

Virtual Presentation to the Parliamentary Portfolio Committee: Mineral Resources and Energy on 5 May 2021

2021/22 Annual Performance Plan and Budget



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PRESENTATION OUTLINE

A. Executive Summary of detailed presentation

1. Introduction
2. Context for the development of the Annual Performance Plan
3. Regulatory and organisational activities
4. Key challenges for 2021/22
5. Annual budget for 2021/22
6. Human Resources
7. Conclusion

B. Detailed presentation

A. Executive Summary

1. INTRODUCTION (1)

1. Impact of COVID-19 Pandemic

- a) NERSA felt this impact in our ability to effectively carry out our mandate. We were able to implement alternative measures to ensure that our operations enabled us to continue with our work normally as soon as possible.
- b) Due to the impact on the economy of the country – and especially the licencees in the three industries that we regulate - the Regular will continue to ensure that all applications are dealt with in a speedy manner.
- c) NERSA remains committed to implementing the interventions outlined in the Economic Reconstruction and Recovery Plan.

1. Regulatory Independence

- a) In terms of the National Energy Regulator Act the Regulator must act independently when making regulatory decisions.
- b) In order to ensure regulatory independence, the Energy Regulator has developed regulatory mechanisms (*i.e. procedures, rules, guidelines, systems, etc.*) that makes its decision-making processes to be open, transparent, credible, consistent, predictable, as well as making it accountable for its decisions.

2. Revenue and Funding

- a) NERSA is currently funded through imposing prescribed levies and registration fees on the regulated industries following a prescribed transparent procedure.
- b) From the previous financial year NERSA has noticed a decline in the volumes on which the determination of the levies are based. This decline is linked to the impact of the COVID-19. There is a risk that this trend might continue in the current financial year.

1. INTRODUCTION (2)

4. NERSA Achievements

- a) Despite all the challenges experienced, NERSA was able to maintain unqualified audits consecutively for the last six years.
- b) The achievements in respect of the meeting the planned targets in the Annual Performance Plans over the past six year up to 2020/21, is an average of 92%. The unaudited performance during the 2020/21 financial year, with all the COVID-19 restrictions is that 89% of the planned targets were met.

5. Governance structure

- a) We appreciate the filling of the old vacancies in 2021.
- b) There are currently 2 new vacancies in on the board of the Energy Regulator – namely the Chairperson (part-time member) and the Chief Executive Officer (full-time member)

5. Staffing

- a) In striving to be recognised as a world-class leader in Energy Regulation means that NERSA needs to be at the forefront of best and leading practices with regards to energy regulation and supporting sustainable development. Therefore the majority of NERSA's staff compliment needs to be highly skilled and experienced in regulatory and economical areas as well as technical skills in engineering.
- b) 50% of the management positions are occupied by women.

2. CONTEXT FOR THE DEVELOPMENT OF THE ANNUAL PERFORMANCE PLAN

- 2.1 The Annual Performance Plan was informed by the Strategic Plan for 2020/21 – 2024/25 to ensure alignment with the strategic outcomes.
- 2.2 NERSA's developed its Annual Performance Plan for 2021/22 to 2023/24 against the backdrop of key developments globally, continentally, regionally and nationally:
- a) The unprecedented global impact of the COVID-19 Pandemic – especially on the energy sector.
 - b) South Africa's strained economy.
 - c) Developments in the energy sector related to the timely transition towards a more inclusive, sustainable, affordable and secure global energy system that provides solutions to global energy related challenges, while creating value for business and society.

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (1)

NERSA's regulatory activities are grouped in the following programmes:

- 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: Establishing NERSA as an efficient and effective regulator

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (2)

Programmes	Key APP targets	Envisaged Impact
1. Setting and/or approval of tariffs and prices	Refer to slides 40, 46, 52	<ul style="list-style-type: none"> Economic growth through affordable prices tariffs; Fair balance between the needs of the customer (end user) and the regulated entity contributing towards security of energy supply and affordable energy prices

Outcomes:

- Accessible and cost reflective electricity that is equitably distributed for consumption
- Equitable access to affordable gas services and petroleum products, services and infrastructure at competitive prices

MTSF Priority 2: Economic transformation and job creation

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (3)

Programmes	Key APP targets	Envisaged Impact
2. Licensing and registration	Refer to slides 41, 47, 53	<ul style="list-style-type: none"> • Increasing energy capacity in the country; • Orderly development of the energy industry • Access to more energy from new/alternative suppliers • Transformation of the regulated industries, in line with the BBBEE Act

Outcomes:

- Diverse energy supply that is certain and secure for current and future user needs
- Conducive regulatory environment that results in regulatory certainty and increased investment in the electricity industry
- Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry and petroleum pipelines industry

MTSF Priority 2: Economic transformation and job creation

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (4)

Programmes	Key APP targets	Envisaged Impact
3. Compliance monitoring and enforcement	Refer to slides 42, 48, 54	<ul style="list-style-type: none"> • Security of supply; • Reliable supply of energy • Safe, efficient and environmentally friendly operation of regulated energy facilities, including the transportation of energy

Outcomes:

- Diverse energy supply that is certain and secure for current and future user needs
- Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry and petroleum pipelines industry

MTSF Priority 2: Economic transformation and job creation

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (4)

Programmes	Key APP targets	Envisaged Impact
4. Dispute resolution, including mediation, arbitration and handling of complaints	Refer to slides 43, 49, 55	<ul style="list-style-type: none"> • Improved understanding of the regulation of the energy sector between licensees, or between licensees and customers or end-users; • Sustainable, safe and reliable operation of regulated energy facilities – contributing towards security of energy supply

Outcomes:

- Conducive regulatory environment that results in regulatory certainty and increased investment in the electricity industry
- Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry and petroleum pipelines industry

MTSF Priority 2: Economic transformation and job creation

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (5)

Programmes	Key APP targets	Envisaged Impact
5. Setting of rules, guidelines and codes for the regulation of the three energy industries	Refer to slides 44, 50, 56	<ul style="list-style-type: none"> • Investor confidence and lessening the regulatory burden on licensees; • Regulatory certainty • Infrastructure investments

Outcomes: - A conducive regulatory environment that results in regulatory certainty and increased investment in the electricity, piped-gas and petroleum pipeline industries

MTSF Priority 2: Economic transformation and job creation

3. REGULATORY ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (6)

Programmes	Key APP targets	Envisaged Impact
6. Establishing NERSA as an efficient and effective regulator	Refer to slides 45, 51, 57	<ul style="list-style-type: none"> • Effective and efficient regulation • Regional integration and harmonisation of regulatory processes, methodologies and procedure

Outcomes:

- Security of Supply
- A conducive regulatory environment that results in regulatory certainty and increased investment in the piped-gas and petroleum pipeline industries

MTSF Priority 2: Economic transformation and job creation

3. ORGANISATIONAL ACTIVITIES IN THE ANNUAL PERFORMANCE PLAN (7)

Programmes	Key APP targets	Envisaged Impact
6. Establishing NERSA as an efficient and effective regulator	Refer to slide 58	<ul style="list-style-type: none"> • Effective and efficient regulation supported by appropriate systems, processes, procedures and resources; • Regional integration and harmonisation of regulatory processes, methodologies and procedure • Appropriate skills for energy regulation • Contributing to South Africa's skills base

Outcomes: - Creation of an enabling environment for internal and external stakeholders through proactive, dynamic and data-driven advisory, advocacy and decision making

MTSF Priority 1: A Capable, Ethical and Developmental State

MTSF Priority 2: Education, Skills and Health

MTSF Priority 7: A better Africa and the World

4. KEY CHALLENGES FOR 2021/22 - ELECTRICITY INDUSTRY REGULATION

CHALLENGES	MITIGATION STRATEGIES
<p>1. The high number of NERSA decisions challenged in High Court and the court rulings which are against NERSA decisions.</p>	<p>a) Legislation to be amended to provide for the utilization of alternative dispute resolution</p> <p>b) Utilisation of the Intergovernmental Relations Framework Act for amicable solutions in the best interest of the economy.</p>
<p>2. Outdated Electricity Regulation Act and Pricing Policy:</p> <ul style="list-style-type: none"> Does not take into account demand side of electricity industry. Lack of enforcement of ring-fencing of electricity revenues in the municipal environment. Increasing complexity of the ESI (More role players in industry i.e. SSEGs, Traders, IPPs and Prosumers) 	<p>a) Review the Electricity Regulation and Pricing Policy Electricity Regulation Act that is Inclusive of the demand side of the Electricity Industry</p> <p>b) Alignment of ERA, MFMA and constitutional requirement of municipalities</p> <p>c) Registration conditions for SSEGs</p>
<p>3. Implementation of impractical provisions in legislation with adverse results</p> <ul style="list-style-type: none"> Revocation of the Distribution License due to none compliance with licence conditions Imposing of R2million per day or 10% of the total revenue for not complying with licence conditions 	<p>a) Fast track the amendment of the ERA</p>

4. KEY CHALLENGES FOR 2021/22 - PIPED-GAS INDUSTRY REGULATION (1)

CHALLENGES	MITIGATING STRATEGIES
<p>1. Limited mandate under the Gas Act</p> <ul style="list-style-type: none"> • distribution tariffs not regulated • no provisions for third party access to gas distribution facilities. • inadequate provisions to regulate new LNG infrastructure • Limited approach to regulation of gas industry 	<p>a) Expedite finalization of Gas Amendment Bill to</p> <ul style="list-style-type: none"> • deal with current loopholes; • give NERSA sufficient regulatory powers • enable NERSA to regulate gas molecule and gas infrastructure efficiently and effectively (including LNG, regasification, distribution)
<p>2. Lack of mechanism to address challenges posed by concurrent and complementary jurisdiction for gas infrastructure built or operated in the ports.</p>	<p>a) Intervention by line Ministers through legislative amendments (primary solution)</p> <p>b) Opting for complementary rather concurrent jurisdiction (interim solution)</p> <p>c) Section 79 of Nat Ports Act establishes concurrent jurisdiction but has alternative section to be invoked by Minister of Transport (preferred)</p>
<p>3. Decline of gas supply</p>	<p>a) Support government engagements to explore opportunities for gas supply from new gas finds in SADC and other countries on the continent</p> <p>b) Fast-track appropriate policy instruments and regulatory framework to enable Shale Gas, Brulpadda, Luiperd and other local gas sources as a long-term supply solution</p> <p>c) Fast-track process for harmonization of regulatory framework between SA and the SADC region and others in the continent</p>

4. KEY CHALLENGES FOR 2021/22 - PETROLEUM PIPELINES INDUSTRY REGULATION

CHALLENGES	MITIGATING STRATEGIES
1. Gaps with Petroleum Pipelines Act (Act No. 60 of 2003) <ul style="list-style-type: none"> No legislative provision which empowers NERSA to register below bulk facilities. Only owners of petroleum infrastructure can apply for operation licences – not operators Auxiliary pipelines are not included in the definition of pipelines NERSA does not have the power to enter, inspect and gather information where there is a suspicion that any person is engaged in any of the activities requiring a licence. Yet section 15(2)(a) of the Act requires NERSA to determine whether any person is engaged in any of the activities requiring a licence. Changing landscape 	<ul style="list-style-type: none"> Finalise the review of the Petroleum Pipelines Act and review policies.
2. Fragmented Regulation of the Petroleum Sector <ul style="list-style-type: none"> Relevance of the NERSA tariffs and harmonization thereof with the pricing system. LPG recommendations - Competition Commission Enquiry 	<ul style="list-style-type: none"> Review of the policies and legislation.
3. Product Theft on Transnet Pipelines <ul style="list-style-type: none"> Direct adverse impact on the security of supply and tariffs 	<ul style="list-style-type: none"> Assistance and/or collaborations with law enforcement and intelligence.

4. KEY CHALLENGES FOR 2021/22 - ORGANISATIONAL

CHALLENGES	MITIGATING STRATEGIES
1. Declining revenue	<ul style="list-style-type: none"> • Cost containment • Invoking the legislated provisions for charging for dispute resolution and other services provided by the Regulator • Appropriation by Parliament as a last resort
2. Negative perception of NERSA by stakeholders <ul style="list-style-type: none"> • NERSA's decisions being challenged • Continuing increasing electricity prices 	<ul style="list-style-type: none"> • Implement stakeholder management plan to improve relationship between NERSA and stakeholders • Regular stakeholder engagements on NERSA's decisions, methodologies, processes, frameworks, etc.

4. SUPPORT REQUESTED IN RESPECT OF IDENTIFIED REGULATORY CHALLENGES ARE THE FOLLOWING:

1. Speedy finalisation of amendments of governing legislation and policies – National Energy Regulator Act, Gas Act, Petroleum Pipelines Act, Electricity Regulation Act
2. Alternative dispute resolution (ADR) is requested as a first process for dispute resolution instead of the current court processes.
3. Harmonization of regulatory frameworks for cross-border trade in the SADC region and the continent
4. Streamlining of the regulation of the fragmented petroleum sector.
5. Investment in energy infrastructure.

5. ANNUAL BUDGET FOR 2021/22 (1)

DESCRIPTION	PROVISIONAL ACTUAL	APPROVED BUDGET	APPROVED BUDGET	% Variance
	2020/21	2020/21	2021/22	
	R	R	R	
TOTAL INCOME	319 065 495	362 470 476	334 559 068	(7,7%)
License fees from Electricity Industry	184 286 295	207 909 620	190 915 910	(8,2%)
Levies from Piped-Gas Industry	74 302 738	77 964 905	72 907 903	(6,5%)
Levies from Petroleum Pipeline Industry	51 659 351	70 638 400	56 870 706	(19,5%)
Interest received	8 472 445	5 865 542	13 786 164	135,0%
Rental Income	55 605	72 009	58 385	(18,9%)
Registration fees	27 600	20 000	20 000	0,0%
Other Income	261 461	-	-	0,0%
TOTAL OPERATING EXPENDITURE	317 005 380	373 685 242	384 481 428	2,9%
Advertising, Promotion and Communication	9 409 637	11 920 000	13 122 000	10,1%
Employment cost	248 930 521	265 723 555	268 851 561	1,2%
Facilities Maintenance	9 918 731	10 728 424	10 125 000	(5,6%)
Office Administration	11 911 496	12 078 879	17 069 885	41,3%
Professional fees	30 449 194	36 810 085	37 472 970	1,8%
Travel, Accommodation and Training	3 820 482	30 676 799	30 752 201	0,2%
Other Expenses	2 565 318	5 747 500	7 087 812	23,3%
Depreciation	4 796 349	-	-	0,0%
NET SURPLUS/ (DEFICIT) for the period	(2 736 234)	(11 214 767)	(49 922 361)	(345,1%)

5. ANNUAL BUDGET FOR 2021/22 (2)

Revenue

- Projected Revenue for the 2021/22 financial year amounts to R335 million, which is 7.7% lower than the R362 million of 2020/21.
- The decline in revenue is as a result of declining volumes across all three industries experienced during 2020 due to the Covid-19 lockdown restrictions and this trend is expected to continue in 2021 as the economy slowly recovers.

Operating Expenditure

- Operating expenditure for the 2021/22 financial year amounts to R384 million, which is 2.9% higher than the R374 million of 2020/21. The total funding requirement was completed after taking into account the effects of refunds to the industries.
- In order to refund the regulated industries and to smooth out levy increases over the three-year MTEF period, NERSA is budgeting for losses/(deficit) over this period. The projected deficit of R49,9 million for 2021/22 will be covered from NERSA's accumulated surpluses over the years.

5. ANNUAL BUDGET FOR 2021/22 (3)

Capital expenditure for the 2021/22 financial year amounts to R14.0 million, which is 3.7% higher than the R13.5 million for 2020/21 due to a replacement of the vehicles as well as continued investments in computer software to improve regulatory processes.

Budget allocation per programme and industry

	Programme 1	Programme 2	Programme 3	Programme 4	Programme 5	Programme 6	
Industry	Setting and/or approval of tariffs and prices	Licensing and Registration	Compliance monitoring and enforcement	Dispute resolution including mediation, arbitration and the resolution of complaints	Setting of rules, guides and codes for regulation	Establishing NERSA as an efficient and effective organisation	Total
Electricity	39 174 521	16 578 488	28 363 806	12 938 975	3 948 540	123 465 164	224 469 495
Piped-Gas	12 940 120	7 291 721	8 547 997	5 912 899	3 696 559	44 702 904	83 092 200
Petroleum Pipelines	12 998 394	6 447 449	6 447 449	4 256 996	2 066 542	44 702 904	76 919 734
Total	65 113 035	30 317 657	43 359 252	23 108 869	9 711 642	212 870 973	384 481 428

6. HUMAN RESOURCES (1)

Total staff complement: 253
Total staff strength (at 31/3/2021): 239 of which 57% are female
Vacancy rate: 5.5%

The total number of employees (including employees with disabilities) in each of the following occupational levels:

A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	TOTAL
Top Management	2	0	0	0	1	0	0	0	0	0	3
Senior Management	3	0	0	0	3	0	0	0	0	0	6
Professionally qualified, experienced specialists and mid-management	38	1	1	2	29	0	0	5	6	2	84
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	42	0	0	2	67	2	0	2	0	0	115
Semi-skilled and discretionary decision-making	7	0	0	0	19	1	0	1	0	1	29
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	0	1	2
TOTAL PERMANENT	92	1	1	4	120	3	0	8	6	4	239
**Temporary employees	1	0	0	0	2	0	0	0	0	0	3
GRAND TOTAL	93	1	1	4	122	3	0	8	6	4	242

6. HUMAN RESOURCES (2)

6.1 NERSA's contribution to the reduction of the unemployment rate

6.1.1 Job Shadowing

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 intake for this programme was 10 annually for the past 5 years.

6.1.2 Learnership and Internship

The programmes prepare 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 and the Energy Sector.

The intake for these programmes was 24 annually for the past 5 years.

6.1.3 Exchange programmes and training with regulators in the SADC region

7. CONCLUSION

- NERSA will endeavour to be more innovative and agile in ensuring that we continue to ensure the orderly development in the energy sector, mainly through licensing, setting and approving of prices and tariffs, compliance monitoring and enforcement, and dispute resolution in the electricity, piped-gas and petroleum pipelines industries.
- Additionally we will endeavour to maintain unqualified audit findings – as we did over the last six years.
- Through regulation, NERSA strive to support and assist Government's initiatives relating to economic recovery.

Thank you

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DETAILED PRESENTATION

PRESENTATION OUTLINE

DETAILED PRESENTATION

- B. Introduction
- C. Mandate
- D. Context for Annual Performance Plan 2021/22
- E. Outcomes and Targets per Programme for each of the three regulated industries as well as transversal regulatory and organisational projects
- F. Challenges
- G. 2021/22 Budget
- H. Human Resources
- I. Key Strategic Risks that may affect the energy sectors and planned mitigating strategies

B. Introduction (1)

- The National Energy Regulator was established on 1 October 2005 in terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) to regulate the:
 - *Electricity industry - in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);*
 - *Piped-Gas industry – in terms of the Gas Act, 2001 (Act No. 48 of 2001); and*
 - *Petroleum Pipelines industry – in terms of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003)*
- NERSA is a Schedule 3A Public Entity as per the Public Finance Management Act, 1999 (Act No. 1 of 1999).

B. Introduction (2)

NERSA's overarching **role** is to:

- ensure 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

This will ultimately support the sustainable socio-economic development of South Africa and a better life for all.

B. INTRODUCTION (3)

- NERSA regulates the **electricity, piped-gas and petroleum pipelines** industries
- The mandate of NERSA, as contained in relevant legislation, is summarised as follows:
 - Issuing of **licences** and setting pertinent 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
 - Determination of **conditions of supply** and applicable standards
 - **Registration** of import and production activities
- In executing its mandate NERSA endeavours to balance the conflicting interest of both licensed entities and end users.

C. Mandate (1)

NERSA's Mandate is anchored in:

- 4 Primary Acts:
 - National Energy Regulator Act, 2004 (Act No. 40 of 2004);
 - 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).
- 3 Levies Acts:
 - 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).

C. Mandate (2)

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');
 - 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');
 - Determines the way that NERSA has to deal with access to information.
- the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ('PAJA'); and
 - Determines the just administrative action of NERSA.
- the Constitution of the Republic of South Africa.
 - Foundational basis for NERSA.

C. Mandate (3)

Strategic Focus to carry out NERSA's mandate

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 socio-economic
development

IMPACT STATEMENT

Secure, reliable, affordable,
sustainable, competitive and
transformed energy
industry, which contributes
to the economic growth of
South Africa

CONTRIBUTING TOWARDS MTSF PRIORITIES

Priority 1: A capable, ethical and developmental state

Priority 2: Economic transformation and job creation

Priority 3: Education, skills and health

Priority 7: A better Africa and world

D.Context for Annual Performance Plan 2021/22 (1)

NERSA implements its mandate by means of the following regulatory functions:

- Issuing of licences and setting of pertinent conditions;
- Setting and/or approving of 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;
- Determination of conditions of supply and applicable standards;
- Registration of import and production activities

D. Context for Annual Performance Plan 2021/22 (2)

NERSA's structure is as follows:

In terms of section 5 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), the Minister of Energy appoints nine (9) Regulator Members:

- Four (4) are Full-Time Regulator Members (FTRMs) and hold office for a period of five (5) years;
 - Chief Executive Officer; and
 - 3 Members primarily responsible for Electricity, Piped-Gas and Petroleum Pipelines industry regulation respectively.
- Five (5) are Part-Time Regulator Members (PTRMs) and hold office for a period of four (4) years.
- The Chairperson and Deputy Chairperson are Part-Time Members.

D. Context for Annual Performance Plan 2021/22 (3)

The Energy Regulator's functions are supported by the following:

REGULATORY DIVISIONS	DEPARTMENTS	SUPPORT DIVISIONS	DEPARTMENTS
Electricity Regulation	Electricity Pricing and Tariffs	Corporate Services	Legal Advisory Services
	Electricity Licensing, Compliance and Dispute Resolution		Communication and Stakeholder Management
	Electricity Infrastructure Planning		International Co-ordination and Partnerships
Piped-Gas Regulation	Gas Pricing and Tariffs	Finance and Administration	Information Resources Management
	Gas Licensing, Compliance and Dispute Resolution	Human Resources	Financial Management and Governance
	Gas, Competition and Market Analysis	Specialised Support Units	Supply Chain Management
Petroleum Pipelines Regulation	Petroleum Pipelines Tariffs		Human Resources – Value Creation
	Petroleum Licensing, Compliance and Dispute Resolution		Human Resources -Transactions
			Regulator Support
			Strategic Planning and Monitoring
			Regulatory Analysis and Research
			Information and Communication Technology
			CEO's Office Operations
			Internal Audit

E. Programme Outcomes and Targets for 2021/22

NERSA's targets for the outcomes are grouped in the following programmes:

- 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: Establishing NERSA as an efficient and effective regulator

Key Focus areas: ELECTRICITY INDUSTRY REGULATION (1)

Outcomes	Focus area in terms of APP outputs and targets
Programme 1: Setting and/or approval of tariffs and prices (MTSF Priority 2: Economic Transformation and Job Creation)	
<p>Accessible and cost reflective electricity that is equitably distributed for consumption</p>	<ul style="list-style-type: none"> • 100% of tariff applications of licensed distributors considered within a prescribed timeframe • Energy Regulator decision on the review of the complete Eskom RCA application for 2020/21 taken by the ER by 31 March • Energy Regulator decision on the review of Eskom's revenue application for year 1 of MYPD 5 considered by ER within 6 months after receipt of complete application

<p><u>Envisaged impact:</u></p> <ul style="list-style-type: none"> • Economic growth through affordable electricity prices • Fair balance between the needs of the customer (end user) and the regulated entity contributing towards security of energy supply and affordable energy prices • Optimal use of energy infrastructure
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Key Focus areas: ELECTRICITY INDUSTRY REGULATION (2)

Outcomes

Focus area in terms of APP outputs and targets

Programme 2: Licensing and Registration

(MTSF Priority 2: Economic Transformation and Job Creation)

Accessible and cost reflective electricity that is equitably distributed for consumption

Conducive regulatory environment that results in regulatory certainty and increased investment in the electricity industry

- 100% of licence applications (new/amendments/revocations) considered within a prescribed timeframe
- 100% applications for registration of electricity generation facilities considered within a prescribed timeframe
- One report on new entrants into the electricity supply industry

Envisaged impact:

- Increasing energy capacity in the country;
- Investment in the regulated industries;
- Orderly development of the energy industry
- Security of supply
- Access to more energy from new/alternative suppliers
- Fit for purpose electricity resources
- Transformation of the regulated industries, in line with the BBBEE Act

Key Focus areas: ELECTRICITY INDUSTRY REGULATION (3)

Outcomes	Focus area in terms of APP outputs and targets
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Programme 3: Compliance monitoring and Enforcement (MTSF Priority 2: Economic Transformation and Job Creation)

Diverse energy supply that is certain and secure for current and future user needs	<ul style="list-style-type: none"> • 3 reports on – <ul style="list-style-type: none"> ○ audits conducted on the state of compliance of licensees with licence conditions (distribution, generation, transmission) ○ monitoring of the implementation of the corrective action plans by non-complying licensees (distribution, generation, transmission) • 1 audit report each on the Transmission and Distribution Network Development 2020/21 projects for compliance with the South African Grid Code • 2 monitoring reports on the performance and progress of Renewable Energy projects for 2022/23
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Envisaged impact:

- Security of supply
- Compliance with licence conditions and NERSA directives to govern relations between a licensee and its end users
- Reliable supply of energy
- Safe, efficient and environmentally friendly operation of regulated energy facilities, including the transportation of energy

Key Focus areas: ELECTRICITY INDUSTRY REGULATION (4)

Outcomes	Focus area in terms of APP outputs and targets
Programme 4: Dispute Resolution, Including Mediation, Arbitration And Handling Of Complaints (MTSF Priority 2: Economic Transformation and Job Creation)	
Conducive regulatory environment that results in regulatory certainty and increased investment in the electricity industry	<ul style="list-style-type: none"> • 87% of disputes/complaints including initiated investigations closed within prescribed timeframes • 1 report on the trends regarding to the status of disputes and complaints in the electricity industry

Envisaged impact:

- Improved understanding of the regulation of the energy sector between licensees, or between licensees and customers or end-users;
- Sustainable, safe and reliable operation of regulated energy facilities – contributing towards security of energy supply

Key Focus areas: ELECTRICITY INDUSTRY REGULATION (5)

Outcomes	Focus area in terms of APP outputs and targets
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Programme 5: Setting Of Rules, Guidelines And Codes For The Regulation Of The 3 Energy Industries

(MTSF Priority 2: Economic Transformation and Job Creation)

Conducive regulatory environment that results in regulatory certainty and increased investment in the electricity industry

- 100% of applications from the ESI requiring exemption and/or amendment to the South African grid code, considered within prescribed timeframe
- 1 report on the proposed guidelines and benchmarks for 2022/23
- 1 report on regulatory advocacy aimed at improvement of the regulatory framework provided through legislation, regulation and government policies

Envisaged impact:

- Investor confidence and lessening the regulatory burden on licensees
- Regulatory certainty
- Infrastructure investments

Key Focus areas: ELECTRICITY INDUSTRY REGULATION (6)

Outcomes	Focus area in terms of APP outputs and targets
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator) (MTSF Priority 2: Economic Transformation and Job Creation)	
Security of Supply	<ul style="list-style-type: none"> • 1 System Adequacy Report • 50 customer education programmes undertaken • 1 consolidated report on the customer education programmes undertaken

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Effective and efficient regulation supported by appropriate systems, processes, procedures and resources; • Regional integration and harmonisation of regulatory processes, methodologies and procedure • Appropriate skills for energy regulation; • Contributing to South Africa's skills base; • Orderly development of the three regulated industries

Key Focus areas: PIPED-GAS INDUSTRY REGULATION (1)

Outcomes

Focus area in terms of APP outputs and targets

Programme 1: Setting and/or approval of tariffs and prices (MTSF Priority 2: Economic Transformation and Job Creation)

Equitable access to affordable gas services at competitive prices

- 100% of complete applications for maximum prices, transmission tariffs and distinguishing features considered within a prescribed timeframe
- 4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule
- 1 report on the assessment of the adequacy of competition in the gas industry

Envisaged impact:

- Fair balance between the needs of the customer (end user) and the regulated entity contributing towards security of energy supply and affordable energy prices
- Optimal use of energy infrastructure and promotion of competition in the gas industry

Key Focus areas: PIPED-GAS INDUSTRY REGULATION (2)

Outcomes	Focus area in terms of APP outputs and targets
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Programme 2: Licensing and Registration (MTSF Priority 2: Economic Transformation and Job Creation)

Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry	<ul style="list-style-type: none"> • 100% of licence applications (new/amendments) considered within a prescribed timeframe • 100% of applications for registration of gas activities considered within a prescribed timeframe
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- Envisaged impact:**
Envisaged impact:
- Increasing energy capacity in the country
 - Investment in the piped gas industry
 - Orderly development of the gas industry
 - Security of supply - from importation and supply of LNG and natural gas
 - Access to more energy from new/alternative suppliers
 - Diversification of the energy mix
 - Transformation of the regulated industries, in line with the BBBEE Act

Key Focus areas: PIPED GAS INDUSTRY REGULATION (3)

Outcomes	Focus area in terms of APP outputs and targets
Programme 3: Compliance monitoring and Enforcement (MTSF Priority 2: Economic Transformation and Job Creation)	
Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry	<ul style="list-style-type: none"> • 12 reports on analysis of Sasol's monthly volume balance reports • 1 report on – <ul style="list-style-type: none"> ○ audits conducted on compliance of the ROMPCO pipeline ○ inspections conducted on licensees' compliance with licence conditions • 100% of monitoring reports on the implementation of transmission tariffs and maximum prices are considered within prescribed timeframe • 4 reports on monitoring of RRM's are considered annually

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Security of supply • Compliance with licence conditions, Sasol Gas' supply obligations and NERSA directives to govern relations between a licensee and its end users • Reliable supply of energy • Safe, efficient and environmentally friendly operation of regulated energy facilities, including the transportation of energy

Key Focus areas: PIPED-GAS INDUSTRY REGULATION (4)

Outcomes	Focus area in terms of APP outputs and targets
<p>Programme 4: Dispute Resolution, Including Mediation, Arbitration And Handling Of Complaints (MTSF Priority 2: Economic Transformation and Job Creation)</p>	
<p>Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible piped gas industry</p>	<ul style="list-style-type: none"> • 50% of complaints investigation and initiated investigations completed within prescribed timeframes

<p><u>Envisaged impact:</u></p> <ul style="list-style-type: none"> • Improved understanding of the regulation of the energy sector between licensees, or between licensees and customers or end-users; • Sustainable, safe and reliable operation of regulated energy facilities – contributing towards security of energy supply • Fair consideration of the interests of licensees and consumers in accordance with section 2(e) of the Gas Act, 2001 (Act No 48 of 2001)

Key Focus areas: PIPED-GAS INDUSTRY REGULATION (5)

Outcomes	Focus area in terms of APP outputs and targets
Programme 5: Setting Of Rules, Guidelines And Codes For The Regulation Of The 3 Energy Industries (MTSF Priority 2: Economic Transformation and Job Creation)	
Conducive regulatory environment that results in regulatory certainty and increased investment in the piped-gas industry	<ul style="list-style-type: none"> • 1 report on gas regulatory advocacy • 1 report on the review of the Tariff Guidelines • 1 report on the review of the framework for assessment of competition

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Investor confidence and lessening the regulatory burden on licensees • Regulatory certainty • Infrastructure investments
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Key Focus areas: PIPED-GAS INDUSTRY REGULATION (6)

Outcomes	Focus area in terms of APP outputs and targets
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator) (MTSF Priority 2: Economic Transformation and Job Creation)	
A conducive regulatory environment that results in regulatory certainty and increased investment in the piped-gas industry	<ul style="list-style-type: none"> • 1 report on stakeholder workshops / meetings considered annually by the PGS by 31 March • 2 reports on new developments in the gas industry considered annually by the PGS by 30 September and 31 March • 1 report on the impact of developments on competition in the gas industry considered annually by the PGS by 31 March

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Effective and efficient regulation supported by appropriate systems, processes, procedures and resources; • Regional integration and harmonisation of regulatory processes, methodologies and procedure • Appropriate skills for energy regulation; • Contributing to South Africa's skills base; • Orderly development of the three regulated industries

Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (1)

Outcomes	Focus area in terms of APP outputs and targets
Programme 1: Setting and/or approval of tariffs and prices (MTSF Priority 2: Economic Transformation and Job Creation)	
Equitable access to affordable petroleum products, services and infrastructure at competitive prices	<ul style="list-style-type: none"> • 75% of tariff applications considered within a prescribed timeframe

Envisaged impact:

- Fair balance between the needs of the customer (end user) and the regulated entity contributing towards security of energy supply and affordable energy prices
- Optimal use of energy infrastructure

Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (2)

Outcomes	Focus area in terms of APP outputs and targets
Programme 2: Licensing and Registration (MTSF Priority 2: Economic Transformation and Job Creation)	
Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible petroleum pipelines industry	<ul style="list-style-type: none"> • 100% of licence applications (new/amendments/revocations) considered within a prescribed timeframe • 1 report on investigations done into suspected unlicensed activities • 1 report on the geographic spread of licences issued for petroleum pipelines infrastructure and new entrants

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Increasing pipeline/storage/loading capacity in the country • Investment in petroleum infrastructure • Orderly development of the petroleum industry • Security of supply – specifically for importation to supplement shortfall in local refining capacity • Access by third parties to petroleum and facilities to handle, transport and store petroleum • Transformation of the petroleum industry, in line with the BBBEE Act
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Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (3)

Outcomes	Focus area in terms of APP outputs and targets
Programme 3: Compliance monitoring and Enforcement (MTSF Priority 2: Economic Transformation and Job Creation)	
Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible petroleum pipelines industry	<ul style="list-style-type: none"> • 2 reports on trends regarding utilisation of storage facilities and third-party access • 1 report on the implementation of the methodology to determine uncommitted capacity • 2 reports on licensees' compliance with statutory reporting requirements considered within prescribed timeframes

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Security of supply of petroleum products • Compliance with licence conditions and NERSA directives to govern relations between a licensee and its customers/third parties users • Reliable supply of petroleum products • Safe, efficient and environmentally friendly operation of regulated petroleum facilities, including the transportation of energy

Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (4)

Outcomes	Focus area in terms of APP outputs and targets
Programme 4: Dispute Resolution, Including Mediation, Arbitration And Handling Of Complaints (MTSF Priority 2: Economic Transformation and Job Creation)	
Efficient, sustainable, equitable and orderly development of a transformed, competitive and accessible petroleum pipelines industry	<ul style="list-style-type: none"> • 100% of complaints investigated and report considered within prescribed timeframes

Envisaged impact:

- Improved understanding of the regulation of the petroleum sector between licensees, or between licensees and customers or third party users;
- Sustainable, safe and reliable operation of regulated petroleum facilities – contributing towards security of supply and other objectives of the Act

Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (5)

Outcomes	Focus area in terms of APP outputs and targets
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Programme 5: Setting Of Rules, Guidelines And Codes For The Regulation Of The 3 Energy Industries

(MTSF Priority 2: Economic Transformation and Job Creation)

A conducive regulatory environment that results in regulatory certainty and increased investment in the petroleum industry

- 1 report on the monitoring of the implementation of the revised methodology

Envisaged impact:

- Provide investor confidence and lessening the regulatory burden on licensees and applicants
- Provide regulatory certainty
- Infrastructure investments materialising

Key Focus areas: PETROLEUM PIPELINES INDUSTRY REGULATION (6)

Outcomes	Focus area in terms of APP outputs and targets
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator) (MTSF Priority 2: Economic Transformation and Job Creation)	
A conducive regulatory environment that results in regulatory certainty and increased investment in the petroleum industry	<ul style="list-style-type: none"> • 2 reports on the inland security of supply considered annually by the PPS by 30 September and 31 March • 1 report on regulatory advocacy aimed at improvement of the regulatory framework provided through legislation, regulation and government policies for the petroleum pipelines industry considered annually by PPS by 31 March

<u>Envisaged impact:</u> <ul style="list-style-type: none"> • Effective and efficient regulation supported by appropriate systems, processes, procedures and resources; • Regional integration and harmonisation of regulatory processes, methodologies and procedure • Appropriate skills for energy regulation; • Contributing to South Africa's skills base; • Orderly development of the three regulated industries

Key Focus areas: Organisational

Outcomes	Focus area in terms of APP outputs and targets
<p>Programme 6: Establishing NERSA as an efficient and effective regulator (MTSF Priority 1: A Capable, Ethical and Developmental State) (MTSF Priority 2: Education, Skills and Health) (MTSF Priority 7: A better Africa and the World)</p>	
<p>An enabling environment for the benefit of internal and external stakeholders with a skilled workforce that is empowered to work in a complex and ambiguous environment</p>	<ul style="list-style-type: none"> • 1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities • 2 reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally • 50% of women in management positions • 2% of people with disabilities employed • 1 report each on the implementation of the – <ul style="list-style-type: none"> ○ bursary programme for qualifying external applicants ○ Learnership and Internship Programmes ○ design of a regulatory course at an accredited institution of higher learning ○ development of a technical regulatory training and development programme • 2 reports on the implementation of the NERSA Enterprise Development Plan

<p>Envisaged impact:</p> <ul style="list-style-type: none"> • Effective and efficient regulation supported by appropriate systems, processes, procedures and resources; • Regional integration and harmonisation of regulatory processes, methodologies and procedure • Appropriate skills for energy regulation; • Contributing to South Africa's skills base; • Orderly development of the three regulated industries

F. KEY CHALLENGES FOR 2021/22 - ELECTRICITY INDUSTRY REGULATION

CHALLENGES	MITIGATION STRATEGIES
<p>1. The high number of NERSA decisions challenged in High Court and the court rulings which are against NERSA decisions.</p>	<p>a) Legislation to be amended to provide for the utilization of alternative dispute resolution</p> <p>b) Utilisation of the Intergovernmental Relations Framework Act for amicable solutions in the best interest of the economy.</p>
<p>2. Outdated Electricity Regulation Act and Pricing Policy:</p> <ul style="list-style-type: none"> Does not take into account demand side of electricity industry. Lack of enforcement of ring-fencing of electricity revenues in the municipal environment. Increasing complexity of the ESI (More role players in industry i.e. SSEGs, Traders, IPPs and Prosumers) 	<p>a) Review the Electricity Regulation and Pricing Policy Electricity Regulation Act that is Inclusive of the demand side of the Electricity Industry</p> <p>b) Alignment of ERA, MFMA and constitutional requirement of municipalities</p> <p>c) Registration conditions for SSEGs</p>
<p>3. Implementation of impractical provisions in legislation with adverse results</p> <ul style="list-style-type: none"> Revocation of the Distribution License due to none compliance with licence conditions Imposing of R2million per day or 10% of the total revenue for not complying with licence conditions 	<p>a) Fast track the amendment of the ERA</p>

F. KEY CHALLENGES FOR 2021/22 - PIPED-GAS INDUSTRY REGULATION (2)

CHALLENGES	MITIGATING STRATEGIES
<p>1. Limited mandate under the Gas Act</p> <ul style="list-style-type: none"> • distribution tariffs not regulated • no provisions for third party access to gas distribution facilities. • inadequate provisions to regulate new LNG infrastructure • Limited approach to regulation of gas industry 	<p>a) Expedite finalization of Gas Amendment Bill to</p> <ul style="list-style-type: none"> • deal with current loopholes; • give NERSA sufficient regulatory powers • enable NERSA to regulate gas molecule and gas infrastructure efficiently and effectively (including LNG, regasification, distribution)
<p>2. Lack of mechanism to address challenges posed by concurrent and complementary jurisdiction for gas infrastructure built or operated in the ports.</p>	<p>a) Intervention by line Ministers through legislative amendments (primary solution)</p> <p>b) Opting for complementary rather concurrent jurisdiction (interim solution)</p> <p>c) Section 79 of Nat Ports Act establishes concurrent jurisdiction but has alternative section to be invoked by Minister of Transport (preferred)</p>
<p>3. Decline of gas supply</p>	<p>a) Support government engagements to explore opportunities for gas supply from new gas finds in SADC and other countries on the continent</p> <p>b) Fast-track appropriate policy instruments and regulatory framework to enable Shale Gas, Brulpadda, Luiperd and other local gas sources as a long-term supply solution</p> <p>c) Fast-track process for harmonization of regulatory framework between SA and the SADC region and others in the continent</p>

F. KEY CHALLENGES FOR 2021/22 - PETROLEUM PIPELINES INDUSTRY REGULATION

CHALLENGES	MITIGATING STRATEGIES
1. Gaps with Petroleum Pipelines Act (Act No. 60 of 2003) <ul style="list-style-type: none"> No legislative provision which empowers NERSA to register below bulk facilities. Only owners of petroleum infrastructure can apply for operation licences – not operators Auxiliary pipelines are not included in the definition of pipelines NERSA does not have the power to enter, inspect and gather information where there is a suspicion that any person is engaged in any of the activities requiring a licence. Yet section 15(2)(a) of the Act requires NERSA to determine whether any person is engaged in any of the activities requiring a licence. Changing landscape 	<ul style="list-style-type: none"> Finalise the review of the Petroleum Pipelines Act and review policies.
2. Fragmented Regulation of the Petroleum Sector <ul style="list-style-type: none"> Relevance of the NERSA tariffs and harmonization thereof with the pricing system. LPG recommendations - Competition Commission Enquiry 	<ul style="list-style-type: none"> Review of the policies and legislation.
3. Product Theft on Transnet Pipelines <ul style="list-style-type: none"> Direct adverse impact on the security of supply and tariffs 	<ul style="list-style-type: none"> Assistance and/or collaborations with law enforcement and intelligence.

F. KEY CHALLENGES FOR 2021/22 - ORGANISATIONAL

CHALLENGES	MITIGATING STRATEGIES
1. Declining revenue	<ul style="list-style-type: none"> • Cost containment • Invoking the legislated provisions for charging for dispute resolution and other services provided by the Regulator • Appropriation by Parliament as a last resort
2. Negative perception of NERSA by stakeholders <ul style="list-style-type: none"> • NERSA's decisions being challenged • Continuing increasing electricity prices 	<ul style="list-style-type: none"> • Implement stakeholder management plan to improve relationship between NERSA and stakeholders • Regular stakeholder engagements on NERSA's decisions, methodologies, processes, frameworks, etc.

F. SUPPORT REQUESTED IN RESPECT OF IDENTIFIED REGULATORY CHALLENGES ARE THE FOLLOWING:

1. Speedy finalisation of amendments of governing legislation and policies – National Energy Regulator Act, Gas Act, Petroleum Pipelines Act, Electricity Regulation Act
2. Alternative dispute resolution (ADR) is requested as a first process for dispute resolution instead of the current court processes.
3. Harmonization of regulatory frameworks for cross-border trade in the SADC region and the continent
4. Streamlining of the regulation of the fragmented petroleum sector.
5. Investment in energy infrastructure.

G. 2021/22 Budget

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

ANNUAL BUDGET FOR THE YEAR 2021/22

DESCRIPTION	PROVISIONAL ACTUAL	APPROVED BUDGET	APPROVED BUDGET	% Variance	FORECAST	FORECAST
	2020/21	2020/21	2021/22		2022/23	2023/24
	R	R	R			
TOTAL INCOME	319 065 495	362 470 476	334 559 068	(7,7%)	353 452 070	369 959 724
License fees from Electricity Industry	184 286 295	207 909 620	190 915 910	(8,2%)	214 841 551	228 035 049
Levies from Piped-Gas Industry	74 302 738	77 964 905	72 907 903	(6,5%)	78 944 000	79 898 163
Levies from Petroleum Pipeline Industry	51 659 351	70 638 400	56 870 706	(19,5%)	48 556 283	53 118 997
Interest received	8 472 445	5 865 542	13 786 164	135,0%	11 028 931	8 823 145
Rental Income	55 605	72 009	58 385	(18,9%)	61 304	64 369
Registration fees	27 600	20 000	20 000	0,0%	20 000	20 000
Other Income	261 461	-	-	0,0%	-	-
TOTAL OPERATING EXPENDITURE	317 005 380	373 685 242	384 481 428	2,9%	402 552 056	421 472 002
Advertising, Promotion and Communication	9 409 637	11 920 000	13 122 000	10,1%	13 738 734	14 384 454
Employment cost	248 930 521	265 723 555	268 851 561	1,2%	281 487 584	294 717 500
Facilities Maintenance	9 918 731	10 728 424	10 125 000	(5,6%)	10 600 875	11 099 116
Office Administration	11 911 496	12 078 879	17 069 885	41,3%	17 872 169	18 712 161
Professional fees	30 449 194	36 810 085	37 472 970	1,8%	39 234 200	41 078 207
Travel, Accommodation and Training	3 820 482	30 676 799	30 752 201	0,2%	32 197 554	33 710 839
Other Expenses	2 565 318	5 747 500	7 087 812	23,3%	7 420 939	7 769 723
NET SURPLUS/ (DEFICIT) before Depreciation	2 060 115	(11 214 767)	(49 922 361)	(436,0%)	(49 099 986)	(51 512 278)
Depreciation	4 796 349	-	-	0,0%	-	-
NET SURPLUS/ (DEFICIT) for the period	(2 736 234)	(11 214 767)	(49 922 361)	(345,1%)	(49 099 986)	(51 512 278)
TOTAL CAPITAL EXPENDITURE	8 921 132	13 500 000	13 999 500	3,7%	10 000 000	11 500 000
Motor vehicles	-	-	777 500	100,0%		
Computer software	778 877	6 000 000	6 222 000	3,7%	5 000 000	5 000 000
Office furniture and equipment	7 975 194	1 500 000	1 500 000	0,0%	1 000 000	1 000 000
Building improvements	-	3 500 000	3 500 000	0,0%	2 000 000	3 500 000
Computer hardware	167 060	2 500 000	2 000 000	(20,0%)	2 000 000	2 000 000
Total Funding Requirement	325 926 512	387 185 242	398 480 928	2,9%	412 552 056	432 972 002
Cash Flow Mitigating Reserve		61 155 065	62 259 274		65 185 460	68 249 176

NATIONAL ENERGY REGULATOR (NERSA)

STATEMENT OF FINANCIAL POSITION

	Actual 2019/20	Budget 2020/21	Budget 2021/22	Forecast 2022/23	Forecast 2023/24
ASSETS					
Current Assets					
Inventory	277 559	294 212	308 923	339 815	373 797
Receivables from exchange transactions	3 971 170	4 765 404	5 718 485	6 862 182	8 234 618
Receivables from non-exchange transactions	29 444 853	29 709 410	26 724 543	28 528 486	30 087 684
Cash and cash equivalents	226 270 000	255 854 719	199 557 070	140 858 388	78 419 182
	259 963 582	290 623 746	232 309 021	176 588 871	117 115 282
Non-Current Assets					
Property Plant and equipment	97 054 877	104 554 877	112 332 377	117 332 377	123 832 377
Intangible assets	2 774 191	8 774 191	14 996 191	19 996 191	24 996 191
	99 829 068	113 329 068	127 328 568	137 328 568	148 828 568
Total Assets	359 792 650	403 952 814	359 637 589	313 917 439	265 943 849
Liabilities					
Current Liabilities					
Payables from exchange transactions	27 761 607	30 845 355	31 736 512	33 228 128	34 789 850
Provisions	33 451 803	35 458 911	40 174 890	42 063 109	44 040 076
	61 213 409	66 304 266	71 911 402	75 291 238	78 829 926
Net Assets	298 579 241	337 648 548	287 726 187	238 626 201	187 113 923
Reserves					
Accumulated surplus	298 579 241	337 648 548	287 726 187	238 626 201	187 113 923
Net Assets	298 579 241	337 648 548	287 726 187	238 626 201	187 113 923

**NATIONAL ENERGY REGULATOR (NERSA)
2021/2022 LICENSE FEES AND LEVY RATE CALCULATION**

	ELECTRICITY	PIPED-GAS	PETROLEUM PIPELINES	TOTAL
Operating Expenditure - Regulated Industries	101 004 330	38 389 296	32 216 829	171 610 455
Expenditure - Support services allocated	123 465 164	44 702 904	44 702 904	212 870 973
Operating Expenditure	224 469 495	83 092 200	76 919 734	384 481 428
Add: Capital Expenditure	8 119 710	2 939 895	2 939 895	13 999 500
Total Expenditure	232 589 205	86 032 095	79 859 629	398 480 928
Less: Interest Received	(7 995 975)	(2 895 095)	(2 895 095)	(13 786 164)
Less: Rental Income	(33 863)	(12 261)	(12 261)	(58 385)
Less: Registration fees	(20 000)	-	-	(20 000)
Less: Refund of prior year surplus funds	(33 623 456)	(10 216 837)	(20 081 567)	(63 921 861)
Leviable amount	190 915 910	72 907 903	56 870 706	320 694 519
Projected Volumes (from Industry)	205 716 730 MWh	169 573 805 Gj	14 313 000 KI	
Electricity license fee (c/kWh)	0,09281			
Piped-Gas levy rate (c/Gj)		42,995		
Petroleum Pipeline levy rate (c/litre)			0,39734	
Levy Rate Increase / (Decrease)	4,00%	0,00%	0,00%	

2020/21 - Levy Increase / (Decrease) due to change in:

Volumes	12,17%	6,49%	19,49%
Operating Expenditure	1,81%	(0,99%)	1,16%
Support Service Allocation	1,95%	1,88%	2,08%
Capital Expenditure	0,14%	0,13%	0,15%
Interest received and Other Income	(2,21%)	(2,13%)	(2,35%)
Refund of surplus funds	(9,87%)	(5,38%)	(20,53%)
Total change	4,00%	0,00%	(0,00%)

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Refunds to Industries

2021/22

Regulated Industry	Opening balance Refunds	Net Surplus or (deficit) 2019/20	Movement in Commitment and Cash Flow Mitigation 2019/20	Refunds Available	Refunds for 2021/22
Electricity Regulation	75 124 937	(3 230 931)	820 796	72 714 802	33 623 456
Piped-Gas Regulation	24 091 301	1 477 520	297 185	25 866 005	10 216 837
Petroleum Pipelines Regulation	76 655 162	6 628 677	297 185	83 581 025	20 081 567
	175 871 400	4 875 265	1 415 166	182 161 832	63 921 861

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Budgeted Expenditure per programme

2021/22

	Programme 1	Programme 2	Programme 3	Programme 4	Programme 5	Programme 6	
Industry	Setting and/or approval of tariffs and prices	Licensing and Registration	Compliance monitoring and enforcement	Dispute resolution including mediation, arbitration and the resolution of complaints	Setting of rules, guides and codes for regulation	Establishing NERSA as an efficient and effective organisation	Total
Electricity	39 174 521	16 578 488	28 363 806	12 938 975	3 948 540	123 465 164	224 469 495
Piped-Gas	12 940 120	7 291 721	8 547 997	5 912 899	3 696 559	44 702 904	83 092 200
Petroleum Pipelines	12 998 394	6 447 449	6 447 449	4 256 996	2 066 542	44 702 904	76 919 734
Total	65 113 035	30 317 657	43 359 252	23 108 869	9 711 642	212 870 973	384 481 428

H. HUMAN RESOURCES (1)

Total staff complement: 253
Total staff strength (at 31/3/2021): 239 of which 57% are female
Vacancy rate: 5.5%

The total number of employees (including employees with disabilities) in each of the following occupational levels:

A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	TOTAL
Top Management	2	0	0	0	1	0	0	0	0	0	3
Senior Management	3	0	0	0	3	0	0	0	0	0	6
Professionally qualified, experienced specialists and mid-management	38	1	1	2	29	0	0	5	6	2	84
Skilled technical and academically qualified workers, junior management, supervisors, foremen, superintendents	42	0	0	2	67	2	0	2	0	0	115
Semi-skilled and discretionary decision-making	7	0	0	0	19	1	0	1	0	1	29
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	0	1	2
TOTAL PERMANENT	92	1	1	4	120	3	0	8	6	4	239
**Temporary employees	1	0	0	0	2	0	0	0	0	0	3
GRAND TOTAL	93	1	1	4	122	3	0	8	6	4	242

H. HUMAN RESOURCES (2)

1 NERSA's contribution to the reduction of the unemployment rate

1.1 Job Shadowing

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 intake for this programme was 10 annually for the past 5 years.

1.2 Learnership and Internship

The programmes prepare 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 and the Energy Sector.

The intake for these programmes was 24 annually for the past 5 years.

1.3 Exchange programmes and training with regulators in the SADC region

G. Key Strategic Risks that may affect the energy sectors and planned mitigating strategies

I. Key Strategic Risks that may affect the energy sectors and planned mitigating strategies (1)

- NERSA's plans are also informed by global trends, challenges and risks identified.
- The following strategic risks may affect the energy sectors:
 1. Regulatory uncertainty
 2. Rising energy costs (High energy prices and tariffs)
 3. Constraints of gas supply
 4. Disruption of regulatory regime
 5. Business continuity/disruptions
 6. Cyber Security
 7. Reputational damage (Quality of regulatory decisions threatening reputation and credibility)
 8. Uncompetitive outcomes
 9. Unresponsive regulatory framework to landscape changes in the sector

I. Strategic Risks (2)

Strategic Risks	Mitigating Strategies
1. Regulatory uncertainty	<ul style="list-style-type: none"> • Emphasise compliance with NERSA's Methodologies in decisions. • Review/ Update Methodologies to align to current circumstances. • Improve approach to Regulatory Advocacy (continuously align as the market evolve). • Regular review of Rules to provide regulatory certainty. • Improve MoAs with relevant Authorities.
2. Rising energy costs (High energy prices and tariffs)	<ul style="list-style-type: none"> • Full implementation of Prudency Guidelines • Enforce compliance to ring-fence electricity business costs in mimics to ensure infrastructure maintenance using the allocated revenue. • Facilitate development of projects to deliver domestic supply of primary fuels and electricity • Assist DMRE in the implementation of National Free Basic Electricity Policy.
3. Constraints of gas supply	<ul style="list-style-type: none"> • Coordinated engagement with relevant stakeholders including Sasol Gas, DMRE and PASA/Regulatory Advocacy to develop a coordinated policy to incentives investment. • Develop Gas-to-Power projects to accelerate development of GAS industry • Prioritize licensing of new projects for LNG imports. • Cooperation with authorities in Mozambique for continued gas supply opportunities. • Fast-track current activities for local exploration of natural gas resources

Strategic Risks (3)

Strategic Risks	Mitigating Strategies
4. Disruption of regulatory regime	<ul style="list-style-type: none"> • Harmonisation of regulatory processes between SA and Mozambique.
5. Business continuity / disruptions	<ul style="list-style-type: none"> • Review financing Model of NERSA as Legislated. • Review and implement Business Continuity Management Policy. • Review and implement Business Continuity Plan. • Conduct Disaster Management Training. • Review IT Disaster Recovery Plan. • Fund and implement ICT Strategy. • Improve current IT support processes. • Develop Financial sustainability Strategy. • Review and monitoring of Going-concern assessment models. Benchmarking with other peers. • Review current NERSA strategy to make NERSA more relevant and effective.
6. Cyber Security	<ul style="list-style-type: none"> • Upgrade of the server room in line with the minimum information security standards and National Building Regulations. • Conduct vulnerability assessment and implementation of recommendations thereof. • Upgrade of firewall, antivirus ransomware protection and encryption software to keep abreast with emerging cyber threats • Conduct system intrusion detection and prevention penetration exercise. • Enforcement of ICT Policies and monitoring the compliance thereof. • Continuous cyber security awareness and training.

Strategic Risks (4)

Strategic Risks	Mitigating Strategies
<p>7. Reputational damage (Quality of regulatory decisions threatening reputation and credibility)</p>	<ul style="list-style-type: none"> • Ensure accuracy and high quality of RFDs. • Regular review of Regulatory Tools to align with dynamics of energy industry (Methodologies/ Rules/Procedures). • Independent Peer review of NERSA's Regulatory Tools (Methodologies/ Rules/ Procedures). • Enhance compliance with Methodologies. • Streamline the decision-making • Improve quality of Reasons for Decision. • Develop Standard Operation Procedures at Regulatory Divisions in order to improve Regulatory Advocacy.
<p>8. Uncompetitive outcomes</p>	<ul style="list-style-type: none"> • Advocacy with DMRE – to strengthen NERSA's regulatory powers / address regulatory gaps by amending the Gas and electricity Acts and addressing fragmentation of regulation in the Petroleum Pipelines industry. • Advocacy with DMRE and other regulatory bodies to develop a coordinated policy to incentivise investment • Finalisation of MoA between NERSA and other relevant regulatory authorities to set out processes for collaboration on competition matters in the energy sector • Review Methodologies • Lower barriers to entry

Strategic Risks (5)

Strategic Risks	Mitigating Strategies
9. Unresponsive regulatory framework to landscape changes in the sector	<ul style="list-style-type: none">• Improve the approach to Regulatory Advocacy (continuously align as market evolve).• Conduct environmental scan and develop draft studies (methodologies, guidelines and rules) in anticipation of industry changes.• Review Methodology and Guidelines.• Issue Rules for implementation of IRP.

CONCLUSION

- NERSA will endeavour to be more innovative and agile in ensuring that we continue to ensure the orderly development in the energy sector, mainly through licensing, setting and approving of prices and tariffs, compliance monitoring and enforcement, and dispute resolution in the electricity, piped-gas and petroleum pipelines industries.
- Additionally we will endeavour to maintain unqualified audit findings – as we did over the last six years.
- Through regulation, NERSA strive to support and assist Government's initiatives relating to economic recovery.

Thank you

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