



neresa
NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

ANNUAL REPORT

2016/17



VISION

To be a recognised world-class leader in energy regulation.

MISSION

To regulate the energy industry in accordance with government laws and policies, standards and international best practices in support of sustainable development.

CONTENTS



▲ PART A

GENERAL INFORMATION

1.	GENERAL INFORMATION	6
2.	ABBREVIATIONS & ACRONYMS	7
3.	STRATEGIC OVERVIEW	8
3.1	Vision	
3.2	Mission	
3.3	Values	
3.4	Regulatory Principles	
3.5	Strategic outcome orientated goals	
4.	LEGISLATIVE AND OTHER MANDATES	10
5.	ORGANISATIONAL STRUCTURE	11
6.	FOREWORD BY CHAIRPERSON	14
7.	CHIEF EXECUTIVE OFFICER'S OVERVIEW	20

▲ PART B

PERFORMANCE INFORMATION

1.	STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION	30
2.	AUDITOR'S REPORT: PREDETERMINED OBJECTIVES	31
3.	OVERVIEW OF NERSA'S PERFORMANCE	31
3.1	Service Delivery Environment	
3.2	Organisational environment	
3.3	Key policy developments and legislative changes	
3.4	Strategic Outcome Orientated Goals	
4.	PERFORMANCE INFORMATION BY PROGRAMME	45
4.1	Programme 1	
4.2	Programme 2	
4.3	Programme 3	
4.4	Programme 4	
4.5	Programme 5	
4.6	Programme 6	
5.	SUMMARY OF FINANCIAL INFORMATION	86
5.1	Revenue Collection	
5.2	Programme Expenditure	
5.3	Capital investment, maintenance and asset management plan	



▲ PART C CORPORATE GOVERNANCE

1.	INTRODUCTION	90
2.	PORTFOLIO COMMITTEES	90
3.	EXECUTIVE AUTHORITY	90
4.	THE ACCOUNTING AUTHORITY/ENERGY REGULATOR	91
5.	THE ENERGY REGULATOR AND ITS MEMBERS	92
6.	RISK MANAGEMENT	104
7.	INTERNAL CONTROLS	104
8.	INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE	105
9.	COMPLIANCE WITH LAWS AND REGULATIONS	106
10.	FRAUD AND CORRUPTION	106
11.	MINIMISING CONFLICT OF INTEREST	106
12.	CODE OF CONDUCT	107
13.	HEALTH AND SAFETY ISSUES	107
14.	REGULATOR SECRETARY	107
15.	SOCIAL RESPONSIBILITY	108
16.	ENVIRONMENTAL ISSUES	108
17.	ECONOMIC ISSUES	109
18.	REPORT OF THE AUDIT AND RISK COMMITTEE	110

▲ PART D HUMAN RESOURCES MANAGEMENT

1.	INTRODUCTION	114
2.	HUMAN RESOURCES OVERSIGHT STATISTICS	116

▲ PART E FINANCIAL INFORMATION

1.	STATEMENT OF RESPONSIBILITY	124
2.	REPORT OF THE AUDITOR-GENERAL	125
3.	ACCOUNTING AUTHORITY'S REPORT	132
4.	ANNUAL FINANCIAL STATEMENTS	138
4.1	Statement of Financial Position	138
4.2	Statement of Financial Performance	139
4.3	Statement of Changes in Net Assets	139
4.4	Cash Flow Statement	140
4.5	Statement of Comparison of Budget and Actual Amounts	141
4.6	Accounting Policies	142
4.7	Notes to the Annual Financial Statements	147





PART A

GENERAL INFORMATION

1. GENERAL INFORMATION

REGISTERED NAME:	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)
REGISTRATION NUMBER (if applicable):	NOT APPLICABLE
PHYSICAL ADDRESS:	KULAWULA HOUSE 526 MADIBA STREET ARCADIA, PRETORIA, 0083
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EMAIL ADDRESS:	info@nersa.org.za
WEBSITE ADDRESS:	www.nersa.org.za
EXTERNAL AUDITORS:	AUDITOR-GENERAL OF SOUTH AFRICA
BANKERS:	STANDARD BANK
REGULATOR SECRETARY:	SANDILE NTANZI

2. ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AFS	ANNUAL FINANCIAL STATEMENTS
AFUR	AFRICAN FORUM FOR UTILITY REGULATORS
AGM	ANNUAL GENERAL MEETING
AMEU	ASSOCIATION OF MUNICIPAL ELECTRICITY UTILITIES
ARC	AUDIT AND RISK COMMITTEE
CAM	COST ALLOCATION MANUAL
CEO	CHIEF EXECUTIVE OFFICER
CNG	COMPRESSED NATURAL GAS
COSO	COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION
CPI	CONSUMER PRICE INDEX
CSIR	COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH
DoE	DEPARTMENT OF ENERGY
EAP	ECONOMICALLY ACTIVE POPULATION
EE	ENERGY EFFICIENCY
EE	EMPLOYMENT EQUITY
ELS	ELECTRICITY SUBCOMMITTEE
EPP	ELECTRICITY PRICING POLICY
ER	ENERGY REGULATOR (THE ACCOUNTING AUTHORITY)
ERTSA	ESKOM'S RETAIL TARIFF STRUCTURAL ADJUSTMENTS
ESI	ELECTRICITY SUPPLY INDUSTRY
EWSETA	ENERGY AND WATER SECTOR EDUCATION AND TRAINING AUTHORITY
EXCO	EXECUTIVE COMMITTEE
FAQ	FREQUENTLY ASKED QUESTIONS
FBE	FREE BASIC ELECTRICITY
FIC	FINANCE COMMITTEE
FTRM	FULL-TIME REGULATOR MEMBER
GCAC	GRID CODE ADVISORY COMMITTEE
GE	GAS ENERGY PRICE
GJ/a	GIGAJOULE PER ANNUM
GNP	GAUTENG NETWORK PIPELINE
GRAP	GENERALLY RECOGNISED ACCOUNTING PRACTICE
GTA	GAS TRANSPORTATION AGREEMENT
GW	GIGAWATT
HDSA	HISTORICALLY DISADVANTAGED SOUTH AFRICAN

ACRONYM	FULL DESCRIPTION
HR	HUMAN RESOURCES
HRRC	HUMAN RESOURCES AND REMUNERATION COMMITTEE
IBT	INCLINING BLOCK TARIFF
IDM	INTEGRATED DEMAND MANAGEMENT
IEA	INTERNATIONAL ENERGY AGENCY
IEP	INTEGRATED ENERGY PLAN
INEP	INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME
IPP	INDEPENDENT POWER PRODUCER
IRP	INTEGRATED RESOURCE PLAN
IT	INFORMATION TECHNOLOGY
LNG	LIQUEFIED NATURAL GAS
LPG	LIQUEFIED PETROLEUM GAS
MGJ	MILLION GIGAJOULES
MRP	MARKET RISK PREMIUM
MV	MEDIUM VOLTAGE
MVP	MARKET VALUE PRICING
MW	MEGAWATT
MYPD	MULTI-YEAR PRICE DETERMINATION
NDP	NATIONAL DEVELOPMENT PLAN
NEHAWU	NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS UNION
NERSA	NATIONAL ENERGY REGULATOR (THE ORGANISATION)
NFI	NON-FINANCIAL INFORMATION
NIPS	NATIONAL INTEGRATED POWER SYSTEMS
NMPP	NEW MULTI-PRODUCT PIPELINE
OCGT	OPEN CYCLE GAS TURBINE
OECD	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
OHSA	OCCUPATIONAL HEALTH AND SAFETY ACT
PAIA	PROMOTION OF ACCESS TO INFORMATION ACT
PAJA	PROMOTION OF ADMINISTRATIVE JUSTICE ACT
PFMA	PUBLIC FINANCE MANAGEMENT ACT
PGS	PIPED-GAS SUBCOMMITTEE
PPA	POWER PURCHASE AGREEMENT
PPC	PARLIAMENTARY PORTFOLIO COMMITTEE
PPI	PRODUCER PRICE INDEX
PPS	PETROLEUM PIPELINES SUBCOMMITTEE

ACRONYM	FULL DESCRIPTION
PV	PHOTOVOLTAIC
RCA	REGULATORY CLEARING ACCOUNT
RE	RENEWABLE ENERGY
REC	REGULATOR EXECUTIVE COMMITTEE
REIPP	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER
REIPPPP	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME
RERA	REGIONAL ELECTRICITY REGULATORS ASSOCIATION OF SOUTHERN AFRICA
RETEC	RENEWABLE ENERGY TECHNICAL EVALUATION COMMITTEE
RFR	REGULATORY FINANCIAL REPORT
RIA	REGULATORY IMPACT ANALYSIS
ROMPCO	REPUBLIC OF MOZAMBIQUE PIPELINE INVESTMENT COMPANY (PTY) LIMITED
RPP	RENEWABLE ENERGY POWER PLANT
RRM	REGULATORY REPORTING MANUALS
SA	SOUTH AFRICA
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
SAGC	SOUTH AFRICAN GRID CODE
SAHRC	SOUTH AFRICAN HUMAN RIGHTS COMMISSION
SALGA	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SAPP	SOUTHERN AFRICAN POWER POOL
SAPREF	SOUTH AFRICAN PETROLEUM REFINERY (PTY) LTD
SAQA	SOUTH AFRICAN QUALIFICATIONS AUTHORITY
SAREC	SOUTH AFRICAN RENEWABLE ENERGY COUNCIL
SCOA	STANDARD CHART OF ACCOUNTS
SMART	SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC AND TIME-BOUND
SOE	STATE-OWNED ENTITY
SRAB	STARTING REGULATORY ASSET BASE
STPPP	SHORT-TERM POWER PURCHASE PROGRAMME
TNPA	TRANSNET NATIONAL PORTS AUTHORITY
USA	UNITED STATES OF AMERICA
WEO	WORLD ENERGY OUTLOOK
WSP	WORK PLACE SKILLS PLAN

3. STRATEGIC OVERVIEW

3.1 Vision

To be a recognised world-class leader in energy regulation.

3.2 Mission

To regulate the energy industry in accordance with government laws and policies, standards and international best practices in support of sustainable development.

3.3 Values

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

- **PASSION:** We conduct our business with a sense of urgency and commitment and are proud to be part of NERSA
- **SPIRIT OF PARTNERSHIP:** In working with all our stakeholders, we deliver on our promises for the purpose of sustainable development
- **EXCELLENCE:** In striving for the best results, we promote growth/development of our staff, and benchmark ourselves against the 'best-in-class' energy regulators across the globe
- **INNOVATION:** As a learning organisation, 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 among ourselves
- **RESPONSIBILITY:** We practice responsibility and take ownership of our actions and decisions
- **PROFESSIONALISM:** We encourage maintenance of high standards of professional competence, and interdependence between our teams by means of effective communication channels to treat everybody as stakeholders
- **PRIDE:** We take pride in what we do

3.4 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 and the key principles stated in the African Forum for Utility Regulators (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 those principles that emerge strongly and consistently as international good practice. Supported by its 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 on which the decision is based 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 any one group (non-discriminatory).
- **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 the long-term stability of regulatory practices. Avoidance of regulatory capture by some customer groups is also necessary for successful regulation.
- **ACCOUNTABILITY:** The Energy Regulator should be accountable for its actions and decisions. Independence must not be confused with the lack of accountability.
- **INTEGRITY:** The Energy Regulator should exercise professionalism, honesty and objectivity in the management of the Energy Regulator's affairs and in all its dealings with stakeholders.
- **EFFICIENCY:** The Energy Regulator should make the best use of resources to further the regulatory objectives by exercising objectivity and commitment to evidence-based strategies for improvement.
- **PUBLIC INTEREST:** The Energy Regulator should endeavour to take decisions in the interest of the public as far as possible.

3.5 Strategic outcome-oriented goals

NERSA's five strategic outcome-oriented goals, which guide its programmes (as per the approved NERSA Strategic Plan for 2015/16 – 2019/20), are the following:

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 the 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 socio-economic interests of all stakeholders in support of economic development of South Africa and a better life for all; and
5. to position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

4. LEGISLATIVE AND OTHER MANDATES

NERSA is listed as a public entity in terms of Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

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 in the following four primary statutes:

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

NERSA derives its revenue by, among 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 abovementioned legislation that gives effect to NERSA's mandate and the imposition of levies, the following facilitating and other legislation is also applicable to NERSA's conduct of its business:

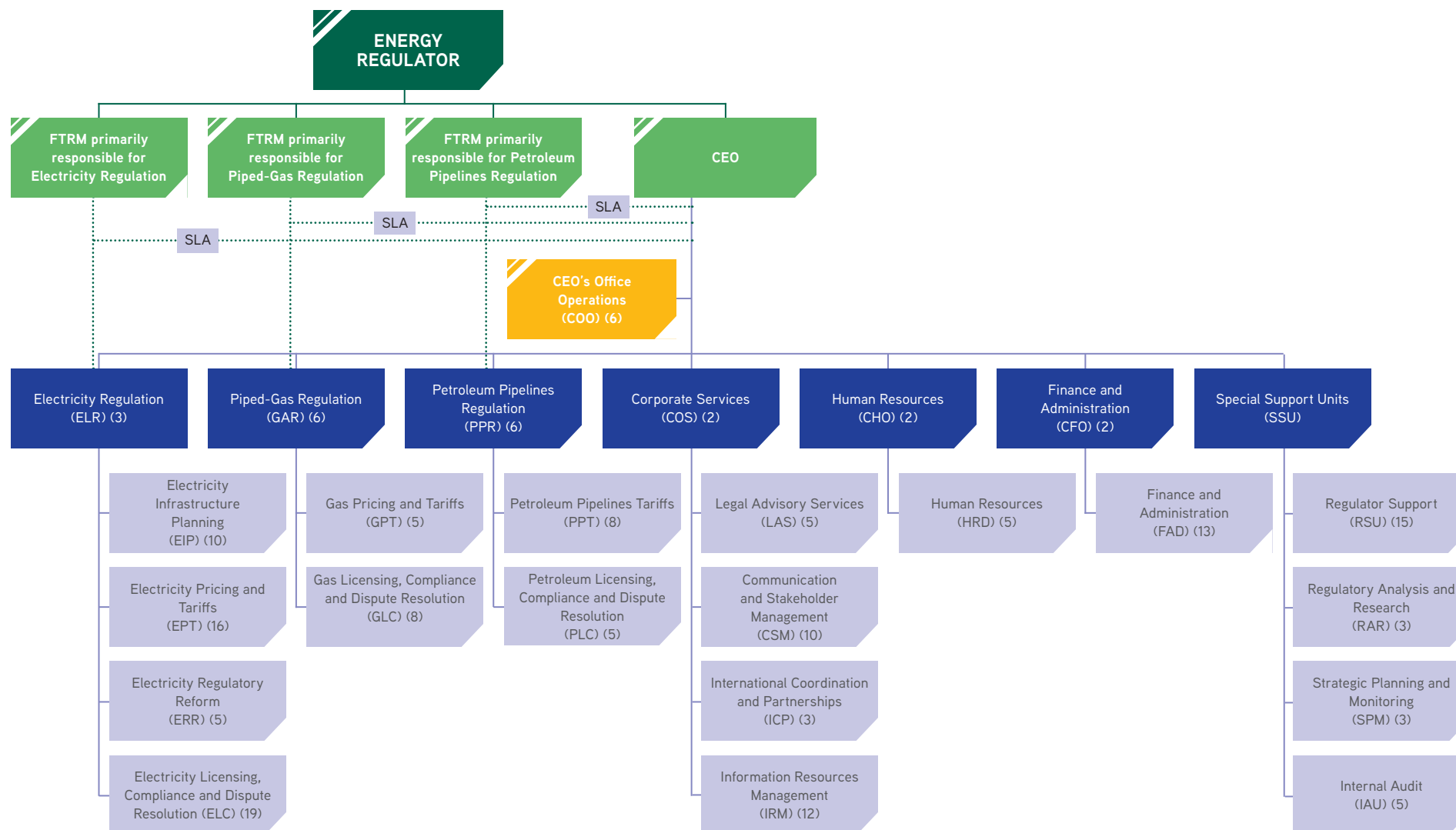
- the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), which specifies the accounting of NERSA as a Section 3 Public Entity;
- the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'), which determines the way that NERSA has to treat access to information;
- the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

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

The relevant applicable policies are:

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

5. ORGANISATIONAL STRUCTURE



The organisational structure of NERSA is as outlined on page 17. The table below provides high-level details on the composition of the structure and depicts the Full-Time Regulator Members (FTRMs), Part-Time Regulator Members, the Chief Executive Officer (CEO) as well as the Executive Managers and Senior Managers reporting to the CEO with their link to the programmes being implemented by NERSA.

NAME	POSITION	PROGRAMME INVOLVEMENT
Jacob Modise	Chairperson (Part-Time Regulator Member)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Maleho Nkomo	Deputy Chairperson (Part-Time Regulator Member)	
Christopher Forlee	Full-Time Regulator Member & Chief Executive Officer (from 01 January 2017)	
Fungai Sibanda	Part-Time Regulator Member	
Khomotso Mthimunya	Part-Time Regulator Member	
Rod Crompton	Full-Time Regulator Member responsible for Petroleum Pipelines Regulation (until end June 2016)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Thembani Bukula	Full-Time Regulator Member responsible for Electricity Regulation (until end December 2016)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Mbulelo Ncetezo	Full-Time Regulator Member responsible for Electricity Regulation (from 01 January 2017)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nomfundo Maseti	Full-Time Regulator Member responsible for Piped-Gas and Petroleum Pipelines Regulation	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Paseka Nku	Acting Chief Executive Officer (until end December 2016) Chief Human Capital Officer (from 01 January 2017)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement

NAME	POSITION	PROGRAMME INVOLVEMENT
Paseka Nku	Acting Chief Executive Officer (until end December 2016) Chief Human Capital Officer (from 01 January 2017)	Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Mbulelo Ncetezo	Executive Manager: Electricity Regulation (until end December 2016)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Dennis Seemela	Acting Executive Manager: Electricity Regulation (from 18 January 2017)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Thulebona Nxumalo	Executive Manager: Piped-Gas Regulation	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Priya Singh	Acting Executive Manager: Petroleum Pipelines Regulation (from 06 December 2016)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nomalanga Sithole	Executive Manager: Corporate Services	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Zanele Ngwepe	Chief Financial Officer (until 02 November 2016)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nthupheni Ragimana	Acting Chief Financial Officer (from 03 November 2016)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Sello Hlobelo	Acting Chief Human Capital Officer (until end December 2016)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Patrick Mabuza	Senior Manager: Regulatory Analysis and Research	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Sandile Ntanzi	Senior Manager: Regulator Support	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Masesi Malope	Chief Audit Executive	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Zethu Kapika	Senior Manager: CEO's Office Operations	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Gerda Gräbe	Senior Manager: Strategic Planning and Monitoring (from 06 June 2016)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)



6. FOREWORD BY THE CHAIRPERSON

It is my privilege and honour to present the Annual Report for the period 01 April 2016 to 31 March 2017 on behalf of the National Energy Regulator (NERSA).

Following on the decade of excellence we celebrated during the previous financial year, we reinforced the solid foundation we have established over years of regulation and continued on the journey of constant improvement and innovation that will enable us to achieve our vision of being acknowledged as a recognised world-class regulator.

We welcomed our second decade energetically and met the challenges of 2016/17 with, we believe, sound decision-making. This has enabled us to strike that all-important balance between the interests of producers and investors, and those of South African citizens across all our primary activities, namely licensing, setting and approving of prices and tariffs, compliance monitoring and enforcement, and dispute resolution in the electricity, piped-gas and petroleum pipelines industries.

2016/17 Highlights

In the electricity industry regulation arena, the approval of the revised Multi-Year Price Determination (MYPD) Methodology

can definitely be seen as one of the highlights of the financial year. The document incorporates the Rate of Return (RoR) and incentive-based principles through the introduction of the transmission and distribution service incentive schemes and the Energy Efficiency Demand-Side Management (EEDSM) schemes. This methodology is used to evaluate Eskom's applications for revenue requirements.

During the reporting period, 15 generation licences and two distribution licences were approved. The amendment of six generation licences, six distribution licences and one trading licence were also approved. Only one distribution licence was revoked. The Free Basic Electricity rate for Eskom compensation from 01 July 2016 and Eskom's Retail Tariff Structural Adjustments (ERTSA), as well as the accompanying municipal tariff guideline for the 2017/18 financial year, were also approved.

On 16 August 2016, the North Gauteng High Court delivered a judgement against NERSA's approval of the Regulatory Clearing Account (RCA) application for the tariff year 2013/14, which

culminated in a 9.4% increase in the average tariff for standard customers for the 2016/17 financial year.

The Energy Regulator confirmed Eskom's allowable revenue of R205,214 million for the last year of the MYPD3 period (2017/18 financial year). The allowed revenue resulted in a percentage increase of 2.2% due to the base adjustments made in the preceding years as a result of the approved RCA balances for Eskom (12.7% for 2015/16 and 9.4% for 2016/17).

There were a number of significant developments in the Piped-Gas industry as gas continues to gain recognition as a viable and cleaner alternative source of energy. The Energy Regulator held discussions with the Independent Power Producer (IPP) Office of the Department of Energy (DoE) in order to align regulatory processes that will be fundamental for the successful delivery of the gas IPP programme. This process will, among other things, ensure regulatory certainty on NERSA's requirements for tariffs and the licensing of infrastructure for gas-to-power projects to be developed during the gas IPP Programme.



In another significant development that will further cement regulatory certainty in the market, the Energy Regulator reviewed the Gas Tariff Guidelines to keep them up-to-date with the latest developments in the industry and to include key provisions that were not covered in the Guidelines that were initially published in 2009.

In order to firm the path to more effective regulation of the industry, the Energy Regulator continued to engage with other regulatory bodies to align its regulatory processes with international best practices. In this regard, fruitful engagements were held with the Institute of National Petroleum (INP) in Mozambique and an important study tour was undertaken to Spain where discussions were held with key stakeholders in the gas industry, including government bodies, utility companies and regulatory authorities. This tour provided invaluable insight on the regulation of the Spanish and European gas markets. The knowledge gained will be of assistance to NERSA in the handling of new and complicated projects such as the licensing of liquefied natural gas (LNG) infrastructure.

The Energy Regulator also approved the Republic of Mozambique Pipeline Investment Company (Pty) Ltd ('ROMPCO') tariff for Loopline 2. The tariff is effective from 01 January 2017 to 30 December 2019. The Loopline 2 facility is meant to increase the capacity of the

ROMPCO pipeline by 24 MGJ/a and will facilitate the delivery of an initial volume of 7.8 MGJ/a to South African customers.

Two new applicants received licences in the gas industry, namely Nampak, with its gas facility in Roodekop, and Evraz Highveld Steel, with an application to trade in gas in Witbank.

A court ruling in October 2016 found in favour of NERSA, declaring its maximum price methodology valid. In so doing, the North Gauteng High Court dismissed the review application by seven members of the Gas Users Group – PG Group, SAB, Consol Glass, Nampak, Mondi, Illovo Sugar and Distribution and Warehousing Network – against NERSA and Sasol Gas.

Among our petroleum pipelines regulation activities were the granting of 18 licences, approval of amendments to 12 licences and revocation of 23 licences. The Energy Regulator further rejected 41 applications for licences and did not approve 1 amendment. With regard to tariffs, the Energy Regulator approved tariffs for 22 storage facilities and set tariffs for two pipelines.

The Energy Regulator has set petroleum pipeline tariffs that will allow Transnet Pipelines to realise a 1.43% increase in Allowable Revenue (AR) compared to the 2016/17 tariff period. This translates into a tariff increase of 0.30%.

Third-party access to uncommitted storage capacity in the petroleum pipelines sector remains problematic. The Energy Regulator received the first formal complaint regarding access to storage capacity. This matter was concluded by the Energy Regulator. It was found that there was no uncommitted capacity for the type of product that the complainant required storage for.

During the year, we took our petroleum pipeline knowledge to social media by establishing our presence on YouTube. We posted our first YouTube video – a tutorial on standard option one of the Petroleum Storage and Loading Facilities Tariff Methodology.

Our achievements during the reporting period contributed towards us meeting our objectives that are aimed at ensuring a secure and affordable energy supply for current and future user needs, the orderly development of the energy industry, as well as providing regulatory certainty that would, in the long-term, facilitate investment into energy infrastructure.

Dynamic environment

We operate in a dynamic environment that powers all other economic activities around the globe. In pursuance of our vision to be a recognised world-class leader in energy regulation, it is important to understand and appreciate the global energy

outlook and trends and incorporate such developments into the Energy Regulator's strategy going forward. This will enable us to implement our mandate, in a manner geared to effectively respond to this dynamic environment as the South African Energy sector is directly and indirectly linked to global energy developments. Accordingly, the energy industry shoulders a tremendous responsibility from many perspectives.

This is quite clear when one considers the International Energy Agency (IEA) World Energy Outlook (WEO). The 2016 report paints a scenario of a 48% rise in global energy demand to 2040 (adjusted from the 37% of the previous report), with an increase in consumption of all modern fuels, but with hundreds of millions of people still left without basic energy services. It forecasts that more than half a billion people, increasingly concentrated in rural areas of sub-Saharan Africa, will still be without access to electricity in 2040 (down from the current 1.2 billion).

The global energy use outlook continues to show rising levels of demand over the next three decades, which is led by the Asian countries. These countries, led by China and India, account for more than half of the world's total increase in energy consumption over the 2012 to 2040 projection period. By 2040, energy use in Asia will exceed that of the entire Organisation for Economic Cooperation and Development (OECD) by 40 quadrillion British thermal units (Btu).

Energy consumption, it posits, will continue to shift towards industrialising and urbanising India, Southeast Asia and China, as well as parts of Africa, Latin America and the Middle East. China and India will see the largest expansion of solar photovoltaics (PV), while, by the mid-2030s, developing countries in Asia will consume more oil than the OECD. Yet sections of the global population will still not enjoy the benefits of modern energy. Around 1.8 billion will remain reliant on solid biomass as a cooking fuel (down by a third from today's

2.7 billion), which means continued exposure to the smoky indoor conditions that are currently linked to 3.5 million premature deaths each year.

In the IEA scenario, a cumulative \$44 trillion in investment will be needed in global energy supply, 60% of which must go to oil, gas and coal extraction and supply, including power plants using these fuels, and nearly 20% to renewable energies. An extra \$23 trillion will be required for improvements in energy efficiency. Compared with the period 2000 to 2015, when close to 70% of total supply investment went to fossil fuels, this is a significant reallocation of capital, especially given the expectation of continued cost declines for key renewable energy technologies.

The Paris Agreement, an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) adopted in December 2015, which came into effect in November 2016, demands transformative changes in the energy sector, the source of at least two-thirds of greenhouse-gas emissions. The changes already underway in the energy sector, demonstrating the promise and potential of low-carbon energy, in turn lend credibility to meaningful action on climate change, the WEO notes. Growth in energy-related CO₂ emissions stalled completely in 2015, mainly due to a 1.8% improvement in the energy intensity of the global economy, a trend bolstered by gains in energy efficiency, as well as the expanded use of cleaner energy sources, such as renewables, worldwide.

However, meeting more ambitious climate-change goals will require more than the current international pledges, which will slow down the projected rise in energy-related carbon emissions from an average of 650 million tons a year since 2000 to around only 150 million tons a year in 2040.

While Southern Africa obviously needs to heed the call to counteract climate change, it also faces the reality that coal – a

contributing factor to global warming – still supplies 75% of power generation in the region.

Against the backdrop of only 5% of rural areas in the Southern African Development Community (SADC) region having access to electricity, a report by Katinka Waagsaether (2014) on 'An overview of the energy picture for SADC countries, with a focus on renewable energy' notes the potential for expansion of renewable energy production across all SADC countries, with a variety of technologies and approaches already being piloted in some areas. The report further states that in expanding electricity production and access in SADC, there is great potential for innovative renewable energy solutions to play a central role. Such a shift requires, among other things, efforts to increase country awareness, knowledge and technical capacity for renewable energy.

The SADC region has vast energy potential from solar, wind, nuclear, hydro, thermal, gas and petroleum sources in several countries. However, biomass is by far the major source of energy in most regional countries. According to a report by the Renewable Energy Policy Network for the 21st Century (REN21, 2015), traditional biomass such as wood and charcoal accounts for more than 45% of final energy consumption in the region.

The SADC Energy Monitor 2016 concurs that the region has great potential for renewable energy, including hydropower. However, it states, the necessary infrastructure for grid connection is poor. The prices for most renewable energy technology are coming down, but more needs to be done in innovative financing.

Southern Africa will experience a gradual increase in the uptake of cleaner energy sources that will result in reduced carbon emissions 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.

South African scenario

NERSA fully supports the government's stance on renewable energy, whose plans are set out in the Integrated Energy Plan (IEP), which will guide policy development, set the framework for regulations and inform the selection of technologies to meet future energy demand up to 2050.

We are mindful of the importance to all citizens of achieving the objectives of the National Development Plan (NDP), which envisages that, by 2030, South Africa will have an energy sector that promotes economic growth and development through adequate investment in energy infrastructure. By 2030, the country will also have an adequate supply of electricity and liquid fuels to ensure that economic activity and welfare are not disrupted and that at least 95% of the population will have access to grid or off-grid electricity.

Gas and other renewable sources such as wind, solar and hydro-electricity will supply at least 20,000 MW of the additional 29,000MW of electricity that will be needed by 2030.

Integrated energy planning is required to ensure that current and future energy service needs are met in the most cost-effective, efficient and socially beneficial manner, while also taking into account environmental impacts.

In his State of the Nation address on 09 February 2017, President Jacob Zuma emphasised that work is continuing to ensure energy security and reiterated that renewable energy forms an important part of the energy mix, which also includes electricity generation from gas, nuclear, solar, wind, hydro and coal. He confirmed the government's commitment to the Independent Power Producer Programme and its expansion beyond renewable energy to include other energy sources, including coal and gas.

Challenges

Reliance on coal poses a challenge for 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 the 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 proactive 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 and efficient functioning of the industry, and
- affordability and access.

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.

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

NERSA will continue to place emphasis on facilitating the entry of new players into the energy sector, particularly in the light of the generally monopolistic nature of the electricity, piped-gas and petroleum pipelines industries, as well as on balancing the needs of all stakeholders.

Internally, NERSA will continue to drive measures to mitigate its top risks, namely critical skills attraction and retention; unlicensed activities/operators; safeguarding and retention of institutional information; timeous procurement of goods and services at fair value; adequacy of information technology (IT) systems to support operations; institutional memory; coordination and synergy; business continuity and disaster recovery; confidentiality and security of information, and health, security and safety.

Ultimately, the Energy Regulator continues to make a meaningful contribution in energy regulation. There has been a constant increase in the number of licensees and facilities under the regulation of the Energy Regulator. More participants have joined the different sectors under regulation and have added significant capacity, which assists in stabilising security of supply. With regard to the sustainability of the energy industry, the Energy Regulator has on a yearly basis compensated regulated entities adequately and in the process protected vulnerable energy consumers from steep tariff and price increases.

Conclusion

Moving through its second decade, NERSA will uphold the internationally accepted regulatory principles of transparency, neutrality, consistency and predictability, independence, accountability, integrity and efficiency that have guided the organisation since its inception.

We will maintain the impeccable corporate governance infrastructure that has enabled us to achieve an unbroken record of clean reports from the Auditor-General, but we will not become complacent, as we realise that there is always room for introspection and critical analysis of our processes, systems and approaches. That is the NERSA way.

The successes of the past year can, to a large extent, be ascribed to the sound relationship and excellent mutual cooperation that exist among the Energy Regulator, the Management and Staff. I wish to record my appreciation to the Regulator Members and the Staff for their tireless support, which made it a pleasure to be associated with NERSA.

To the former Minister of Energy, Ms Tina Joemat-Pettersson, we express our appreciation for her leadership and support of the Energy Regulator. We would also like to extend our gratitude to the Deputy Minister, Ambassador Thembisile Majola, for her guidance and leadership, as well as the Department of Energy for their ongoing support and cooperation.

We also had to bid farewell to two of our Full-Time Regulator Members: Dr Rod Crompton who was responsible for Petroleum Pipelines, whose term came to an end on 30 June 2016, and Mr Thembani Bukula, responsible for Electricity, who resigned end 31 December 2016.

On behalf of the Energy Regulator, I would like to express our sincere gratitude for their commitment and excellent contribution to NERSA and the energy industry. We have benefited greatly from their excellent minds, fine work ethic and integrity. We sincerely thank them and wish them all the best in their future endeavours.

We would also like to thank Mr Paseka Nku for acting in the role of Chief Executive Officer since early 2015. His leadership and guidance ensured stability within the organisation.

Now, we enthusiastically welcome aboard the new Chief Executive Officer, Mr Christopher Forlee, who took up office on 01 January 2017 and will serve until 31 December 2021.

Mr Forlee combines excellent leadership and interpersonal skills that have driven winning teams in the past and we are confident will continue to do so. With his vast well of experience we have no doubt that he is the right person to steer NERSA through the first half of its next decade. Mr Forlee has our full support on the exciting journey he has elected to travel.

In conclusion, we would like to welcome the recently appointed Minister of Energy, Ms Mmamoloko Kubayi, and pledge our continuing full support. We look forward to her guidance and leadership.



Jacob RD Modise
Chairperson

Date: 31 July 2017





7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

I am pleased to present my first Annual Report as Chief Executive Officer of NERSA.

Introduction

The period under review presented us with challenges and achievements alike; we can acknowledge NERSA's robust progress along its trajectory of becoming a recognised world-class standard-bearer for effective and efficient energy regulation in South Africa and the Continent.

In executing our mandate, the strategic drive remained, ensuring the development and sustainability of the Electricity, Piped-Gas and Petroleum Industries in line with Government objectives. This is a challenging task as we always need to strike a fair balance between the needs of all our stakeholders.

The achievements attained during the review period were certainly not without trials and challenges. Security of supply, non-compliance in addressing maintenance backlogs and enforcement of licence conditions were some of the main challenges within the three regulated industries.

The extensive strategic and business planning process conducted during the review period enabled us to clearly outline and align our five strategic objectives to Government's twelve identified outcomes. The alignment will greatly assist in addressing identified challenges and contribute to the country's social and economic growth.

While we pause to review and assess our progress, the experience, knowledge and expertise gained during the review period has strengthened the foothold from which we embark into the future. Going forward, we remain steadfast in our resolve to increase the constructive impact of NERSA's functions on the well-being of society. We remain aware that the relevance of NERSA must always be informed by the tangible benefits of its work to the citizens of this country.

During the 2016/17 financial year, NERSA met 98% of the annual targets set in its guiding document, the Annual Performance Plan.

The areas of influence in terms of which we measure ourselves against strict strategic objectives across electricity, piped-gas

and petroleum pipelines, as well as in transversal regulatory and organisational functions, remain:

- 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; and
- establishing NERSA as an efficient and effective regulator.

Performance targets have been set against each strategic objective outlined in the Strategic Plan. Specific, Measurable, Achievable, Realistic and Time-bound (SMART) key performance indicators ensure the achievement of the strategic objectives.

Adequate resourcing of the organisation and quarterly performance reviews facilitate the overall performance of each programme against the targets specified in the Annual Performance Plan.



Summary of organisational performance

I am pleased to announce that NERSA, now in its twelfth year of existence, has once again maintained an unqualified audit report – a clear testament to the ethos of responsible and accountable corporate governance that exists throughout the organisation. We are also proud to once again be the recipient of the Auditor-General's Award for a Clean Audit Opinion for the 2015/16 financial year.

It is with great pride that I can report that across our three regulatory functions (electricity, piped-gas, petroleum pipelines), as well as transversal regulatory and organisational issues, we met 100% of targets for the electricity industry (2015/16: 96%); for piped-gas 100% (2015/16: 100%), for petroleum pipelines 100% (2015/16: 100%), for transversal regulatory 100% (2015/16: 100%) and for organisational 83% due to one target not being met (2015/16: 100%).

Overall, NERSA has achieved 98% of its annual performance targets for the 2016/17 financial year. The one (2%) target that was not met, was due to internal resources. Our ability to maintain such a high standard over a number of years reflects not only the soundness of our systems and the prudence of our decisions, but also the exceptional culture of the organisation, which nurtures and rewards its people, thus motivating them to consistently give their best.

Through this consistently exemplary performance, we have not only effectively implemented our mandate, but made a valuable contribution to the socio-economic development and prosperity of the people of South Africa – an achievement of which the NERSA team can be justly proud. This performance provides NERSA with an ideal platform to further improve our performance in the pursuit of our vision to be a recognised world-class leader in energy regulation.

Corporate Matters

Financial management

The financial outcomes of NERSA's activities for the year under review are reported in its Annual Financial Statements (AFS) in this Annual Report. The AFS are prepared in compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act 29 of 1999) ('PFMA'), the National Energy Regulator Act, 2004 (Act No. 40 of 2004), Treasury Regulations and Generally Recognised Accounting Practice (GRAP).

NERSA's guiding documents are its Strategic Plan for 2015/16 to 2019/20 and Annual Performance Plan for 2016/17 to 2018/19, both of which have been approved by the Minister of Energy.

The NERSA Annual Report for 2015/16 was submitted to the Minister of Energy, the Auditor-General and National Treasury on 18 August 2016 as required by legislation. The report was tabled in Parliament on 14 September 2016.

NERSA maintains a healthy financial management system. The main source of funding is the levy income from licensees in the three regulated industries. The levies are proposed by the Energy Regulator and approved annually by the Minister of Energy in consultation with the Minister of Finance.

For the 2016/17 financial year, NERSA collected 95% of the budgeted levy income and spent 93% of the budget on operational expenses.

Cash flow risk mitigation reserve

NERSA maintains a cash flow risk mitigation reserve to bridge the gap between the start of the financial year and the start of levy payments by the industries. The reserve target is three months' employment cost for all staff members and 4.5% of the annual operating expenditure budget. This reserve will also cover a shortfall in levies in cases where the levies collected are below the total expenditure. The balance of the reserve is R50 million (2015/16: R42 million).

Supply chain management

NERSA's supply chain management processes, refined over recent years, enabled the organisation to meet not only legislative requirements, but also its obligations to creditors, 99% of whom are paid within 30 days of receipt of all relevant documentation. Recent initiatives, such as the electronic goods and services procurement system and service level agreements, continued to prove their worth, and NERSA adhered to its three-year procurement plan, which is monitored annually by the Executive Committee (EXCO).

Externally focused responsibilities and initiatives

Stakeholder liaison is an integral element of the communication strategy and takes place in several stages. In addition to the NERSA website, the use of media for announcements and updates, as well as the publication of NERSA's quarterly newsletter, NERSA News, it participates in stakeholder meetings, public hearings, exhibitions and conferences. In addition, NERSA is required to meet with legislative bodies, such as the Parliamentary Portfolio Committee on Energy.

Public awareness

NERSA News is published quarterly to keep stakeholders abreast of developments and decisions. Engagement with stakeholders at a number of forums is another integral part of the NERSA strategy and crucial in creating public awareness of the roles and responsibilities of the Regulator. During the year, NERSA hosted 66 customer education workshops and stakeholder engagement activities, including exhibitions and various Ministerial Public Participation Programmes, such as:

- African Utility Week exhibition in Cape Town;
- Women in Energy Summit in Boksburg;
- Oil and Gas Africa in Cape Town;

- Association of Municipal Electricity Utilities (AMEU) Convention in Vanderbijlpark;
- Southern African Association for Energy Efficiency Convention (SAEEEC) in Kempton Park;
- Africa Energy Indaba in Sandton;
- Power & Electricity World Africa in Sandton;
- Tomorrows Leaders Convention at Emperors Palace;
- Department of Energy Learners Focus Week in Port Elizabeth;
- Ministerial Imbizo in Driekop;
- DoE's School Energy Day in De Aar;
- Ngwaabe Integrated Energy Centre Launch;
- Career Expo in Hoedspruit;
- Limpopo Youth Development Expo;
- Energy Efficiency Imbizo in Gugulethu;
- Energy Efficiency Imbizo in Plettenberg Bay;
- handover of bursaries in De Aar; and
- handover of Greening Technologies Imbizo in Vryburg.

Media coverage

Print and electronic media are monitored daily for mention of electricity, piped-gas, petroleum pipelines and any other energy-related matters. As in the previous year, most of the coverage NERSA received throughout the review period was on electricity-related issues, with particular interest generated by the High Court ruling overturning NERSA's decision on the approval of Eskom's Multi-Year Price Determination (MYPD 3) Regulatory Clearing Account (RCA) for the 2013/14 financial year.

Some publicity was self-generated, with NERSA having issued media statements and facilitated media interviews with print and electronic media representatives. Topics of statements issued included the appointment of the new Chief Executive Officer and the determination on bulk storage in the petroleum pipelines sector. The System Adequacy Outlook bulletin was published regularly.

International coordination and partnerships

International representation and liaison are important aspects of the NERSA marketing mix, as there is much to be gained through sharing of best practices and networking with other regulatory authorities across the continent and further afield.

During the review year, NERSA participated in continental and global events, including:

- Regional Electricity Regulators Association of Southern Africa (RERA) subcommittee, portfolio committee and executive committee meetings in Namibia from 04 to 20 April 2016;
- a technical meeting of the Zimbabwe Energy Regulatory Authority (ZERA) on 04 May 2016 – NERSA attended at the request of the DoE;
- the launch of the African Centre of Excellence for Infrastructure Regulation (ACEIR) – as an African Forum for Utility Regulators (AFUR) member – on 23 May 2016;
- AFUR sectoral and executive committee meetings in Cote d'Ivoire on 01 and 02 June 2016;
- a meeting on 15 June 2016 with Dr Peter Zhou, a consultant engaged by the Southern African Development Community (SADC) secretariat to develop the SADC Renewable Energy and Energy Efficiency Strategy and Action Plan;
- SADC senior energy officials meetings from 17 to 19 June 2016 in Botswana at the SADC ministerial workshop on the energy and water crisis in the region;
- a meeting on 24 June 2016 with a Namibian delegation, focusing on renewable energy issues and, four days later, with a Botswana delegation on petroleum issues;
- Africa Energy Forum in London from 21 to 24 June 2016; and
- SADC Petroleum and Gas Subcommittee meeting from 22 to 23 March 2017 in Harare, Zimbabwe.

NERSA also hosted delegations from various African regulatory authorities on fact-finding missions, including:

- ZERA from 05 to 06 May 2016, to learn about internal audit systems and processes;
- board members from ZERA from 28 to 29 July 2016, where presentations were made on NERSA, corporate governance and electricity regulation; and
- officials from the Electricity Regulatory Authority (ERA) of Uganda between 27 June and 01 July 2016, where presentations were made on NERSA and its activities.

Core Regulatory Functions

Electricity Industry Regulation

(a) Licences issued, amended, renewed or revoked

In terms of its mandate, NERSA issues, amends, renews or revokes the licences of regulated entities in the electricity supply industry. Significantly, some of these licences relate to renewable energy. During the review period, the following licensing activities were conducted [details can be found in the Performance Information by Programme in Part B (Performance Information) of the Annual Report]:

- Ten generation licences and one cogeneration licence were granted under the DoE's Renewable Energy Independent Power Producer (REIPP) Procurement Programme.
- One distribution connection facility licence was granted.
- One private distribution and one distribution licence were issued.
- Five generation licences were amended for IPPs that participated in selling excess energy to Eskom under the Short-Term Power Purchase Programme
- Four Generation Licence Applications were approved under bilateral trading arrangements.

- Six amendments to distribution licences were approved.
- One trading licence was amended.
- One private distribution licence was revoked.

(b) Tariffs or tariff structures set or approved

- NERSA's mandate includes the approval of tariffs for all municipalities and other electricity distributors in South Africa. For the review period, a total of 175 municipal and 12 private electricity distribution tariff applications were approved.
- The Free Basic Electricity (FBE) rate for Eskom compensation effective from 01 July 2016 was approved.
- The revised MYPD methodology was approved by the Energy Regulator.
- The Energy Regulator received a report on the number of licensed distributors purchasing on the Night Save Rural tariff. The purpose of this report is to assist qualifying municipalities to move from the Night Save Rural tariff to the better option of the Megaflex tariff.
- The Energy Regulator noted a report on the implementation of Inclining Block Tariffs (IBTs) by licensed distributors.
- The Energy Regulator has confirmed the revenues that were approved in the MYPD3 decision. This resulted in a price adjustment of 2.2% as a result of prior adjustments that came through the Regulatory Clearing Account (RCA) process in the previous years.
- The Energy Regulator approved Eskom's Retail Tariff Structural Adjustments (ERTSA) and the accompanying municipal tariff guideline for the 2017/18 financial year.

(c) Compliance monitoring and enforcement

- One progress report on the monitoring of the implementation of the corrective action plans by ten non-complying electricity generation licensees was considered.
- One consolidated generation audit report on the state of

compliance of twelve power stations with licence conditions was considered.

- One progress report on non-compliance by Eskom Transmission in implementation of corrective action plans was considered.
- One progress report on monitoring the Corrective Action Plans conducted in 2016/17 financial year on six electricity distributors was noted.
- Thirteen electricity distribution compliance audits were conducted on licensed electricity distributors to monitor their compliance with their licence conditions.
- The submission on the Resolution of Disputes for the 2016 calendar year (01 January 2016 – 31 December 2016) was noted.
- The first and second monitoring reports on the performance and progress of DoE's REIPP projects was published on the NERSA website.
- Service quality incentive (SQI) schemes were approved for Eskom Transmission and Distribution.
- Twelve transmission audits were conducted in Eastern Cape, Mpumalanga and Free State.
- The evaluation of the Eskom FY2015/16 Transmission planning for compliance with the South African Grid Code was noted.
- The evaluation of the City of Cape Town Municipality for compliance with the Grid Code was noted.
- The first annual review of the Cost of Unserved Energy (COUE) model and levels for Eskom was noted.
- The Medium-Term System Adequacy Outlook Report 2016 of Eskom was noted.
- The annual Audit of Integrated Demand Management (IDM) 2015/16 was noted.
- Forty-six applications for exemption from the South African distribution and transmission grid code and the Network Code were approved.
- Three amendments to the Renewable Grid Code were approved.
- One Derogation (for the 1200MW CSP) was approved.

(d) Complaints resolution and proactive investigations

NERSA received 520 electricity-related complaints/disputes, excluding enquiries received via the website. Customers used various communication channels such as email, telephone, website and fax to submit their complaints to NERSA. Other customers and licensees preferred coming in personally to lodge their complaints during the period under review. Of these cases, 86% were successfully resolved. The disputes received ranged from tariff and billing complaints to complex technical cases.

In pursuit of resolving the disputes received, dispute resolution methods, including conciliation and mediation, were employed.

Piped-Gas Industry Regulation

(a) Licences issued, amended, renewed or revoked

NERSA is responsible for the licensing of the construction and operation of gas facilities, including transmission, storage, distribution, liquefaction and regasification facilities, as well as trading in gas. Its licensing activities during the period under review are listed below. Details can be found in the Performance Information by Programme in Part B (Performance Information) of the Annual Report.

- Two licences were granted for the construction of gas transmission facilities.
- Three licences were granted for the operation of gas transmission facilities.
- Six licences were granted for trading in gas.
- Nineteen applications for the amendment of licence conditions were approved.
- Two applications from Spring Light Gas (Pty) Ltd to revoke its gas trading licences in the Gauteng, KwaZulu-Natal and Free State provinces were approved. These licences, together

with the associated licence conditions, were subsequently taken over by a new company called, SLG (Pty) Ltd.

- One licence application for the construction of a gas transmission facility was withdrawn.
- Three applications for registration of gas production operations were considered and approved.

(b) Pricing and Tariffs

- Molopo Exploration (Pty) Ltd's application for a maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017 was approved.
- Reatile Gastrade (Pty) Ltd's application for extension of the period of validity of its maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017 was approved.
- Spring Lights Gas (Pty) Ltd's application for a maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017 was approved.
- Virtual Gas Network (Pty) Ltd's application for extension of the period of validity of its maximum price and trading margin from 01 July 2016 to 30 June 2017 was approved.
- Natural Gas Vehicle (Pty) Ltd's application for a maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017 was approved.
- The preliminary assessment of Spring Lights Gas' request for approval of the distinguishing features in terms of section 22 of the Gas Act was approved. The application was subsequently withdrawn by Spring Lights Gas.
- The ROMPCO tariff for Loop Line 2 for the period January 2017 to March 2019 was approved.
- Transnet Pipelines' multi-year tariff application for the Secunda to Durban pipeline for the period 01 April 2017 to 31 March 2020 was approved.
- Six maximum price applications for Virtual Gas Networks (Pty) Ltd, Natural Gas Vehicles (Pty) Ltd, Spring Lights Gas (Pty) Ltd,

Reatile Gastrade (Pty) Ltd, Columbus Stainless (Pty) Ltd and Molopo Highlands Exploration (Pty) Ltd were approved.

- Calculation of the ROMPCO (GTA1) and (GTA 2) tariff was considered by the Piped-Gas Subcommittee for the period 01 April 2016 to 30 June 2016, 01 July to 30 September 2016 and for 01 October to 30 December 2016.
- The following applications were not approved:
 - ROMPCO's GTA2 claw-back application for a multi-year transmission tariff; and
 - ROMPCO's application for a tariff for Loop Line 2 (GTA 3) for 01 July 2015 to 30 June 2029.

(c) Compliance monitoring and enforcement

The following reports on compliance with approved maximum prices and tariffs were considered by the Piped-Gas Subcommittee:

- Report on Spring Lights Gas' maximum price implementation for the period ending September 2016.
- Report on Sasol Gas Ltd's maximum price implementation for the period ending September 2016.
- Report on Novo Energy's failure to apply for a maximum price of gas within the Maximum Price Methodology timeline.
- Report on Spring Lights Gas' maximum price implementation for the period ending March 2016.
- Report on Virtual Gas Network's maximum price implementation for 01 July 2015 to 30 June 2016.
- Report on monitoring Columbus Stainless (Pty) Ltd's compliance with the approved maximum price of gas from 01 July 2015 to 30 June 2016.
- Report on monitoring Novo Energy (Pty) Ltd compliance with the approved maximum price of gas for 01 July 2015 to 30 June 2016.
- Report on monitoring Reatile Gastrade (Pty) Ltd's compliance with the approved maximum price of gas for the period 01 July 2015 to 30 June 2016.

- Publication of updated Gas Energy Price (GE) calculation and the Market Risk Premium (MRP).
- NERSA approved the aggregate results of prices for customers in the Gauteng, KwaZulu-Natal, Mpumalanga and Free State Provinces for 01 January to 31 December 2015.
- The Financial Information of the following licensees were audited: Sasol Gas, Transnet, ROMPCO and Spring Lights Gas.
- Report on monitoring Sasol Gas Ltd's compliance with the approved transmission tariffs for 01 July 2015 to 30 June 2016.
- Report on monitoring ROMPCO's compliance with the approved tariff for volumes below 120 million gigajoule per annum (GJ/A) and tariffs for volumes above 120 million GJ/A.
- Report on monitoring Transnet Pipelines' compliance with the approved tariffs for 01 July 2015 to 30 June 2016.
- A total of 76 compliance inspections were conducted on licensed facilities where the construction and operation of gas facilities is taking place to monitor compliance with licence conditions.
- Audits were also conducted on the ROMPCO pipeline in South Africa and Mozambique to monitor compliance with licence conditions, technical standards and applicable legislative requirements.

(d) Complaints resolution and proactive investigations

- NERSA received a complaint by the Ferro Group into Sasol Gas' refusal to supply gas to the group. The complaint was received in the fourth quarter of the year and is currently being investigated.
- Seven investigations were initiated into incidents of gas supply interruptions in the Gauteng, KwaZulu-Natal and Free State provinces. All seven investigations initiated into incidents of gas supply interruptions were successfully completed with the root cause of each incident clearly identified and remedial action agreed to with the licensee.

- An investigation was initiated into the application of the interruptible supply factor by licensees in the determination of gas prices

(e) Other activities

- NERSA approved the review of the Guidelines of Monitoring and Approving Transmission and Storage Tariffs in the Piped-Gas Industry.
- A total of 12 volume balance reports were assessed for the period from 01 April 2016 to 31 March 2017.
- Four reports on developments in the gas industry, including potential new sources of gas in South Africa, Mozambique, Tanzania, Angola and Botswana, were considered by the Piped- Gas Subcommittee.
- Workshops were conducted in Durban, Kempton Park and Pretoria to educate customers on NERSA's processes and regulatory requirements related to licensing of gas infrastructure, Tariff Guidelines, the Methodology for Approval of Maximum prices of gas and compliance monitoring and enforcement.

Petroleum Pipelines Industry Regulation

NERSA's licensing activities during the period under review are listed below. Details can be found in the Performance Information by Programme in Part B (Performance Information) of the Annual Report.

(a) Licences issued, amended, renewed or revoked

The following licences were issued, amended, renewed or revoked:

- eighteen licences were issued;
- twelve conditions of licences were amended;
- twenty-three licences were revoked;

- forty-one licence applications were rejected; and
- one licence amendment was not approved.

(b) Tariffs set or approved

- The Energy Regulator approved tariffs for 22 storage facilities and set tariffs for two pipelines. Details can be found in the Overview of key outputs/achievements for 2016/17 financial year in Part B (Performance Information) of the Annual Report.
- The Energy Regulator noted that NERSA's first YouTube video was posted - a tutorial on standard option one on the Petroleum Storage and Loading Facilities Tariff Methodology for use by stakeholders.
- The Energy Regulator considered a preliminary impact assessment report on the approved tariff methodology for storage and loading facilities.

(c) Compliance monitoring and enforcement

Horizon Petrochemicals CC submitted a complaint relating to third-party access to storage capacity in Island View, Durban. The Energy Regulator approved the report on the investigation of the complaint lodged by Horizon Petrochemicals.

The level of compliance by construction licensees in submitting their quarterly progress reports in terms of their construction licence conditions was high, although in some instances reminders had to be sent to licensees to comply.

The level of compliance by operation licensees in submitting the stipulated regulatory reports remained at an acceptable level, except for facilities typically falling below the bulk threshold as determined by the Energy Regulator. In addition, only one incident (spillage resulting from attempted theft) took place, relating to Transnet Crude Oil Pipeline (COP), during the course of the financial year.

(d) Other activities

- Two reports on trends in terms of the use of storage facilities and third-party access were noted by the Petroleum Pipelines Subcommittee.
- Four reports on the construction of new facilities were noted by the Petroleum Pipelines Subcommittee.
- Four reports on licensees' compliance with statutory reporting requirements were noted by the Petroleum Pipelines Subcommittee.
- Four reports on investigations done into suspected unlicensed activities were noted by the Regulator Executive Committee.
- Two reports were considered on the inland supply forecast and were noted by the Petroleum Pipelines Subcommittee.
- The Energy Regulator considered and noted the concerns on the tariff methodology for storage and loading facilities.
- The Energy Regulator noted a preliminary report on the assessment of prudency criteria for petroleum pipelines only.
- The Energy Regulator determined what constitutes a bulk storage facility and this was published on the NERSA website.
- The Energy Regulator published a discussion document with the proposal on the pipelines, which will be used in determining the pipeline levies.
- The Energy Regulator considered one report on regulatory advocacy on engagements with key stakeholders.

Cross-Cutting Regulatory Matters

(a) Regulatory Reporting Manuals (RRM)

In the 2016/17 financial year, NERSA started with the implementation of the Non-Financial Information (NFI) Regulatory Reporting Manuals (RRMs) in the Electricity Industry and the Piped-Gas Industry. The Petroleum Pipelines Industry started

with the implementation of the approved NFI manuals during the previous financial year. NERSA also revised Volume 1 of the RRM, which deals with general reporting requirements for both financial and non-financial reporting by licensees. The revision of Volume 1 was informed by stakeholders' experiences in implementing the RRM that were raised with the Energy Regulator.

(b) Research

NERSA developed a research agenda for the organisation that takes into account the research needs of the three regulated industries. It also revised the regulatory impact assessment framework, taking into account lessons learned from the regulatory impact study that was conducted in the 2015/16 financial year.

(c) Customer Education

A total of 66 customer education workshops and stakeholder engagement activities were conducted in various communities to create awareness among customers and consumers about NERSA's role and mandate. Most of the customer education workshops conducted during the review period were done in collaboration and cooperation with consumer focused forums, consumer organisations and the Provincial Consumer Affairs Departments.

(d) Other

- Four progress reports on the implementation of recommendations from the comprehensive information and communication technology (ICT) systems review were considered by NERSA's Regulator Executive Committee (REC).
- Four progress reports on the progress made in obtaining ISO certification were considered by the REC.
- Four reports on regulatory and policy advocacy were considered by the REC.

- One report on comments on the Crucial Infrastructure Protection Bill was approved by the REC.
- One report on comments on the Draft Preferential Procurement Regulations was approved by the REC.
- One report on comments on the Draft Licensing Exemption and Registration Notice was approved by the Electricity Subcommittee.

Acknowledgements

I count the opportunity to lead this crucial organisation at the heart of the South African economy as a tremendous privilege and certainly a career milestone.

I would like to thank the former Minister of Energy, Ms Tina Joemat-Pettersson, for having confidence and trust in me by appointing me to execute the responsibilities of the CEO of NERSA.

The organisation has robust processes in place that will enable it to effectively execute its mandate and meet South Africa's requirements for sound decision-making in the energy sector. My focus will be on optimising the efficiency of NERSA as a regulatory body, enhancing its turnaround times and ensuring that the interests of all parties are taken into account with every decision. Continuity and stability will be my primary watchwords.

During the past financial year, some of our decisions have been challenged and this is not a bad thing. The nature of our work is such that we cannot hope to satisfy all of the people, all of the time.

Nevertheless, we can commit ourselves to constantly reviewing our processes and approaches and effecting change where it is called for. I believe my experience in both the private and public sectors will allow me to see both sides of the regulatory coin and guide the organisation in walking the right path in every circumstance.

I look forward to leading the NERSA team for the next few years and – guided by the Chairperson and my fellow Regulator Members – doing what is needed to enhance NERSA's service to all South Africans and elevate its status as the pre-eminent regulatory authority. I also would like to welcome Minister Mmamoloko Kubayi and I am looking forward to her leadership and guidance.

At an operational level, there would be no NERSA were it not for its dedicated taskforce that works to stringent and exacting deadlines. Your effort and enthusiasm are sincerely appreciated.

Finally, I wish to pay tribute to our stakeholders for their continued support. I believe that NERSA will continue to play an important role in transforming ordinary people's lives, stimulating the creation of new businesses, creating jobs and making the South African energy industry more competitive internationally.



Christopher Forlee:
Chief Executive Officer

Date: 31 July 2017





PART B

PERFORMANCE INFORMATION

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The Chief Executive Officer is responsible for the preparation of NERSA's performance information and for the judgements made in this information.

The Chief Executive Officer is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In our opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the approved Strategic Plan (2016/17 - 2020/21) and approved Annual Performance Plan (2016/17 - 2018/19) of NERSA for the financial year ended 31 March 2017.

NERSA's performance information for the year ended 31 March 2017 has been examined by the external auditors and their report is presented on page 125.

The performance information of the entity set out on page xx to page xx was approved by the Energy Regulator and signed as delegated.



Christopher Forlee: Chief Executive Officer

Date: 31 July 2017



Jacob RD Modise: Chairperson

Date: 31 July 2017

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA or 'the auditor') currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 126 of the Report on the Auditor's Report, published as Part E: Financial Information.

3. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

3.1. Service Delivery Environment

3.1.1. CONTEXT

- a) 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 full-time, one being the Chief Executive Officer (CEO).
- b) 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.

NERSA's regulatory functions, 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

3.1.2. CONTRIBUTION TOWARDS GOVERNMENT PRIORITIES AND PROGRAMMES

- a) NERSA is expected to contribute to Government's fourteen outcomes, which are based on Government's Medium-Term Strategic Framework (MTSF) that clearly articulates the agenda of the Government. NERSA contributes 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, thus improving respiratory health, among others, by:

- taking affordability into consideration when setting and/or approving tariffs and prices;
- determining inclining block tariffs (IBTs) and free basic electricity (FBE) 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 that facilitates security of supply; and
- policy advocacy with regards to cleaner fuels.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal –
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa
- NERSA's Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Promote accessible and affordable energy for all citizens

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 that facilitates security of supply.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.

- To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
- 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.

- NERSA's Strategic Objectives –
 - 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

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 third-party access to facilities;
- monitoring compliance and undertaking technical audits leading to regular maintenance and refurbishment of the infrastructure and therefore to the improvement in quality of supply; and
- promoting competition and competitiveness.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal
 - 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

- NERSA's Strategic Objective –
 - Promote competition and competitiveness within the energy industry

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 licensees and in the NERSA building; and
- dispute resolution, including mediation, arbitration and handling of complaints.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - 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.

- NERSA's Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Promote accessible and affordable energy for all citizens

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 licensees and in the NERSA building;
- facilitating the implementation of the Integrated Resource Plan (IRP) through considering and 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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - 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.

- To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA's Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Establish and position NERSA as a credible and reliable regulator

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;
- inviting the public to make comments prior to decisions being made (written or in public hearing);
- customer education;
- training and development of staff and stakeholders, including training of 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
- the 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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA's Strategic Objective –
 - Establish and position NERSA as a credible and reliable regulator

- b) 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. Even though NERSA contributes directly 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) third-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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals –
 - 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
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA's Strategic Objectives –
 - Promote regulatory certainty within the energy industry
 - Promote competition and competitiveness within the energy industry
 - Establish and position NERSA as a credible and reliable 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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty

- NERSA's Strategic Objective –
 - Establish and position NERSA as a credible and reliable regulator

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, therefore creating 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) third-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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals –
 - 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.
 - 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.
- NERSA's Strategic Objectives –
 - Promote competition and competitiveness within the energy industry
 - Promote accessible and affordable energy for all citizens

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 that 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;
- facilitating 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;
- developing and implementing 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 regard to cleaner fuels policy; and
- monitoring the implementation of the Gas Utilisation Master Plan (once promulgated).

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals -
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - 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
 - 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.
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
- NERSA's Strategic Objectives –
 - 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
 - Establish and position NERSA as a credible and reliable regulator

c) 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, as well as to strengthen the delivery of basic services. The plan also supports the integration of African economies. Even though NERSA contributes indirectly to more than just the energy Strategic Integrated Projects (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;
- facilitating the implementation of the IRP through considering and 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 through NERSA's licensing processes;
- facilitating the transition to a low carbon economy; and
- regulatory advocacy with regard to cleaner fuels policy.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals -
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.
- NERSA's Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs

SIP 9: Electricity generation to support socio-economic development

NERSA contributes through:

- regulating in a manner that 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; and
- monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an improvement in quality of supply.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals -
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - 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.
- NERSA's Strategic Objectives –
 - 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

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) third-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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal –
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.

- NERSA's Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Promote accessible and affordable energy for all citizens
- d) The National 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. Even though NERSA contributes indirectly to a range of these policies, NERSA specifically contributes to the following:

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 that 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;
- the 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.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goals –
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - 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
 - 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.
- NERSA's Strategic Objectives –
 - 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

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

NERSA contributes through:

- Founding and current member of the Executive Committee of the African Forum for Utility Regulators; and
- Member of Executive Committee of Regional Electricity Regulator Association. NERSA is no longer the chair of

RERA but that of the Portfolio Committee on Facilitation ESI Policy, Legislation and Regulation from 1 January 2016.

The above-mentioned are linked to –

- NERSA's Outcome-oriented goal -
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
- NERSA's Strategic Objective –
 - Establish and position NERSA as a credible and reliable regulator

3.1.3. ANALYSIS OF NERSA'S PERFORMANCE IN 2016/17

- a) As a public entity NERSA has to comply with the requirements of Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'). In terms of Treasury Regulation 29.3.1, NERSA is responsible for establishing procedures for quarterly reporting to facilitate effective performance monitoring, evaluation and corrective action.

In October 2010, National Treasury published a Framework for Strategic Plans and Annual Performance Plans ('the Framework'), detailing the requirements for the development of Strategic Plans and Annual Performance Plans. According to Instruction Note 33 of National Treasury, Schedule 3A public entities have to comply with the requirements of the Framework from 2012/13. In line with this requirement, the NERSA Strategic Plan (2012/13 – 2016/17) has been approved by the Minister of Energy. NERSA also developed Annual Performance Plans for the periods 2012/13 – 2014/15; 2013/14 – 2015/16; and 2014/15 – 2016/17 in line with the Framework (all of them approved by the Minister of Energy).

The Framework requires all entities to develop a revised Strategic Plan in the first planning cycle after an election. NERSA's Strategic Plan (2015/16 – 2019/20) and the Annual Performance Plans for the

periods 2015/16 – 2017/18 and 2016/17 – 2018/19, developed in line with the Framework, were all approved by the Minister of Energy.

In line with the Framework, National Treasury has developed guidelines for quarterly performance reporting. These guidelines are applicable as from 2015/16. These guidelines however only pertain to the electronic submission of information to National Treasury directly linked with programme performance, while the reporting format as prescribed by the Department of Energy on 29 June 2012 also needs to be adhered to for the submission of the reports to the Minister of Energy. Apart from these

quarterly performance reports, this report on the summary of the performance against predetermined objectives for 2016/17 is in compliance with Section 55(2) (a) of the PFMA.

- b) The following table provides an analysis of NERSA's performance with regard to the implementation of its annual targets linked to the key performance indicators during the 2016/17 reporting period. Only one target could not be met due to internal constraints. It should be noted that corrective measures were put in place immediately.

			TARGET NOT MET					
	TARGET MET		EXTERNAL DEPENDENCIES		INTERNAL CONSTRAINTS		TOTAL	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Electricity Industry Regulation	23 (96%)	20 (100%)	1 (4%)	0 (0%)	0 (0%)	0 (0%)	24	20
Piped-Gas Industry Regulation	17 (100%)	17 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	17	17
Petroleum Pipelines Industry Regulation	10 (100%)	10 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	10	10
Transversal Regulatory	3 (100%)	5 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (100%)	3	5
Organisational	8 (100%)	5 (83%)	0 (0%)	0 (0%)	0 (0%)	0 (17%)	8	6
Total	61 (98%)	57 (98%)	1 (2%)	0 (0%)	0 (0%)	1 (2%)	62	58

From the above table it is evident that all 20 (100%) of the planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19 relating to the regulation of the electricity industry, were met. This signifies an improvement of 4% in the performance when compared to 2015/16, where 96% of targets were met.

From the above table it is also evident that all 17 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19 relating to the regulation of the piped-gas industry, were met. This signifies the same level of performance when compared to 2015/16 where 100% of targets were also met.

It can also be seen that all 10 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19 relating to the regulation of the petroleum pipelines industry, were met. This also signifies the same level of performance if compared to 2015/16 where 100% of targets were also met.

Moreover, from the table above it is evident that all 5 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19 relating to transversal regulatory matters, were also met. This signifies the same level of performance when compared to 2015/16 where 100% of targets were also met.

Lastly, from the table above it is evident that 5 (83%) of the 6 planned annual targets, linked to the key performance indicators

in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19 relating to the organisational environment, were met. The one target that was not met due to the fact that only 99% creditors within 30 days after all relevant documentation have been received, the reason being that there was a delay in the internal authorization of invoices in the fourth quarter. This signifies a decrease of 17% in performance levels when compared to 2015/16 where 100% of targets were met.

In summary, in 57 (98%) of the 58 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2016/17 – 2018/19, were met. This signifies an overall improvement of 6% in the performance when compared to 2015/16, where 92% of the targets were met. The one (2%) target that was not met was due to internal constraints.

c) The following table provides a comparison between NERSA's performance on its planned activities for 2009/10, 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17.

YEAR	TARGET MET	TARGET NOT MET	
		EXTERNAL DEPENDENCIES	INTERNAL CONSTRAINTS
2009/10	66%	15%	19%
2010/11	68%	14%	18%
2011/12	66%	9%	25%
2012/13	87%	8%	5%
2013/14	90%	2%	7%
2014/15	96%	1%	3%
2015/16	92%	5%	3%
2016/17	98%	0%	2%

NERSA's performance during 2016/17 is comparing favourably with that of previous years. We remain committed to continued improvement in our performance.

3.1.4. OVERVIEW OF KEY OUTPUTS / ACHIEVEMENTS FOR THE 2016/17 FINANCIAL YEAR

Some of the main achievements for NERSA during the 2016/17 financial year are listed below.

a. Electricity Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator approved -
 - the Free Basic Electricity Rate for the compensation of Eskom for implementation on 1 July 2016;
 - the revised mechanism for the determination of Eskom's revenues and prices (MYPD);
 - the Service Quality Incentive (SQI) Schemes for Eskom Transmission and Distribution;
 - the update of the COUE methodology;
 - Eskom's Retail Tariffs; and
 - a close-out report on issues identified in the municipal tariff approval process 2016/17.
- The Energy Regulator considered reports on -
 - the number of licensed distributors purchasing on night save rural tariff;
 - the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation; and
 - the analysis of Eskom's performance based on submitted Regulatory Financial Reports.
- The Energy Regulator confirmed its Eskom's revenue decision of the 2013 MYPD3, in relation to the requirement for 2017/18; and
- NERSA's leave to appeal against the judgement in the Eskom's RCA application was granted by the Gauteng High Court.

Programme 2: Licensing and Registration

- The Energy Regulator -
 - granted 15 generation and 2 distribution licenses;
 - approved the amendment of 6 generation licences, 6 distribution licences and 1 trading licence; and
 - revoked one distribution licence.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered -
 - 1 consolidated audit report for generation, transmission and distribution respectively, highlighting the state of compliance in the electricity industry for 2015/16;
 - 1 progress report for generation, transmission and distribution respectively, on the monitoring of the implementation of the corrective action plans by non-complying licensees;
 - 1 audit report on the review of the annual performance of the Integrated Demand Management (IDM) for 2015/16;
 - 1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid; and
 - 2 monitoring reports on the performance and progress of Renewable Energy projects;

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- The Energy Regulator considered 1 report on the trends regarding to the status of disputes and complaints in the electricity industry which was published on the NERSA website.

Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry

- The Energy Regulator approved -
 - 46 applications for exemption from the South African distribution and transmission grid code and the Network Code;
 - 3 amendments to the Renewable Grid Code; and
 - 1 Derogation (for the 1200MW CSP).

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered the annual review and publication of the medium term system adequacy outlook (MTSAO) as required by the South African Grid Code, System Operation Code clause 2.1.2 (7).

b. Piped-Gas Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator approved -
 - ROMPCO's application for a transmission tariff for Loopline 2 located in Mozambique, which will enable the delivery of an additional 7.8 million gigajoules of natural gas per annum to South Africa;
 - the Transnet Pipelines' application for a multiyear tariff for the period 01 April 2017 to March 2020;
 - Six maximum price applications for Virtual Gas Networks (Pty) Ltd, Natural Gas Vehicles (Pty) Ltd, Spring Lights Gas (Pty) Ltd, Reatile Gastrade (Pty) Ltd, Columbus Stainless (Pty) Ltd and Molopo Highlands Exploration (Pty) Ltd; and

- ROMPCO's Network Code with guidelines for third party access to its gas transmission pipeline from Mozambique to South Africa. These guidelines set out procedures and requirements that will apply to third parties wishing to access uncommitted capacity in the ROMPCO pipeline.
- The Energy Regulator considered -
 - Four quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule;
 - A report on global gas price formations, including a comparison of gas prices in SA to international gas prices; and
 - Two reports on the calculation of MRP and GE to help stakeholders monitor gas prices charged was considered by the PGS.
- The Energy Regulator deliberated the ruling of the High Court in favour of NERSA's decision regarding Sasol Gas' maximum price and the Methodology for Approval of Maximum Prices of gas. The implication is that the current Maximum Price Methodology will remain valid.

Programme 2: Licensing and Registration

- The Energy Regulator -
 - granted 3 operation, 2 construction and 6 trading licences;
 - completed the registration of 3 gas production facilities;
 - approved applications for amendment of 19 licence conditions; and
 - approved 3 applications from Spring Light Gas Pty Ltd to revoke its gas trading licences in the Gauteng, KwaZulu-Natal and Free State provinces. These licences together with the associated licence conditions were subsequently taken over by a new company called, SLG Pty Ltd.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered -
 - reports on 2 audits that were conducted on the ROMPCO pipeline according to the compliance framework;
 - 3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas);
 - 12 monthly volume balance reports;
 - 4 quarterly reports on compliance with licence conditions in the operation of gas distribution and transmission facilities;
 - monitoring reports on the implementation of Maximum Prices by Spring Lights Gas (Pty) Ltd, Sasol Gas (Pty) Ltd, Novo Energy (Pty) Ltd, Virtual Gas Network (Pty) Ltd, Columbus Stainless (Pty) Ltd and Reatile Gastrade (Pty) Ltd; and
 - 4 reports on the monitoring of progress in the construction of licensed facilities and issued notices of non-compliance

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- The Energy Regulator considered -
 - report on initiated investigations into gas supply interruptions at Sasol Gas (Pty) Ltd's gas facilities - Wadeville- Germiston-Olifantsfontein (WGO) Gauteng province.

Programme 5: Setting of rules, guidelines and codes for the regulation of the piped gas industry

- The Energy Regulator -
 - approved the revised Guidelines for Monitoring and Approval of transmission and storage tariffs

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered -
 - 1 report on gas regulatory advocacy activities;
 - 1 report on customer/stakeholder education workshops;
 - 4 reports on new developments in the gas industry;
 - a report on NERSA's comments on the proposed new IRP and IEP; and
 - a report on the study tour to Spain which was aimed at gaining an understanding of how the Spanish and European gas industries are regulated and gaining knowledge which places NERSA in a better position to handle new and complicated tasks such as the regulation of LNG regasification terminals.

c. Petroleum Pipelines Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator approved tariffs for 22 storage facilities and set tariffs for two pipelines.
- The Energy Regulator noted that NERSA's first YouTube Video was posted regarding the publication of a tutorial on standard option one on the Petroleum Storage and Loading Facilities Tariff Methodology for use by stakeholders; and
- The Energy Regulator considered a preliminary impact assessment report on the approved tariff methodology for storage and loading facilities.

Programme 2: Licensing and Registration

- The Energy Regulator granted 18 licences, approval of amendments to 12 licences and revocation of 23 licences.

- The Energy Regulator rejected 41 applications for licences and did not approve 1 amendment;
- The Energy Regulator considered -
 - 4 reports on investigations done into suspected unlicensed activities; and
 - 1 progress report on activities related to the implementation of Bulk storage determination.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered -
 - 2 reports on trends regarding utilisation of storage facilities and 3rd party access;
 - an assessment report on the extent of compliance by licencees with the Petroleum Pipelines Levies Act; and
 - 4 reports on the construction of new facilities; and
 - 4 reports on licencees' compliance with statutory reporting requirement

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- The Energy Regulator approved the report on the investigation of the complaint lodged by Horizon Petrochemicals

Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry

- The Energy Regulator considered a report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered -
 - reports on the inland supply forecast; and
 - a Regulatory Advocacy Report on engagements with several key stakeholders.

d. Transversal Regulatory

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator approved -
 - a revised regulatory impact framework as well as a revised benchmarking framework;
 - the NERSA Research agenda; and
 - the reviewed Benchmarking framework.
- NERSA presented two papers at the 13th Annual African Forum for Utility Regulators (AFUR) conference and Annual General Assembly in Abidjan, Ivory Coast, on the following topics:
 - Ex-post regulatory impact assessment (RIA) of pricing, tariff, licensing and compliance decisions in South Africa: a case study; and
 - Institutional and regulatory requirements for PPP projects in developing countries.
- The NERSA Annual Report for 2015/16 was submitted to the Minister of Energy, Auditor-General and National Treasury on 18 August 2016 as per legislative requirement. The report was also tabled in Parliament on 14 September 2016.
- NERSA's Annual Performance Plan 2017/18 – 2019/20 was approved by the Minister of Energy and was tabled in Parliament on 15 March 2017, together with the NERSA Strategic Plan 2015/16 – 2019/20

- NERSA undertook 66 stakeholder engagement and education programmes aimed at empowering stakeholders with relevant energy industry as well as economic regulatory knowledge and information

e. Organisational

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered -
 - 4 progress reports on the implementation of the recommendations from the comprehensive ICT systems review;
 - 4 reports on regulatory and policy advocacy engagements;
- NERSA received a clean audit from the Auditor-General for the 2015/16 financial year;
- A customer and stakeholder perception and satisfaction level of 87,53% was achieved (target was 84%); and
- The refurbishment of NERSA's building commenced due to the following reason:
 - non-compliance with regulations [Electricity, HVAC (air-conditioning)], Health and Safety Regulations (minimum size of passages etc.), and central firefighting equipment (the sprinkler system);
 - optimisation of work space;
 - modernising the look and feel of the building to keep it abreast of currently designed and available workplaces in and around the city; and
 - a lack of energy efficiency.

3.1.5. MAIN CHALLENGES FOR THE 2016/17 FINANCIAL YEAR AND CORRECTIVE STEPS BEING TAKEN

Some of the main challenges/lowlights for NERSA during the 2016/17 financial year, with action plans to address these challenges are outlined below.

Electricity Industry Regulation

- Following the North Gauteng High Court judgement of August 2016, consequent to the judgement, NERSA suspended the consideration of the 2014/15 and 2015/16 RCA applications. NERSA has also appealed the judgement to the Supreme Court of Appeal and the appeal has been set down for hearing on 04 May 2017.
- The number of court cases against NERSA is steadily increasing. Cases to quote are the Autocast, Borbet and Others versus NERSA, Nelson Mandela Bay Metropolitan Municipality and Others as well as the Bridgestone and Others versus NERSA, Madibeng Local Municipality and Others.
- Gaps in current legislation and regulations are posing a challenge as it impacts on NERSA's ability to effectively regulate the electricity industry, specifically in respect of the following:
 - The regulations for Small Scale Embedded generators have not yet been gazetted; and
 - No regulations for resellers. To mitigate this, NERSA developed guidelines for resellers but some resellers are still not implementing the guidelines.

NERSA deals with this through its regulatory advocacy activities and reports on specific challenges to the DOE on a quarterly basis

NERSA is receiving more complaints because more people are becoming aware of NERSA's role in the Electricity Industry. Furthermore, an increasing number of complainants are no longer satisfied with mediation and are requesting arbitration. One of the major complaints received is the South African Wind Energy Association (SAWEA) complaint lodged against Eskom for failing to comply with the Ministerial Determination.

- Some stakeholders are challenging NERSA's use of the current Integrated Resource Plan (IRP) in decision-making, because the assumptions made in developing that IRP are now outdated. The DOE indicated that the finalization of the updated IRP 2016 is scheduled for the end of 2017.

- The Grid Code, including codes to regulate the Integration of the Renewable Energy (RE) plants and Connection Charges, needs to be updated as it will facilitate the integration of RE and conclusion of PPAs with IPPs. NERSA, through the Danish Cooperation, is involved in the development and regulation of grid codes for promoting cost-effective integration of renewable energy plants into the grid.
- There is a delay in Eskom's publication of the updated Medium Term System Adequacy Outlook 2016. Extension was granted until the end of July 2017.

Piped-Gas Industry Regulation

- Challenges were experienced with regard to the regulation of cross-border assets – The challenges mainly related to the legal complexities of regulating assets located in a foreign country and the fair sharing of costs in line with capacity allocation amongst other things. The Tariff Guidelines were revised to deal with some of the aspects but the current agreement between SA and Mozambique must also be reviewed to deal more effectively with all challenges related to the regulation of cross borders assets.
- Some licensees were unable to submit their maximum price applications on time as per the requirement set out in the Methodology for Approval of Maximum Prices of Piped Gas. The relevant licensees were assisted through pre-application meetings and workshops, to provide clarity on the requirements of the Methodology. Customer and stakeholder workshops were also held to educate licensees and customers on the requirements of the Methodology and the Gas Act regarding maximum price applications.
- Gaps in the current legislation pose a challenge as they impact on NERSA's ability to effectively regulate the piped-

gas industry, specifically in respect of important matters such as provisions for the regulation of distribution tariffs. NERSA continued to engage in regulatory advocacy with the DoE to encourage the speedy finalisation and promulgation of the Gas Amendment Bill.

- Gas supply interruptions continued to be a challenge in the industry and several customers were affected in various areas in the Gauteng, KwaZulu-Natal and Free State provinces. This resulted in an increased number of inspections and investigations targeted at identifying and resolving the cause of the gas supply interruptions.
- Challenges were experienced with non-compliance of some customers with licence conditions and the incorrect implementation of the Energy Regulator's decisions on maximum price applications. Notices of non-compliance were issued in all cases of identified non-compliance and the relevant licensees were also engaged directly to facilitate remedial action to address instances of non-compliance.

Petroleum Pipelines Industry Regulation

- The provision of third party access to uncommitted storage capacity remains at a very limited scale. The Energy Regulator can only investigate, if a formal complaint has been lodged in terms of its Rules. The first official complaint was only recently submitted. However, based on the utilisation reports, the findings were that no uncommitted capacity was available for the product required to be stored. The current approach to assess the levels of uncommitted capacity available for storage facilities licenced by NERSA, will be reviewed. NERSA will also recommend to the DoE regarding the amendment of the Regulations to redefine the definition of uncommitted capacity.

- The Petroleum Pipeline Act allows for interconnection to other licensed activities, as long as it is technically feasible. This requires the Energy Regulator to have the necessary knowledge on the technical feasibility of pipeline and loading facility interconnections. The Energy Regulator embarked on a project to prepare guidelines on factors to consider in evaluating such interconnections.
- In the assessment of tariff applications based on the Tariff Methodology for Storage and Loading Facilities based on the indexed Original Costs (IOC) and Standard Costing ("the New Tariff Methodology"), it was established that the new tariff methodology for storage and loading facilities has many gaps relating to the determination of the Regulatory Asset Base (RAB), operating expenditure, volumes, design capacity and clawback elements resulting in significantly higher tariffs. The Energy Regulator has embarked on a process of revising the tariff methodology for storage and loading facilities. Whilst the revision of the Tariff Methodology is underway, as an interim measure, the Energy Regulator intends reverting to the "old methodology" after following due process.
- A number of applications received from HDSA new entrants did not provide proper funding information for its projects when submitting their applications and as such a licence cannot be granted. A project has been launched to develop a framework to assess proof of funding. The Licensing Guidelines has been enhanced to provide licensees with clarity on the Energy Regulator's requirements.
- NERSA experienced a challenge with the implementation of the ER's decision on bulk determination due to the issue of the interpretation of the extent of powers of the Energy Regulator. NERSA will expedite the consultation process with the DOE to obtain clarity on the opinion of the State Law Advisor.

Organisational

- NERSA experienced a few capacity constraints due to the fact that the new organisational structure approved in July 2016, was not implemented.

3.1.6. SIGNIFICANT DEVELOPMENTS EXTERNAL TO NERSA IMPACTING ON THE DEMAND FOR NERSA'S SERVICES OR NERSA'S ABILITY TO PROVIDE THESE SERVICES

- The gas IPP Programme has stimulated significant interest from international and local investors for development of gas infrastructure. NERSA's regulatory services in licensing such infrastructure and the approval of associated tariffs will be required. NERSA will have continued interaction and co-operation with the IPP office to streamline regulatory requirements and coordinate processes for the successful delivery of the gas IPP programme.
- The construction of Loopline 2 in Mozambique enhanced the capacity of the MSP pipeline to deliver an additional 24MGJ/a to the South African markets. NERSA has already approved the tariff for the Loopline 2 facility for an initial 7,8 MGJ to South Africa. As soon as additional gas volumes are found in Mozambique, the extra capacity of approximately 16 MGJ/a will be utilised with the result that NERSA may have to approve additional tariffs for the use of this capacity.

3.2. Organisational environment

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

Challenges	Response
Legislative amendment <ul style="list-style-type: none"> • National Energy Regulator Amendment Bill • Electricity Regulation Amendment Bill • Gas Amendment Bill • Gas Utilisation Master Plan Possible change in institutional character	<ul style="list-style-type: none"> • Regulatory advocacy
Attraction and retention of requisite skills	<ul style="list-style-type: none"> • Improved Human Resource Policies, Procedures and Systems • Culture recalibration • Conditions of Service
Enabling technology (e.g. the need to align technology requirements with business processes and requirements)	<ul style="list-style-type: none"> • Implementation of "to-be" Business Processes • Implementation of recommendations from ICT Systems Review • Records Management enhancement
Conducive working environment	<ul style="list-style-type: none"> • Refurbishment of the NERSA building
Image of NERSA	<ul style="list-style-type: none"> • Repositioning of NERSA's image (brand positioning) • Utilisation of less conventional means of communication • NERSA Website improvement

3.3. Key policy developments and legislative changes

There has been no major changes to relevant policies or legislation that affected NERSA's operations during the 2016/17 financial year.

Some legislation that may affect NERSA's operations going forward are the following:

- National Energy Regulator Amendment Bill;
- Electricity Regulation Amendment Bill;
- Gas Amendment Bill; and
- Petroleum Pipelines Regulation Amendment Bill.

3.4. Strategic Outcome-Oriented Goals

NERSA believes that its services add value to the electricity, piped-gas and petroleum pipelines industries in support of government's economic and social objectives. Value has been added in each of the following five strategic outcome-oriented goals that are cascaded from the mandate and reflect the key policy priorities of government. These underscore 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 its mandate and which guided its programmes 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 to support 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 to balance 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.

The link between the five strategic outcome-oriented goals and the six programmes identified are outlined in the table below.

Strategic Outcome-Oriented Goal	Response
To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
To facilitate investment in and access to infrastructure in the energy industry to support sustainable socio-economic development in South Africa	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
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	Establishing NERSA as an efficient and effective regulator
	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
To facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Setting and/or approval of tariffs and prices
	Licensing and registration
To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator

Details of progress made with regard to the implementation of the strategic outcome-oriented goals can be found in the section on key outputs/achievements for the 2016/17 financial year, as well as in the sections on the strategic objectives and programmes below.

4. PERFORMANCE INFORMATION BY PROGRAMME

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

The programme's 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.

The following table provides the strategic objectives for this programme:

PROGRAMME 1: SETTING AND/OR APPROVAL OF TARIFFS AND PRICES	
Sector	Strategic Objectives
Electricity Industry Regulation	To ensure financially sustainable supply of electricity by municipalities and private distributors
	To facilitate the sustainability of electricity supply by Eskom
Piped-Gas Industry Regulation	To provide piped-gas price certainty
	To provide piped-gas tariff certainty through the approval and monitoring of piped-gas transmission tariffs
	To provide tariff certainty through the calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule
Petroleum Pipelines Industry Regulation	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry

4.2. Programme 2: Licensing and registration

The programme's 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), the Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

The following table provides the strategic objectives for the programme:

PROGRAMME 2: LICENSING AND REGISTRATION	
Sector	Strategic Objectives
Electricity Industry Regulation	To control entry and ensure orderly development of the electricity industry
Piped-Gas Industry Regulation	To ensure orderly development of the piped-gas industry by efficient licensing
	To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production
Petroleum Pipelines Industry Regulation	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure

4.3. Programme 3: Compliance monitoring and enforcement

The programme's purpose is to ensure that all licensees in the three regulated industries fully comply with their licence conditions, including those related 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.

The following table provides the strategic objectives for the programme:

PROGRAMME 3: COMPLIANCE MONITORING AND ENFORCEMENT	
Sector	Strategic Objectives
Electricity Industry Regulation	To promote the quality and reliability level of electricity supply
Piped-Gas Industry Regulation	To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)
	To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions
	To monitor licensees' compliance with approved transmission tariffs
	To monitor licensees' compliance with approved Maximum Prices
Petroleum Pipelines Industry Regulation	To monitor infrastructure utilisation and third-party access
	To monitor the development of infrastructure
	To monitor licensees' compliance with statutory reporting requirements

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

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

The following table provides the strategic objectives for the programme:

PROGRAMME 4: DISPUTE RESOLUTION, INCLUDING MEDIATION, ARBITRATION AND HANDLING OF COMPLAINTS	
Sector	Strategic Objectives
Electricity Industry Regulation	To create a fair balance between the needs of all stakeholders
Piped-Gas Industry Regulation	To ensure fairness and equity in the piped-gas market
Petroleum Pipelines Industry Regulation	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure

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

The programme's purpose is to ensure the setting of appropriate rules, guidelines and codes of best practices in the quest to promote uniformity and standardise practices in the regulation of the three energy industries. This will facilitate the creation of investor confidence and lessen the regulatory burden on licensees. In order to achieve orderly investor confidence in the energy industries there must be standardised practices that 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.

The following table provides the strategic objectives for the programme:

PROGRAMME 5: SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE THREE ENERGY INDUSTRIES	
Sector	Strategic Objectives
Electricity Industry Regulation	To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure
Piped-Gas Industry Regulation	To enhance regulatory certainty in the piped-gas market
Petroleum Pipelines Industry Regulation	To enhance regulatory certainty
	Enhancing the regulatory dispensation

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

The programme's 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 of skills, both internally and externally, in energy regulation.

PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR	
Industries	Strategic Objectives
Electricity Industry Regulation	To promote Security of Supply
Piped-Gas Industry Regulation	To engage in the debate on gas policy and legislation
	To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market
	To ensure an understanding of and monitor new developments in the gas industry
Petroleum Pipelines Industry Regulation	To promote Security of Supply
Transversal Regulatory	To determine the impact of regulatory decisions
	To benchmark NERSA against recognised world-class regulators
	To complete the research agenda for the organisation
	To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information
Organisational	To create an efficient and effective world-class organisation
	To position and promote the good image of NERSA
	To improve the effectiveness of the financial processes, systems and procedures
	To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic objectives with planned targets and actual achievements

The tables below provide information on the various programme's strategic objectives with the actual outputs achieved in the prior year, the planned targets as per the Annual Performance Plan and the actual achievements.

Electricity Industry Regulation

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
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 Electricity Subcommittee within 60 days of receipt of complete application.	Target met	N/A
	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 Electricity Subcommittee	Target met	N/A
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 REC	Target met	N/A
	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 Energy Regulator in line with statutory requirements	Target met	N/A
	FBE Rate for 2015/16 approved by the Electricity Subcommittee	FBE Rate for 2016/17 approved by the relevant Subcommittee	FBE Rate for 2016/17 approved by the Energy Regulator	Target met	N/A
	MYPD mechanism not revised as planned	Revised MYPD mechanism approved by the relevant Subcommittee	Revised MYPD mechanism approved by the Energy Regulator	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 2: Licensing and Registration					
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	Target met	N/A
Programme 3: Compliance monitoring and enforcement					
To promote the quality and reliability level of electricity supply	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the Electricity 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 of 13 audits conducted on the state of compliance of licensees with licence conditions was considered by the Electricity Subcommittee	Target met	N/A
	10 generation audit reports on the state of compliance of power stations with licence conditions considered by the Electricity 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 12 renewable power stations with licence conditions was considered by the Electricity Subcommittee	Target met	N/A
	10 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity 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 of 12 audits conducted on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity Subcommittee	Target met	N/A
	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the Electricity 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 (one each for generation, distribution and transmission) on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the Electricity Subcommittee	Target met	N/A
	1 audit report on the review of the annual performance of IDM for 2014/15 considered by the Energy Regulator	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 Electricity Subcommittee	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
To promote the quality and reliability level of electricity supply	1 audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid, considered by the Electricity Subcommittee and published on NERSA website	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid, 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, considered by the Electricity Subcommittee	Target met	N/A
	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the Electricity 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 2016/17, considered by the Electricity Subcommittee	Target met	N/A
	-	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 Electricity Subcommittee	Target met	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
To create a fair balance between the needs of all stakeholders	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	On average 89% of disputes/ complaints closed within 180 days from receipt.	Target exceeded	The Dispute Resolution Officers have become more experienced in dealing with complaints. In addition, the licensees were more cooperative in resolving matters referred to them
	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the Electricity Subcommittee and published on the NERSA website	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 Electricity Subcommittee in February and was published on the NERSA website	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry					
To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of the applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, approved by the Electricity Subcommittee within 60 days from receipt of complete application	Target met	N/A
	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered 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 <u>requiring amendment</u> to the South African distribution and transmission grid code, approved by the Electricity Subcommittee within 60 days from receipt of complete application	Target met	N/A
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)					
To promote Security of Supply	-	1 System Adequacy Report considered by the relevant Subcommittee	The annual review and publication of the medium term system adequacy outlook (MTSAO) as required by the South African Grid Code, System Operation Code clause 2.1.2 (7) considered by the Energy Regulator	Target met	N/A

Piped-Gas Industry Regulation

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
To provide piped-gas price certainty	100% of maximum price applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications approved by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	Target met	N/A
	100% of trading tariff applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment of tariff application	100% of trading applications approved by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	Target met	N/A
To provide tariff certainty through the approval and monitoring of piped-gas transmission tariffs	100% of transmission tariff applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications approved by the Energy Regulator within 120 days after date of publication of preliminary assessment of tariff application	Target met	N/A
To provide piped-gas tariff certainty (to calculate and publish the ROMPCO tariff for volumes below 120 Gigajoule)	4 calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 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 Piped-Gas Subcommittee	Target met	N/A
Programme 2: Licensing and Registration					
To ensure orderly development of the piped-gas industry by efficient licensing	100% of licence applications considered by the Piped-Gas 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 approved by the Piped-Gas Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	Target met	N/A
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 Piped-Gas 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 approved by the Piped-Gas Subcommittee within 120 days from date of receipt of complete application	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
To promote the quality and reliability level of electricity supply	12-monthly volume balance reports assessed and analysis reports considered by the Piped-Gas Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and considered by the Piped-Gas Subcommittee	Target met	N/A
	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the Piped-Gas 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 were conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the Piped-Gas Subcommittee	Target met	N/A
To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	65 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the Piped-Gas Subcommittee	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	76 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the Piped-Gas Subcommittee	Target exceeded	The increase in the number of reported gas supply interruptions has become a concern. Therefore additional inspections were conducted to focus on specific areas of Sasol Gas Operations to ensure adequate compliance that would prevent further gas supply interruptions.
To monitor licencees' compliance with approved transmission tariffs	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the Piped-Gas Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the Piped-Gas Subcommittee.	Target met	N/A
To monitor licencees' compliance with approved Maximum Prices	1 monitoring report on the implementation of maximum prices considered by the Piped-Gas Subcommittee	1 monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	1 monitoring report on the implementation of Maximum Prices considered by the Piped-Gas Subcommittee	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
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 Piped-Gas Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	Only one complaint received in the fourth quarter and the investigation will be completed in the new reporting period	Target met	N/A
	100% of initiated investigations completed within 12 months and a report on findings considered by the Piped-Gas 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 Piped-Gas Subcommittee	Target met	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry					
To enhance regulatory certainty in the piped-gas market	-	Tariff Guidelines reviewed (if deemed necessary)	Guidelines for Third Party Access on uncommitted capacity in ROMPCO approved by the Piped-Gas Subcommittee	Target met	N/A
Programme 6: Establishing NERSA as an efficient and effective regulator					
To engage in the debate on gas policy and legislation	1 report considered by the Piped-Gas Subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report on regulatory advocacy was considered by the Piped-Gas Subcommittee	Target met	N/A
To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market	1 report considered by the Piped-Gas Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report on stakeholder workshops was considered by the Piped-Gas Subcommittee	Target met	N/A
To ensure an understanding of and monitor new developments in the gas industry	2 reports on new developments in the gas industry considered by the Piped-Gas Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	3 reports on the developments in the gas industry were considered by the Piped-Gas Subcommittee	Target exceeded	An additional report was developed to ensure that the most recent developments in the gas industry are also noted.

Petroleum Pipelines Industry Regulation

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	88% of pipeline, storage and loading facility tariff applications considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee within less than the required 8 months of receipt of complete application	Target exceeded	The use of the standard options based on the revised methodology for storage and loading facilities, does not follow the public consultation process, and the process for the treatment of confidential information, thereby shortening the tariff processing period.
Programme 2: Licensing and Registration					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	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 approved by the Energy Regulator within a shorter period as prescribed in Section 19(1) of the Petroleum Pipelines Act	Target exceeded	Increased focus on improving the efficiencies in process applications to ensure that all required information are provided with applications.
	4 reports on investigations done into suspected unlicensed activities, considered by the Petroleum Pipelines 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 Regulator Executive Committee	Target met	N/A
Programme 3: Compliance monitoring and enforcement					
To monitor infrastructure utilisation and 3rd party access	1 report on trends regarding utilisation of storage facilities and third-party access, considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee	Target met	N/A
To monitor the development of infrastructure	4 reports on the construction of new facilities, considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee	Target met	N/A

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
To monitor licencees' compliance with statutory reporting requirements	4 reports considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee on licencees' compliance with statutory reporting requirements	Target met	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	No complaints received	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, the one complaint received were investigated and approved by the Energy Regulator	Target met	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
To enhance regulatory certainty	<ul style="list-style-type: none"> Approved the amended Pipelines Tariff Methodology (version 7) and Frequently Asked Questions Approved and published the revised Tariff Methodology for Approval of Storage and Loading facilities (version 3) and Frequently Asked Questions 	Tariff methodologies reviewed when necessary	A revised tariff methodology was published for public comment	Target met	N/A
	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 was considered by the Petroleum Pipelines Subcommittee	Target met	N/A
Programme 6: Establishing NERSA as an efficient and effective regulator					
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 were noted by the Petroleum Pipelines Subcommittee	Target met	N/A

Transversal Regulatory

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
To determine the impact of regulatory decisions	Impact assessment report approved by the Energy Regulator	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	A revised regulatory impact framework was approved by Regulator Executive Committee	Target met	N/A
To benchmark NERSA against recognised world-class regulators	-	Reviewed benchmarking framework considered by the relevant Subcommittee	Benchmarking framework was approved by the Regulator Executive Committee	Target met	N/A
To complete the research agenda for the organisation	-	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	Research Agenda was approved by the REC	Target met	N/A
To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletter published	Target met	N/A
	Undertook 53 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes	Undertook 62 stakeholder engagement and education programmes	Target exceeded	Additional requests were received for Consumer Protection Forum meetings, Community Radio interviews, DoE Public Participation / outreach Events, exhibitions and Public Hearings on some of the regulatory decisions and activities

Organisational

Strategic objectives	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
To create an efficient and effective world-class organisation	4 progress reports considered by the Regulator Executive Committee on the implementation of the recommendations from the comprehensive ICT systems review	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	4 progress reports considered by Regulator Executive Committee on the implementation of the recommendations of the comprehensive ICT systems review	Target met	N/A
	4 progress reports considered by the Regulator Executive Committee on the progress made regarding 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 Regulator Executive Committee on the progress made regarding obtaining ISO certification	Target met	N/A
To position and promote the good image of NERSA	A customer and stakeholder perception and satisfaction level of 89.80% was achieved (target was 89%)	2% improvement on the customer and stakeholder perception and satisfaction level	5.53% improvement on the customer and stakeholder perception and satisfaction level from an average baseline of 84%	Target exceeded	An individual's perception and satisfaction level is emotive. These levels of attendees of the customer education workshops are influenced by recent developments in the electricity industry prior to the workshop and therefore unpredictable
To improve the effectiveness of the financial processes, systems and procedures	Clean audit achieved 2014/15	Unqualified audit	Unqualified audit for 2015/16 financial year	Target met	N/A
	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	99% of creditors paid within 30 days after all relevant documentation have been received	Target not met	There was a delay in internal authorization of 5 invoices. Corrective measures were put in place to improve the relevant process and compliance thereof.
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 were considered by Regulator Executive Committee on regulatory and policy advocacy	Target met	N/A

Key performance indicators with planned targets and actual achievements

The tables below provide information on the performance indicators and targets for each programme as specified in the Annual Performance Plan

Electricity Industry Regulation

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% 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 Electricity Subcommittee within 60 days of receipt of complete application. [Detail is provided at the end of this table.]	Target met	N/A
Number of monitoring reports of the implementation of Inclining Block Tariffs (IBTs) by licensed distributors in South Africa, 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 Electricity Subcommittee	Target met	N/A
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 REC	Target met	N/A
Annual retail tariffs (ERTSA) of Eskom including the Free Basic Electricity (FBE) rate 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 Energy Regulator in line with statutory requirements	Target met	N/A
	FBE Rate for 2015/16 approved by the Electricity Subcommittee	FBE Rate for 2016/17 approved by the relevant Subcommittee	FBE Rate for 2016/17 approved by the Energy Regulator	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
Revised mechanism for the determination of Eskom's revenues and prices (MYPD) approved by the relevant Subcommittee	MYPD mechanism not revised as planned	Revised MYPD mechanism approved by the relevant Subcommittee	Revised MYPD mechanism approved by the Energy Regulator	Target met	N/A
Programme 2: Licensing and Registration					
% 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 [Detail is provided at the end of this table.]	Target met	N/A
Programme 3: Compliance monitoring and enforcement					
Number of consolidated audit reports on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the Electricity 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 of 13 audits conducted on the state of compliance of licensees with licence conditions was considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
	10 generation audit reports on the state of compliance of power stations with licence conditions considered by the Electricity 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 12 renewable power stations with licence conditions was considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
	10 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity 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 of 12 audits conducted on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
Number of 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 Electricity 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 (one each for generation, distribution and transmission) on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
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 2014/15 considered by the Energy Regulator	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 Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
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 2014/15 projects for compliance with the South African Grid, considered by the Electricity Subcommittee and published on NERSA website	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid, 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, considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator, considered by the relevant Subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the Electricity 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 2016/17, considered by the Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
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 Electricity Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
% of disputes/ complaints closed within stated timelines	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	On average 89% of disputes/ complaints closed within 180 days from receipt. [Detail is provided at the end of this table.]	Target exceeded	The Dispute Resolution Officers have become more experienced in dealing with complaints. In addition, the licensees were more cooperative in resolving matters referred to them
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 Electricity Subcommittee and published on the NERSA website	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 Electricity Subcommittee in February and was published on the NERSA website	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry					
% 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 <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of complete application	100% of the applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> to the South African distribution and transmission grid code, approved by the Electricity Subcommittee within 60 days from receipt of complete application [Detail is provided at the end of this table.]	Target met	N/A
	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of application from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered 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 <u>requiring amendment</u> to the South African distribution and transmission grid code, approved by the Electricity Subcommittee within 60 days from receipt of complete application [Detail is provided at the end of this table.]	Target met	N/A
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)					
Number of System Adequacy Reports considered by the relevant Subcommittee	-	1 System Adequacy Report considered by the relevant Subcommittee	The annual review and publication of the medium term system adequacy outlook (MTSAO) as required by the South African Grid Code, System Operation Code clause 2.1.2 (7) considered by the Energy Regulator	Target met	N/A

Programme 1: Pricing and Tariffs

For the review period, a total of 175 municipal and 12 private electricity distribution tariff applications were approved.

Programme 2: Licensing and Registration

- The following ten generation licences were granted under the DoE's Renewable Energy Independent Power Producer (REIPP) Procurement Programme:
 - Tasmel Marketing (Pty) Ltd;
 - Tribute Marketing (Pty) Ltd;
 - Champac Trading (Pty) Ltd;
 - Vendiwell (Pty) Ltd;
 - Adams Solar PV (Pty) Ltd;
 - Bellatrix Solar PV Project (Pty) Ltd;
 - Du Plessis Solar PV4 (Pty) Ltd;
 - George Biomass Energy (Pty) Ltd;
 - Hopefield Community Wind farm (Pty) Ltd, and
 - Busby Renewables (Pty) Ltd.
- One cogeneration licence was granted under the DoE's REIPP Procurement Programme to Sappi Tugela Energy.
- One distribution connection facility licence was granted to Hopefield Community Wind farm (Pty) Ltd.
- One private distribution licence was issued to Damplaas Kragbron (Pty) Ltd.
- One distribution licence was issued to Joe Morolong Local Municipality.
- The following five generation licences were amended for IPPs that participated in selling excess energy to Eskom under the Short-Term Power Purchase Programme, namely:
 - Sasol South Africa (Pty) Ltd;
 - Sappi Southern Africa (Pty) Ltd;
 - Mondi Limited;
 - Umfolozi Sugar Mill (Pty) Ltd; and
 - Power Alt (Pty) Ltd.
 - Bethlehem Hydro (Pty) Ltd (amendment under bilateral arrangements);
- The following four Generation Licence Applications were approved:
 - L'Ormarines (Pty) Ltd;
 - MTN (Pty) Ltd; and
 - Green Grid (Pty) Ltd.
 - Port Elizabeth Solar PV1 (Pty) Ltd
- Amendments to the following distribution licences were approved:
 - uMjindi Local Municipality (to include Sheba village);
 - City of Cape Town Municipality (to take over Paardevlei in Somerset West supplied by AECI Limited);

- City of uMhlathuze Municipality (to include Water Stone Development, Hill View Ext 3, Logistic City, Empangeni Business Park and John Ross Eco-Junction into its area of supply);
- Mafube Local Municipality (rectification and amendment);
- Kail!Garib Local Municipality (rectification and amendment); and
- Umsobomvu Local Municipality (rectification and amendment).
- The trading licence for PowerX (Pty) Ltd was amended.
- The private distribution licence of AECL Limited (Somerset-West, Paardevlei) was revoked.

Programme 3: Compliance Monitoring and Enforcement

- One progress report on the monitoring of the implementation of the corrective action plans by ten non-complying electricity generation licensees was considered.
- One consolidated generation audit report on the state of compliance of twelve power stations with licence conditions was considered.
- One progress report on non-compliance by Eskom Transmission in implementation of corrective action plans was considered.
- One progress report on monitoring the Corrective Action Plans conducted in 2016/17 financial year on six electricity distributors was noted.
- Thirteen electricity distribution compliance audits were conducted on licensed electricity distributors to monitor their compliance with their licence conditions.
- The submission on the Resolution of Disputes for the 2016 calendar year (01 January 2016 – 31 December 2016) was noted.
- The two monitoring reports on the performance and progress of DoE REIPP projects were published on the NERSA website.
- Service quality incentive (SQI) schemes were approved for Eskom Transmission and Distribution.
- Fourteen transmission audits were conducted in Eastern Cape, Mpumalanga and Free State.
- The evaluation of the Eskom FY2015/16 Transmission planning for compliance with the South African Grid Code was noted.
- The evaluation of the City of Cape Town Municipality for compliance with the Grid Code was noted.
- The first annual review of the Cost of Unserved Energy (COUE) model and levels for Eskom was noted.
- The annual Audit of Integrated Demand Management (IDM) 2015/16 was noted.

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- NERSA received 520 electricity-related complaints/disputes, excluding enquiries received via the website, email, telephone, fax as well as walk-ins.
- Customers used various communication channels such as email, telephone, website and fax to submit their complaints to NERSA.
- Other customers and licensees preferred coming in personally to lodge their complaints during the period under review.
- Of these cases, 86% were successfully resolved. The disputes received ranged from tariff and billing complaints to complex technical cases.

Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry

- A total of 46 applications for exemption to the South African distribution and transmission grid code and the Network Code were granted and 3 amendments on the Renewable Grid Code; and
- 1 Derogation (for the 1200MW CSP) was approved.

Piped-Gas Industry Regulation

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% 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 considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications approved by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application [Detail is provided at the end of this table.]	Target met	N/A
% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading tariff applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff 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 applications approved by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application [Detail is provided at the end of this table.]	Target met	N/A
% 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 considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications approved by the Energy Regulator within 120 days after date of publication of preliminary assessment of tariff application [Detail is provided at the end of this table.]	Target met	N/A
Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 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 Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target met	N/A

Piped-Gas Industry Regulation

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 2: Licensing and Registration					
% 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 Piped-Gas 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 approved by the Piped-Gas Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received [Detail is provided at the end of this table.]	Target met	N/A
% 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 Piped-Gas 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 approved by the Piped-Gas Subcommittee within 120 days from date of receipt of complete application [Detail is provided at the end of this table.]	Target met	N/A
Programme 3: Compliance monitoring and enforcement					
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 Piped-Gas Subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports assessed and considered by the Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
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	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the Piped-Gas 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 were conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	65 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the Piped-Gas Subcommittee	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	76 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target exceeded	The increase in the number of reported gas supply interruptions has become a concern. Therefore additional inspections were conducted to focus on specific areas of Sasol Gas Operations to ensure adequate compliance that would prevent further gas supply interruptions.
Number of monitoring reports on the implementation of transmission tariffs considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the Piped-Gas Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the Piped-Gas Subcommittee. [Detail is provided at the end of this table.]	Target met	N/A
Number of monitoring reports on the implementation of Maximum Prices considered by the relevant Subcommittee	1 monitoring report on the implementation of maximum prices considered by the Piped-Gas Subcommittee	1 monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	1 monitoring report on the implementation of Maximum Prices considered by the Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target met	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
% 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 Piped-Gas Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	Only one complaint received in the fourth quarter and the investigation will be completed in the new reporting period [Detail is provided at the end of this table.]	Target met	N/A
% 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 Piped-Gas 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 Piped-Gas Subcommittee [Detail is provided at the end of this table.]	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry					
Tariff and pricing methodologies and guidelines reviewed (if deemed necessary)	-	Tariff Guidelines reviewed (if deemed necessary)	The reviewed Guidelines of Monitoring and Approving Transmission and Storage Tariffs in the Piped-Gas Industry were approved by the Piped-Gas Subcommittee.	Target met	N/A
Programme 6: Establishing NERSA as an efficient and effective regulator					
Number of reports considered by the relevant Subcommittee on gas regulatory advocacy	1 report considered by the Piped-Gas Subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report on regulatory advocacy, relating to engagements between NERSA and the IPP Office and inputs on proposed amendments to the current Gas Act, 2001 (Act No. 48 of 2001), was considered by the Piped-Gas Subcommittee. A report was considered by the Piped-Gas Subcommittee. A report on comments and proposed policy interventions into the IRP and IEP documents was considered by the Piped-Gas Subcommittee.	Target met	N/A
Number of reports considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report considered by the Piped-Gas Subcommittee on stakeholder workshops / meetings	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report on stakeholder workshops was considered by the Piped-Gas Subcommittee. They were conducted in Durban, Kempton Park and Pretoria to educate customers on NERSA's processes and regulatory requirements related to licensing of gas infrastructure, Tariff Guidelines, the Methodology for Approval of Maximum prices of gas and compliance monitoring and enforcement.	Target met	N/A
Number of 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 Piped-Gas Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	3 reports on the developments in the gas industry, including potential new sources of gas in South Africa, Mozambique, Tanzania, Angola and Botswana, were considered by the Piped-Gas Subcommittee.	Target exceeded	An additional report was developed to ensure that the most recent developments in the gas industry are also noted.

Detailed information regarding the actual performance regarding the Programmes 1, 2, 3 and 4

Programme 1: Pricing and Tariffs

For the review period, a total of 175 municipal and 12 private electricity distribution tariff applications were approved.

- The following maximum price applications were approved:
 - Molopo Exploration (Pty) Ltd's - for a maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017;
 - Reatile Gastrade (Pty) Ltd's - for extension of the period of validity of its maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017;
 - Spring Lights Gas (Pty) Ltd's - for a maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017;
 - Virtual Gas Network (Pty) Ltd's - for extension of the period of validity of its maximum price and trading margin from 01 July 2016 to 30 June 2017; and
 - Natural Gas Vehicle (Pty) Ltd's - for maximum price of gas and trading margin for the period 01 July 2016 to 30 June 2017;
- The preliminary assessment of Spring Lights Gas' request for approval of the distinguishing features in terms of section 22 of the Gas Act was considered. The application was subsequently withdrawn by Spring Lights Gas.
- The following tariff applications were approved:
 - The ROMPCO tariff for Loop Line 2 for the period January 2017 to March 2019; and
 - Transnet Pipelines' multi-year tariff for the Secunda to Durban pipeline for the period 01 April 2017 to 31 March 2020
- The following applications were not approved:
 - ROMPCO's GTA2 claw-back application for a multi-year transmission tariff; and
 - ROMPCO's application for a tariff for Loop Line 2 (GTA 3) for 01 July 2015 to 30 June 2029.

Programme 2: Licensing and Registration

- The following license applications for the construction of gas transmission facilities were approved:
 - Spring Lights Gas - at Umbogintwini in the KwaZulu-Natal province;
 - Nampak (Pty) Ltd - in Roodekop in the Gauteng province; and
 - Sasol Gas (Pty) Ltd - in Meyerton in the Gauteng province
- The following license applications for the operation of gas transmission facilities were approved:
 - Spring Lights Gas - at Umbogintwini in the KwaZulu-Natal province; and
 - SL CNG - at Umbogintwini in the KwaZulu-Natal province.
- The following license applications for trading in gas were approved:
 - Spring Lights Gas (Pty) Ltd - in the Gauteng, Mpumalanga and Free State provinces;
 - Reatile Gastrade (Pty) Ltd - in Gauteng;
 - Evraz Highveld Steel (Pty) Ltd - Mpumalanga;
 - SLG (Pty) Ltd was - in KwaZulu-Natal; and
 - SLG (Pty) Ltd - in the Gauteng and Free State provinces;

- The following applications for the amendment of licences for the operation of distribution facilities were approved:
 - Sasol Gas (Kempton Park);
 - Sasol Gas (Alrode);
 - Sasol Gas (Alberton);
 - Sasol Gas (Verulam);
 - Sasol Gas (Vanderbijlpark); and
 - Sasol Gas (Nigel).
- The following applications for the amendment of licences for the operation of transmission facilities were approved:
 - Sasol Gas (Alberton), two applications; and
 - Sasol Gas (Robertville).
- The following applications for the amendment of licences for trading in gas were approved:
 - Sasol Gas (Kempton Park);
 - Sasol Gas (Alrode);
 - Sasol Gas (Nigel);
 - Sasol Gas (Alberton);
 - Sasol Gas (Verulam); and
 - Sasol Gas (Vanderbijlpark).
- The following licence applications were withdrawn:
 - New Horizon (Pty) Ltd's application for construction of a gas transmission facility at Athlone in the Western Cape Province.
- The following licences were revoked:
 - Spring Lights Gas trading licence in Gauteng and Free State;
 - Spring Lights Gas trading licence in KwaZulu-Natal; and
 - Spring Lights Gas trading licence in KwaZulu-Natal.
- The following applications for registration of gas production operations were considered and approved by the Piped-Gas Subcommittee:
 - Tshwane Food & Energy Centre (Pty) Ltd's application for registration of a biogas production operation in Tshwane (approved on 8 June 2016);
 - Country Meat (Pty) Ltd's application for registration of a syngas production operation in the Free State (approved on 14 November 2016), and
 - Distell Ltd's application for registration of a biogas production operation in the Western Cape (approved on 17 March 2017).

Programme 3: Compliance Monitoring and Enforcement

- The following reports on compliance with approved maximum prices were considered by the Piped-Gas Subcommittee:
 - Report on Spring Lights Gas' maximum price implementation for the period ending September 2016;
 - Report on Sasol Gas Ltd's maximum price implementation for the period ending September 2016;
 - Report on Novo Energy's failure to apply for a maximum price of gas within the Maximum Price Methodology timeline;
 - Report on Spring Lights Gas' maximum price implementation for the period ending March 2016;
 - Report on Virtual Gas Network's maximum price implementation for 01 July 2015 to 30 June 2016;
 - Report on monitoring Columbus Stainless (Pty) Ltd's compliance with the approved maximum price of gas from 01 July 2015 to 30 June 2016.
 - Report on monitoring Novo Energy (Pty) Ltd compliance with the approved maximum price of gas for 01 July 2015 to 30 June 2016, and
 - Report on monitoring Reatile Gastrade (Pty) Ltd's compliance with the approved maximum price of gas for the period 01 July 2015 to 30 June 2016.
 - Publication of updated Gas Energy Price (GE) calculation and the Market Risk Premium (MRP).
 - NERSA approved the aggregate results of prices for customers in the Gauteng, KwaZulu-Natal, Mpumalanga and Free State Provinces for the calendar year 2015.
 - The Financial Information of the following licensees were audited: Sasol Gas, Transnet, ROMPCO and Spring Lights Gas.
- The following reports on compliance with approved tariffs were considered by the Piped-Gas Subcommittee:
 - Report on monitoring Sasol Gas Ltd's compliance with the approved transmission tariffs for 01 July 2015 to 30 June 2016.
 - Report on monitoring ROMPCO's compliance with the approved tariff for volumes below 120 million gigajoule per annum (GJ/A) and tariffs for volumes above 120 million GJ/A;
 - Report on monitoring Transnet Pipelines' compliance with the approved tariffs for 01 July 2015 to 30 June 2016.
- A total of 76 compliance inspections were conducted on licensed facilities where the construction and operation of gas facilities is taking place to monitor compliance with licence conditions.
- Audits were also conducted on the ROMPCO pipeline in South Africa and Mozambique to monitor compliance with licence conditions, technical standards and applicable legislative requirements.
- A total of 12 volume balance reports were assessed for the period from March 2016 to March 2017.

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- NERSA received and is currently investigating a complaint by the Ferro Group into Sasol Gas' refusal to supply gas to the group.
- Seven investigations were initiated into incidents of gas supply interruptions in the Gauteng, KwaZulu-Natal and Free State provinces.
- An investigation was initiated into the application of the interruptible supply factor by licensees in the determination of gas prices

Petroleum Pipelines Industry Regulation

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	88% of pipeline, storage and loading facility tariff applications considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee within less than the required 8 months of receipt of complete application [Detail is provided at the end of this table.]	Target exceeded	The use of the standard options based on the revised methodology for storage and loading facilities, does not follow the public consultation process, and the process for the treatment of confidential information, thereby shortening the tariff processing period.
Programme 2: Licensing and Registration					
% of licence applications that 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 approved by the Energy Regulator within a shorter period as prescribed in Section 19(1) of the Petroleum Pipelines Act [Detail is provided at the end of this table.]	Target exceeded	Increased focus on improving the efficiencies in process applications to ensure that all required information are provided with applications.
Number of 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 Petroleum Pipelines 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 Regulator Executive Committee	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
Number of reports on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	1 report on trends regarding utilisation of storage facilities and third-party access, considered by the Petroleum Pipelines 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 Petroleum Pipelines Subcommittee	Target met	N/A
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 Petroleum Pipelines 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 Petroleum Pipelines Subcommittee	Target met	N/A
Number of reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	4 reports considered by the Petroleum Pipelines Subcommittee on licensees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licensees' compliance with statutory reporting requirements	4 reports considered by the Petroleum Pipelines Subcommittee on licensees' compliance with statutory reporting requirements	Target met	N/A

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
Number of days taken to investigate and report on complaints received	No complaints received	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, the one complaint received were investigated and approved by the Energy Regulator [Detail is provided at the end of this table.]	Target met	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
Tariff methodologies reviewed when necessary	<ul style="list-style-type: none"> Approved the amended Pipelines Tariff Methodology (version 7) and Frequently Asked Questions Approved and published the revised Tariff Methodology for Approval of Storage and Loading facilities (version 3) and Frequently Asked Questions 	Tariff methodologies reviewed when necessary	A revised tariff methodology was published for public comment	Target met	N/A
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 was considered by the Petroleum Pipelines Subcommittee	Target met	N/A
Programme 6: Establishing NERSA as an efficient and effective regulator					
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 were noted by the Petroleum Pipelines Subcommittee	Target met	N/A

Detailed information regarding the actual performance regarding the Programmes 1, 2 and 4

Programme 1: Pricing and Tariffs

- The following pipeline tariff applications were approved:
 - Sasol Oil (Pty) Ltd SNI for 2017/18; and
 - Transnet Pipelines System for 2017/18.
- The following storage tariff applications were approved:
 - Sasol Oil (Pty) Ltd – Secunda storage tariff application for 2016;
 - Sasol Oil (Pty) Ltd – Secunda storage tariff application for 2017;
 - joint venture of Sasol Oil and BPSA for Alrode storage tariff application for 2017/18;
 - Shell Downstream (Pty) Ltd - Port Elizabeth storage tariff application for 2016;
 - Shell Downstream (Pty) Ltd – Witbank storage tariff application for 2016;
 - Shell Downstream (Pty) Ltd – Rockydrift storage tariff application for 2016;
 - Sasol Oil (Pty) Ltd – NATCOS storage tariff application for 2016/17;
 - Chevron (Pty) Ltd – Waltloo storage tariff application for 2016;
 - Chevron (Pty) Ltd – East London storage tariff application for 2016;
 - Chevron (Pty) Ltd – East London storage tariff application for 2017;
 - Chevron (Pty) Ltd – Waltloo storage tariff application for 2017;
 - Joint venture of Chevron (Pty) Ltd and Engen Petroleum – Alrode storage tariff application for 2016/17;
 - joint venture of BPSA and Sasol – Waltloo storage tariff application for 2017;
 - BPSA – Klerksdorp storage tariff application for 2016;
 - BPSA – Cape Town storage tariff application for 2017;
 - BPSA – East London storage tariff application for 2017;
 - BPSA – Klerksdorp storage tariff application for 2017;
 - Automotive Gas Oil storage tariff application for 2017;
 - Joint venture Sasol Oil (Pty) Ltd and Total SA (Pty) Ltd (NATCOS) for 2016/17;
 - Moov Fuel storage tariff application for 2016;
 - BPSA and Sasol (Pty) Ltd – Waltloo storage tariff application; and
 - Joint venture of Sasol Oil (Pty) Ltd and BPSA – Alrode storage tariff application for 2016/17

Programme 2: Licensing and Registration

- The following applications for construction licences were approved:
 - Econ Oil & Energy (Pty) Ltd for the construction of its storage facilities in Nigel, Gauteng Province and Ermelo, Mpumalanga Province;
 - Chevron South Africa (Pty) Ltd for the construction of two additional storage tanks at its storage facility in Alrode, Gauteng Province;
 - BP Southern African (Pty) Ltd and Sasol Oil (Pty) Ltd for the construction of two additional storage tanks at their storage facility in Alrode, Gauteng Province; and
 - Total South Africa (Pty) Ltd for the construction of additional storage tanks at its storage facilities in Alrode, Gauteng Province and East London, Eastern Cape Province.
- The following applications for construction licences were not approved:
 - South African Gas Corporation (Pty) Ltd for the construction of a pipeline and associated storage facility in Nelspruit, Mpumalanga Province; and
 - Magubane CC for the construction of a storage facility in Steelpoort, Mpumalanga Province.
- The following applications for operation licences were issued:
 - Shell Downstream South Africa (Pty) Ltd for the operation of its storage facilities in Alrode, Gauteng Province; Port Elizabeth, Eastern Cape Province; Ladysmith, KwaZulu-Natal Province and Rock Drift, Western Cape Province;
 - Chevron South Africa (Pty) Ltd, Engen Petroleum Ltd, Total South Africa (Pty) Ltd and Shell Downstream South Africa (Pty) Ltd for the operation of their two loading facilities in Port Elizabeth, Eastern Cape Province;
 - Econ Oil & Energy (Pty) Ltd for the operation of its storage facility in Bethlehem, Free State Province; Ermelo, Mpumalanga Province and Nigel, Gauteng Province;
 - Main Street 1216 (Pty) Ltd for the operation of its storage facility in Krugersdorp, Gauteng Province ; and
 - Avedia Energy (Pty) Ltd for the operation of a mobile liquefied petroleum gas loading facility and a liquefied petroleum gas storage facility in Saldanha Bay, Western Cape Province.
- The following applications for operation licences were not approved:
 - TotalGaz (Pty) Ltd for the operation of 17 liquefied petroleum gas storage facilities throughout the country (below the bulk threshold);
 - African Oxygen Ltd for the operation of 13 liquefied petroleum gas storage facilities throughout the country (below the bulk threshold);
 - Puma Energy South Africa (Pty) Ltd for the operation of six storage facilities throughout the country (below the bulk threshold);
 - EML Engineers and Construction (Pty) Ltd for the operation of its storage facility in Kempton Park, Gauteng Province (below the bulk threshold);
 - South African Gas Corporation (Pty) Ltd for the operation of a proposed new pipeline and associated storage facility in Nelspruit, Mpumalanga Province; and
 - Magubane CC for the operation of a proposed new storage facility in Steelpoort, Mpumalanga Province
- The following construction licence was revoked:
 - Reatile Gas (Pty) Ltd for the construction of liquefied petroleum gas storage facilities in Port Elizabeth, Eastern Cape Province and Hammarsdale, KwaZulu-Natal Province.
- The following operation licences were revoked:
 - Shell South Africa Marketing (Pty) Ltd for the operation of storage facilities in Alrode, Gauteng Province; Port Elizabeth, Eastern Cape Province; Ladysmith, KwaZulu-Natal Province and Rock Drift, Western Cape Province;
 - Chevron South Africa (Pty) Ltd, Engen Petroleum Ltd, Total South Africa (Pty) Ltd and Shell Marketing South Africa (Pty) Ltd for the operation of their two loading facilities in Port Elizabeth, Eastern Cape Province;

- Auto Commodities (Pty) Ltd for the operation of its storage facility in Krugersdorp, Gauteng Province;
- Engen Petroleum Ltd for the operation of storage facilities in Koppies, Free State Province; Marquard, Free State Province and Standerton, Mpumalanga Province;
- Dream World Investment 63 (Pty) Ltd for the operation of storage facilities in Mable Hall, Limpopo Province and Vaalwater, Limpopo Province;
- KwaZulu-Natal Petroleum (Pty) Ltd for the operation of storage facilities in Pietermaritzburg and Vryheid, KwaZulu-Natal Province;
- Drakensberg Oil (Pty) Ltd for the operation of a storage facility in Bethal, Mpumalanga Province;
- Kaya Gas (Pty) Ltd for the operation of liquefied petroleum gas storage facility in Saldanha Bay, Western Cape Province; and
- Reatile Gas (Pty) Ltd for the operation of liquefied petroleum gas storage facilities in Port Elizabeth, Eastern Cape Province; Germiston, Gauteng Province; Krugersdorp, Gauteng Province and Blackheath, Western Cape Province.
- The licence for FFS Refiners (Pty) Ltd for its Prospecton facility (KwaZulu-Natal) was revoked by the Gauteng High Court on application by the Energy Regulator without being opposed by the licensee.
- The following conditions of construction licences were amended:
 - Oiltanking Grindrod Calulo (Pty) Ltd construction of loading and storage facilities in the Port of Ngqura (Amendment No.4);
 - Oiltanking MOGS Saldanha (RF) (Pty) Ltd construction of a crude oil storage facility and associated pipeline in Saldanha Bay, Western Cape Province (Amendment No. 1);
 - Vopak Terminal Durban (Pty) Ltd construction of petroleum facilities in Durban, KwaZulu-Natal Province (Amendment No. 1);
 - Transnet SOC Ltd construction of additional pipeline infrastructure forming part of its existing petroleum pipeline system (Amendment No. 7); and
 - BP Southern Africa (Pty) Ltd construction of additional storage tanks at an existing storage facility in Alrode, Gauteng Province (Amendment No. 1).
- The following conditions of construction licences were amended:
 - Vopak Terminal Durban (Pty) Ltd operation of petroleum facilities in Durban, KwaZulu-Natal Province (Amendment No. 2);
 - Chevron South Africa (Pty) Ltd operation of its storage facilities in East London, Eastern Cape Province and Waltloo, Gauteng Province (Amendment No. 1);
 - Moov Fuel (Pty) Ltd operation of its storage facility in Swellendam, Western Cape Province (Amendment No. 1);
 - Transnet SOC Ltd operation of its petroleum system from Durban to the Inland areas (Amendment No. 6 & 7); and
 - Island View Storage (Pty) Ltd operation of its petroleum facilities in Durban, KwaZulu-Natal Province (Amendment No. 4).
- The Energy Regulator did not approve the amendment to the Avedia Energy (Pty) Ltd licence conditions for the construction of a liquefied petroleum storage facility in Saldanha Bay, Western Cape Province. The amendment was applied for by Avedia Energy (Pty) Ltd on 27 October 2016.

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- Horizon Petrochemicals CC submitted a complaint relating to third party access to storage capacity in Island View, Durban. This was the first formal complaint lodged with the Energy Regulator to investigate. The Energy Regulator decided that since there is only uncommitted capacity for petrol and diesel at the two licensed facilities, there is no capacity available to store the product type that the Complainant wanted to store; and therefore was of view that the complaint is not valid. In general, provision of third party access to new entrant wholesalers remains at a very small scale due to various technical and operation factors applicable at especially import facilities.

Transversal Regulatory

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
Report on the impact of regulatory decisions	Impact assessment report approved by the Energy Regulator	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	A revised regulatory impact framework was approved by Regulator Executive Committee	Target met	N/A
Report on the benchmarking of NERSA considered by the relevant Subcommittee	-	Reviewed benchmarking framework considered by the relevant Subcommittee	Benchmarking framework was approved by the Regulator Executive Committee 6	Target met	N/A
Number of reports 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	Research Agenda was approved by the REC One report on research conducted in line with the approved research agenda approved by Regulator Executive Committee	Target met	N/A
Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletter published	Target met	N/A
Number of stakeholder engagement and education programmes conducted	Undertook 53 stakeholder engagement and education programmes	Undertake 40 stakeholder engagement and education programmes	Undertook 66 stakeholder engagement and education programmes	Target exceeded	Additional requests were received for Consumer Protection Forum meetings, Community Radio interviews, DoE Public Participation /outreach Events, exhibitions and Public Hearings on some of the regulatory decisions and activities

Organisational

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
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	4 progress reports considered by the Regulator Executive Committee on the implementation of the recommendations from the comprehensive ICT systems review	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	4 progress reports considered by the Regulator Executive Committee on the implementation of the recommendations of the comprehensive ICT systems review	Target met	N/A
Number of progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 progress reports considered by the Regulator Executive Committee on the progress made regarding 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 Regulator Executive Committee on the progress made regarding obtaining ISO certification	Target met	N/A
% improvement on the customer and stakeholder perception and satisfaction level	A customer and stakeholder perception and satisfaction level of 89.80% was achieved (target was 89%)	2% improvement on the customer and stakeholder perception and satisfaction level	5,53% improvement on the customer and stakeholder perception and satisfaction level from an average baseline of 84%	Target exceeded	An individual's perception and satisfaction level is emotive. These levels of attendees of the customer education workshops are influenced by recent developments in the electricity industry prior to the workshop and therefore unpredictable

Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
Result of annual audit	Clean audit achieved 2014/15	Unqualified audit	Unqualified audit for 2015/16 financial year	Target met	N/A
% 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	99% of creditors paid within 30 days after all relevant documentation have been received	Target not met	There was a delay in internal authorization of invoices. Corrective measures were put in place to improve the relevant process and compliance thereof.
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 were considered by Regulator Executive Committee on	Target met	N/A

Strategy to overcome areas of under performance

The one target that was not met was because only 99% (instead of 100%) creditors were paid within 30 days after all relevant documentation have been received. The reason was a delay in internal authorization of invoices. The following corrective measures were put in place immediately:

- A tracking system has been implemented to track invoices at departments for authorization.
- Alert and escalate invoice(s) not returned after five working days.

Changes to planned targets

No changes were made to the planned targets.

Linking performance with budgets

The following tables provides a link between the planned targets and the financial resources:

Electricity Industry Regulation

Programme	2016/17			2015/16		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	16 975 032	16 428 359	546 673	17 824 778	17 619 957	204 821
Programme 2: Licensing and Registration	10 637 620	10 564 274	73 346	9 199 056	9 363 646	*(164 590)
Programme 3: Compliance monitoring and enforcement	8 305 752	8 160 782	144 970	7 175 826	7 260 023	* (84 197)
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	8 305 752	8 160 782	144 970	7 175 826	7 260 023	* (84 197)
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	19 904 997	16 760 174	3 144 823	19 910 826	14 509 895	5 400 750
Programme 6: Establishing NERSA as an efficient and effective regulator	98 476 316	95 092 810	3 383 506	96 142 567	88 812 923	7 329 644
Total Electricity	162 605 469	155 167181	7 438 288	157 428 697	144 826 467	12 602 231

*These variances in the 2015/16 financial were as a result of salaries for temporary personnel and travelling.

Piped-Gas Industry Regulation

Programme	2016/17			2015/16		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	9 771 099	9 882 074	(110 975)	8 062 765	8 686 246	(623 481)
Programme 2: Licensing and Registration	4 894 606	4 536 240	358 366	4 674 745	4 062 077	612 668
Programme 3: Compliance monitoring and enforcement	4 894 606	4 536 240	358 366	4 674 745	4 062 077	612 668
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 390 213	4 075 027	315 186	4 226 019	3 622 700	603 318
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	1 363 849	1 307 746	56 102	1 533 660	985 313	548 347
Programme 6: Establishing NERSA as an efficient and effective regulator	35 655 219	34 364 803	1 290 416	34 810 240	32 156 403	2 653 837
Total Piped-Gas	60 969 592	58 702 130	2 267 461	57 982 173	53 574 816	4 407 357

Petroleum Pipelines Industry Regulation

Programme	2016/17			2015/16		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	12 445 960	9 765 229	2 680 731	12 448 800	12 493 592	(44 792)
Programme 2: Licensing and Registration	4 362 312	3 446 707	915 606	4 288 451	3 839 008	449 443
Programme 3: Compliance monitoring and enforcement	4 362 312	3 446 707	915 606	4 288 451	3 839 008	449 443
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 362 312	3 446 707	915 606	4 288 451	3 839 008	449 443
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	1 505 881	1 240 741	265 140	2 010 150	1 437 115	573 034
Programme 6: Establishing NERSA as an efficient and effective regulator	35 655 213	31 708 567	3 946 646	34 810 240	32 156 403	2 653 837
Total Petroleum Pipelines	62 693 992	53 054 657	9 639 335	62 134 542	57 604 134	4 530 408

Total NERSA

Programme	2016/17			2015/16		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	39 192 091	36 075 662	3 116 429	38 336 342	38 799 795	(463 452)
Programme 2: Licensing and Registration	19 894 539	18 547 221	1 347 318	18 162 252	17 264 730	897 522
Programme 3: Compliance monitoring and enforcement	17 562 671	16 143 729	1 418 942	16 139 022	15 161 107	977 914
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	17 058 277	15 682 515	1 375 762	15 690 295	14 721 731	968 564
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	22 774 727	19 308 661	3 466 066	23 454 455	16 932 324	6 522 131
Programme 6: Establishing NERSA as an efficient and effective regulator	169 786 748	161 166 180	8 620 568	165 763 046	153 125 729	12 637 317
Total NERSA	286 269 053	266 923 968	19 345 085	277 545 413	256 005 417	21 539 995

5. SUMMARY OF FINANCIAL INFORMATION

5.1. Revenue Collection

Programme	2016/17			2015/16		
Sources of Revenue	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Levies from Electricity	166 210 126	154 012 303	(12 197 823)	179 665 887	171 547 101	(8 118 786)
Levies from Piped-Gas	55 945 854	55 425 537	(520 317)	57 701 785	58 143 839	(442 054)
Levies from Petroleum Pipelines	66 781 465	66 743 172	(38 293)	71 577 104	75 446 243	(3 869 139)
Total	288 973 445	276 124 999	(12 812 446)	308 944 776	305 137 183	(3 807 593)

Licence fees from the Electricity Industry

The license fees for the electricity industry were invoiced based on actual volumes of 228 572 726 MWh against total budgeted volumes of 246 675 758 MWh. The difference in volumes is 18 103 032 MWh, which translates to under-recovery of levies by (R12 197 823) (7.3 %).

Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 182 567 070 GJ against budgeted volumes of 184 280 951 GJ. The variation in volumes is 1 713 881 GJ, which translates to an under-recovery of levies by (R520 316) (0.9%).

Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 16 858 593 652 Lt against budgeted volumes of 16 868 265 976 Lt. The variation in volumes is 9 672 324 Lt, which translates to an under-recovery of levies by (R38 293) (0.1%).

The net under collection of revenue do not have an impact on service delivery as it is not directly related.

5.2. Programme Expenditure

The details of the programme expenditure can be found in the tables provided under the heading **linking performance with budgets above**.

5.3. Capital investment, maintenance and asset management plan

NERSA owns the following types of assets, being Land and Buildings, Machinery and Equipment, Furniture and Equipment, Computer Hardware and Motor Vehicles. In terms of our Asset Management Plan, a budget has been set aside for the ongoing maintenance of the building. In 2011 the Energy Regulator decided to refurbish the building. During 2013/14 some improvements were done on the NERSA building. These improvements were capitalised into the value of the property. In 2014/15 a decision was made to investigate the need for a

full refurbishment of the NERSA building. In 2015/16 an analysis was undertaken on whether NERSA should relocate to another premises or stay at its current location. The report submitted to the Energy Regulator recommended that it would be more cost effective to stay in the current building on condition that some major upgrades are conducted to restore the condition of the building as well as to restructure the office lay-out for future growth of the organisation. Based on this report a final decision was taken to plan for a total refurbishment of the building. The refurbishment commenced in March 2017 and will be completed in phases over a period of time.

An Asset Register is maintained with details of all the Office Furniture and Equipment, Computer Hardware and Motor Vehicles owned by NERSA. The useful life of these assets is assessed annually during the asset verification process and adjustments are effected where necessary. In the event where some assets are found to be obsolete or redundant, a disposal process is initiated.

Capital Investment, maintenance and asset management plan

Programme	2016/17			2015/16		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Infrastructure Projects						
Land	-	-	-	-	-	-
Building improvements	20 000 000	3 646 418	16 353 582	43 179 042	674 510	42 504 532
Office furniture and Equipment	9 500 000	1 621 017	7 878 983	6 346 587	289 663	6 056 924
Computer Hardware	2 750 000	1 740 287	1 009 713	2 500 00	3 587 500	(1 087 500)
Computer Software	600 000	800 133	(200 133)	2 000 000	913 341	1 086 659
Total	38 850 000	7 807 855	25 042 145	54 625 629	5 465 014	49 375





PART C

CORPORATE GOVERNANCE

1. INTRODUCTION

As a public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), the National Energy Regulator (NERSA) is committed to good corporate governance. To this end, it adopted the Corporate Governance Handbook containing corporate governance rules and prescripts.

More specifically, the provisions of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), the PFMA and the principles contained

in the King Report on Corporate Governance are included in the Corporate Governance Handbook to which NERSA adheres.

In complying with the National Energy Regulator Act, read with the PFMA, all Regulator Members are required to declare their interests, if any, before the start of each Energy Regulator meeting. In addition, on their appointment, Regulator Members are required to declare to the Minister of Energy any interest they might have in the three regulated

industries. Moreover, they are required to declare gifts, shares and hospitality that they may receive from the regulated energy industry.

In adhering to best practice and sound governance principles, the Energy Regulator subjects itself to an annual assessment on the effectiveness of the Energy Regulator and its committees.

2. PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee (PPC) on Energy has oversight of NERSA.

3. EXECUTIVE AUTHORITY

The Executive Authority of the National Energy Regulator is the Minister of Energy. The Energy Regulator submitted a number of documents to the Executive Authority:

- The Annual Performance Plan (2017/18–2019/20) – in line with the Framework for the development of Strategic Plans and Annual Performance Plans as published by National Treasury, it was submitted on 31 January 2017. It was approved by the Minister of Energy in March 2017 and tabled in Parliament on 15 March 2017.
- First Quarter Performance Report for the period 01 April to 30 June 2016 – submitted on 30 July 2016.
- Second Quarter Performance Report for the period 01 July to 30 September 2016 – submitted on 31 October 2016.
- Third Quarter Performance Report for the period 01 October to 31 December 2016 – submitted on 31 January 2017.
- Fourth Quarter Performance Report for the period 01 January to 31 March 2017 – submitted on 29 April 2016.
- The Annual Report (2015/16) was submitted to the Minister of Energy, the Minister of Finance and the Auditor-General on 18 August 2016.

4. THE ACCOUNTING AUTHORITY/ENERGY REGULATOR

Introduction

The Energy Regulator, as the accounting authority, retains full and effective control over NERSA. The Energy Regulator provides leadership and is responsible for monitoring the implementation of its decisions and strategies by management. The Energy Regulator ensures that NERSA adheres to good governance practices and that it complies with all relevant laws, regulations and codes of practice.

The role of the Energy Regulator

The role, functions and powers of the Energy Regulator are determined by law, corporate governance, best practice and decisions and policies approved by the Energy Regulator. The functions of the Energy Regulator include:

- defining and ensuring compliance with the values and objectives of NERSA;

- establishing policies and plans to achieve the objectives;
- approving the strategic plan, budget and accounts;
- conferring upon the CEO and executive managers sufficient authority to carry out their responsibilities;
- establishing and overseeing a framework of delegation and systems of control;
- making decisions on all matters that might create significant financial or other risks to NERSA; and
- monitoring NERSA's performance in relation to its plans, budgets, control and decisions.

Energy Regulator Charter

The Energy Regulator adopted the Corporate Governance Handbook as part of its commitment to adopt an approach to internationally accepted standards and best practices for corporate governance towards ensuring proper levels of accountability, transparency and responsibility. It sets out policies to guide the Energy Regulator Members and staff towards effective discharge of their functions

and provides a comprehensive framework to protect the interests of NERSA.

The Corporate Governance Handbook contains:

- the demarcation of roles, responsibilities and powers of the Energy Regulator, the Chairperson, the Regulator Members, the CEO, the Regulator Secretary and other officials of NERSA;
- the powers delegated to the various committees of the Energy Regulator;
- matters reserved for final decision-making by the Energy Regulator;
- roles and procedures of the meetings of the Energy Regulator and its committees; and
- corporate governance policies and practices of the Energy Regulator, including a code of ethics and rules pertaining to declarations of interests and conflict of interest.

5. THE ENERGY REGULATOR AND ITS MEMBERS

The Minister of Energy appoints the Members of the Energy Regulator, comprising part-time (non-executive) and full-time (executive) Regulator Members, including the CEO. The Energy Regulator is supported by staff under the direction of the CEO. The Energy Regulator consisted of the following Regulator Members for the period 01 April 2016 to 31 March 2017.



MR JACOB MODISE
CHAIRPERSON
Part-Time Regulator Member



MS MALEHO NKOMO
DEPUTY CHAIRPERSON
Part-Time Regulator Member



MR CHRISTOPHER FORLEE
CHIEF EXECUTIVE OFFICER
Full-Time Regulator Member



MR YUSUF ADAM
PART-TIME REGULATOR MEMBER
(Appointed on 1 August 2016)



MR THEMBANI BUKULA
FULL-TIME REGULATOR MEMBER:
Electricity
(Resigned 31 December 2016)



DR ROD CROMPTON
FULL-TIME REGULATOR MEMBER:
Petroleum Pipelines
(Term expired on 30 June 2016)



MS NOMFUNDO MASETI
FULL-TIME REGULATOR MEMBER:
Piped-Gas



MS KHOMOTSO MTHIMUNYE
PART-TIME REGULATOR MEMBER



MR MBULELO NCETEZO
FULL-TIME REGULATOR MEMBER
Electricity
(Appointed on 9 January 2017)



MR FUNGAI SIBANDA
PART-TIME REGULATOR MEMBER

Composition of the Energy Regulator

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/end of term	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Mr JRD Modise	Chairperson (Part-Time Regulator Member)	01 April 2014	n/a	B Com B Acc CA (SA) MBA AMP	Finance	Allied Electronics Corporated Ltd Arcelormittal South Africa Ltd Batsomi Investment Holdings (Pty) Ltd Nelson Mandela Children's Fund Thales SA	Electricity Subcommittee, Piped-Gas Subcommittee and Petroleum Pipelines Subcommittee	57
Mr C Forlee	Full-Time Regulator Member and Chief Executive Officer	01 July 2016 CEO as of 01 January 2017	n/a	Master of Business Administration BSc (Electrical and Electronic Engineering)	Engineering Strategy Regulation	None	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Human Resources and Remuneration Committee, Finance Committee and Regulator Executive Committee	94
Ms M Nkomo	Deputy Chairperson (Part-Time Regulator Member)	01 April 2014	n/a	B Com B Com Hons M Com Senior Executive Programme	Finance	National Urban Reconstruction and Housing Agency, Tshwane South College, and National Library of South Africa	Piped-Gas Subcommittee, Finance Committee, and Human Resources and Remuneration Committee.	68
Mr T Bukula	Full-Time Regulator Member: Electricity Regulation	Re-appointed on 01 April 2011	Resigned on 31 December 2016	BSc (Eng); MSc (MSTE) Post Graduate Dip (Engineering Business Management)	Engineering	National Metrology Institute of SA (NMISA) International Electrotechnical Commission (IEC)	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Human Resources and Remuneration Committee and Regulator Executive Committee	88
Dr R Crompton	Full-Time Regulator Member: Petroleum Pipelines Regulation	Re-appointed on 01 April 2011	Term expired on 30 June 2016	BA Hons; HED; PhD (Humanities)	Regulatory	None	Petroleum Pipelines Subcommittee, Electricity Subcommittee, Piped-Gas Subcommittee, Finance Committee and Regulator Executive Committee	33

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/end of term	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Ms N Maseti	Full-Time Regulator Member: Piped-Gas Regulation	01 March 2014	n/a	BA Ed (Eco) BA Hons (Eco) Post Graduate Diploma (Economics for Competition Law)	Economics	ICASA Complaints and Compliance Committee	Piped-Gas Subcommittee, Petroleum Pipelines Subcommittee, Electricity Subcommittee, Human Resources and Remuneration Committee and Regulator Executive Committee	121
Mr M Ncetezo	Full-Time Regulator Member: Electricity Regulation	09 January 2017	n/a	BSc (Physics & Chemistry) BSc (Electrical Engineering) MSc (Electrical engineering)	Engineering		Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Finance Committee and Regulator Executive Committee	26
Mr Y Adam	Part-Time Regulator Member	01 August 2016	n/a	MPA BCom Hons PGD in Maritime Studies PGD in Advanced Banking HED BCom			Petroleum Pipelines Subcommittee and Audit and Risk Committee	24
Ms KR Mthimunye	Part-Time Regulator Member	Re-appointed on 01 April 2014	n/a	B Com; BCompt (Hons); CA (SA); Higher Diploma in Tax Law	Finance	Hatfield Motor Group (Pty) Ltd, Bidvest Develop (Pty) Ltd Bidvest Medical (Pty) Ltd Grapevine Property Investment 103 CC	Audit and Risk Committee, Electricity Subcommittee	58
Mr F Sibanda	Part-Time Regulator Member	01 April 2014	n/a	MSc (Economics), B Com, B Com Hons, Certificate in Competition Law	Economics	Hekima Advisory, Tshwane Economic Development Agency (TEDA), National Consumer Tribunal	Petroleum Pipelines Subcommittee, Finance Committee and Human Resources and Remuneration Committee	80

External Members of Committees

Name	Designation	Date appointed	Date resigned	Area of expertise	Other Committees	No. of meetings held	No. of meetings attended
Ms J Meissner	External Member	01 April 2015	n/a	Auditing	Audit and Risk Committee	7*	5
Ms G Jiyane	External Member	01 May 2013	n/a	Finance	Finance Committee	16*	14
Ms T Mashanda	External Member	01 May 2013	n/a	Auditing	Audit and Risk Committee	7*	6
Mr N Chonco	External Member	01 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	21	21
Dr MJ Ndlovu	External Member	01 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	21	20

*Meetings include Joint Finance Committee (FIC) and Audit and Risk Committee (ARC) and Energy Regulator Risk Register Workshop

Energy Regulator Meetings

Member	Status	Total (2016/17)	Attended (2016/17)
Mr JRD Modise	Chairperson	22	22
Ms M Nkomo	Deputy Chairperson	22	18
Mr T Bukula	Regulator Member (resigned 31 December 2016)	22	15
Mr C Forlee	Regulator Member (during 2nd quarter until end of 3rd quarter); Chief Executive Officer and Regulator Member (appointed 01 January 2017).	22	14
Dr R Crompton	Regulator Member (term expired on 30 June 2016)	22	6
Mr M Ncetezo	Regulator Member	22	3
Ms N Maseti	Regulator Member	22	22
Ms KR Mthimunye	Regulator Member	22	20
Mr F Sibanda	Regulator Member	22	22
Mr Y Adam	Regulator Member	22	10

Subcommittees

Subcommittee	No. of meetings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	13	5	<ol style="list-style-type: none"> 1. Mr T Bukula – Chairperson (resigned 31 December 2016) 2. Mr M Ncetezo – Chairperson (appointed 09 January 2017) 3. Dr R Crompton (term expired on 30 June 2016) 4. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 5. Ms N Maseti 6. Mr JRD Modise 7. Ms K Mthimunya
2. Piped-Gas Subcommittee (PGS)	12	5	<ol style="list-style-type: none"> 1. Ms N Maseti – Chairperson 2. Mr T Bukula (resigned 31 December 2016) 3. Dr R Crompton (term expired on 30 June 2016) 4. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 5. Mr JRD Modise 6. Ms M Nkomo 7. Mr M Ncetezo (appointed 09 January 2017)
3. Petroleum Pipelines Subcommittee (PPS)	9	6	<ol style="list-style-type: none"> 1. Dr R Crompton – Chairperson (term expired on 30 June 2016) 2. Mr T Bukula (resigned 31 December 2016) 3. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 4. Ms N Maseti (Chairperson from January 2017) 5. Mr JRD Modise 6. Mr F Sibanda 7. Mr M Ncetezo (appointed 09 January 2017) 8. Mr Y Adam (appointed 01 August 2016)

Committees

Committee	No. of meetings held	No. of members	Name of members
1. Regulator Executive Committee (REC) and Bid Adjudication Committee (BAC) – chaired on a rotational basis until 31 December 2016	25	3	1. Mr C Forlee – Chairperson – Regulator Member (during 2nd quarter to end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 2. Mr T Bukula (resigned 31 December 2016) 3. Dr R Crompton (term expired on 30 June 2016) 4. Ms N Maseti 5. Mr M Ncetezo (appointed 09 January 2017)
2. Audit and Risk Committee (ARC)	5	4	1. Ms K Mthimunya – Chairperson 2. Ms T Mashanda (External Member) 3. Ms J Meissner (External Member) 4. Mr Y Adam (appointed 01 August 2016)
3. Finance Committee (FIC) and BAC	15	5	1. Ms M Nkomo – Chairperson 2. Dr R Crompton (term expired on 30 June 2016) 3. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 4. Mr F Sibanda 5. Ms G Jiyane (External Member) 6. Mr M Ncetezo (appointed 09 January 2017)
4. Human Resources & Remuneration Committee (HRRC)	20	6	1. Mr F Sibanda – Chairperson 2. Ms M Nkomo 3. Ms M Maseti 4. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 5. Mr T Bukula (resigned 31 December 2016) 6. Mr N Chonco (External Member) 7. Dr MJ Ndlovu (External Member)
5. Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)	1	9	1. Ms K Mthimunya – Chairperson (ARC) 2. Ms T Mashanda (External Member) (ARC) 3. Ms J Meissner (External Member) (ARC) 4. Ms M Nkomo – Chairperson (FIC) 5. Dr R Crompton (FIC) (term expired on 30 June 2016) 6. Mr C Forlee (FIC) – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 7. Mr F Sibanda (FIC) 8. Ms G Jiyane (External Member) (FIC) 9. Mr M Ncetezo (FIC) (appointed 09 January 2017) 10. Mr Y Adam (ARC)(appointed 01 August 2016)

Subcommittee's public hearings

Committee	No. of public hearings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	6	5	<ol style="list-style-type: none"> Mr T Bukula – Chairperson (resigned 31 December 2016) Mr M Ncetezo – Chairperson (appointed 09 January 2017) Dr R Crompton (term expired on 30 June 2016) Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) Ms N Maseti Mr JRD Modise Ms K Mthimunye
2. Piped-Gas Subcommittee (PGS)	6	5	<ol style="list-style-type: none"> Ms N Maseti – Chairperson Dr R Crompton (term expired on 30 June 2016) Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) Mr T Bukula (resigned 31 December 2016) Mr JRD Modise Ms M Nkomo Mr M Ncetezo (appointed 09 January 2017)
3. Petroleum Pipelines Subcommittee (PPS)	7	6	<ol style="list-style-type: none"> Dr R Crompton – Chairperson (term expired on 30 June 2016) Mr T Bukula (resigned 31 December 2016) Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) Ms N Maseti Mr JRD Modise Mr F Sibanda Mr M Ncetezo (appointed 09 January 2017) Mr Y Adam (appointed 01 August 2016)
4. Regulator Executive Committee (REC)	8	3	<ol style="list-style-type: none"> Mr C Forlee – Chairperson – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) Mr T Bukula (resigned 31 December 2016) Dr R Crompton (term expired on 30 June 2016) Ms N Maseti Mr M Ncetezo (appointed 09 January 2017)

Energy Regulator's workshops

Subcommittee	No. of workshops held	No. of members	Name of members
1. Energy Regulator (ER)	7	8	<ol style="list-style-type: none"> 1. Mr JRD Modise – Chairperson 2. Ms M Nkomo – Deputy Chairperson 3. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 4. Mr T Bukula (resigned 31 December 2016) 5. Dr R Crompton (term expired on 30 June 2016) 6. Ms N Maseti 7. Ms KR Mthimunye 8. Mr F Sibanda 9. Mr M Ncetezo (appointed 09 January 2017) 10. Mr Y Adam (appointed 01 August 2016)
2. Piped-Gas Subcommittee (PGS)	3	5	<ol style="list-style-type: none"> 1. Ms N Maseti – Chairperson 2. Dr R Crompton (term expired on 30 June 2016) 3. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 4. Mr T Bukula (resigned 31 December 2016) 5. Mr JRD Modise 6. Ms M Nkomo 7. Mr M Ncetezo (appointed 09 January 2017)
3. Petroleum Pipelines Subcommittee (PPS)	1	5	<ol style="list-style-type: none"> 1. Dr R Crompton – Chairperson (term expired on 30 June 2016) 2. Mr T Bukula (resigned 31 December 2016) 3. Mr C Forlee – Regulator Member (during 2nd quarter to end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 1 January 2017) 4. Ms N Maseti 5. Mr JRD Modise 6. Mr F Sibanda 7. Mr M Ncetezo (appointed 9 January 2017) 8. Mr Y Adam (appointed 1 August 2016)
4. Regulator Executive Committee (REC)	2	3	<ol style="list-style-type: none"> 1. Mr C Forlee – Chairperson – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 2. Mr T Bukula (resigned 31 December 2016) 3. Dr R Crompton (term expired on 30 June 2016) 4. Ms N Maseti 5. Mr M Ncetezo (appointed 09 January 2017)

Subcommittee	No. of workshops held	No. of members	Name of members
5. Human Resources & Remuneration Committee (HRRC)	1	6	<ol style="list-style-type: none"> 1. Mr F Sibanda – Chairperson 2. Ms N Maseti 3. Ms M Nkomo 4. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 5. Mr T Bukula (resigned 31 December 2016) 6. Mr N Chonco (External Member) 7. Dr MJ Ndlovu (External Member)
6. Electricity Subcommittee (ELS)	2	5	<ol style="list-style-type: none"> 1. Mr T Bukula – Chairperson (resigned 31 December 2016) 2. Mr M Ncetezo – Chairperson (appointed 09 January 2017) 3. Dr R Crompton (term expired on 30 June 2016) 4. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 5. Ms N Maseti 6. Mr JRD Modise 7. Ms K Mthimunya
7. Finance Committee (FIC) and BAC	1	5	<ol style="list-style-type: none"> 1. Ms M Nkomo – Chairperson 2. Dr R Crompton (term expired on 30 June 2016) 3. Mr C Forlee – Regulator Member (during 2nd quarter until end of 3rd quarter) and Chief Executive Officer and Regulator Member (appointed 01 January 2017) 4. Mr F Sibanda 5. Ms G Jiyane (External Member) 6. Mr M Ncetezo (appointed 09 January 2017)
8. Audit and Risk Committee (ARC)	1	4	<ol style="list-style-type: none"> 1. Ms K Mthimunya – Chairperson 2. Ms T Mashanda (External Member) 3. Ms J Meissner (External Member) 4. Mr Y Adam (Appointed 01 August 2016)

Remuneration of Energy Regulator Members

The remuneration of Energy Regulator Members is determined by the Minister of Energy with the concurrence of the Minister of Finance. The Full-Time Regulator Members receive an annual remuneration package in accordance with their contracts of employment, while Part-Time Regulator Members are remunerated at a daily rate in accordance with the annual directive of the Minister of Energy.

External members of governance committees of the Energy Regulator are similarly remunerated at a daily rate in accordance with the annual directive of the Minister of Energy.

Regulator Members and external members are reimbursed for expenses incurred on NERSA business, including travel expenses, subsistence allowance, and other out-of-pocket expenses.

Energy Regulator Members' Remuneration

Remuneration for the year ended 31 March 2017

	Salary	Performance bonus	Car allowance	Reimbursive and other allowances	Medical	Pension Contributions and UIF	Leave paid	Total
	R	R	R	R	R	R	R	R
NERSA Full-Time Regulator Members								
Mr C Forlee*	1 227 255	0	0	163 467	90 834	162 826	0	1 644 382
Mr T Bukula**	1 273 613	234 898	37 500	166 249	94 590	168 358	387 523	2 362 730
Dr R Crompton***	426 799	255 376	5 508	85 152	12 078	52 835	259 322	1 097 071
Ms N Maseti	1 684 083	261 161	60 000	278 626	63 075	214 862	0	2 561 807
Mr M Ncetezo****	397 824	0	30 000	55 235	0	50 547	0	533 606
	5 009 574	751 435	133 008	748 729	260 577	649 428	646 845	8 199 596

* Appointed as FTRM on 01 July 2016 and CEO from 01 January 2017

** Resigned 31 December 2016

*** Term ended 30 June 2016

**** Appointed FTRM 09 January 2017

The above bonuses were paid (in the 2016/17 financial year) to Full-Time Regulator Members with regard to the 2015/16 financial year

	Scheduled Meetings	Social Assignments	Reimbursive and other allowances				Total
	R	R	R				R
NERSA Part-Time Regulator Members							
Mr J Modise (Chairperson)	256 166	32 941	109 556				398 663
Ms M Nkomo (Deputy Chair)	293 706	16 307	78 691				388 704
Ms KR Mthimunya (Member)	250 934	12 915	79 383				343 232
Mr F Sibanda (Member)	294 906	33 738	76 755				405 399
Mr Y Adam (Member)*	67 844	7 274	53 070				128 188
	1 163 556	103 175	397 456				1 664 186

*Appointed on 1 August 2016

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R				R
NERSA Part-Time External Regulator Members							
Ms TN Mashanda	28 236	2 352	3 220				33 808
Ms J Meissner	23 530	-	3 068				26 598
Ms N Jiyane	37 648	-	2 700				40 348
Dr MJ Ndlovu	51 988	12 196	2 700				66 884
Mr NG Chonco	52 048	12 669	2 700				67 417
TOTAL:							
NERSA Part-Time Energy Regulator Members	193 450	27 217	14 388				235 055

6. RISK MANAGEMENT

NERSA is a public entity as per the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), and therefore has to comply with the requirements of this Act.

In compliance with the requirements of the PFMA, the Energy Regulator approved a Risk Management Policy for the organisation. As part of the requirements of the approved Risk Management Policy, a complete risk identification and ranking exercise is conducted every three years in order to determine and rank the risks facing the organisation. In the two years in between the new risk identification and ranking, the strategic Risk Register is reviewed and a revised register is considered and approved by the Energy Regulator. This risk identification is carried out as part of the strategic planning process within the organisation. Risks are identified at different levels, namely:

- electricity industry risks;
- piped-gas industry risks;
- petroleum pipelines industry risks;
- transversal regulatory risks; and
- organisational risks (which include fraud and information technology risks).

The ranking of the risks, based on the impact that the occurrence of the risk would have on the organisation as well as the likelihood

of the risk happening, is done, taking into account all current strategies to mitigate against the occurrence of the identified risks.

Once the risks have been identified and ranked, the risk appetite (the broad-based amount of risk an organisation is willing to accept in pursuit of its mission and vision) and risk tolerance (the acceptable variation relative to the achievement of objectives) for every risk is determined. In line with the risk appetite and risk tolerance, additional strategies are identified to militate against the occurrence of the risks. In accordance with the recommendations from the King Report on Good Governance, primary risk owners as well as secondary risk owners (assurance providers) are also identified.

As identified and ranked by the strategic risk register, the following are the top 10 risks facing the organisation:

1. Critical skills attraction and retention
2. Existence of unlicensed activities/operators
3. Safeguarding and retention of institutional information
4. Timeous procurement of goods and services at fair value
5. Adequacy of IT systems to support operations
6. Institutional memory
7. Coordination and synergy within NERSA

8. Business continuity and disaster recovery
9. Confidentiality and security of information
10. Health, security and safety

NERSA has developed a Combined Assurance Plan, through which identified providers will provide assurance on the implementation of strategies to militate against the occurrence of risk.

NERSA has a process in place to ensure the monitoring of and reporting on the implementation of the risk mitigating strategies. The progress made with addressing the top 10 risks were reported on quarterly to the Operational Risk Committee (ORC), the Audit and Risk Committee and the Energy Regulator. The progress made by the risk owners with the implementation of the mitigating strategies for all the risks were reported on bi-annually to the Operational Risk Committee (ORC) and the Audit and Risk Committee.

Emerging risks were identified annually during the organisation's strategic planning session. These risks were assessed and mitigating strategies developed. Progress made with these mitigating strategies were also reported on quarterly to the Operational Risk Committee (ORC), the Audit and Risk Committee and the Energy Regulator.

7. INTERNAL CONTROLS

During the review period, the Committee of Sponsoring Organisations of the Treadway Commission's Internal Control – Integrated Framework ('COSO Framework') was used to provide assurance on the adequacy and effectiveness of internal control, risk management and governance processes. Detailed internal audit reviews and testing was undertaken in order to assess the adequacy and effectiveness

of controls relating to the specific audit activities. The objective was to ensure that management's control strategies are consistent with the organisation's activities and objectives. Recommendations relating to the adequacy and effectiveness of controls were made where required. All significant findings were reported to the Audit and Risk Committee for monitoring.

There is constant communication between the risk management and the internal audit functions to ensure that the risks identified are utilised by internal audit during audit planning and execution in order to provide assurance that mitigation strategies and controls are implemented by management.

8. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE

8.1 Internal Audit

Key activities and objectives of Internal Audit

In accordance with the definition of internal auditing and the authority to establish and maintain an internal audit function as contained in the Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) ('PFMA') and its Treasury Regulations, the objective of the NERSA internal audit function is to:

- provide professional, independent and objective assurance and consulting activity designed to add value and improve the operations of NERSA; and
- assist NERSA in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The key activities of Internal Audit are:

- to develop and implement a rolling three-year annual audit plan based on NERSA's key areas of risk, including any risks or control concerns identified by management, and submit the plan to the Audit and Risk Committee for review and approval, as well as periodic updates;

- to build a professional audit staff with sufficient knowledge, skill, experience and professional certifications to meet the requirements of the Internal Audit Charter;
- to consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage;
- to provide independent assurance over governance, risk management and systems of internal control, as well as over combined assurance framework;
- to provide a written assessment of the effectiveness of the company's system of internal control, performance and risk management to the Energy Regulator; and
- to perform an objective assessment of the adequacy and effectiveness of risk management and all other elements of the internal control framework.

The Internal Audit Unit has completed all 34 audits planned for the period under review.

8.2 Audit and Risk Committee

Key activities and objectives of the Audit and Risk Committee

The objective of the Audit and Risk Committee is to provide oversight and assistance to the Energy Regulator on control, governance and risk management processes.

The key activities of the Audit and Risk Committee are:

- to obtain and review the annual financial statements;
- to ensure that the annual financial statements are prepared in accordance with the reporting requirements as set out in the PFMA and related Treasury Regulations or applicable accounting framework;
- to review the Risk Management Policy and ensure it complies with Best Practice;
- to review the risk management process to ensure it is effective and efficient and identifies priority risks;
- to review the Institution's compliance with all relevant legislation as well as the performance management and reporting systems;
- to review and approve the Internal Audit Plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate coordination with the External Auditor (the Auditor-General of South Africa); and
- to review and approve the External Auditors' proposed audit scope, approach and audit fees for the year.

9. COMPLIANCE WITH LAWS AND REGULATIONS

NERSA reports on compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA') and Treasury Regulations in its quarterly reports submitted to the Department of Energy. All policies and procedures approved by the Energy Regulator are maintained in the Corporate Governance Handbook and are complied with.

A comprehensive compliance framework, which defines the compliance universe and provides for compliance monitoring and reporting, was approved by the Audit and Risk Committee of the Energy Regulator. Quarterly compliance monitoring reports were tabled to the Audit and Risk Committee and the Committee maintains oversight over the status of compliance with legislation and regulations.

Compliance with the Promotion of Access to Information Act

A total of five requests for information were received and were dealt with within the time period allowed for by the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'). Four of the requests have been closed and one is pending due to non-compliance. The report on the requests was compiled and submitted to the South African Human Rights Commission (SAHRC), as required in terms of Section 32 of PAIA.

10. FRAUD AND CORRUPTION

A fraud policy and a fraud prevention plan are in place and were approved by the Energy Regulator.

A fraud hotline is in place, which is operated by an external service provider and guarantees the anonymity of any person calling in to report suspected fraud, corruption or misuse of public resources. No cases of fraud were reported during the financial year.

11. MINIMISING CONFLICT OF INTEREST

All Regulator Members declare financial interests annually and the register of financial interests is submitted to the Department of Energy. Further, any interests are declared at each meeting of the Energy Regulator or its committees and the declaration of interest is implemented in line with the PFMA requirements.

NERSA has implemented the supply chain management framework required by the PFMA. The Supply Chain Management Policy has also been approved by the Energy Regulator. Bid Adjudication Committees have been duly appointed in line with the delegation of authority matrix approved by the Energy Regulator as the Accounting Authority. All individuals who are involved in the bidding processes (evaluation and adjudication of bids) declare their interests prior to proceeding with the process as required by the PFMA. Any individual who is a member of the Bid Evaluation Committee is not allowed to adjudicate on the same bid if they happen to be a member of the Bid Adjudication Committee.

The Human Resources Division also keeps a record of interests declared by staff members on an annual basis. In the event that a staff member is found to have interest that is not declared, this is considered a contravention of NERSA policies and disciplinary measures are taken against the individual.

12. CODE OF CONDUCT

The code of ethics as contained in the Corporate Governance Handbook provides a summary of the key obligations of Regulator Members and employees to uphold NERSA's core values of transparency and integrity in executing its mandate.

The Code of Conduct requires Regulator Members and employees to act in the best interest of NERSA and provides them with standards of conduct in exercising their respective functions and duties. It requires disclosure of financial interests and requires Regulator Members to withdraw from proceedings of the Energy Regulator when a matter in which a member may have an interest is considered.

Any breach of the code of ethics is dealt with as misconduct in terms of NERSA's disciplinary code.

13. HEALTH AND SAFETY ISSUES

NERSA cares for its employees and their work environment and seeks to ensure, as far as reasonably possible, the health and safety of all employees in the workplace and all other persons conducting business on its premises.

NERSA is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993) and to this end has established a Health and Safety Committee that monitors the health and safety of employees and their work environment and removes or reduces existing and potential health and safety threats.

14. REGULATOR SECRETARY

The Regulator Secretary is responsible for administering all meetings of the Energy Regulator and its committees, including the preparation of agenda packs, attendance of meetings and preparation of minutes of meeting proceedings. The Secretary has to ensure that meeting rules are followed.

The Secretary also ensures that the levels of remuneration and expenses of Regulator Members are in accordance with those approved by the Minister of Energy. Further, the Secretary will ensure that a Register of Interests is established to formally record all declarations of interest of Regulator Members.

15. SOCIAL RESPONSIBILITY

NERSA has a Sponsorship, Donation and Partnership Policy, with the aim to support programmes or initiatives that benefit a wide range of stakeholders – in particular women, the youth, the disabled, children from previously disadvantaged communities, as well as the energy sector.

NERSA demonstrated the organisation's commitment to social responsibility through the activities listed below.

Internal

Employees actively participated in Cancer Day, World Aids Day and 16 Days of Activism for no violence against Women and Children events.

External

On Friday, 22 July 2016, NERSA celebrated Mandela Day 2016 with the learners and teachers of the Tikelo Primary Farm School located in the Midvaal Local Municipality near Heidelberg. This is a combined school consisting of approximately 320 learners and 15 teachers from Tikelo Primary Farm School and Vaaldam Primary Farm School. NERSA donated furniture, laptops, blankets, promotional material (caps, water bottles and pens) as well as food parcels to the school.

16. ENVIRONMENTAL ISSUES

Internal

NERSA is continuing its journey towards becoming a green organisation by reducing its paper usage and carbon footprint.

External

NERSA is committed to the protection of the environment and the growth of cleaner, resource-efficient production. The introduction of renewable energy and the licensing of a number of independent power producers into the electricity supply industry to facilitate the diversification of the country's energy sources is a notable advancement of NERSA's commitment to a greener and cleaner environment.

NERSA has also registered operations related to the production or importation of gas, transmission of gas for own use and small biogas projects in rural areas. These operations will add impetus to the growth of the gas industry, particularly in terms of new technologies that allow for sustained and affordable self-generation of alternative energy sources by rural communities. The growth of these operations also presents opportunities to alleviate the heavy demand currently placed on the national electricity grid.

17. ECONOMIC ISSUES

NERSA is a key enabler in advancing economic growth and social development within South Africa.

NERSA's performance and relevance are informed by the tangible impact, benefits and meaningfulness of its work for the citizens of our country. Accordingly, it consistently fulfils its role of ensuring the development and sustainability of the electricity, piped-gas and petroleum pipelines industries, while facilitating the affordability of and accessibility to the three regulated industries to balance the economic interests of all stakeholders to ensure the sustainable economic development of South Africa and a better life for all.

NERSA's responsibility is discharged mainly through licensing, setting or approving of prices and tariffs, compliance monitoring and enforcement, and dispute resolution in the electricity, piped-gas and petroleum pipelines industries. NERSA has, through regulation, facilitated the construction of power stations, pipelines and storage facilities to ensure continued access to energy and security of supply in the country.

18. REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the members listed hereunder. During the current year, one risk workshop and six meetings were held.

Member	Status	Meetings Held ***	Meetings Attended
	R	R	R
Ms K Mthimunya	Chairperson	7	7
Mr F Sibanda**	Member	7	3
Mr Y Adam*	Member	7	2
Ms J Meissner	External Member	7	5
Ms T Mashanda	External Member	7	6

* Appointed 01 August 2016

** Period from 01 April 2016 – 30 September 2016

*** The meetings held include a risk workshop held on 23 November 2016

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 76(4)(d) of the Public Finance Management Act and paragraph 27.1.7 of the Treasury Regulations.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with the charter and has discharged all its responsibilities as contained therein.

Corporate Governance

The Audit and Risk Committee is of the opinion that NERSA continues to strive towards complying with sound principles of corporate governance and is not aware of any issues of non-compliance with corporate governance.

Compliance

During the 2016/17 financial year, the Audit and Risk Committee monitored and was comfortable with the compliance of various pieces of legislation impacting NERSA. The Committee is not aware of any areas of non-compliance. The Committee approved the compliance framework and is monitoring its implementation.

Effectiveness of Internal Controls

The systems of controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Public Finance Management Act, 1999 (Act No.1 of 1999) ('PFMA') and King Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee with assurance that the internal controls are appropriate and effective. This is achieved by means of reviews and testing of the design, implementation and effectiveness of internal controls as well as the identification of corrective actions and suggested enhancement to the internal controls and processes.

From the various reports of the Internal Auditors, the Audit Report on financial statements, and the management letter of the Auditor-General of South Africa (AGSA), it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were efficient and effective.

Risk Management

In fulfilling its oversight responsibilities, in relation to risk management, the Audit and Risk Committee reviewed the risk management framework, monitored the implementation of risk mitigation strategies and reviewed the adequacy of the insurance cover. In our opinion, NERSA's approach to the risk management processes is adequate and effective.

Performance Management

The Audit and Risk Committee is of the opinion that the performance management system was fully functional during the period under review and this has resulted in NERSA being in a position to accurately measure and reflect the performance against predetermined objectives as required by the legislation.

The quality of quarterly management reports submitted in terms of the PFMA and Treasury Regulations

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Energy Regulator during the year under review.

Evaluation of Financial Statements

The Audit and Risk Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the AGSA and the Energy Regulator;
- reviewed the AGSA management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs and accepts the conclusions of the AGSA on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the AGSA.



Khomotso Mthimunya
Chairperson of the Audit and Risk Committee

Date: 31 July 2017





PART D

HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

The Human Resources Division attracts, develops and retains an effective workforce in the organisation. It coordinates services and provides immediate support for key organisational activities.

Its mandate is to implement human resources (HR) policies, procedures, programmes, systems and processes to attract, develop and retain the requisite skills within NERSA through effective recruitment and selection processes, the facilitation of training and development, transparent performance management processes, attractive remuneration and an effective payroll system, employment equity and diversity management, a healthy and safe work environment, and skills development through learnerships, internships, as well as job shadowing for grade 9 to 11 learners.

In establishing NERSA as an employer of choice, its priorities are to keep the organisational structure filled at a minimum of 95% capacity at all times, as well as to further upskill employees through training and development interventions at a rate of 85% and above.

NERSA forecasts its future demands in the context of the business planning process in accordance with its strategic objectives and programmes to attract the right people, with the right skills, in the right place, at the right time.

This is done through an Integrated Human Resourcing Strategy. Its implementation seeks to ensure that NERSA remains competitive in the energy sector nationally, regionally and internationally.

NERSA's performance management system provides standards by which the performance of individual employees are monitored and measured to allow for performance management, employee reward

and improvement of poor performance to enhance efficiency and effectiveness and achieve improved service delivery.

NERSA continues to be a caring organisation, focusing constant attention on the health and wellbeing of its employees. It further recognises that a variety of problems (personal, family, social and work-related) can disrupt employees' personal and work lives, negatively impacting on job performance and subsequently organisational performance. NERSA provides a comprehensive, integrated employee wellness programme through Careways, which focuses on the promotion of healthy living and provides psychological assistance.

NERSA employees participated in the following wellness programmes during the reporting period:

- World Aids Day and 16 Days of Activism for no violence against Women and Children; and
- Discovery 702 Walk the Talk.

NERSA's remuneration policy aims to:

- attract and retain highly qualified staff;
- motivate and reward performance excellence; and
- support and reinforce a culture of belonging, performance and affinity.

The shortage of skills, especially scarce and critical skills, is a major challenge that is being addressed through internships and learnerships, among other programmes. In line with the Skills Development Act, NERSA views the internship and learnership programmes as an ideal opportunity to develop and mould NERSA-specific skills, with a view to preparing future regulators. Furthermore, NERSA offers a job-shadowing programme to expose grade 9 to 11 learners to the work environment and to generate

interest in careers in the energy sector. The Annual Training Report, which is part of the Workplace Skills Plan (WSP), is the monitoring tool used to undertake skills development initiatives.

A total of 67% of staff underwent training (both locally and internationally). This is a decrease of 8% from the previous year's 75%. The decrease was due to cost containment measures implemented from April 2016.

Challenges

Like any international, knowledge-intensive organisation, NERSA faces stiff competition in a difficult market in terms of attracting and retaining scarce and critical skills. Similarly, the retention of these critical and scarce skills against competitors, particularly the regulated entities, remains a challenge.

HR plans/goals

The Integrated Human Resources Strategy Framework, the Human Resources Operating Model Framework and the Human Resources Service are advancing the transformation of the Human Resources Division, which will drive the NERSA people ethos strategy and the articulation of the Human Resources Business Partnership model, which is customer- and service-centric.

Skills development programme

In the period under review, nine learners were appointed to embark on NERSA's learnership programme to attain a National Certificate: Energy Regulation NQF Level 5 – SAQA ID 63209.

The programme prepares young graduates from further education and training institutions and universities for development of skills within the regulatory environment by providing theoretical and

on-the-job training in order to create a pool of potential candidates for employment by the Energy Regulator.

Eleven interns were appointed for the same period and allocations were made across both the support and regulatory divisions.

NERSA's job-shadowing programme exposes female learners from grades 9 to 11 to different energy industry careers. The programme now has an intake of 10 learners. These learners come from previously disadvantaged communities. NERSA presents this programme in partnership with Uweso Consulting and the Department of Women.

Employee representative body

The National Education, Health and Allied Workers Union (NEHAWU) is the only union recognised by NERSA, with 63% of staff in the bargaining unit being members.

Youth Employment Accord

Youth unemployment is a major national challenge that demands urgent and coordinated responses. To avoid youth employment schemes that simply displace older workers, additional jobs need to be created in order to increase the number of South Africans employed so that the benefits reach more young people through sustainable, decent work opportunities. At the same time, it is recognised that the absorption of young people into employment is a major challenge that must be successfully addressed.

The Learnership programme for 2016/17 commenced in June 2016. The report covers ten months of the period under review, i.e. June 2016 to March 2017. There were ten learners in the programme, but one learner acquired employment outside NERSA. Three learners from the previous financial year were appointed on fixed-term employment.

NERSA's internship programme commenced in July 2016. The report covers nine months of the period under review, i.e. July 2016 to March 2017. The Internship programme has 11 interns who will complete the cycle for 2016/17 in June 2017. Five interns from the previous financial year were appointed on fixed-term employment. One intern was appointed permanently.

Employment Equity

The current Employment Equity (EE) Plan for 01 December 2014 to 30 November 2017 is being enforced and barriers to EE are being attended to. There is a need for the appointment of people representative of the economically active population (EAP) from various race groups across all occupational levels. A concerted effort to appoint people representative of the EAP will be pursued through targeted selection methodologies and a specific effort is directed to employing people living with disabilities. The NERSA EE Plan is aligned with Broad-Based Black Economic Empowerment in terms of Human Resources-related initiatives.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Cost by programme 2016/17

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Setting and/or approval of tariffs and prices	R 36 075 662	R 29 019 476	80,44	43	R 674 872
Licensing and Registration	R 18 547 221	R 15 131 008	81,58	19	R 796 369
Compliance monitoring and enforcement	R 16 143 729	R 13 188 802	81,70	17	R 775 812
Dispute resolution including mediation, arbitration and the resolution of complaints	R 15 682 515	R 12 846 521	81,92	15	R 856 435
Setting of rules, guides and codes for regulation	R 19 308 661	R 16 206 891	83,94	20	R 810 345
Establishing NERSA as an efficient and effective organisation	R 161 166 180	R 93 259 549	57,87	142	R 656 757
TOTAL	R 266 923 968	R 179 652 246	67,30	256	R 701 767

* The number of employees includes fixed-term employees, interns and learners

Personnel cost by salary band

LEVEL	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	R 8 338 964	4,64	3	R 2 084 741
Senior Management	R 12 292 812	6,84	5	R 2 458 562
Professional Qualified	R 93 488 226	52,04	89	R1 062 366
Skilled	R 51 043 149	28,41	105	R 486 125
Semi-Skilled	R 14 073 256	7,83	52	R 270 640
Unskilled	R 415 838	0,23	2	R 207 919
TOTAL	R 179 652 246	100	256	R 701 767

Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	R 1 105 859	R 8 338 964	13.26%
Senior Management	R 1 430 180	R 12 292 812	11.63%
Professional Qualified	R 10 875 492	R 93 488 226	11.63%
Skilled	R 5 253 972	R 51 043 149	10.29%
Semi-Skilled	R 1 179 204	R 14 073 256	8.38%
Unskilled	R 44 530	R 415 838	10.71%
TOTAL	R 19 889 236	R 179 652 246	11.07%

Training Costs

Directorate/Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Specialised Support Unit	R 34 714 299	R 2 258 683	6,51	15	R 150 579
Chief Finance Office	R 13 961 719	R 506 094	3,62	11	R 46 009
Chief Human Capital Office	R 12 408 502	R 522 989	4,21	5	R 104 598
Corporate Services Division	R 32 175 029	R 913 873	2,84	15	R 60 925
Electricity Regulation Division	R 50 732 601	R 1 168 386	2,30	42	R 27 819
Petroleum Pipelines Division	R 18 597 439	R 261 312	1,41	11	R 23 756
Piped-Gas Regulation Division	R 17 062 658	R 998 278	5,85	12	R 83 190
TOTAL	R 179 652 246	R 6 629 615	3,69	111	R 59 726

Employment and vacancies

Programme	2014/2015 Approved Posts	2015/2016 No. of Employees	2016/2017 No. of Employees	2016/2017 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	30	28	29	1	3%
Licensing and registration	29	28	29	0	-
Compliance monitoring and enforcement	13	11	11	2	15%
Dispute resolution, including mediation, arbitration and handling of complaints	7	6	6	1	14%
Setting of rules, guidelines and codes for the regulation industry	7	7	7	0	-
Establishing NERSA as an efficient and effective regulator	100	78	84	16	16%
TOTAL	186	158	166	20	11%

*The number of employees excludes fixed-term employees, interns and learners

Programme	2014/2015 Approved Posts	2015/2016 No. of Employees	2016/2017 No. of Employees	2016/2017 Vacancies	% of vacancies
Top Management	4	3	2	2	50%
Senior Management	5	5	4	1	20%
Professional qualified	77	63	67	10	13%
Skilled	72	61	66	6	8%
Semi-skilled	26	24	25	1	4%
Unskilled	2	2	2	0	0
TOTAL	186	158	166	20	11%

*The number of employees includes permanent employees and Full-Time Regulator Members

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	1	2	2
Senior Management	5	0	1	4
Professional qualified	63	8	5	66
Skilled	61	11	4	67
Semi-skilled	24	1	1	25
Unskilled	2	0	0	2
TOTAL	158	21	*13	166

*This includes permanent employees only

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignation	12	7.2%
Dismissal	0	0%
Retirement	1	0.6%
Expiry of contract	0	0%
Other	0	0%
TOTAL	13	7.8%

*This excludes employees appointed on fixed-term contracts and learners

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	2
Written Warning	1
Final Written warning	1
Dismissal	0
Grievances	2
CCMA – Unfair Labour Practice	1
TOTAL	7

Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	1
Senior Management	4	2	0	1	0	0	0	0
Professional qualified	30	34	0	1	0	1	6	4
Skilled	33	18	1	2	1	1	5	2
Semi-skilled	19	4	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	88	59	1	4	1	2	11	7

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	2	0	0	0	0	0	0
Senior Management	2	2	0	0	0	0	0	1
Professional qualified	22	19	0	1	1	1	4	7
Skilled	53	38	0	1	0	1	1	2
Semi-skilled	37	18	4	2	0	0	1	1
Unskilled	2	2	0	0	0	0	0	0
TOTAL	117	81	4	4	1	2	6	11

Levels	Employees living with disability			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	1
Professional qualified	0	1	0	2
Skilled	4	3	1	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	4	4	1	4

* The Employment Equity status is reported against the approved Employment Equity Plan (01 December 2014 – 30 November 2017). The targets set are for the third year of the Employment Equity Plan (01 December 2016 – 30 November 2017).





PART E

FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

The Energy Regulator is responsible for the maintenance of adequate records as well as the preparation and integrity of the financial statements and related information. The Annual Financial Statements present the state of affairs of the National Energy Regulator of South Africa (NERSA), its financial results and its financial position at the end of the financial year. The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practices. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Energy Regulator has set standards and implemented systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses.

NERSA maintains internal financial controls to provide assurance regarding:

- the maintenance of proper accounting records; and
- the reliability of financial information used within the business or for publication.

These standards and control systems are contained in the various policies and procedures of NERSA, which are reviewed and amended periodically.

The Energy Regulator has reviewed the projected cash flow requirements for future periods. On the basis of this review, the Energy Regulator has every reason to believe that NERSA will be a going concern in the foreseeable future. For this reason, the Energy Regulator adopted the going concern basis in preparing the annual financial statements .

The Energy Regulator has reviewed NERSA's systems of internal control and risk management for the period from 01 April 2016 to 31 March 2017. The Energy Regulator believes that NERSA's systems of internal control and risk management were effective for the period under review.

The annual financial statements were approved by the Energy Regulator in terms of section 51(1)(f) of the Public Finance Management Act, 1999 (No. 1 of 1999) on 25 May 2017 and are signed on its behalf by:



Christopher Forlee
Chief Executive Officer (CEO)
Date: 31 July 2017



Jacob RD Modise
Chairperson
Date: 31 July 2017

Report of the auditor-general to Parliament on National Energy Regulator of South Africa

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Energy Regulator of South Africa (NERSA) set out on pages 138 to 165, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance and other comprehensive income, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of NERSA as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The Regulator members, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the NERSA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 1 - Setting and/or approval of tariffs	45 – 82
Programme 2 - Licensing and registration	45 – 82
Programme 3 - Compliance monitoring and enforcement	45 – 82
Programme 4 - Dispute Resolution including mediation, arbitration and resolution of complaints	45 – 82
Programme 5 - Setting of rules, guidelines and codes for the regulation of the three energy industries	45 – 82

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 1 - Setting and/or approval of tariffs
 - Programme 2 - Licensing and registration
 - Programme 3 - Compliance monitoring and enforcement
 - Programme 4 - Dispute Resolution including mediation, arbitration and resolution of complaints
 - Programme 5 - Setting of rules, guidelines and codes for the regulation of the three energy industries

Other matter

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

Achievement of planned targets

16. Refer to the annual performance report on page(s) 38 to 41; 41 to 43 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

Report on audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entities with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

19. The NERSA accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

22. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria
31 July 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the energy regulator, which constitutes the accounting authority.
 - conclude on the appropriateness of the energy regulator, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NERSA ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

3. ACCOUNTING AUTHORITY'S REPORT

1. Introduction

The Energy Regulator presents its annual financial statements that form part of the Annual Report for the year ended 31 March 2017.

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). It is listed as a national public entity in terms of the schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

2. Regulator Members and Secretary of NERSA

The Energy Regulator consists of nine Regulator Members, five of whom are part-time and four of whom are full-time (including the CEO), as appointed by the Minister of Energy. The part-time and full-time Regulator Members are appointed for a period of four and five years respectively.

The Regulator Members during the year ending 31 March 2017:

Member	Date of appointment	Position
Mr J Modise	Appointed 01 March 2014	Chairperson
Ms M Nkomo	Appointed 01 March 2014	Deputy Chairperson
Mr T Bukula	Resigned 31 December 2016	Full-Time Member: Electricity Regulation
Dr R Crompton	Term ended 30 June 2016	Full-Time Member: Petroleum Pipelines Regulation
Ms N Maseti	Appointed 01 March 2014 Appointed 09 January 2017*	Full-Time Member: Piped-Gas Regulation Full-Time Member: Petroleum Pipelines Regulation
Mr C Forlee	Appointed 01 July 2016 to 31 Dec 2016 Appointed 01 January 2017	Full-Time Member: Petroleum Pipelines Regulation Chief Executive Officer
Mr M Ncetezo	Appointed 09 January 2017 *	Full-Time Member: Electricity Regulation (for a period not exceeding 12 months)
Ms K Mthimunye	Re-appointed 01 April 2014	Part-Time Member
Mr F Sibanda	Appointed 01 March 2014	Part-Time Member
Mr Y Adam	Appointed 01 August 2016	Part-Time Member

Mr P Nku was appointed as Acting Chief Executive Officer from 01 March 2014 to 31 December 2016.

* For a period not exceeding 12 Months

In addition to the Regulator Members, the Energy Regulator has appointed the following external members to its governance committees:

Member	Date of appointment	Position
Ms T Mashanda	Appointed 01 May 2013	External Member: Audit and Risk Committee
Ms N Jiyane	Appointed 01 May 2013	External Member: Finance Committee
Ms J Meissner	Appointed 01 April 2015	External Member: Audit and Risk Committee
Dr MJ Ndlovu	Appointed 01 April 2015	External Member: Human Resources & Remuneration Committee
Mr NG Chonco	Appointed 01 April 2015	External Member: Human Resources & Remuneration Committee

The Secretary of NERSA is Mr. Sandlle Ntanzl and his business and postal addresses are as follows:

Business Address:

Kulawula House
526 Madiba Street
Arcadia
Pretoria
0007

Postal Address:

P O Box 40343
Arcadia
Pretoria
0007

3. Organisational structure

The Minister of Energy appoints both Part-Time and Full-Time Regulator members. The Energy Regulator acts independently and reports administratively to the Minister of Energy. The Energy Regulator performs its functions in terms of the Public Finance Management Act, 1999 (Act no. 1 of 1999). The Full-Time Regulator Members consist of the CEO (the member responsible for administration), the member primarily responsible for Electricity Regulation, the member primarily responsible for Piped-Gas Regulation and the member primarily responsible for Petroleum Pipelines.

4. Principal Activities

The Energy Regulator is the regulatory authority over the energy industry, and currently regulates 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) respectively. Section 13 (2) and (3) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) requires that the Energy Regulator keep separate accounts for the electricity, piped-gas and petroleum pipelines regulatory functions and that the costs of the Energy Regulator must be shared between the electricity, piped-gas and petroleum pipelines regulatory industries in proportion to the costs incurred by the Energy Regulator in respect of each of those regulatory functions.

All costs of the Energy Regulator are shared between electricity, piped-gas and petroleum pipelines industries using a ring fencing methodology. The primary accounting principles upon which the ring-fencing methodology is based, are the following:

- Costs that can be directly attributable to regulation of a specific industry will be charged directly to the regulation of

that industry.

- Costs that are not directly attributable to the regulation of a specific industry, but are incurred as common costs in order to support the regulation of the industries, will be allocated between the three industries using a basis of allocation that fairly distributes the costs. The allocation is based on the number of employees directly employed by NERSA to regulate each industry. The basis for allocation is reviewed annually during the budget process and adjusted if there are significant changes to the structure. No changes were effected to the ring fencing methodology during the year under review as there were no significant changes to the structure. The distribution of these costs for 2016/17 was as follows:

- Electricity 58%
- Piped-Gas 21%
- Petroleum Pipelines 21%

5. Operating results and review of operations

The surplus for NERSA for the year amounted to R17 million. The summary financial results are detailed below.

Relevant financial Information	Actual	Budget	Variance
	R	R	R
Levy Income	276 181 012	288 937 445	(12 756 433)
Interest received	12 189 709	7 503 556	4 686 153
Other Income	326 939	56 118	270 821
Expenditure	(271 243 474)	(295 445 869)	24 202 395
Surplus	17 454 186	1 051 250	16 402 936
Capital Expenditure	7 807 855	(32 850 000)	40 657 855

6. NERSA Accumulated Surplus

	2017	2016
	R	R
Accumulated Surplus	221 859 590	204 405 404
The Accumulated surplus reported as at 31 March 2017 consists of the following:		
	221 859 590	204 406 404
Approved Commitments	33 215 524	36 671 716
Cash Flow Mitigating Reserve	49 578 229	41 965 903
AVAILABLE REFUNDS FOR INDUSTRIES	139 065 836	129 733 491
Portion of surplus to be refunded in respect of the period ending 2011/12 to 2013/14	6 867 196	10 832 903
Portion of surplus to be refunded in respect of the period ending 2013/14	22 394 814	22 394 814
Portion of surplus to be refunded in respect of the period ending 2014/15	44 753 128	44 753 128
Portion of surplus to be refunded in respect of the period ending 2015/16	51 752 646	51 752 646
Portion of surplus to be refunded in respect of the period ending 2016/17	13 298 052	-

The accumulated surplus reflected above relates to the under spending by the Energy Regulator in previous financial periods. The under spending was mainly due to the implementation of cost containment measures as well as vacancies. The surplus will be refunded to the relevant industries through a reduction of the levy rates for the period 2017/2018 to 2020/2021.

6. NERSA Accumulated Surplus

INDUSTRY	YEAR OF SURPLUS	Surplus to be refunded per industry					
		2016	2017	2018	2019	2020	2021
Electricity	2011/12 to 2012/13	5 280 913		1 586 283			
Piped-Gas							
Petroleum Pipelines							
Electricity	2013/14	11 063 734		5 053 788			
Piped-Gas		5 053 788					
Petroleum Pipelines		1 223 504					
Electricity	2014/15			10 942 700			
Piped-Gas				14 606 605	2 190 991	1 460 660	
Petroleum Pipelines				7 776 086	4 665 653	3 110 435	
Electricity	2015/16			19 810 652	4 245 140	2 547 084	1 698 056
Piped-Gas					2 552 134	1 531 280	1 020 854
Petroleum Pipelines					9 173 723	5 504 234	3 669 489
Electricity	2016/17				1 016 467	609 880	406 587
Piped-Gas					(1 424 998)	(854 999)	(569 999)
Petroleum Pipelines					7 057 557	4 234 534	2 823 023
		22 621 939		59 776 114	29 476 665	18 143 108	9 048 009
							139 065 836

Surplus funds are refunded to the relevant industry based on future funding requirements and impact of levies.

The negative amounts for Piped Gas industries in 2016/17 is due to the industry reporting a deficit. These amounts will be used to reduce the total refunds available to those industries during the budget process for 2019 to 2021

7. Revenue

NERSA is funded as follows to cover its expenditure:

Electricity

Licence fees are payable in respect of electricity generated for supply in terms of Section 5B of the Electricity Act, 1987 (No. 41 of 1987). This license fee is based on Kilowatt hours generated for supply.

Piped Gas

A levy is imposed on the holders of the title to gas as it enters the system licensed by NERSA in terms of Section 2 of the Gas Regulator Levies Act (No. 75 of 2002). The levy is based on Giga Joules gas as it enters the inlet flanges of transmission or distribution pipelines.

Petroleum Pipelines

A levy is imposed on the holders of the title to petroleum as it enters the system licensed by NERSA in terms of Section 2 of the Petroleum pipelines Levies Act (No. 28 of 2004). The levy is based on litres of petroleum as it enters the inlet flanges of petroleum pipelines.

The above levies and license fees are approved as part of the annual budget process.

8. Materiality and significance framework

A materiality and significance framework has been developed for reporting any transactions or events and obtaining necessary approvals from the Minister in terms of Sections 52 (2) and 54 (2) of the PFMA.

9. Events after balance sheet date

The Energy Regulator is not aware of any material event which occurred subsequent to the compiling of the annual financial statements which may significantly affect the position of the organisation or the results of its operations.

4. ANNUAL FINANCIAL STATEMENTS

4.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	5	186 337	187 621
Receivables from exchange transactions	6	2 952 601	2 736 654
Receivables from non-exchange transactions	7	28 585 965	37 097 313
Cash and cash equivalents	8	191 494 702	176 679 840
		223 219 605	216 701 428
Non-Current Assets			
Property, plant and equipment	3	55 706 520	52 347 233
Intangible assets	4	5 496 714	5 715 928
		61 203 234	58 063 161
Total Assets		284 422 839	274 764 589
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	6 231 876	16 827 901
Payables from non-exchange transactions	13	9 090	-
Provisions	11	28 179 558	25 388 559
Total Current Liabilities		34 420 524	42 216 460
Total Liabilities		34 420 524	42 216 460
Net Assets		250 002 315	232 548 129
Reserves			
Revaluation reserve	9	28 142 725	28 142 725
Accumulated surplus		221 859 590	204 405 404
Total Reserves		250 002 315	232 548 129

4.2 STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2017	2016
Revenue	14	276 181 012	305 137 183
Other income	15	326 939	289 119
Operating expenses (Notes 3, 4, 15, 16, 17 and 18)		(271 243 474)	(260 308 877)
Operating surplus		5 264 477	45 117 425
Interest received	20	12 189 709	9 231 345
Surplus for the year		17 454 186	54 348 770

4.3 STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 April 2015	28 142 725	150 056 634	178 199 359
Changes in net assets	-	-	-
Surplus for the year	-	54 348 770	54 348 770
Total changes	-	54 348 770	54 348 770
Balance at 01 April 2016	28 142 725	204 405 404	232 548 129
Changes in net assets	-	-	-
Surplus for the year	-	17 454 186	17 454 186
Total changes	-	17 454 186	17 454 186
Balance at 31 March 2017	28 142 725	221 859 590	250 002 315

4.4 CASH FLOW STATEMENT

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Sale of goods and services		285 352 378	289 348 238
Interest Income		12 189 709	9 231 345
		297 542 087	298 579 583
Payments			
Suppliers and employees		(274 919 370)	(264 740 171)
Net cash flows from operating activities	23	22 622 717	33 839 412
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(7 007 722)	(4 554 284)
Purchase of other intangible assets	4	(800 133)	(913 341)
Net cash flows from investing activities		(7 807 855)	(5 467 625)
Net Increase/(decrease) In cash and cash equivalents		14 814 862	28 371 787
Cash and cash equivalents at the beginning of the year		176 679 840	148 308 053
Cash and cash equivalents at the end of the year	8	191 494 702	176 679 840

4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	56 118	-	56 118	71 335	15 217	
Other income	-	-	-	247 604	247 604	
Interest received	7 503 556	-	7 503 556	12 189 709	4 686 153	32.1
Total revenue from exchange transactions	7 559 674	-	7 559 674	12 508 648	4 948 974	
Revenue from non-exchange transactions						
Transfer revenue						
Levy Income	288 937 445	-	288 937 445	276 181 012	(12 756 433)	32.2
Total revenue	296 497 119	-	296 497 119	288 689 660	(7 807 459)	
Expenditure						
Personnel Costs	(189 522 878)	-	(189 522 878)	(179 652 246)	9 870 632	32.3
Depreciation and amortisation	(9 176 816)	-	(9 176 816)	(4 485 928)	4 690 888	32.4
Reversal of Provision for bad debts	-	-	-	166 420	166 420	
General Expenses	(96 746 175)	-	(96 746 175)	(87 089 866)	9 656 309	32.5
Total expenditure	(295 445 869)	-	(295 445 869)	(271 061 620)	24 384 249	
Operating surplus	1 051 250	-	1 051 250	17 628 040	16 576 790	
Loss on disposal of assets	-	-	-	(181 854)	(181 854)	
Surplus before taxation	1 051 250	-	1 051 250	17 446 186	16 394 936	
Amount on Comparable Basis as Presented In the Budget and Actual Comparative Statement	1 051 250	-	1 051 250	17 446 186	16 394 936	

4.6 ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land and Buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations on land and buildings are completed every three years except for where there have been material improvements in which case a revaluation exercise will be conducted at the end of the year

in which those improvements have been effected such that the carrying amount does not differ materially from that which would be determined using fair value at year end.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated. Buildings are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Office furniture and equipment	Straight line	12 years
Computer hardware	Straight line	7 years
Motor vehicles	Straight line	7 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

NERSA assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	8 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash and cash equivalents;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk Is the risk that the fair value or future cash flows of a financial Instrument will fluctuate because of changes in market Interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Cash and cash equivalents are stated at amortised cost which, due to their short term nature, closely approximate their fair value.

1.4 Taxation

Tax expense

No provision for South African normal taxation has been made as NERSA is exempted in terms of section 10 (1) (CA) (1) of the Income Tax Act No 58 of 1962, as amended.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Income for leases is disclosed under other revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.6 Inventories

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Inventories are measured at the lower of cost and current replacement cost where it is held for use:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

1.7 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

NERSA recognises the expected cost of bonus, incentive and performance related payments when entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Defined contribution plans

NERSA is part of an Umbrella Fund which is administered by Sanlam Umbrella Pension Fund. The plan is funded by payments from the employer and the employees. The Umbrella Fund is

managed by the Board of Trustees consisting of professional trustees and a Principal Officer who are usually practitioners in the retirement fund industry.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.8 Provisions and contingencies

Provisions are recognised when:

- NERSA has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 25.

1.9 Revenue recognition

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreements based on the provisions of the specific and applicable legislation.

The following Acts have specific reference in this regard:

- Section 5B of the Electricity Act, 1987 (No. 41 of 1987)
- Section 2 of the Gas Regulator Levies Act, 2002 (No. 75 of 2002)
- Section 2 of the Petroleum Pipelines Levies Act, 2004 (No. 28 of 2004)

Revenue is measured at the fair value of the consideration received or receivable and comprises of the net invoiced values funded from levies imposed in terms of the applicable legislation.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.11 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

1.12 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.13 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure as defined in section 1 of the PFMA is expenditure which was made in vain and could have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the Annual Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the Annual Financial Statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the Annual Financial Statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the Annual Financial Statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.15 Budget Information

NERSA's budget is reviewed and approved annually by the Minister of Energy.

The approved budget is prepared on an accrual basis and presented by economic classification linked to programme's. The Statement of Comparison of Budget and Actual Amounts is prepared in line with GRAP 24.

The approved budget covers the fiscal period 1 April to 31 March.

1.16 Related parties

NERSA operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government which report to Minister of Energy are considered to be related parties.

4.7 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	This statement prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/deficit may have been affected by existence of related parties. It is expected that this standard will significantly impact future disclosures.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2017	The standard prescribes the accounting for service concession arrangement by the grantor, a public sector entity. It is not expected that this statement will have an impact on future disclosures.
GRAP 108: Statutory Receivables	01 April 2017	The standard prescribes the accounting requirement for recognition, measurement , presentation and disclosure of statutory receivables. It is expected that this statement will have an impact on future disclosures.
GRAP 109: Accounting by Principals and Agents	01 April 2017	This standard outlines principles to be used by an entity to assess whether it is a party to a principal agent arrangement , whether it is a principal or an agent in undertaking transaction In terms of such an arrangement. It is not expected that this standard will significantly impact future disclosures.

	2017			2016		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
3. Property, plant and equipment						
Land	9 200 000	-	9 200 000	9 200 000	-	9 200 000
Buildings	43 897 511	(12 202 308)	31 695 203	42 651 526	(10 599 400)	32 052 126
Motor vehicles	2 106 631	(1 315 359)	791 272	2 106 631	(1 091 340)	1 015 291
Office equipment	9 695 695	(5 463 885)	4 231 810	8 538 470	(5 252 966)	3 285 504
Computer hardware	12 197 382	(4 809 580)	7 387 802	10 473 053	(3 678 741)	6 794 312
Other property, plant and equipment	2 400 433	-	2 400 433	-	-	-
Total	79 497 652	(23 791 132)	55 706 520	72 969 680	(20 622 447)	52 347 233

	Opening Balance	Additions	Disposals	Reclassification	Depreciation	Closing balance
Reconciliation of property, plant and equipment - 2017						
Land	9 200 000	-	-	-	-	9 200 000
Buildings	32 052 126	1 245 985	-	-	(1 602 908)	31 695 203
Motor vehicles	1 015 291	-	-	-	(224 019)	791 272
Office equipment	3 285 504	1 613 509	(99 017)	7 509	(575 695)	4 231 810
Computer hardware	6 794 312	1 747 795	(82 837)	(7 509)	(1 063 959)	7 387 802
Building Refurbishment Project	-	2 400 433	-	-	-	2 400 433
Total	52 347 233	7 007 722	(181 854)	-	(3 466 581)	55 706 520

	Opening Balance	Additions	Disposals	Depreciation	Closing balance
Reconciliation of property, plant and equipment - 2016					
Land	9 200 000	-	-	-	9 200 000
Buildings	32 955 901	677 119	-	(1 580 894)	32 052 126
Motor vehicles	1 239 772	-	-	(224 481)	1 015 291
Office equipment	3 590 577	289 664	(89 388)	(505 349)	3 285 504
Computer hardware	4 438 666	3 587 501	(56 764)	(1 175 091)	6 794 312
Total	51 424 916	4 554 284	(146 152)	(3 485 815)	52 347 233

Revaluations

The land and buildings are situated at 526 Madiba Street, Arcadia, Pretoria and are stated at the revalued amount. The revaluation is performed every three years except for where there have been material improvements in which case a revaluation exercise will be performed at the end of the year in which case the improvement have been effected. The last revaluation was performed by an independent Professional Valuer on 31 March 2014. The Revaluation of the Building has been postponed due to the Building Refurbishment Project. Based on the market conditions, market rental, office space and condition of improvements the value of Land and Buildings amounted to R 43 415 000 as at 31 March 2014.

Property, plant and equipment includes fully depreciated assets that are still in use with a historical cost of R 2 763 466 assets will be replaced during the Refurbishment project which commenced in March 2017.

	2017			2016		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
4. Intangible assets						
Computer software	20 160 191	(14 663 477)	5 496 714	19 360 058	(13 644 130)	5 715 928
	Opening balance	Additions	Disposals	Amortisation	Total	
Reconciliation of intangible assets - 2017						
Computer software	5 715 928	800 133	-	(1 019 347)	5 496 714	
Reconciliation of intangible assets - 2016						
Computer software	6 023 935	913 341	(122 188)	(1 099 160)	5 715 928	

Figures in Rand		2017	2016
5.	Inventories		
	Stationery	186 337	187 621
6.	Receivables from exchange transactions		
	Prepayments	2 676 733	2 466 336
	Accrued Bank Interest	275 868	270 318
		2 952 601	2 736 654
7.	Receivables from non-exchange transactions		
	Other receivables	410 685	80 273
	Levies receivable	28 137 564	37 080 392
	Reversal of bad debts provision: Levies receivable	-	(166 420)
	Staff debtors	37 716	103 068
		28 585 965	37 097 313
	Improved management of debtors has resulted in decreases in Levies Receivables		
8.	Cash and cash equivalents		
	Cash and cash equivalents consist of:		
	Cash on hand	3 070	569
	Bank balances - Current Account	25 665 070	55 127 426
	Short - term investment	165 826 562	121 551 845
		191 494 702	176 679 840
9.	Revaluation reserve		
	Revaluation surplus relating to buildings	28 142 725	28 142 725

Figures in Rand	2017	2016
10. Operating lease obligation		
Minimum lease payments due		
• within one year	1 166 642	1 166 642
• in second to fifth year inclusive	680 541	1 847 183
Present value of minimum lease payments	1 847 183	3 013 825

The lease obligation relates to a rental agreement for the use of multifunction printers for period of 36 months beginning 01 November 2015 and ending 31 October 2018.

	Opening balance	Additions	Utilised during the year	Reversed during the year	Closing balance
11. Provisions					
Reconciliation of provisions - 2017					
Leave provisions	5 475 480	12 196 683	(11 507 586)	-	6 164 577
Bonus provision	19 913 079	22 014 981	(19 890 682)	(22 397)	22 014 981
	25 388 559	34 211 664	(31 398 268)	(22 397)	28 179 558
Reconciliation of provisions - 2016					
Leave provisions	5 018 212	11 356 316	(10 899 048)	-	5 475 480
Bonus provision	20 493 938	19 913 079	(20 210 292)	(283 646)	19 913 079
	25 512 150	31 269 395	(31 109 340)	(283 646)	25 388 559

For purpose of reconciling to the employment cost amount, leave cash pay-outs for 2017 amounted to R 1 308 943 (2016: R 616 067) and net leave movement was R 689 099 (2016: R 457 268).

The leave provision relates to NERSA's estimated liability arising as a result of services rendered by employees calculated on the number of days owing to employees at year end.

The bonus provision relates to the performance bonus payable to qualifying NERSA employees for services rendered from 1 April to 31 March .

Figures in Rand	2017	2016
12. Payables from exchange transactions		
Trade Creditors	111 060	2 224 365
Nominated Bonus	130 450	115 050
Accruals	5 990 366	14 488 486
Present value of minimum lease payments	6 231 876	16 827 901
13. Other payables (non-exchange)		
Trade Debtor with credit balance	9 090	-
This amount relates to an over-payment by a debtor. The amount will be refunded to the debtor in 2017/18.		
14. Levy Revenue		
License fees from Electricity	154 012 303	171 547 101
Levies from Piped-Gas	55 425 537	58 143 839
Levies from Petroleum Pipelines	66 743 172	75 446 243
	276 181 012	305 137 183
15. Other income		
Rental income - third party	71 335	53 513
Sundry income	119 853	163 343
Recoveries from insurance	135 751	72 263
	326 939	289 119

Sundry income for 2017 relates to gains on assets that were previously written off but subsequently located in the buildings.

Sundry income for 2016 relates to gains on assets and recoveries from former employees with regard to training costs, whereby employees left before training conditions were fulfilled and recoveries from current employees for study fees paid in the previous financial year.

Figures in Rand	2017	2016
16. General expenses		
Advertising	10 963 245	15 392 704
Assessment rates & municipal charges	861 876	734 654
Auditors remuneration	2 201 211	2 042 067
Bank charges	130 176	112 700
Consulting and professional fees	22 269 278	23 974 581
Catering	1 533 340	1 385 368
Insurance	490 329	376 076
Stakeholder Meetings	604 532	210 109
Lease rentals on operating lease	1 458 302	650 869
Motor vehicle expenses	177 814	217 712
Postage and courier	198 519	244 080
Printing and stationery	1 420 199	1 569 430
Software expenses	2 446 964	2 977 783
Staff welfare and Health and Safety	961 492	1 846 408
Subscriptions and membership fees	1 201 109	1 292 207
Telephone and fax	815 757	1 290 307
Training	6 629 615	3 881 033
Travel costs	17 960 166	16 912 826
Electricity	2 860 669	2 697 502
Learnership programme	718 491	341 757
National/International Initiatives	-	100 000
Knowledge Centre	2 918 215	2 515 275
Public hearings	-	3 519 379
Study fees	912 373	708 029
Office operations	1 411 676	1 111 001
Repairs and maintenance	5 944 518	4 101 743
	87 089 866	90 205 600

Figures in Rand	2017	2016
17. Loss on disposal of property, plant and equipment		
Loss on disposal of property, plant and equipment	181 854	268 340
18. Employee related costs		
Basic	135 829 867	126 029 619
Bonus	21 992 583	19 629 871
Medical aid	5 746 413	5 479 520
UIF	401 118	384 970
Leave	1 998 042	1 073 335
Pension	13 228 475	12 492 790
Overtime payments	378 748	79 186
Long-service awards	32 000	20 500
Arbitration and Settlement Awards	-	60 173
Publication Incentives	45 000	-
	179 652 246	165 249 964
19. Provision for bad debts		
Reversal of Provision for bad debts	(166 420)	-
20. Interest income		
Interest received	12 189 709	9 231 345

Interest received has been earned from NERSA current account and South African Reserve Bank Corporation for Public Deposits. The year on year increase is attributable to higher cash balances and Interest rate.

Figures in Rand	2017	2016
21. Auditors' remuneration		
External auditors	2 201 211	2 042 067
22. Operating lease Income		
The minimum future lease receipts are in respect of the use of NERSA premises and amount to:		
1 year or less	58 997	56 188
2 - 5 years	267 001	248 752
	325 998	304 940
23. Cash generated from operations		
Surplus for the year	17 454 186	54 348 770
Adjustments for:		
Depreciation and amortisation	4 485 928	4 584 973
Loss on disposal of assets	181 854	268 340
Movements in provisions	2 790 999	(123 591)
Changes in working capital:		
Inventories	1 284	32 687
Receivables from exchange transactions	(215 947)	(691 155)
Other receivables from non-exchange transactions	8 511 348	(15 403 969)
Payables from exchange transactions	(10 596 025)	1 167 410
Payables from non-exchange transactions	9 090	(10 344 053)
	22 622 717	33 839 412

Figures in Rand	2017	2016
24. Commitments		
Capital commitments		
Already contracted for but not provided for		
• Computer hardware and software	154 047	499 350
• Buildings	4 206 351	-
	4 360 398	499 350
Operating commitments		
• Already contracted but not yet delivered	28 855 126	36 172 366
Total Commitments	33 215 524	36 671 716

25. Contingencies

There were no contingent liabilities as at 31 March 2017.

Litigation against NERSA for a claim of R 4 million in relation to a Labour dispute. NERSA management and external legal team considers the likelihood of this action against NERSA being successful as unlikely.

26. Related parties

The Executive Authority to whom NERSA reports is the Minister of Energy. No transactions took place between NERSA and the Department of Energy for the period under review.

	Salary	Performance Bonus*	Car Allowances	Reimbursive and Other Allowances	Medical	Pension Contribution and UIF	Leave Pay	Total
27. Remuneration of Regulator Members and Executive Management								
Full-Time Regulator Members - 2017								
C Forlee **	1 227 255	-	-	163 467	90 834	162 826	-	1 644 382
T Bukula ***	1 273 613	234 898	37 500	166 249	94 590	168 358	387 523	2 362 731
R Crompton ****	426 799	255 376	5 508	85 152	12 078	52 835	259 322	1 097 070
N Maseti	1 684 083	261 161	60 000	278 626	63 075	214 862	-	2 561 807
M Ncetezo *****	397 824	-	30 000	55 235	-	50 547	-	533 606
	5 009 574	751 435	133 008	748 729	260 577	649 428	646 845	8 199 596

* Performance Bonuses were paid in the 2016/17 financial year with regard to the performance of 2015/16 financial year.

** Appointed FTRM: Petroleum Pipelines from 01 July 2016 to 31 December 2016 and Appointed Chief Executive Officer on 01 January 2017

*** Resigned 31 December 2016

**** Term ended 30 June 2016

***** Appointed FTRM: Electricity from 09 January 2017

Full-Time Regulator Members - 2016								
T Bukula	1 762 662	263 544	50 000	413 666	117 048	226 043	-	2 832 963
R Crompton	1 765 607	255 376	22 032	16 396	45 341	209 041	-	2 313 793
N Maseti	1 776 516	247 645	60 000	111 965	57 708	207 213	-	2 461 047
	5 304 785	766 565	132 032	542 027	220 097	642 297	-	7 607 803

* Performance Bonuses were paid in the 2015/16 financial year with regard to the performance of the 2014/15 financial year.

	Scheduled Meetings	Special Assignments	Reimbursive and Other Allowances	Total
27. Remuneration of Regulator Members and Executive Management (continued)				
Part-Time Regulator Members - 2017				
J Modise	256 166	32 941	109 556	398 663
M Nkomo	293 706	16 307	78 691	388 704
KR Mthlmuye	250 934	12 915	79 383	343 232
F Sibanda	294 906	33 738	76 755	405 399
Y Adam *	67 844	7 274	53 070	128 188
	1 163 556	103 175	397 455	1 664 186

* Appointed 01 August 2016

Part-Time Regulator Members - 2016				
J Modise	381 896	186 112	83 356	651 364
M Nkomo	274 480	73 584	41 870	389 934
KR Mthimunye	280 688	57 744	56 897	395 329
O Komane *	126 464	28 672	7 460	162 596
F Sibanda	219 512	32 384	52 238	304 134
	1 283 040	378 496	241 821	1 903 357

* Term ended 31 October 2015.

	Scheduled Meetings	Special Assignments	Reimbursive and Other Allowances	Total
27. Remuneration of Regulator Members and Executive Management (continued)				
External Members - 2017				
TN Mashanda	28 236	2 352	3 220	33 808
J Meissner	23 530	-	3 068	26 598
GN Jiyane	37 648	-	2 700	40 348
MJ Ndlovu	51 988	12 196	2 700	66 884
NG Chonco	52 048	12 669	2 700	67 417
	193 450	27 217	14 388	235 055
External Members - 2016				
TN Mashanda	21 760	-	1 350	23 110
J Meissner *	21 760	-	1 498	23 258
GN Jiyane	43 520	-	1 350	44 870
MJ Ndlovu *	21 760	-	1 350	23 110
NG Chonco *	34 816	-	1 350	36 166
	143 616	-	6 898	150 514

* Appointed 01 April 2015.

	Salary	Performance Bonus *	Car Allowances	Reimbursive and Other Allowances	Medical	Pension Contribution and UIF	Total
27. Remuneration of Regulator Members and Executive Management (continued)							
Executive Management - 2017							
C Forlee **	376 692	354 424	-	20 336	29 124	49 323	829 899
M Ncetezo ***	1 157 117	316 649	90 000	87 418	-	150 819	1 802 003
N Sithole	1 632 345	291 339	42 000	108 282	43 308	196 735	2 314 009
P Nku ****	1 266 975	264 606	-	316 418	89 580	166 416	2 103 995
Z Ngwepe *****	948 352	300 145	-	58 793	67 956	122 124	1 497 370
T Nxumalo	1 437 915	257 441	-	102 768	-	174 024	1 972 148
	6 819 396	1 784 604	132 000	694 015	229 968	859 441	10 519 424

* Performance Bonuses were paid in the 2016/17 financial year with regard to the performance of 2015/16 financial year

** Appointed Acting FTRM Petroleum Pipeline on 01 July 2016

*** Appointed Acting FTRM Electricity from 01 January 2017

**** Acting Chief Executive Officer from 01 April 2016 to 31 December 2016

***** Resigned 02 November 2016

Executive Management - 2016							
M Ncetezo	1 491 391	348 331	120 000	78 343	-	187 439	2 225 504
N Sithole	1 535 472	318 821	42 000	118 164	39 903	183 697	2 238 057
P Nku **	1 195 323	251 796	-	331 209	82 035	154 250	2 014 613
Z Ngwepe	1 507 892	331 117	-	42 866	109 359	194 759	2 185 993
C Forlee	1 515 896	-	-	37 834	107 367	193 666	1 854 763
T Nxumalo ***	716 832	-	-	16 340	2 314	95 709	831 195
	7 962 806	1 250 065	162 000	624 756	340 978	1 009 520	11 350 125

* Performance Bonuses were paid in the 2015/16 financial year with regard to the performance of 2014/15 financial year

** Acting Chief Executive Officer from 01 March 2015

*** Appointed 01 October 2015

28. Risk management

Financial risk management

NERSA's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk.

Liquidity risk

NERSA's risk to liquidity is a result of payables and provisions. NERSA mitigates liquidity risk through an ongoing review of future commitments and cash flow forecast.

The following table reflects NERSA's exposure to liquidity risk from financial liabilities:

	Carrying amount	Total Cash Flow	Contractual Cash Flow Within One Year	Contractual Cash Flow Within 2 to 5 Years
At 31 March 2017				
Payables from exchange transactions	6 231 876	6 231 876	6 231 876	-
Payables from non-exchange transactions	9 090	9 090	9 090	-
Provisions	28 179 558	28 179 558	28 179 558	-
At 31 March 2016				
Payables from exchange transactions	16 827 901	16 827 901	16 827 901	-
Provisions	25 388 559	28 388 559	25 388 559	-

Credit risk

Credit /Counter party risk refers to the risk that a counter party will default on its obligation resulting in financial loss to the entity. NERSA mitigates Credit/Counter party risk through the collection of revenue based on three legislation namely section 5B of the Electricity Act, 1987 of (Act No 41 of 1987); section 2 of the Gas Regulator Levies Act, 2002 (No. 75 of 2002) and section 2 of the Petroleum Pipelines Levies Act, 2004 (No. 28 of 2004). The risk of non-payment largely mitigated by the existence of the relevant legislation in this regard.

Figures in Rand	2017	2016
28. Risk management (continued)		
Financial assets exposed to credit risk at year were as follows :		
Receivables from exchange transactions	2 952 601	2 736 654
Receivables from non-exchange transactions	28 585 965	37 097 313

Market risk

Interest rate risk

NERSA is exposed to interest rate changes in respect of returns on its investment with financial institutions. NERSA's exposure to interest risk is managed by investing, on short term basis, in current accounts and the Corporation for Public Deposits

	Weighted average rate of interest %	1 year or less	Non-interest
2017			
Cash		-	3 070
Short-term investment	7.36	165 826 562	-
Current account	5.25	25 665 070	-
		191 491 632	3 070
2016			
Cash		-	569
Short-term investment	6.3	121 551 845	-
Current account	4.64	55 127 426	-
		176 679 271	569

Figures in Rand	2017	2016
29. Going concern		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
30. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	27 230	1 134
Recovered	-	(1 134)
	27 230	-

For 2017 Fruitless and wasteful expenditure was incurred with regard to the cancellation of international trips due to the implementation of cost containment measure on international conferences.

The prior year amount is in respect of interest paid to service providers due to late payments. The amount was recovered from employees who were responsible for the delay in payment.

31. Irregular expenditure		
Opening balance	4 610 398	4 549 958
Add: Irregular Expenditure	184 605	60 440
	4 795 003	4 610 398

Analysis of expenditure awaiting condonation per age classification

Awarding of quotation to a supplier whose tax clearance had expired	184 605	-
Remuneration of Full-Time Regulator Members not approved by Minister:		
31 March 2016	-	60 440
31 March 2015	-	511 401
31 March 2014	-	1 232 661
31 March 2013	-	2 489 831
31 March 2012	-	316 065
	184 605	4 610 398

Figures in Rand		2017	2016
31. Irregular expenditure (continued)			
Details of irregular expenditure - current year			
Incident	Disciplinary steps taken/criminal proceedings		
Awarding of quotation to a supplier whose tax clearance had expired.	Under investigation		184 605
			184 605
Details of irregular expenditure - prior year			
<ul style="list-style-type: none"> FTRM Remuneration should be approved by the Minister of Energy in concurrence with the Minister of Finance. The Minister of Energy re-appointed three FTRM delegated the Energy Regulator to negotiate the remuneration of FTRM The Minister also appointed a new FTRM CEO on 01 May 2011. The Energy Regulator implemented the salary increase effective from 01 April 2011 without approval of the Minister of Energy 	Condoned by (condoning authority) <ul style="list-style-type: none"> The Energy Regulator requested condonation from the Minister of Energy on 25 March 2013 On 19 March 2014 the Minister of Energy approved the condonation subject to the concurrence of the Minister of Finance On 30 July 2014 the Minister of Finance did not support the condonation From 01 April 2015 FTRM salaries were frozen. All affected FTRM are no longer employed NERSA. NERSA has drafted a request for condonation of the irregular expenditure by the Minister in terms of the Treasury Regulation 		4 610 398
			4 610 398

32. Budget differences

Material differences between budget and actual amounts

- 32.1 Actual is higher than budgeted interest received due to excess funds in the Investment account as a result of under-spending in previous financial years on operational and capital expenditure and a higher than budgeted interest rate realised.
- 32.2 Actual is lower than budgeted levy income mainly due to lower electricity license fees. The budget for electricity license fee was based on over-estimated electricity volumes.
- 32.3 Actual is lower than budgeted Personnel cost is due to unfilled vacancies during the year.
- 32.4 Actual is lower than budgeted Depreciation and amortisation due to the extension of useful life of assets at the end of March 2016 and under-expenditure on Capital for previous financial year.
- 32.5 Actual is lower than budgeted General Expenses due to under expenditure on traveling and consulting fees.

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