,0%	-	
Office operational costs: Lease of Photocopiers		-	-	0,0%	-	
Office Operational Costs: Printing and stationery		-	43 263	0,0%	480 424	
Postage and delivery costs		2 521	4 908	94,7%	-	
Software licenses		882 000	-	(100,0%)	-	
Subscriptions		45 651	25 506	(44,1%)	44 999	
<b>Office Administration</b>		<b>930 172</b>	<b>73 676</b>	<b>(92,1%)</b>	<b>525 423</b>	
Consultant fees		750 000	637 679	(15,0%)	2 300 000	
Co-sourced internal audit function		-	-	0,0%	-	
External auditors fees		-	-	0,0%	-	
Legal fees		-	-	0,0%	-	
Recruitment costs		-	-	0,0%	-	
<b>Professional fees</b>		<b>750 000</b>	<b>637 679</b>	<b>(15,0%)</b>	<b>2 300 000</b>	
Learnership programme		-	6 853	0,0%	-	
Seminars/conferences/breakaways		367 238	-	(100,0%)	-	
Study fees		281 646	151 453	(46,2%)	550 000	
Training and development - Regulator Members		-	-	0,0%	-	
Training and development - Staff		1 599 570	1 357 546	(15,1%)	1 662 126	
Travel and Accommodation - Regulator Members		-	-	0,0%	-	
Travel and Accommodation - Regulator Members (Training Related)		-	-	0,0%	-	
Travel and Accommodation - Staff		3 451 285	3 150 088	(8,7%)	2 350 758	
Travel and Accommodation - Staff (Training Related)		947 140	1 218 107	28,6%	4 195 386	
<b>Travel, Accommodation and Training</b>		<b>6 646 879</b>	<b>5 884 047</b>	<b>(11,5%)</b>	<b>8 758 270</b>	
<b>Bad debts</b>		<b>-</b>	<b>-</b>	<b>0,0%</b>	<b>-</b>	

	ELECTRICITY FORECAST	% Variance (D /B)	ELECTRICITY BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	45 123	4,3%	48 518	(89,9%)	7,5%	51 332	54 309
	1 710	(65,2%)	5 504	0,0%	221,9%	5 823	6 161
	-	0,0%	1 000 000	0,0%	0,0%	1 058 000	1 119 364
	35 830	40,5%	28 604	(36,4%)	(20,2%)	30 263	32 018
	<b>82 663</b>	<b>12,2%</b>	<b>1 082 625</b>	<b>106,0%</b>	<b>1209,7%</b>	<b>1 145 418</b>	<b>1 211 852</b>
	1 725 000	170,5%	3 000 000	30,4%	73,9%	3 174 000	3 358 092
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	<b>1 725 000</b>	<b>170,5%</b>	<b>3 000 000</b>	<b>30,4%</b>	<b>73,9%</b>	<b>3 174 000</b>	<b>3 358 092</b>
	-	(100,0%)	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	120 000	(20,8%)	267 111	(51,4%)	122,6%	282 603	298 994
	-	0,0%	-	0,0%	0,0%	-	-
	1 525 662	12,4%	1 704 834	2,6%	11,7%	1 803 715	1 908 330
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	1 798 723	(42,9%)	1 965 845	(16,4%)	9,3%	2 079 864	2 200 496
	4 651 760	281,9%	2 636 161	(37,2%)	(43,3%)	2 789 058	2 950 824
	<b>8 096 145</b>	<b>37,6%</b>	<b>6 573 951</b>	<b>(24,9%)</b>	<b>100,3%</b>	<b>6 955 240</b>	<b>7 358 644</b>
	-	<b>0,0%</b>	-	<b>0,0%</b>	<b>0,0%</b>	-	-

## APPENDIX H CONSOLIDATED ELECTRICITY INDUSTRY REGULATION BUDGET

### ELECTRICITY INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	ELECTRICITY BUDGET	ELECTRICITY ACTUAL	% Variance (A /B)	ELECTRICITY BUDGET	
		2014/15	2014/15		2015/16	
Bank charges		-	-	0,0%	-	
Catering		91 987	70 710	(23,1%)	545 000	
Employee wellness		-	-	0,0%	-	
Health & Safety		-	-	0,0%	-	
Loss on sale of fixed assets		-	-	0,0%	-	
Knowledge Center		47 337	-	(100,0%)	-	
Telephone and fax		-	-	0,0%	-	
Other Expenses		139 324	70 710	(49,2%)	545 000	
<b>NET SURPLUS/ (DEFICIT) before Support services</b>		<b>119 412 926</b>	<b>103 905 931</b>	<b>(13,0%)</b>	<b>122 293 565</b>	
Support services		95 152 074	86 054 725	(9,6%)	96 142 567	
Depreciation			4 343 639	0,0%	4 586 415	
<b>NET SURPLUS/ (DEFICIT) for the period</b>		<b>24 260 851</b>	<b>13 507 568</b>	<b>(44,3%)</b>	<b>21 564 583</b>	
<b>CAPITAL EXPENDITURE</b>		<b>29 999 074</b>	<b>2 287 291</b>	<b>(92,4%)</b>	<b>31 682 865</b>	
Motor vehicles		-	-	0,0%	348 000	
Computer software		2 575 200	207 570	(91,9%)	1 160 000	
Office furniture and equipment		712 530	949 494	33,3%	3 681 021	
Building improvements		25 043 844	179 103	(99,3%)	25 043 844	
Computer hardware		1 667 500	951 124	(43,0%)	1 450 000	
<b>Funding Requirement (Opex excl Dep + Capex)</b>		<b>181 123 904</b>	<b>141 753 280</b>	<b>(21,7%)</b>	<b>189 111 563</b>	

	ELECTRICITY FORECAST	% Variance (D /B)	ELECTRICITY BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	-	0,0%	-	0,0%	0,0%	-	-
	608 431	760,5%	414 084	(24,0%)	(31,9%)	438 101	463 511
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	608 431	760,5%	414 084	(24,0%)	(31,9%)	438 101	463 511
	<b>121 021 105</b>	<b>16,5%</b>	<b>106 465 583</b>	<b>(12,9%)</b>	<b>(12,0%)</b>	<b>122 573 159</b>	<b>124 787 623</b>
	89 264 360		98 476 317			106 410 509	112 700 433
	4 586 415		5 322 554			5 624 998	5 951 248
	<b>27 170 329</b>	<b>101,1%</b>	<b>2 666 712</b>	<b>(87,6%)</b>	<b>(90,2%)</b>	<b>10 537 652</b>	<b>6 135 942</b>
	<b>9 193 000</b>	<b>301,9%</b>	<b>19 053 000</b>	<b>(39,9%)</b>	<b>107,3%</b>	<b>21 634 000</b>	<b>15 370 000</b>
	348 000	0,0%	-	(100,0%)	(100,0%)	464 000	-
	435 000	109,6%	348 000	(70,0%)	(20,0%)	870 000	870 000
	1 450 000	52,7%	5 510 000	49,7%	280,0%	2 900 000	2 900 000
	5 800 000	3138,4%	11 600 000	(53,7%)	100,0%	16 240 000	10 440 000
	1 160 000	22,0%	1 595 000	10,0%	37,5%	1 160 000	1 160 000
	<b>158 451 407</b>	<b>(12,5%)</b>	<b>181 658 471</b>	<b>(3,9%)</b>	<b>14,6%</b>	<b>197 186 032</b>	<b>202 062 277</b>

## APPENDIX I CONSOLIDATED PIPED-GAS INDUSTRY REGULATION BUDGET

### PIPED GAS INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019

DESCRIPTION	NOTES	PIPED GAS BUDGET	PIPED GAS ACTUAL	% Variance (A /B)	PIPED GAS BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL FUNDING</b>		<b>65 151 370</b>	<b>68 155 287</b>	<b>4,6%</b>	<b>59 118 854</b>	
Levies from Piped-Gas Industry		64 356 969	66 988 067	4,1%	57 701 785	
Interest received		794 401	1 167 220	46,9%	1 405 605	
Other income			96 428	0,0%	11 463	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>27 745 878</b>	<b>22 165 530</b>	<b>(20,1%)</b>	<b>23 171 933</b>	
International initiatives		-	-	0,0%	-	
Publications, communications and corporate communications		2 043 054	1 698 049	(16,9%)	1 301 667	
Tribunals, hearings and inquiries		-	-	0,0%	-	
<b>Advertising, Promotion and Communication</b>		<b>2 043 054</b>	<b>1 698 049</b>	<b>(16,9%)</b>	<b>1 301 667</b>	
Employment Costs - Staff		14 543 578	11 796 344	(18,9%)	14 649 712	
Internship Allowance		-	-	0,0%	-	
Learnership Allowance		-	29 700	0,0%	-	
Leave pay		142 648	46 628	(67,3%)	106 893	
Leave pay: Regulator Members		-	-	0,0%	-	
Performance Bonus - Regulator Members		-	-	0,0%	-	
Performance Bonus - Staff		2 472 409	1 923 178	(22,2%)	2 490 451	
Remuneration - Regulator Members		-	-	0,0%	-	
Salary temporary staff		370 000	358 876	(3,0%)	405 616	
<b>Employment cost</b>		<b>17 528 635</b>	<b>14 154 726</b>	<b>(19,2%)</b>	<b>17 652 671</b>	
Motor vehicle maintenance costs		-	-	0,0%	-	
Other Operational Costs		-	242	0,0%	-	
Rates and taxes		-	-	0,0%	-	
Facilities Management		-	-	0,0%	-	
Electricity		-	-	0,0%	-	

	PIPED GAS FORECAST	% Variance (D / B)	PIPED GAS BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	59 736 640	(12,4%)	57 533 386	(2,7%)	(3,7%)	59 855 495	67 992 294
	58 242 340	(13,1%)	55 945 854	(3,0%)	(3,9%)	58 175 981	66 215 467
	1 483 063	27,1%	1 575 747	12,1%	6,2%	1 667 140	1 763 834
	11 238	(88,3%)	11 785	2,8%	4,9%	12 374	12 993
	22 784 742	2,8%	25 314 368	9,2%	11,1%	27 242 236	29 120 956
	-	0,0%	-	0,0%	0,0%	-	-
	603 516	(64,5%)	1 904 314	46,3%	215,5%	2 014 764	2 131 620
	-	0,0%	80 000	0,0%	0,0%	84 640	89 549
	603 516	(64,5%)	1 984 314	52,4%	228,8%	2 099 404	2 221 169
	15 951 739	35,2%	15 182 525	3,6%	(4,8%)	16 442 674	17 642 990
	-	0,0%	-	0,0%	0,0%	-	-
	44 550	50,0%	-	0,0%	(100,0%)	-	-
	104 755	124,7%	100 569	(5,9%)	(4,0%)	108 917	116 868
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	2 490 451	29,5%	2 581 029	3,6%	3,6%	2 795 255	2 999 308
	-	0,0%	-	0,0%	0,0%	-	-
	370 866	3,3%	521 251	28,5%	40,5%	564 515	605 725
	18 962 361	34,0%	18 385 375	4,2%	(3,0%)	19 911 361	21 364 890
	-	0,0%	-	0,0%	0,0%	-	-
	-	(100,0%)	272	0,0%	0,0%	288	304
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-

## APPENDIX I CONSOLIDATED PIPED-GAS INDUSTRY REGULATION BUDGET

### PIPED GAS INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	PIPED GAS BUDGET	PIPED GAS ACTUAL	% Variance (A /B)	PIPED GAS BUDGET	
		2014/15	2014/15		2015/16	
<b>Facilities Maintenance</b>		-	242	0,0%	-	
Insurance		-	-	0,0%	-	
Office operational costs: Lease of Photocopiers		-	-	0,0%	-	
Office Operational Costs: Printing and stationery		3 500	17 203	391,5%	186 832	
Postage and delivery costs		5 050	1 636	(67,6%)	-	
Software licenses		-	-	0,0%	-	
Subscriptions		22 500	994	(95,6%)	3 000	
<b>Office Administration</b>		<b>31 050</b>	<b>19 833</b>	<b>(36,1%)</b>	<b>189 832</b>	
Consultant fees		4 000 000	3 420 894	(14,5%)	1 100 000	
Co-sourced internal audit function		-	-	0,0%	-	
External auditors fees		-	-	0,0%	-	
Legal fees		-	-	0,0%	-	
Recruitment costs		-	-	0,0%	-	
<b>Professional fees</b>		<b>4 000 000</b>	<b>3 420 894</b>	<b>(14,5%)</b>	<b>1 100 000</b>	
Learnership programme		-	4 112	0,0%	-	
Seminars/conferences/breakaways		232 000	81 764	(64,8%)	-	
Study fees		375 000	-29 525	(107,9%)	200 000	
Training and development - Regulator Members		-	-	0,0%	-	
Training and development - Staff		654 461	800 420	22,3%	659 237	
Travel and Accommodation - Regulator Members		-	-	0,0%	-	
Travel and Accommodation - Regulator Members (Training Related)		-	-	0,0%	-	
Travel and Accommodation - Staff		2 347 171	1 130 261	(51,8%)	407 696	
Travel and Accommodation - Staff (Training Related)		503 445	851 210	69,1%	1 630 830	



	PIPED GAS FORECAST	% Variance (D /B)	PIPED GAS BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	-	(100,0%)	272	0,0%	0,0%	288	304
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	45 123	162,3%	19 292	(89,7%)	(57,2%)	20 411	21 595
	1 072	(34,5%)	1 835	0,0%	71,2%	1 941	2 054
	-	0,0%	-	0,0%	0,0%	-	-
	4 000	302,4%	1 115	(62,8%)	(72,1%)	1 179	1 248
	<b>50 195</b>	<b>153,1%</b>	<b>22 242</b>	<b>(88,3%)</b>	<b>(55,7%)</b>	<b>23 532</b>	<b>24 896</b>
	368 668	(89,2%)	2 100 000	90,9%	469,6%	2 221 800	2 350 664
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	<b>368 668</b>	<b>(89,2%)</b>	<b>2 100 000</b>	<b>90,9%</b>	<b>469,6%</b>	<b>2 221 800</b>	<b>2 350 664</b>
	-	(100,0%)	-	0,0%	0,0%	-	-
	-	(100,0%)	-	0,0%	0,0%	-	-
	120 000	0,0%	250 000	25,0%	108,3%	264 500	279 841
	-	0,0%	-	0,0%	0,0%	-	-
	622 998	(22,2%)	683 214	3,6%	9,7%	722 840	764 765
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	489 940	(56,7%)	379 434	(6,9%)	(22,6%)	401 441	424 725
	1 530 095	79,8%	1 471 899	(9,7%)	(3,8%)	1 557 270	1 647 591

## APPENDIX I CONSOLIDATED PIPED-GAS INDUSTRY REGULATION BUDGET

### PIPED GAS INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	PIPED GAS BUDGET	PIPED GAS ACTUAL	% Variance (A /B)	PIPED GAS BUDGET	
		2014/15	2014/15		2015/16	
<b>Travel, Accommodation and Training</b>		<b>4 112 077</b>	<b>2 838 241</b>	<b>(31,0%)</b>	<b>2 897 762</b>	
Bad Debts		-	-	0,0%	-	
Bank charges		-	-	0,0%	-	
Catering		31 062	33 545	8,0%	30 000	
Employee wellness		-	-	0,0%	-	
Health & Safety		-	-	0,0%	-	
Interest Paid		-	-	0,0%	-	
Knowledge Center		-	-	0,0%	-	
Telephone and fax		-	-	0,0%	-	
<b>Other Expenses</b>		<b>31 062</b>	<b>33 545</b>	<b>8,0%</b>	<b>30 000</b>	
<b>NET SURPLUS/ (DEFICIT) before Support services</b>		<b>37 405 492</b>	<b>45 989 757</b>	<b>22,9%</b>	<b>35 946 921</b>	
Support services		34 451 613	31 267 323	(9,2%)	34 810 240	
Depreciation			1 572 697	0,0%	1 660 599	
<b>NET SURPLUS/ (DEFICIT) for the period</b>		<b>2 953 878</b>	<b>13 149 737</b>	<b>345,2%</b>	<b>(523 917)</b>	
<b>CAPITAL EXPENDITURE</b>		<b>10 861 734</b>	<b>828 157</b>	<b>(92,4%)</b>	<b>11 471 382</b>	
Motor vehicles		-	-	0,0%	126 000	
Computer software		932 400	75 155	(91,9%)	420 000	
Office furniture and equipment		257 985	343 782	33,3%	1 332 783	
Building improvements		9 067 599	64 848	(99,3%)	9 067 599	
Computer hardware		603 750	344 372	(43,0%)	525 000	
<b>Funding Requirement (Opex excl Dep + Capex)</b>		<b>73 059 225</b>	<b>54 261 010</b>	<b>(25,7%)</b>	<b>69 453 555</b>	

	PIPED GAS FORECAST	% Variance (D /B)	PIPED GAS BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	2 763 033	(2,6%)	2 784 547	(3,9%)	91,6%	2 946 051	3 116 922
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	36 969	10,2%	37 620	25,4%	1,8%	39 802	42 110
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	36 969	10,2%	37 620	25,4%	1,8%	39 802	42 110
	36 951 898	(19,7%)	32 219 017	(10,4%)	(12,8%)	32 613 259	38 871 338
	32 319 855		35 655 218			38 527 943	40 805 329
	1 660 599		1 927 131			2 036 637	2 154 762
	2 971 445	(77,4%)	(5 363 332)	0,0%	(280,5%)	(7 951 321)	(4 088 754)
	11 471 382	1285,2%	6 898 500	(39,9%)	(39,9%)	7 833 000	5 565 000
	126 000	0,0%	-	(100,0%)	(100,0%)	168 000	-
	157 500	109,6%	126 000	(70,0%)	(20,0%)	315 000	315 000
	525 000	52,7%	1 995 000	49,7%	280,0%	1 050 000	1 050 000
	2 100 000	3138,4%	4 200 000	(53,7%)	100,0%	5 880 000	3 780 000
	420 000	22,0%	577 500	10,0%	37,5%	420 000	420 000
	66 575 979	(8,9%)	67 868 087	(2,3%)	1,9%	73 603 179	75 491 286

## APPENDIX J CONSOLIDATED PETROLEUM PIPELINES INDUSTRY REGULATION BUDGET

### PETROLEUM PIPELINES INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019

DESCRIPTION	NOTES	PETROLEUM BUDGET	PETROLEUM ACTUAL	% Variance (A /B)	PETROLEUM BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL FUNDING</b>		<b>66 924 387</b>	<b>70 348 688</b>	<b>5,1%</b>	<b>72 994 172</b>	
Levies from Petroleum Pipeline Industry		66 129 986	69 181 468	4,6%	71 577 104	
Interest received		794 401	1 167 220	46,9%	1 405 605	
Other income			96 428	0,0%	11 463	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>23 026 980</b>	<b>21 029 620</b>	<b>(8,7%)</b>	<b>27 324 302</b>	
International initiatives		-	-	0,0%	-	
Publications, communications and corporate communications		990 000	2 515 828	154,1%	1 993 297	
Tribunals, hearings and inquiries		-	-	0,0%	-	
<b>Advertising, Promotion and Communication</b>		<b>990 000</b>	<b>2 515 828</b>	<b>154,1%</b>	<b>1 993 297</b>	
Employment Costs - Staff		13 128 759	11 649 476	(11,3%)	15 324 366	
Internship Allowance		-	-	0,0%	-	
Learnership Allowance		-	9 900	0,0%	-	
Leave pay		39 108	46 695	19,4%	131 164	
Leave pay: Regulator Members		-	-	0,0%	-	
Performance Bonus - Regulator Members		-	-	0,0%	-	
Performance Bonus - Staff		2 231 889	2 008 396	(10,0%)	2 605 142	
Remuneration - Regulator Members		-	-	0,0%	-	
Salary temporary staff		2 996 281	2 039 215	(31,9%)	3 149 493	
<b>Employment cost</b>		<b>18 396 037</b>	<b>15 753 681</b>	<b>(14,4%)</b>	<b>21 210 166</b>	
Motor vehicle maintenance costs		-	-	0,0%	-	
Other Operational Costs		-	-	0,0%	-	
Rates and taxes		-	-	0,0%	-	
Facilities Management		-	-	0,0%	-	
Electricity		-	-	0,0%	-	

	PETROLEUM FORECAST	% Variance (D /B)	PETROLEUM BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	72 958 668	3,7%	68 368 996	(6,3%)	(6,3%)	67 702 770	72 843 401
	71 464 368	3,3%	66 781 465	(6,7%)	(6,6%)	66 023 256	71 066 574
	1 483 063	27,1%	1 575 747	12,1%	6,2%	1 667 140	1 763 834
	11 238	(88,3%)	11 785	2,8%	4,9%	12 374	12 993
	26 646 443	26,7%	27 038 782	(1,0%)	1,5%	29 117 914	31 138 724
	-	0,0%	-	0,0%	0,0%	-	-
	1 193 563	(52,6%)	2 650 358	33,0%	122,1%	2 804 079	2 966 715
	-	0,0%	80 000	0,0%	0,0%	84 640	89 549
	1 193 563	(52,6%)	2 730 358	37,0%	128,8%	2 888 719	3 056 265
	16 001 566	37,4%	15 064 759	(1,7%)	(5,9%)	16 315 134	17 506 139
	-	0,0%	-	0,0%	0,0%	-	-
	34 650	250,0%	-	0,0%	(100,0%)	-	-
	128 541	175,3%	109 736	(16,3%)	(14,6%)	118 844	127 519
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	2 605 142	29,7%	2 561 009	(1,7%)	(1,7%)	2 773 573	2 976 044
	-	0,0%	-	0,0%	0,0%	-	-
	3 479 801	70,6%	2 699 788	(14,3%)	(22,4%)	2 923 870	3 137 313
	22 249 700	41,2%	20 435 292	(3,7%)	(8,2%)	22 131 421	23 747 015
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-

## APPENDIX J CONSOLIDATED PETROLEUM PIPELINES INDUSTRY REGULATION BUDGET

### PETROLEUM PIPELINES INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	PETROLEUM BUDGET	PETROLEUM ACTUAL	% Variance (A /B)	PETROLEUM BUDGET	
		2014/15	2014/15		2015/16	
<b>Facilities Maintenance</b>		-	-	0,0%	-	
Insurance		-	-	0,0%	-	
Office operational costs: Lease of Photocopiers		-	-	0,0%	-	
Office Operational Costs: Printing and stationery		25 000	26 964	7,9%	195 729	
Postage and delivery costs		6 500	8 115	24,8%	-	
Software licenses		-	-	0,0%	-	
Subscriptions		15 500	2 832	(81,7%)	18 074	
<b>Office Administration</b>		<b>47 000</b>	<b>37 912</b>	<b>(19,3%)</b>	<b>213 803</b>	
Consultant fees		1 210 000	375 312	(69,0%)	1 200 000	
Co-sourced internal audit function		-	-	0,0%	-	
External auditors fees		-	-	0,0%	-	
Legal fees		-	-	0,0%	-	
Recruitment costs		-	-	0,0%	-	
<b>Professional fees</b>		<b>1 210 000</b>	<b>375 312</b>	<b>(69,0%)</b>	<b>1 200 000</b>	
Learnership programme		-	1 371	0,0%	-	
Seminars/conferences/breakaways		55 000	-	(100,0%)	-	
Study fees		195 000	69 135	(64,5%)	250 000	
Training and development - Regulator Members		-	-	0,0%	-	
Training and development - Staff		590 794	682 710	15,6%	689 596	
Travel and Accommodation - Regulator Members		-	-	0,0%	-	
Travel and Accommodation - Regulator Members (Training Related)		-	-	0,0%	-	
Travel and Accommodation - Staff		514 303	715 470	39,1%	335 505	
Travel and Accommodation - Staff (Training Related)		1 013 846	853 501	(15,8%)	1 416 934	

	PETROLEUM FORECAST	% Variance (D /B)	PETROLEUM BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	45 123	67,3%	30 240	(84,6%)	(33,0%)	31 994	33 849
	1 049	(87,1%)	8 909	0,0%	749,5%	9 426	9 973
	-	0,0%	-	0,0%	0,0%	-	-
	24 099	750,9%	5 676	(68,6%)	(76,4%)	6 005	6 354
	<b>70 271</b>	<b>85,4%</b>	<b>44 825</b>	<b>(79,0%)</b>	<b>(36,2%)</b>	<b>47 425</b>	<b>50 175</b>
	900 000	139,8%	1 200 000	0,0%	33,3%	1 269 600	1 343 237
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	<b>900 000</b>	<b>139,8%</b>	<b>1 200 000</b>	<b>0,0%</b>	<b>33,3%</b>	<b>1 269 600</b>	<b>1 343 237</b>
	-	(100,0%)	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	120 000	73,6%	190 000	(24,0%)	58,3%	201 020	212 679
	-	0,0%	-	0,0%	0,0%	-	-
	577 567	(15,4%)	677 914	(1,7%)	17,4%	717 233	758 833
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	172 322	(75,9%)	600 321	78,9%	248,4%	635 140	671 978
	1 347 293	57,9%	1 129 646	(20,3%)	(16,2%)	1 195 165	1 264 485

## APPENDIX J CONSOLIDATED PETROLEUM PIPELINES INDUSTRY REGULATION BUDGET

### PETROLEUM PIPELINES INDUSTRY - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	PETROLEUM BUDGET	PETROLEUM ACTUAL	% Variance (A /B)	PETROLEUM BUDGET	
		2014/15	2014/15		2015/16	
<b>Travel, Accommodation and Training</b>		<b>2 368 943</b>	<b>2 322 186</b>	<b>(2,0%)</b>	<b>2 692 036</b>	
Bad Debts		-	-	0,0%	-	
Bank charges		-	-	0,0%	-	
Catering		15 000	24 701	64,7%	15 000	
Employee wellness		-	-	0,0%	-	
Health & Safety		-	-	0,0%	-	
Interest Paid		-	-	0,0%	-	
Knowledge Center		-	-	0,0%	-	
Telephone and fax		-	-	0,0%	-	
<b>Other Expenses</b>		<b>15 000</b>	<b>24 701</b>	<b>64,7%</b>	<b>15 000</b>	
<b>NET SURPLUS/ (DEFICIT) before Support services</b>		<b>43 897 407</b>	<b>49 319 068</b>	<b>12,4%</b>	<b>45 669 870</b>	
Support services		34 451 613	30 895 456	(10,3%)	34 810 240	
Depreciation			1 572 697	0,0%	1 660 599	
<b>NET SURPLUS/ (DEFICIT) for the period</b>		<b>9 445 793</b>	<b>16 850 916</b>	<b>78,4%</b>	<b>9 199 032</b>	
<b>CAPITAL EXPENDITURE</b>		<b>10 861 734</b>	<b>828 157</b>	<b>(92,4%)</b>	<b>11 471 382</b>	
				0,0%		
Motor vehicles		-	-	0,0%	126 000	
Computer software		932 400	75 155	(91,9%)	420 000	
Office furniture and equipment		257 985	343 782	33,3%	1 332 783	
Building improvements		9 067 599	64 848	(99,3%)	9 067 599	
Computer hardware		603 750	344 372	(43,0%)	525 000	
<b>Funding Requirement (Opex excl Dep + Capex)</b>		<b>68 340 327</b>	<b>52 753 233</b>	<b>(22,8%)</b>	<b>73 605 924</b>	



	PETROLEUM FORECAST	% Variance (D / B)	PETROLEUM BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	2 217 182	(4,5%)	2 597 882	(3,5%)	307,9%	2 748 559	2 907 975
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	15 728	(36,3%)	30 426	102,8%	93,4%	32 190	34 057
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	-	0,0%	-	0,0%	0,0%	-	-
	15 728	(36,3%)	30 426	102,8%	93,4%	32 190	34 057
	46 312 225	(6,1%)	41 330 214	(9,5%)	(10,8%)	38 584 856	41 704 677
	32 319 855		35 655 218			38 527 943	40 805 329
	1 660 599		1 927 131			2 036 637	2 154 762
	12 331 772	(26,8%)	3 747 865	(59,3%)	(69,6%)	(1 979 724)	(1 255 414)
	126 000	0,0%	-	(100,0%)	(100,0%)	168 000	-
	157 500	109,6%	126 000	(70,0%)	(20,0%)	315 000	315 000
	525 000	52,7%	1 995 000	49,7%	280,0%	1 050 000	1 050 000
	2 100 000	3138,4%	4 200 000	(53,7%)	100,0%	5 880 000	3 780 000
	420 000	22,0%	577 500	10,0%	37,5%	420 000	420 000
	62 294 798	(8,8%)	69 592 500	(5,5%)	11,7%	75 478 857	77 509 054

## APPENDIX K CONSOLIDATED COMMON COST BUDGET

### SUPPORT SERVICES (COMMON COST) - INCOME AND EXPENDITURE BUDGET AND FORECAST FOR THE PERIOD 2016/2017 TO 2018/2019

DESCRIPTION	NOTES	SUPPORT SERVICES BUDGET	SUPPORT SERVICES ACTUAL	% Variance (A /B)	SUPPORT SERVICES BUDGET	
		2014/15	2014/15		2015/16	
<b>TOTAL OPERATING EXPENDITURE</b>		<b>164 055 300</b>	<b>148 217 504</b>	<b>(9,7%)</b>	<b>165 763 046</b>	
International initiatives		2 314 597	19 837	(99,1%)	1 743 711	
Publications, communications and corporate communications		5 314 393	4 748 138	(10,7%)	4 179 820	
Tribunals, hearings and inquiries		580 000	478 897	(17,4%)	580 000	
<b>Advertising, Promotion and Communication</b>		<b>8 208 990</b>	<b>5 246 873</b>	<b>(36,1%)</b>	<b>6 503 531</b>	
Employment Costs - Staff		53 086 072	52 544 040	(1,0%)	53 424 923	
Internship Allowance		-	35 040	0,0%	881 496	
Learnership Allowance		-	9 900	0,0%	881 496	
Leave pay		578 161	461 128	(20,2%)	455 531	
Leave pay: Regulator Members		45 000	145 909	224,2%	84 479	
Performance Bonus - Regulator Members		1 662 710	1 461 482	(12,1%)	1 623 972	
Performance Bonus - Staff		7 361 922	8 832 738	20,0%	9 082 237	
Remuneration - Regulator Members		11 620 859	10 602 009	(8,8%)	11 898 520	
Salary temporary staff		12 050 237	9 345 587	(22,4%)	10 734 385	
<b>Employment cost</b>		<b>86 404 961</b>	<b>83 437 834</b>	<b>(3,4%)</b>	<b>89 067 040</b>	
Motor vehicle maintenance costs		216 035	267 785	24,0%	252 667	
Other Operational Costs		1 336 116	1 303 955	(2,4%)	1 375 388	
Rates and taxes		936 000	850 799	(9,1%)	992 490	
Facilities Management		3 653 532	2 303 269	(37,0%)	4 112 964	
Electricity		2 520 000	2 502 497	(0,7%)	2 520 000	

	SUPPORT SERVICES FORECAST	% Variance (D /B)	SUPPORT SERVICES BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	153 904 070	3,8%	169 786 753	2,4%	10,3%	183 466 395	194 311 092
	1 743 711	8690,3%	418 400	(76,0%)	(76,0%)	1 800 000	500 000
	6 476 916	36,4%	4 183 226	0,1%	(35,4%)	4 425 853	4 682 552
	965 197	101,5%	300 000	(48,3%)	(68,9%)	317 400	335 809
	<b>9 185 823</b>	<b>75,1%</b>	<b>4 901 626</b>	<b>(24,6%)</b>	<b>(46,6%)</b>	<b>6 543 253</b>	<b>5 518 361</b>
	46 419 988	-11,7%	62 608 478	17,2%	34,9%	67 804 982	72 754 745
	587 664	1577,1%	936 000	6,2%	59,3%	1 013 688	1 087 687
	607 464	6036,0%	792 000	(10,2%)	30,4%	857 736	920 351
	446 420	-3,2%	497 307	9,2%	11,4%	538 583	577 900
	80 256	-45,0%	364 458	331,4%	354,1%	394 708	423 522
	1 623 972	11,1%	1 183 342	(27,1%)	(27,1%)	1 281 560	1 375 114
	9 082 237	2,8%	10 643 441	17,2%	17,2%	11 526 847	12 368 307
	10 619 079	0,2%	11 131 201	(6,4%)	4,8%	12 055 091	12 935 113
	9 779 558	4,6%	10 830 879	0,9%	10,8%	11 729 842	12 586 121
	<b>79 246 639</b>	<b>(5.0%)</b>	<b>98 987 107</b>	<b>11,1%</b>	<b>24,9%</b>	<b>107 203 037</b>	<b>115 028 859</b>
	225 803	-15,7%	268 332	6,2%	18,8%	283 896	300 362
	783 599	-39,9%	1 462 173	6,3%	86,6%	1 546 979	1 636 704
	992 490	16,7%	962 000	(3,1%)	(3,1%)	1 017 796	1 076 828
	3 227 712	40,1%	6 000 000	45,9%	85,9%	6 348 000	6 716 184
	2 545 762	1,7%	2 600 000	3,2%	2,1%	2 750 800	2 910 346

## APPENDIX K CONSOLIDATED COMMON COST BUDGET

### SUPPORT SERVICES (COMMON COST) - INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	SUPPORT SERVICES BUDGET	SUPPORT SERVICES ACTUAL	% Variance (A /B)	SUPPORT SERVICES BUDGET	
		2014/15	2014/15		2015/16	
<b>Facilities Maintenance</b>		<b>8 661 683</b>	<b>7 228 305</b>	<b>(16,5%)</b>	<b>9 253 509</b>	
Insurance		664 730	548 015	(17,6%)	486 099	
Office operational costs: Lease of Photocopiers		2 100 000	2 064 104	(1,7%)	2 283 600	
Office Operational Costs: Printing and stationery		2 400 000	2 275 712	(5,2%)	1 138 783	
Postage and delivery costs		263 702	238 721	(9,5%)	323 005	
Software licenses		4 321 879	3 867 787	(10,5%)	3 259 833	
Subscriptions		1 266 022	1 182 020	(6,6%)	1 179 126	
<b>Office Administration</b>		<b>11 016 333</b>	<b>10 176 358</b>	<b>(7,6%)</b>	<b>8 670 445</b>	
Consultant fees		14 358 098	12 576 309	(12,4%)	15 385 989	
Co-sourced internal audit function		4 266 681	3 608 563	(15,4%)	2 000 000	
External auditors fees		1 740 000	2 387 654	37,2%	2 117 316	
Legal fees		2 512 871	3 739 170	48,8%	3 000 000	
Recruitment costs		1 610 811	407 289	(74,7%)	2 523 333	
<b>Professional fees</b>		<b>24 488 461</b>	<b>22 718 985</b>	<b>(7,2%)</b>	<b>25 026 638</b>	
Learnership programme		1 320 969	539 837	(59,1%)	1 000 000	
Seminars/conferences/breakaways		919 589	110 918	(87,9%)	-	
Study fees		890 968	244 601	(72,5%)	855 531	
Training and development - Regulator Members		522 939	277 034	(47,0%)	535 433	
Training and development - Staff		2 378 872	2 908 801	22,3%	2 404 122	
Travel and Accommodation - Regulator Members		3 811 092	2 613 343	(31,4%)	3 634 310	
Travel and Accommodation - Regulator Members (Training Related)		643 693	84 863	(86,8%)	1 335 866	
Travel and Accommodation - Staff		5 983 602	6 894 473	15,2%	3 958 922	
Travel and Accommodation - Staff (Training Related)		2 267 154	-314 757	(113,9%)	4 946 727	

	SUPPORT SERVICES FORECAST	% Variance (D / B)	SUPPORT SERVICES BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	<b>7 775 367</b>	<b>7,6%</b>	<b>11 292 505</b>	<b>22,0%</b>	<b>45,2%</b>	<b>11 947 470</b>	<b>12 640 424</b>
	911 745	66,4%	537 869	10,7%	(41,0%)	569 065	602 071
	2 283 600	10,6%	1 400 000	(38,7%)	(38,7%)	1 481 200	1 567 110
	1 479 157	-35,0%	1 675 447	47,1%	13,3%	1 772 623	1 875 435
	269 390	12,8%	271 155	(16,1%)	0,7%	286 882	303 521
	2 977 079	-23,0%	2 209 894	(32,2%)	(25,8%)	2 338 068	2 473 676
	1 300 825	10,1%	1 317 056	11,7%	1,2%	1 393 446	1 474 265
	<b>9 221 796</b>	<b>-9,4%</b>	<b>7 411 421</b>	<b>(14,5%)</b>	<b>(19,6%)</b>	<b>7 841 284</b>	<b>8 296 078</b>
	16 115 336	28,1%	15 244 128	(0,9%)	(5,4%)	16 128 287	17 063 728
	1 921 263	-46,8%	2 500 000	25,0%	30,1%	2 645 000	2 798 410
	2 236 513	-6,3%	2 290 936	8,2%	2,4%	2 423 810	2 564 391
	2 732 301	-26,9%	4 500 000	50,0%	64,7%	4 761 000	5 037 138
	1 921 736	371,8%	1 610 811	(36,2%)	(16,2%)	1 704 238	1 803 084
	<b>24 927 150</b>	<b>9,7%</b>	<b>26 145 875</b>	<b>4,5%</b>	<b>4,9%</b>	<b>27 662 336</b>	<b>29 266 751</b>
	951 569	76,3%	1 000 000	0,0%	5,1%	1 058 000	1 119 364
	15 795	-85,8%	-	0,0%	(100,0%)	-	-
	916 313	274,6%	784 913	(8,3%)	(14,3%)	830 438	878 603
	569 704	105,6%	500 904	(6,4%)	(12,1%)	529 956	560 694
	2 116 890	-27,2%	2 817 382	17,2%	33,1%	2 980 790	3 153 675
	2 430 315	-7,0%	3 255 489	(10,4%)	34,0%	3 444 307	3 644 077
	1 964 670	2215,1%	754 880	(43,5%)	(61,6%)	798 663	844 985
	5 328 536	-22,7%	2 774 541	(29,9%)	(47,9%)	2 935 464	3 105 721
	2 700 927	0,0%	3 170 413	(35,9%)	17,4%	3 354 297	3 548 846

## APPENDIX K CONSOLIDATED COMMON COST BUDGET

### SUPPORT SERVICES (COMMON COST) - INCOME AND EXPENDITURE BUDGET AND FORECAST THE PERIOD 2016/2017 TO 2018/2019 (CONTINUED)

DESCRIPTION	NOTES	SUPPORT SERVICES BUDGET	SUPPORT SERVICES ACTUAL	% Variance (A /B)	SUPPORT SERVICES BUDGET	
		2014/15	2014/15		2015/16	
<b>Travel, Accommodation and Training</b>		<b>18 738 878</b>	<b>13 359 113</b>	<b>(28,7%)</b>	<b>18 670 912</b>	
Bad Debts		-	249 150	0,0%	-	
Bank charges		116 523	134 940	15,8%	116 046	
Catering		1 407 316	911 379	(35,2%)	968 600	
Employee wellness		704 535	548 316	(22,2%)	1 306 386	
Health & Safety		91 824	33 933	(63,0%)	91 824	
Interest Paid		-	193 988	0,0%	-	
Knowledge Center		2 641 856	2 805 301	6,2%	4 600 037	
Telephone and fax		1 573 940	1 173 028	(25,5%)	1 488 079	
<b>Other Expenses</b>		<b>6 535 994</b>	<b>6 050 036</b>	<b>(7,4%)</b>	<b>8 570 971</b>	
Depreciation Building		-	1 567 897	0,0%	2 391 760	
Depreciation Hardware		-	1 273 304	0,0%	1 722 742	
Depreciation Motor Vehicles		-	423 042	0,0%	448 218	
Depreciation Office Equipment		-	540 105	0,0%	1 122 936	
Depreciation Software		-	3 684 684	0,0%	2 221 957	
<b>Depreciation</b>		<b>-</b>	<b>7 489 032</b>	<b>0,0%</b>	<b>7 907 612</b>	
<b>CAPITAL EXPENDITURE</b>		<b>51 722 542</b>	<b>3 943 605</b>	<b>102,3%</b>	<b>54 625 630</b>	
Motor vehicles		-	-	-100,0%	600 000	
Computer software		4 440 000	357 879	42,0%	2 000 000	
Office furniture and equipment		1 228 500	1 637 059	2227,0%	6 346 588	
Building improvements		43 179 042	308 798	-78,1%	43 179 042	
Computer hardware		2 875 000	1 639 869	1398,8%	2 500 000	

	SUPPORT SERVICES FORECAST	% Variance (D /B)	SUPPORT SERVICES BUDGET	% Variance (E / C)	% Variance (E / D)	FORECAST	FORECAST
	2015/16		2016/17			2017/18	2018/19
	16 994 718	27,2%	15 058 521	(19,3%)	(146,4%)	15 931 915	16 855 966
	-	-100,0%	-	0,0%	0,0%	-	-
	123 228	-8,7%	151 332	30,4%	22,8%	160 109	169 395
	891 830	-2,1%	1 054 562	8,9%	18,2%	1 115 727	1 180 439
	1 738 980	217,1%	614 922	(52,9%)	(64,6%)	650 587	688 321
	91 824	170,6%	90 000	(2,0%)	(2,0%)	95 220	100 743
	-	-100,0%	-	0,0%	0,0%	-	-
	2 706 145	-3,5%	2 832 533	(38,4%)	4,7%	2 996 820	3 170 635
	1 000 569	-14,7%	1 246 350	(16,2%)	24,6%	1 318 638	1 395 119
	<b>6 552 576</b>	<b>8,3%</b>	<b>5 989 698</b>	<b>(30,1%)</b>	<b>(8,6%)</b>	<b>6 337 100</b>	<b>6 704 652</b>
	2 391 760	52,5%	2 424 872	1,4%	1,4%	2 565 514	2 714 314
	1 722 742	35,3%	2 151 983	24,9%	24,9%	2 276 798	2 408 852
	448 218	6,0%	444 181	(0,9%)	(0,9%)	469 943	497 200
	1 122 936	107,9%	1 455 771	29,6%	29,6%	1 540 205	1 629 537
	2 221 957	-39,7%	2 700 010	21,5%	21,5%	2 845 810	3 010 867
	<b>7 907 612</b>	<b>5,6%</b>	<b>9 176 816</b>	<b>16,1%</b>	<b>16,1%</b>	<b>9 698 272</b>	<b>10 260 772</b>
	<b>15 850 000</b>	<b>301,9%</b>	<b>32 850 000</b>	<b>(39,9%)</b>	<b>107,3%</b>	<b>37 300 000</b>	<b>26 500 000</b>
	600 000	0,0%	-	(100,0%)	(100,0%)	800 000	-
	750 000	109,6%	600 000	(70,0%)	(20,0%)	1 500 000	1 500 000
	2 500 000	52,7%	9 500 000	49,7%	280,0%	5 000 000	5 000 000
	10 000 000	3138,4%	20 000 000	(53,7%)	100,0%	28 000 000	18 000 000
	2 000 000	22,0%	2 750 000	10,0%	37,5%	2 000 000	2 000 000

## APPENDIX L LEVIES CALCULATION

### 2016/17 - LEVY RATE CALCULATION

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES	TOTAL
Operating Expenditure - Regulated Industries	64 129 155	25 314 368	27 038 782	116 482 305
Expenditure - Support services allocated	98 476 317	35 655 218	35 655 218	169 786 753
<b>Operating Expenditure</b>	<b>162 605 471</b>	<b>60 969 587</b>	<b>62 694 000</b>	<b>286 269 058</b>
Add: Capital Expenditure	19 053 000	6 898 500	6 898 500	32 850 000
<b>Total Expenditure</b>	<b>181 658 471</b>	<b>67 868 087</b>	<b>69 592 500</b>	<b>319 119 058</b>
Less: Interest Received	(4 352 063)	(1 575 747)	(1 575 747)	(7 503 557)
Less: Other Income	(32 548)	(11 785)	(11 785)	(56 118)
Less: Refund of prior year surplus funds	(11 063 734)	(10 334 701)	(1 223 504)	(22 621 939)
<b>Leviable amount</b>	<b>166 210 126</b>	<b>55 945 854</b>	<b>66 781 465</b>	<b>288 937 445</b>
<b>Projected Volumes (from Industry)</b>	<b>246 676 279</b>	<b>184 279 820</b>	<b>16 866 000</b>	
	MWh	Gj	Kl	
Electricity levy rate (c/kWh)	<b>0,06738</b>			
Piped-Gas levy rate (c/Gj)		<b>30,359</b>		
Petroleum Pipeline levy rate (c/litre)			<b>0,39595</b>	
<b>Levy Rate Increase / (Decrease)</b>	<b>(11,63%)</b>	<b>(7,24%)</b>	<b>(8,72%)</b>	



## 2016/17 - LEVY INCREASE / (DECREASE) DUE TO CHANGE IN:

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES
Volumes	(4,14%)	(4,20%)	(2,02%)
Operating Expenditure	2,88%	5,18%	0,78%
Capital Expenditure	(7,03%)	(7,93%)	(6,39%)
Interest received and Other Income	(0,26%)	(0,30%)	(0,24%)
Refund of surplus funds	(3,08%)	0,00%	(0,85%)
<b>Total change</b>	<b>-11,63%</b>	<b>-7,24%</b>	<b>-8,72%</b>

## APPENDIX L LEVIES CALCULATION

### 2017/18 - LEVY RATE CALCULATION

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES	TOTAL
Expenditure	69 141 523	27 242 236	29 117 914	125 501 673
Expenditure - Support services	106 410 509	38 527 943	38 527 943	183 466 395
<b>Total Operating Expenditure</b>	<b>175 552 032</b>	<b>65 770 179</b>	<b>67 645 857</b>	<b>308 968 069</b>
Capital Expenditure	21 634 000	7 833 000	7 833 000	37 300 000
<b>Expenditure before Interest and surplus funding</b>	<b>197 186 032</b>	<b>73 603 179</b>	<b>75 478 857</b>	<b>346 268 069</b>
Less: Interest Received	(4 604 482)	(1 667 140)	(1 667 140)	(7 938 763)
Less: Other Income	(34 176)	(12 374)	(12 374)	(58 924)
Less: Refund of Surplus Funds	(5 471 350)	(13 747 684)	(7 776 087)	(311 275 261)
<b>Leviable amount</b>	<b>187 076 024</b>	<b>58 175 981</b>	<b>66 023 256</b>	<b>311 275 261</b>
<b>Projected Volumes</b>	<b>252 870 250</b>	<b>187 246 725</b>	<b>17 593 000</b>	
	MWh	Gj	Kl	
Electricity Levy (c/kWh)	<b>0,07398</b>			
Piped-Gas levy (c/Gj)		<b>31,069</b>		
Petroleum Pipeline levy (c/litre)			<b>0,37528</b>	
<b>Levy Increase / (Decrease)</b>	<b>9,80%</b>	<b>2,34%</b>	<b>(5,22%)</b>	

## 2018/19 - LEVY RATE CALCULATION

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES	TOTAL
Expenditure	73 991 843	29 120 956	31 138 724	134 251 524
Expenditure - Support services	112 700 433	40 805 329	40 805 329	194 311 092
<b>Operating Expenditure</b>	<b>186 692 277</b>	<b>69 926 286</b>	<b>71 944 054</b>	<b>328 562 616</b>
Capital Expenditure	15 370 000	5 565 000	5 565 000	26 500 000
<b>Total Expenditure</b>	<b>202 062 277</b>	<b>75 491 286</b>	<b>77 509 054</b>	<b>355 062 616</b>
Less: Interest Received	(4 871 542)	(1 763 834)	(1 763 834)	(8 399 211)
Less: Other Income	(35 885)	(12 993)	(12 993)	(61 870)
Less: Refund of Surplus Funds	(3 282 810)	(7 498 992)	(4 665 652)	(15 447 454)
<b>Leviable amount</b>	<b>193 872 039</b>	<b>66 215 467</b>	<b>71 066 574</b>	<b>331 154 081</b>
<b>Projected Volumes</b>	<b>259 219 750</b>	<b>191 197 631</b>	<b>17 703 000</b>	
	MWh	Gj	Kl	
Electricity Levy (c/kWh)	<b>0,07479</b>			
Piped-Gas levy (c/Gj)		<b>34,632</b>		
Petroleum Pipeline levy (c/litre)			<b>0,40144</b>	
<b>Levy Increase / (Decrease)</b>	<b>1,09%</b>	<b>11,47%</b>	<b>6,97%</b>	

## APPENDIX M PROGRAMME BUDGETS

	Programme 1		Programme 2		Programme 3		
	Setting and/or approval of tariffs and prices		Licensing and Registration		Compliance monitoring and enforcement		
ELECTRICITY							
Electricity Regulator	1 801 454	28%	1 310 148	20%	573 190	9%	
Electricity Pricing and Tariffs	12 531 907	80%	-		-	0%	
Electricity licencing, Compliance, and Dispute Resolution	-	0%	8 161 539	35%	8 161 539	35%	
Electricity Infrastructure Planning	2 358 982	20%	2 948 727	25%	-	0%	
Electricity Regulatory Reform	679 994	10%	1 359 988	20%	-	0%	
Support	-	0%	-	0%	-	0%	
PIPED-GAS							
Piped Gas Regulation	340 962	5%	681 924	10%	1 022 887	15%	
Gas Pricing and Tariffs	3 783 262	45%	-	0%	2 942 537	35%	
Gas Licencing, Compliance and Dispute Resolution	-	0%	4 539 544	45%	3 530 757	35%	
Support	-	0%	-	0%	-	0%	
PETROLEUM PIPELINES							
Petroleum Pipelines Regulation	1 505 882	20%	1 505 882	20%	1 505 882	20%	
Petroleum Licensing, Compliance and Dispute Resolution	-	0%	5 141 577	60%	2 999 253	35%	
Petroleum Pipeline Tariffs	5 470 040	50%	-	0%	1 094 008	10%	
Support	-	0%	-	0%	-	0%	

	Programme 4		Programme 5		Programme 6		Total	
	Dispute resolution including mediation, arbitration and the resolution of complaints		Setting of rules, guides and codes for regulation		Establishing NERSA as an efficient and effective organisation			
	491 306	8%	2 374 643	36%	-	0%	6 550 740	100%
	-		3 132 977	20%	-	0%	15 664 884	100%
	6 995 604	30%	-		-	0%	23 318 682	100%
	-	0%	6 487 200	55%	-	0%	11 794 909	100%
	-	0%	4 759 958	70%	-	0%	6 799 940	100%
	-	0%	-	0%	98 476 317	58%	98 476 317	
	1 022 887	15%	-	0%	3 750 584	55%	6 819 243	100%
	1 261 087	15%	-	0%	420 362	5%	8 407 249	100%
	1 008 788	10%	-	0%	1 008 788	10%	10 087 876	100%
	-	0%	-	0%	35 655 218	21%	35 655 218	
	376 470	5%	1 505 882	20%	1 129 411	15%	7 529 409	100%
	428 465	5%	-	0%	-	0%	8 569 294	100%
	-	0%	3 282 024	30%	1 094 008	10%	10 940 079	100%
	-	0%	-	0%	35 655 218	21%	35 655 218	
						100%		

## APPENDIX N REFUNDS TO INDUSTRY

### NATIONAL ENERGY REGULATOR (NERSA)

### ANNUAL BUDGET FOR THE YEAR 2016/2017

#### REFUND OF PRIOR YEAR SUPLUS FUNDS PER INDUSTRY

The surplus funds will be refunded to the relevant industries through a reduction of the levy rate payable for the period 2016/2017 and onwards. The refunds per industry are as follows:

SURPLUS TO BE REFUNDED PER INDUSTRY	2016/17	2017/18	2018/19	2019/20	Total
Electricity					
Piped-Gas	2 901 489				2 901 489
Petroleum Pipeline					
Electricity					
Piped-Gas	2 379 424	1 586 283			3 965 707
Petroleum Pipeline					
Electricity	11 063 734				
Piped-Gas	5 053 788	3 032 273	2 021 515		22 394 814
Petroleum Pipeline	1 223 504	-			
Electricity		5 471 350	3 282 810	2 188 540	
Piped-Gas		9 129 128	5 477 477	3 651 651	44 753 128
Petroleum Pipeline		7 776 087	4 665 652	3 110 435	
	22 621 939	26 995 121	15 447 454	8 950 626	





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