



# ANNUAL REPORT

## 2018/2019







## 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



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# PART A

## GENERAL INFORMATION



# 1. GENERAL INFORMATION

<b>REGISTERED NAME:</b>	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)
<b>REGISTRATION NUMBER (if applicable):</b>	NOT APPLICABLE
<b>PHYSICAL ADDRESS:</b>	KULAWULA HOUSE 526 MADIBA STREET ARCADIA, PRETORIA, 0083
<b>POSTAL ADDRESS:</b>	PO BOX 40343 ARCADIA, 0007 SOUTH AFRICA
<b>TELEPHONE NUMBER/S:</b>	+27 12 401 4600
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<b>EMAIL ADDRESS:</b>	info@nersa.org.za
<b>WEBSITE ADDRESS:</b>	www.nersa.org.za
<b>EXTERNAL AUDITORS:</b>	AUDITOR-GENERAL OF SOUTH AFRICA
<b>BANKERS:</b>	STANDARD BANK
<b>REGULATOR SECRETARY:</b>	SANDILE NTANZI

## 2. ABBREVIATIONS AND ACRONYMS

<b>AFS</b>	ANNUAL FINANCIAL STATEMENTS	<b>GJ/A</b>	GIGAJoule PER ANNUM
<b>AFUDC</b>	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	<b>GRAP</b>	GENERALLY RECOGNISED ACCOUNTING PRACTICE
<b>AFUR</b>	AFRICAN FORUM FOR UTILITY REGULATORS	<b>GW</b>	GIGAWATT
<b>AGM</b>	ANNUAL GENERAL MEETING	<b>HR</b>	HUMAN RESOURCES
<b>AMEU</b>	ASSOCIATION OF MUNICIPAL ELECTRICITY UTILITIES	<b>HRRC</b>	HUMAN RESOURCES AND REMUNERATION COMMITTEE
<b>ARC</b>	AUDIT AND RISK COMMITTEE	<b>IEA</b>	INTERNATIONAL ENERGY AGENCY
<b>CAM</b>	COST ALLOCATION MANUAL	<b>IPP</b>	INDEPENDENT POWER PRODUCER
<b>CEO</b>	CHIEF EXECUTIVE OFFICER	<b>IRP</b>	INTEGRATED RESOURCE PLAN
<b>CNG</b>	COMPRESSED NATURAL GAS	<b>LNG</b>	LIQUEFIED NATURAL GAS
<b>COSO</b>	COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION	<b>LPG</b>	LIQUEFIED PETROLEUM GAS
<b>CPI</b>	CONSUMER PRICE INDEX	<b>MSCOA</b>	MUNICIPAL STANDARD CHART OF ACCOUNTS
<b>CSIR</b>	COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH	<b>MW</b>	MEGAWATT
<b>CWIP</b>	CONSTRUCTION WORK IN PROGRESS	<b>MYPD</b>	MULTI-YEAR PRICE DETERMINATION
<b>DOE</b>	DEPARTMENT OF ENERGY	<b>NDP</b>	NATIONAL DEVELOPMENT PLAN
<b>EAP</b>	ECONOMICALLY ACTIVE POPULATION	<b>NEHAWU</b>	NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS UNION
<b>EE<sup>1</sup></b>	EMPLOYMENT EQUITY	<b>NERSA</b>	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (THE ORGANISATION)
<b>EE<sup>2</sup></b>	ENERGY EFFICIENCY	<b>NFI</b>	NON-FINANCIAL INFORMATION
<b>ELS</b>	ELECTRICITY SUBCOMMITTEE	<b>NMPP</b>	NEW MULTI-PRODUCT PIPELINE
<b>EPP</b>	ELECTRICITY PRICING POLICY	<b>OECD</b>	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
<b>ER</b>	ENERGY REGULATOR (THE ACCOUNTING AUTHORITY)	<b>OHSA</b>	OCCUPATIONAL HEALTH AND SAFETY ACT
<b>EWSETA</b>	ENERGY AND WATER SECTOR EDUCATION AND TRAINING AUTHORITY	<b>PAIA</b>	PROMOTION OF ACCESS TO INFORMATION ACT
<b>EXCO</b>	EXECUTIVE COMMITTEE	<b>PAJA</b>	PROMOTION OF ADMINISTRATIVE JUSTICE ACT
<b>FAQ</b>	FREQUENTLY ASKED QUESTIONS	<b>PFMA</b>	PUBLIC FINANCE MANAGEMENT ACT
<b>FIC</b>	FINANCE COMMITTEE	<b>PGS</b>	PIPED-GAS SUBCOMMITTEE
<b>FTRM</b>	FULL-TIME REGULATOR MEMBER	<b>PPA</b>	POWER PURCHASE AGREEMENT
<b>GIS</b>	GEOGRAPHIC INFORMATION SYSTEM	<b>PPC</b>	PARLIAMENTARY PORTFOLIO COMMITTEE



<b>PPI</b>	PRODUCER PRICE INDEX
<b>PPS</b>	PETROLEUM PIPELINES SUBCOMMITTEE
<b>PV</b>	PHOTOVOLTAIC
<b>RCA</b>	REGULATORY CLEARING ACCOUNT
<b>RE</b>	RENEWABLE ENERGY
<b>REC</b>	REGULATOR EXECUTIVE COMMITTEE
<b>REIPP</b>	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER
<b>REIPPPP</b>	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME
<b>RERA</b>	REGIONAL ELECTRICITY REGULATORS ASSOCIATION OF SOUTHERN AFRICA
<b>RIA</b>	REGULATORY IMPACT ANALYSIS
<b>ROMPCO</b>	REPUBLIC OF MOZAMBIQUE PIPELINE INVESTMENT COMPANY (PTY) LIMITED
<b>RPP</b>	RENEWABLE ENERGY POWER PLANT
<b>RRM</b>	REGULATORY REPORTING MANUALS
<b>SA</b>	SOUTH AFRICA
<b>SADC</b>	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
<b>SAHRC</b>	SOUTH AFRICAN HUMAN RIGHTS COMMISSION
<b>SALGA</b>	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
<b>SAQA</b>	SOUTH AFRICAN QUALIFICATIONS AUTHORITY
<b>SAREC</b>	SOUTH AFRICAN RENEWABLE ENERGY COUNCIL
<b>SCOA</b>	STANDARD CHART OF ACCOUNTS
<b>SMART</b>	SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC AND TIME-BOUND
<b>SOE</b>	STATE-OWNED ENTITY
<b>TNPA</b>	TRANSNET NATIONAL PORTS AUTHORITY
<b>USA</b>	UNITED STATES OF AMERICA
<b>WEO</b>	WORLD ENERGY OUTLOOK
<b>WSP</b>	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. 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 the 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 maintaining high standards of professional competence, and interdependence among our teams by means of effective communication channels so that everybody is treated as a stakeholder
- **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, which implies that the data or information on which the decision is based must be readily available and the reasoning behind it, 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 a 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 make decisions in the best 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:

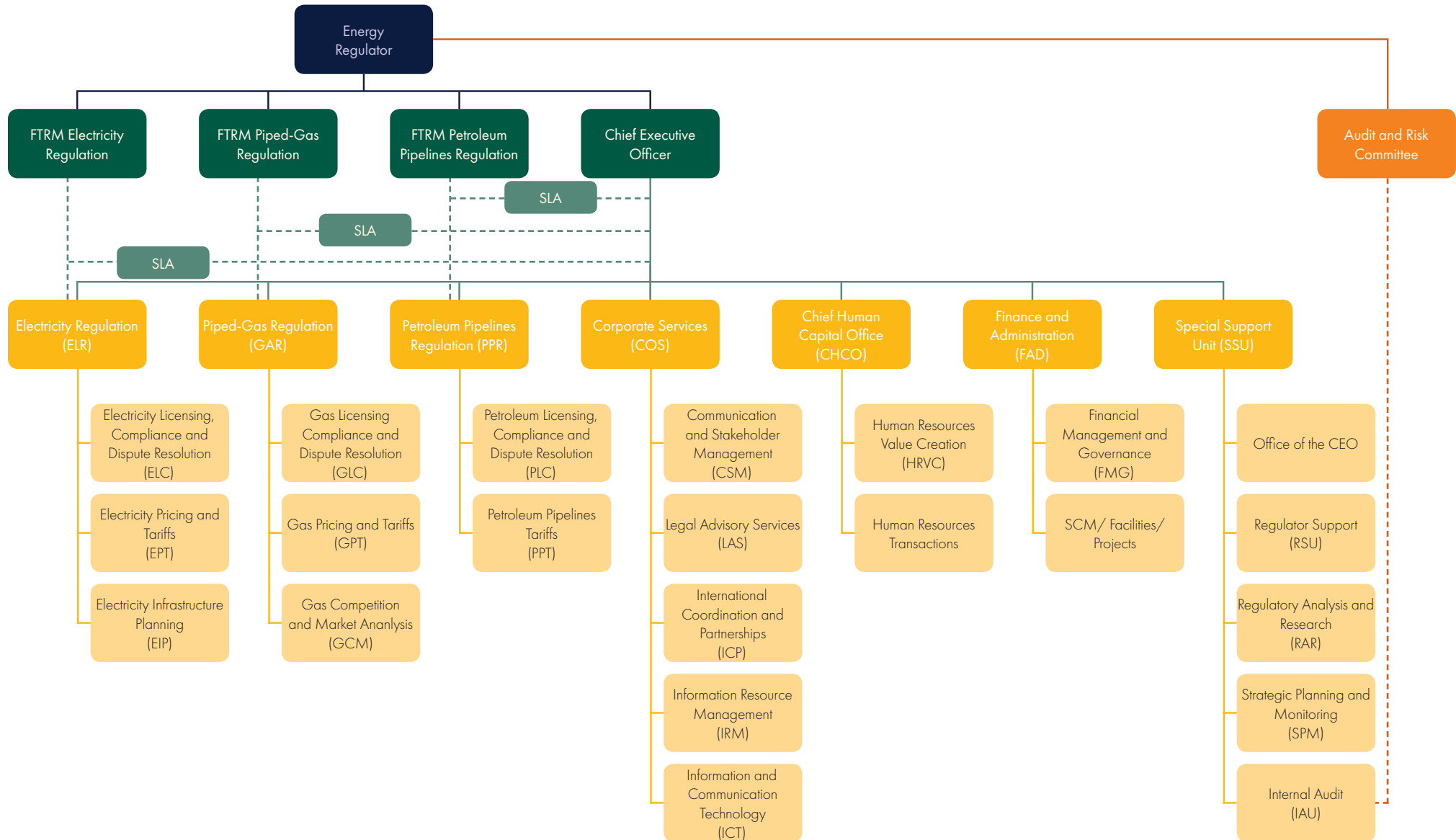
- the Constitution of the Republic of South Africa;
- the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), which specifies the accounting of NERSA as a Section 3 Public Entity;
- the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'), which determines the way that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

Additionally, 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 14. 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. Also, it reflects the dual reporting of the Internal Audit Unit (IAU) to the CEO and to the Audit and Risk Committee (ARC) as well as the ARC reporting to the Energy Regulator.

Name	Position	Programme Involvement
<b>Jacob Modise</b>	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)
<b>Maleho Nkomo</b>	Deputy Chairperson (Part-Time Regulator Member)	
<b>Christopher Forlee</b>	Full-Time Regulator Member & Chief Executive Officer	
<b>Yusuf Adam</b>	Part-Time Regulator Member	
<b>Fungai Sibanda</b>	Part-Time Regulator Member	
<b>Nomfundo Maseti</b>	Full-Time Regulator Member responsible for Piped-Gas and Electricity	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)
<b>Muzi Mkhize</b>	Full-Time Regulator Member responsible for 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)



Name	Position	Programme Involvement
<b>Mbulelo Ncetezo</b>	Executive Manager: Electricity Regulation (resigned on 30 September 2018)	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)
<b>Thulebona Nxumalo</b>	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)
<b>Priya Singh</b>	Acting Executive Manager: Petroleum Pipelines Regulation (until 20 July 2018)	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)
<b>Xolile Mtwa</b>	Executive Manager: Petroleum Pipelines Regulation (from 1 February 2019)	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)
<b>Nomalanga Sithole</b>	Executive Manager: Corporate Services and Acting Executive Manager: Petroleum Pipelines Regulation (from 23 July 2018 until 31 January 2019)	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)
<b>Paseka Nku</b>	Chief Human Capital Officer	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)

Name	Position	Programme Involvement
<b>Willie Strauss</b>	Chief Financial Officer (resigned on 28 February 2019)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
<b>Patrick Mabuza</b>	Senior Manager: Regulatory Analysis and Research (resigned on 30 June 2018)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
<b>Sandile Ntanzu</b>	Senior Manager: Regulator Support	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
<b>Masesi Sikhosana</b>	Chief Audit Executive	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
<b>Zethu Kapika</b>	Senior Manager: CEO's Office Operations	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
<b>Gerda Gräbe</b>	Senior Manager: Strategic Planning and Monitoring	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)



## 6. FOREWORD BY CHAIRPERSON

It is my privilege to present the Annual Report for the period 1 April 2018 to 31 March 2019 on behalf of the National Energy Regulator of South Africa (NERSA). This is the sixth Annual Report released during my tenure as Chairperson at NERSA. It has been highly rewarding to observe the organisation's continuous positive impact on economic growth and social development within South Africa.

With energy as the backbone of the South African economy, the Energy Regulator acts as a key enabler in advancing economic growth – not only from a growth point of view, but also in terms of job creation and social upliftment. Therefore, the availability of reliable, affordable and clean energy is central to stimulating productive capacity, leading to sustainable economic and social development.

NERSA is dependent on sound relationships – based on trust and credibility – with its stakeholders (producers, investors and South African citizens). We endeavour to do this by keeping communication channels open; ensuring access to information by the public by

consulting with and listening to stakeholders; and by being open, honest and transparent at all times. Therefore, NERSA adheres to the regulatory principles of transparency; neutrality; consistency and predictability; independence; accountability; integrity; efficiency; and public interest in all the energy industries that it regulates. The Energy Regulator should also maintain the critical balance between the interests of its stakeholders across its primary activities of licensing, setting and approving prices and tariffs, monitoring and enforcing compliance, and resolving disputes in the electricity, piped-gas and petroleum pipelines industries.

### 2018/19 Highlights

We welcome the successful election of the 6th Parliament. We are committed to and are looking forward to work with the new administration for the next five years.

As we close the book on another eventful year, it is fitting to reflect on some of the many significant achievements of the Regulator during the year in review.



In terms of the electricity industry regulation, the Reasons for Decision (RfD) on the Municipal Tariff Guideline, Benchmarks and Proposed Timelines for the Municipal Tariff Approval Process for the 2018/19 financial year was approved by the Energy Regulator.

On 14 June 2018, the Energy Regulator approved a total Regulatory Clearing Account (RCA) balance of R32,69bn for Eskom's RCA applications for year 2 (2014/15), year 3 (2015/16) and year 4 (2016/17) of the third Multi-Year Price Determination (MYPD3). This will be recoverable from the standard tariff customers, local Special Pricing Agreements (SPAs) and international customers.

During the last quarter of the financial year, we covered the length and breadth of the country to conduct public hearings on Eskom's Third Multi-Year Price Determination (MYPD3) RCA Year 5 (2017/18) application and MYPD4 revenue application. The power of public consultation, which has become part of the process in all our regulatory work, paid handsome dividends with written and oral presentations received, spanning across the business sector, government and non-governmental organisations, trade unions and ordinary individuals. This was an enriching experience for us as an energy regulator, which also provided stakeholders and the general public with a platform to actively participate in the Energy Regulator's decision-making process.

Regarding the MYPD3 RCA Year 5 application, the Energy Regulator approved an RCA balance of R3,869bn, which will be recoverable from the standard tariff customers, local Special Pricing Arrangement (SAP) customers and international customers. Furthermore, for the MYPD4 application, it was decided to approve an allowable revenue of R206,380bn for financial year 2019/20, R221,843bn for financial year 2020/21 and R233,078bn for financial year 2021/22. The approved allowable revenue will result in average percentage price increases of 9.41%, 8.10% and 5.22% respectively. This decision clearly demonstrated the Energy Regulator's commitment to a fair and transparent process that yields economically sound outcomes.

In the piped-gas industry regulation, the Energy Regulator considered four applications for maximum prices of gas and decided not to pronounce on the applications, pending its appeal to the Constitutional Court against the decision of the Supreme Court of Appeal in the matter

between NERSA and the Gas Users Group. As part of its regular compliance monitoring functions, the Energy Regulator continued to monitor the implementation of the approved maximum prices of gas and tariffs by the various licensees. The Energy Regulator also completed the third assessment of the state of competition within the gas market as a preliminary step prior to the review of the Maximum Price Methodology in the next financial year.

Numerous compliance inspections were also conducted on licensed facilities to ensure compliance with licence conditions. Notices of non-compliance were issued in all instances where licensees were found to have failed to comply with specific licence conditions. Audits were also conducted on the Republic of Mozambique Pipeline Investment Company (Pty) Limited (ROMPCO) pipeline in both Mozambique and South Africa as part of the compliance monitoring effort, while also continuing to engage with our counterparts in Mozambique to harmonise our regulatory processes pertaining to cross-border assets.

As part of ongoing regulatory processes, licences were issued for the construction and operation of gas facilities, as well as for the trading in gas in various areas. Approvals were also granted for the amendment and revocation of licences and the registration of gas facilities.

NERSA participated in and was the official endorser of Energy Week: South Africa held in Cape Town, which included three high-level energy conferences, namely the International Gas Co-operation Summit (IGCS), the Southern Africa Renewable Energy Summit and The Black Industrialist Energy Summit.

NERSA also participated in the two-day meeting of the Gas Commission between South Africa and Mozambique, where various issues of common interest between the two countries were discussed and feedback was provided on regulatory and industry developments in each country.

In the petroleum pipelines industry regulation, the Energy Regulator approved the Prudence Assessment Guidelines that will inform the assessment of the prudence of capital and operational expenditure for all NERSA licensees.

Due to third-party access to petroleum infrastructure continuing to be a challenge, NERSA embarked on an initiative to analyse the storage contracts entered into by licensees with their customers/third parties. The approach, which is forward looking, was approved and there is going to be a continuous monitoring of this process. BBBEE companies remain central to the transformation of the petroleum sector. Regarding the latter, NERSA also actively participated in the development of the Liquid Fuels Sector Codes spearheaded by the Department of Energy,

On 1 March 2019, the Energy Regulator took a decision to set the Petroleum Pipelines System tariffs for the 2019/20 tariff period that will allow Transnet to realise an increase of 7.69% in Allowable Revenue (AR) compared to the 2018/19 tariff decision (from R5,276.68 million to R5,682.45 million). This translates to a 10.95% increase in the tariff for the Durban-to-Alrode destination.

In arriving at its decision, the Energy Regulator weighed a variety of factors, including public interest, regulatory certainty as well as cost overruns and delays of the New Multi-Product Pipeline (NMPP) project. Moreover, the Energy Regulator resolved to undertake a compressive prudency assessment of the NMPP in the 2019/20 financial year.

The Energy Regulator is committed to reducing the cost of living and the cost of doing business through fair tariffs within the South African energy sector, and this balanced tariff decision is considered the most prudent course of action for the 2019/20 tariff period.

In fostering regional co-operation, NERSA participated in the first meeting of the Regional Electricity Regulators Association (RERA) Working Group for Petroleum and Gas. The Energy Regulator was also appointed to chair for this forum for the next 2 years.

Despite its achievements during the past year, NERSA is aware of the complex challenges that it will face in the coming financial year and beyond. Therefore, the Energy Regulator fully intends to review its processes and performance continuously and to improve the effectiveness and efficiency of its core businesses functions as Energy Regulator.

## Dynamic global energy environment

Within the context of local energy regulation, NERSA functions within the global energy environment, therefore it is crucial for the Energy Regulator to familiarise itself with and respond to the dynamics involved in the global energy developments. NERSA should incorporate these trends and energy-related developments into its strategy, so as to respond to the latest shifts, changes and challenges.

The global energy map is being reshaped by the resurgence in oil and gas production in the United States, with the potential of being further redrawn by a retreat from nuclear power in some countries; the continued rapid growth in the use of wind and solar technologies; and by the global spread of unconventional gas production. Perspectives for international oil markets relates to a large extent to Russia's success in delivering the same output with old and outdated technology. If new policy initiatives are broadened and implemented in a coordinated effort to improve global energy efficiency, this may likewise be a game changer.

The world's energy system is facing key challenges, which include meeting the world's growing energy needs (resulting from rising incomes and populations in emerging economies); addressing energy poverty by providing access to energy for the world's poorest; and bringing the world towards meeting its climate change imperatives. In its publication, World Energy Outlook 2018, the International Energy Agency (IEA) indicates that the global energy demand is expected to grow by more than one third until 2035, with China, India and the Middle East accounting for more than 60% of the increase. Exxon Mobil estimates an additional two billion people worldwide by 2040, which will translate to a significant expansion in electricity needs and increasing energy supplies to power industry.

Despite the growth in renewable or low carbon sources of energy, fossil fuels remain dominant in the global energy mix at 82% and this is expected to reduce to only 75% by 2035. Coal has met nearly half of the rise in the global energy demand over the last decade, growing faster than the total renewables. The rise in coal demand will depend on the strength of policy measures in favour of lower emission energy sources and the deployment of more efficient coal-burning

technologies. Apart from this, the only way in which renewable energy generation can currently be a viable alternative for fossil fuel electricity generation is through government subsidies, which contributes to rising electricity prices.

Given these difficulties and challenges, it becomes increasingly crucial to find a more sustainable path for the global energy system and cleaner alternatives to address the high energy demand.

## Global energy trends

Energy markets differ significantly from country-to-country and from the emerging economies to the developed world. Although both citizens and businesses want and deserve secure, sustainable and affordable energy, 1.3 billion people in the world are currently still without electricity.

Energy markets all over the world are undergoing fundamental changes and one of the biggest, recent global trends is the move towards a low carbon society with increased renewables and smart, flexible, responsive energy supply. Climate change targets and national and state level policies have fostered the entry of renewable energy sources (RES) into the market.

The growth in RES is driving changes towards smaller, more distributed and less predictable energy generation. At the same time, more renewables increase the need for greater flexibility from other types of generation plants, and from the demand side through demand-side flexibility. Meanwhile, the rapid development of shale gas has introduced a notable change in the global dynamics of energy markets. New technologies, such as electricity storage, may play an increasingly important role in the market in future.

### *Improved energy storage to the rescue of renewables*

For a long period, the lack of large-scale battery energy storage systems has held renewables back from being more widely accepted. Improved battery storage could demolish the main obstacle to renewable energy, thereby contributing more to energy grids. Several industry

experts are of the opinion that battery-based energy storage will grow to as much as 45 GW in the next five years.

### *Electricity grids becoming smarter*

One of the major trends that accelerated in 2018 was digital solutions making electricity grids smarter. Smart grid hardware, which can control voltage and redirect current in a coordinated manner, is being integrated. This will result in operations at electricity grids becoming more responsive and reliable. An increased demand for the multi-directional grid may be expected in the coming years, which would give consumers the ability to send power into the grid. Smart meters and smart appliances may also help consumers to gain better control over their energy usage.

McKinsey Energy Insights, which is a global leader in energy intelligence and analytics, provides the following global energy trends in their Global Energy Perspective published in January 2019:

- Global primary energy demand plateaus after 2035 despite strong population expansion and economic growth
  - After more than a century of rapid growth, global energy demand plateaus at around 2030, primarily driven by the penetration of renewable energy sources in the energy mix.
  - Between 2016 and 2050, global primary energy demand only grows 14%.
  - More efficient technologies become available across sectors, driving down energy consumption even in large industrial countries like China.
  - While most Organisation for Economic Cooperation and Development (OECD) countries see a decline, demand in Africa and India roughly doubles until 2050.
  - Renewables, complemented by nuclear, will almost double their share in the overall energy mix from now until 2050 (from 19% to 34%) and will provide more than half the electricity by 2035.

- Electricity consumption doubles until 2050, while renewables are projected to make up over 50% of generation by 2035
  - Electrification across key end uses, particularly in building and road transport, drives a doubling of electricity demand by 2050 (from 19% today to 29%).
  - Renewables will become cheaper than existing coal and gas in most regions by 2030.
  - By 2035, nearly half of global total capacity will be in solar and wind, with China and India as the main contributors.
  - The role of renewable resources in power generation grows at an accelerated pace (from 25% today to around 50% by 2035 and to close to 75% by mid-century)
  - Coal and oil generation decrease rapidly, partially substituted by renewables, partially by gas-based alternatives with lower cost or lower carbon emissions.
- Gas continues to grow its share of global energy demand – the only fossil fuel to do so – and then plateaus after 2035
  - Further gas capacity additions in power will be limited due to the increasing competitiveness of renewables.
  - China's gas demand growth is greater than that of the next 10 largest growth countries.
  - Gas demand in the Middle East peaks before 2030 despite industry growth, primarily driven by improving economies of renewables in power and opportunity cost of exporting gas.
  - In the short term (until 2025) and then mid-term (2035), gas demand continues to grow across all sectors, led by industrial demand.
- Oil demand growth slows down substantially, with a projected peak in the early 2030s
  - The chemicals sector accounts for more than half of the growth in the next 15 years, while the strongest declines in demand happen in power and road transport.
  - Oil use in power is the largest declining sector in coming years. As oil is the least efficient fuel for power generation, it will be pushed out by increasingly competitive renewables.

- Carbon emissions are projected to decline due to decreasing coal demand
  - Energy-related carbon emissions (about 60% of total global emissions) will increase until 2024 but afterward show a steady decline.
  - The decrease is driven by a relatively rapid phase-out of coal in the power sector, which will lead to a reduction of 6 gigatons of CO<sub>2</sub>, equivalent to today's total emissions of the USA and Japan combined.
  - Coal demand is set to fall by 40% by 2050, primarily driven by a reduction of demand in the Chinese power sector.

## Global trends in energy regulation

Energy regulation has moved beyond the core business of regulating the monopoly network element to facilitating dynamic market services; fostering innovation; and integrating new technologies. Because of emerging changes in the way consumers engage in the energy market, regulators are working to facilitate the active participation of all consumers – from retail customers to large industrial users, either directly, or through service providers in the market. Some consumers are becoming prosumers, producing generation capacity themselves. Apart from the changing traditional role of the distribution system operator, smart technologies and new services may help consumers to manage their energy needs more effectively.

On many continents, the benefits of regional market integration have become evident. As national and state markets are increasingly linked together, electricity and gas flow across borders and we will see higher levels of security of supply. This does not happen of its own accord. It requires significant harmonisation of rules and much regulatory cooperation across borders.

Transmission grids are becoming increasingly interconnected, while cross-border capacity is being calculated dynamically for maximum efficiency. All forms of generation, storage and demand response will compete on a level-playing field across all timeframes. Much progress has already been made towards creating a single internal energy market in Europe, e.g. through day-ahead market coupling in electricity and entry-exit systems in gas covering most of the European Union (EU). The expected result is a more liquid and competitive wholesale market

that, when combined with well-functioning retail markets, delivers benefits to consumers.

Regulatory cooperation at regional, continental and world level is a trend that is set to continue. The International Confederation of Energy Regulators (ICER), which brings together more than 200 regulators from around the world, has proved to be an extremely valuable platform for the exchange of good regulatory practice and to facilitate regulatory cooperation.

## Key energy trends in the SADC region

Energy is vital to the development in South and Southern Africa: beyond its use in daily life, fuel and electricity catalyse infrastructure projects that drive both regional integration and economic growth. As the Southern African Development Community (SADC) region industrialises on its path of improving human development, the importance of energy production and distribution will only increase.

With energy poverty affecting parts of the region, thereby limiting economic opportunities and creating health risks, the SADC still faces significant challenges in energy development and usage. The following issues and challenges are highlighted by the Regional Infrastructure Development Master Plan (2012):

- Only 5% of rural areas in the region have any access to electricity.
- In terms of electricity access, the SADC falls behind other Regional Economic Communities in Africa: while 24% of the region's residents have access, 36% of the East African Community residents are connected, as are 44% of the Economic Community of West African States residents.
- An electricity shortage has strained the region since 2007 and, although this shortage was expected to be corrected by 2014, projects intended to address the shortage lag behind their deadlines due to a lack of funding.
- Low tariffs, poor project preparation, issues with Power Purchase Agreements, and absent regulatory frameworks stunt investment and financing in the energy sector.
- Coal supplies 75% of power generation in Southern Africa, but is considered a contributing factor to global warming.

- Weak infrastructure and foreign commitments inhibit the use of the region's abundant petroleum and natural gas resources.
- Pricing and infrastructure hurdles, such as grid connections, manufacturing, and quality testing, impede the development of the region's renewable energy potential.

It is important to highlight that in August 2017, the SADC Heads of State and Government directed the SADC Secretariat to coordinate and constitute an Inter-State Gas Committee to promote the inclusion of gas in the regional energy mix and for industrial development. This was followed by the approval of the terms of reference of the said Committee by the SADC Ministers responsible for Energy in June 2018. Additionally, the Ministers directed the Secretariat to operationalise the Committee, which led to the workshop in Namibia where one of the main recommendations to the SADC Council is for the development of the SADC Regional Gas Master Plans.

The addition of gas to the energy mix will bring numerous benefits to the region, such as a reduction in emissions, regional connectivity and cross-border trade; and harmonised regulatory processes; to state a few.

In spite of the challenges involved in the SADC energy sector, the region also offers immense opportunities for energy investors. With vast natural energy resources ranging from coal, oil, gas, hydro, solar, wind and geothermal, there is ample choice for energy entrepreneurs and investors.

## Key trends in the South African energy sector

In the South African economy, energy is one of the most closely watched sectors among local and international investors. Due to Government's plans to invest ZAR 234 billion in energy infrastructure over the next three years, this interest continued throughout 2018. Energy investment decisions are largely based on the Integrated Resource Plan (IRP) 2016. The IRP 2016 – which is an instruction book for South Africa's future electricity planning and a guide to power generation technologies that will be applied to meet the electricity demand – is expected to reduce reliance on coal-generated power in favour of cleaner energy.



Although there has been a slight decline in energy demand, due to a slowdown in the South African economy, the IRP 2016 foresees a significant increase in electricity production by 2050, in response to an increased consumer demand. Apart from projecting that the country will require an electricity capacity of 129 GW by 2050 to satisfy consumption, the IRP 2016 also maps out an energy mix by 2050 consisting of:

- 15 GW from coal;
- 20.3 GW from nuclear;
- 13.3 GW from open-cycle gas turbines;
- 21.9 GW from combined-cycle gas turbines;
- 17.6 GW from solar PV;
- 37.4 GW from wind;
- 2.5GW from the Inga hydro-electric project;
- 250 MW from landfill gas; and
- 500 MW from demand response.

### Gas IPP Programme

The finalisation of the IRP 2016, which is expected to occur in the course of 2019, adds to Government's plans of establishing a gas market in South Africa. The process will involve an invitation to independent power producers (IPPs) by the Department of Energy (DoE) to submit bids for the development and operation of gas-fired power stations, which should feed 3,126 MW of electricity into Eskom's national grid.

The gas procurement programme will be similar to the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), whereby gas IPPs will produce and sell gas-generated electricity to Eskom through 20-year power purchase agreements (PPAs). Advancing natural gas and liquefied natural gas (LNG) as key sources of power generation will also involve the implementation of production and distribution infrastructure required for the establishment of the gas market. This infrastructure will include gas-fired power stations, pipelines and terminals.

### Renewable energy

With South Africa's plans of significantly reducing carbon emissions as part of its commitment to the Paris Agreement, the energy industry is playing its role by promoting energy efficiency through investing in research and development (R&D) to introduce new technologies to the market.

After a long period of uncertainty, Government re-confirmed its commitment to renewable energy in the course of 2018. This initiative will enable R56 billion of new investment in the economy over the next two to three years, which will immediately contribute to growth in the economy.

The Renewable Energy Programme, as well as the proposed future initiatives, will significantly contribute to job creation across the energy value chain, including the re-establishment of industrial development and support to the technical training of young people to be absorbed in the labour market. A total of 27 Renewable Energy Independent Power Producer Projects (REIPPP) was signed on Tuesday, 13 March 2018. Part of the agreement with the independent power producers is that they are to contribute part of their profits to socio-economic development of the areas (within a 50 mile radius) where the power plants are built. These 27 projects will create 61 600 full-time jobs.

In his address at a stakeholder engagement in Johannesburg (1 June 2018), entitled Working together towards an Economically Transformed and Sustainable Energy Sector, the Minister of Energy, Mr Jeff Radebe, pointed out that, through the REIPPPP, South Africa was able to secure investment of \$10.8 billion into the renewables sector, from 2014 to 2016. Mr Radebe further highlighted that: 'This was significantly more than any other African state in the same period, and more recently we have continued growing the renewables sector through the recent signing of the Independent Power Producer agreements, securing R56 billion of investment into 27 new projects.' These 27 projects are also making a significant contribution to Government's commitment to meaningful black ownership participation and economic transformation.

Through its renewable subsidiary, Enel Green Power RSA ('EGP RSA'), the Italian company, Enel, has started construction of its 140 MW Nxuba Wind Farm in the Amatole district, Eastern Cape. The construction of Nxuba, which is expected to be completed by September 2020, will involve an

overall investment of more than €200-million. Once it is fully running, Nxuba is expected to generate more than 460 GWh/y, avoiding the emission of around 500 000 t/y of carbon dioxide (CO<sub>2</sub>). EGP RSA will use innovative tools and practices to build Nxuba Wind Farm, including advanced digital platforms and software solutions to monitor and remotely support site activities and plant commissioning; digital tools to perform quality controls on site; and smart tracking of wind turbine components.

The major South African research organisation, the Council for Scientific and Industrial Research (CSIR), has given its full support to renewable energy, which it believes to be the best form of energy to replace old coal-fired power stations, most of which will be decommissioned in 2050.

In March 2017, the CSIR made a submission to the DoE in response to the IRP 2016, arguing that renewable energy should make up about 70% of the South African energy mix by 2050. The CSIR points out that, if renewables make up 70% of the energy portfolio, this portfolio will be the cheapest to operate; and will emit less CO<sub>2</sub>, use less water, and create more jobs in the energy sector. In other words, the renewable energy sector has the potential to create jobs, while providing cheap electricity to consumers.

### *Joining the IEA as an Association country*

On 6 November 2018, the South African Minister of Energy, Mr Jeff Radebe, and Dr Fatih Birol, Executive Director of the International Energy Agency (IEA), announced South Africa's decision to join the IEA as an Association country. Among the agreements signed by the two leaders was a three-year joint programme of work identifying opportunities for collaboration on energy statistics, energy efficiency, electrification and power system transition, renewables integration, energy innovation, and domestic gas market design.

South Africa is the first sub-Saharan African country to institutionalise its engagement with the IEA – a development that marks an important milestone for energy governance in Africa and globally. Representing the largest energy consumer on the African continent, accounting for about half of Africa's electricity capacity and possessing one of the highest electrification rates, South Africa is

a major player in African energy markets. The IEA is prioritising work in Africa in the years ahead and South Africa will be a critical partner for launching and delivering an ambitious array of energy access, security and clean energy transition initiatives across the continent. As pointed out by Minister Radebe, joining the IEA as an Association country places South Africa at the centre of the global energy forum, and presents positive economic benefits for the country as we learn from IEA family members.

### *The position of NERSA in the South African energy sector*

As an economic regulator, NERSA has to take cognisance of developments in the recent past and of their potential impact on South Africa and the energy sector. In this regard, the impact of South Africa's credit downgrade was duly noted. This development is likely to increase borrowing costs for most state-owned entities (SOEs) and regulated firms, which has a negative impact on consumers' welfare. South Africa is reliant on coal as the main primary energy source in electricity generation in the short to medium term. Coal is also one of the major contributors to greenhouse gas emissions, which poses a challenge to NERSA in balancing the electricity needs of the country with the demands for cleaner energy requirements at affordable costs. The high unemployment rate and increasing levels of poverty directly impact NERSA, in that the determination of pro-poor tariffs is impinged upon by the inability of citizens to pay for electricity services.

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

In addition, NERSA noted the establishment of the New Development Bank (BRICS Bank), which has highlighted its main funding areas as sustainable development and sustainable infrastructure among the BRICS countries (Brazil, Russia, India, China and South Africa) and other strategic developing countries. The focus especially falls on climate-resilient investments for sustainable infrastructure, including, in particular, speeding up the energy transition consistent with the Paris Agreement. The

establishment of the BRICS Bank is expected to have a positive impact on the energy sectors of member state countries. The focus that will be placed on low carbon and climate resilient development will require NERSA to carry out its mandate in balancing the key drivers of energy supply, namely security of supply, environmentally friendly sources, and affordability.

Energy is at the core of current and future industrial and technological development. The National Development Plan (NDP) envisages that the country will have an energy sector that promotes economic growth and development through adequate investment in energy infrastructure by 2030. Furthermore, the NDP envisages South Africa having an adequate supply of electricity and liquid fuels to ensure that economic activities and welfare are not disrupted, and that 95% of the population will have access to some form of energy, by 2030.

These trends and developments require that NERSA be pro-active and responsive in regulating the three energy industries, insofar as they affect the South African energy sector in terms of:

- security of energy supply;
- investment in infrastructure;
- competitive functioning of the industry; and
- affordability and access.

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

In view of the identified need to diversify the energy sources in the country, with the emphasis on shifting towards sustainability into the future, NERSA is on course in terms of effectively regulating a changing energy sector that has seen the introduction of renewable energy into the grid.

## Conclusion

It was and still is a great honour and privilege to be re-appointed as Chairperson of NERSA. I appreciate the confidence and trust that the leadership of this government have placed in me.

We also welcome the re-appointment of two of our Part-Time Regulator Members, including the Deputy Chairperson, by the Minister of Energy. The appointments will further strengthen our Regulatory mandate.

As we look back on another successful year, I would like to express my appreciation to all members and staff of the Energy Regulator for their hard work throughout this period. NERSA's success and its reputation as a credible and reliable energy regulator can mainly be assigned to the continuous efforts and performance of its committed staff, as well as the exceptional cooperation between management and staff. Through your hard work, commitment and enthusiasm, NERSA has earned the reputation of being a trustworthy regulator and a significant contributor to government policy decision-making.

I would also like to welcome the newly appointed Minister of Mineral Resources and Energy, Mr Gwede Mantashe and the Deputy Minister, Ms Bavelile Hlongwa on their appointments. We are looking forward to their leadership and guidance in the Energy Industry. NERSA stands ready to support them in achieving the Government policy and objectives.

We thank the outgoing Minister of Energy, Mr Jeff Radebe, and his staff at the Department of Energy for their support and guidance during the past financial year. We wish Mr Radebe all the best in his future endeavours.

In conclusion and on behalf of NERSA, I would like to express our gratitude to all our stakeholders, who play a significant role in the performance and success of NERSA. I believe the collaboration with our stakeholders is instrumental in building the energy industry and in contributing to sustainable development in our country.



**Jacob RD Modise**

Chairperson

Date: 31 July 2019



## 7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

### Introduction

It gives me great pleasure to present this overview of the 2018/19 financial year, which was characterised by significant challenges as identified in the previous reporting period. That said, we are proud of the efforts towards a steady improvement in our functions and efficiencies, which created an environment conducive to greater stability and development in the electricity, piped-gas and petroleum pipelines industries of South Africa.

I am proud that the Energy Regulator proactively made the necessary regulatory decisions in anticipation of the changing circumstances in the energy industry. These decisions were based on NERSA's Strategic Plan, which is focused on improving the planning, monitoring and evaluation by the Energy Regulator to ensure its strategic objectives are specific, measurable, achievable, realistic and time-bound (SMART). Following from that, it should be clear that the plans to meet our objectives are both robust and realistic.

The summary of our organisational performance for the period under review shows that NERSA responded well to the challenges we faced in regard to our mandate. I can state without fear of contradiction that we were driven by a renewed sense of urgency to deliver on our mandate, which deals with the security of supply of South Africa's energy, as well as proper investment in infrastructure, the competitive functioning of the industry, and affordability and access.

Therefore, the Energy Regulator will continue to regulate the country's electricity, piped-gas and petroleum pipelines industries in such a manner that they contribute to the country's economic growth and social development. As outlined in my summary, the Energy Regular is undertaking this mission within the prescripts of government statute and policy, as well as according to standards and best practice in support of sustainable and orderly development.

### Summary of organisational performance

After thirteen years in existence, NERSA has shown itself to have a firm hand on energy

regulation in South Africa. As evidenced by our actual performance per programme, NERSA consistently ranks in the high performance percentiles. In addition, NERSA has once again received an unqualified audit report from the Auditor-General, indicating our strong adherence to accountability and responsible corporate governance principles throughout the entity.

We have also won the Public Management Finance Act (PFMA) Clean Audit Award for 2017/18, awarded by the Auditor-General of South Africa, for the fifth consecutive year.

To gain a perspective on NERSA's progress, one has to bear in mind its annual performance targets with regard to the three energy industries, namely electricity, piped-gas and petroleum pipelines. Furthermore, these targets apply to cross-cutting regulatory and organisational functions as well. All of these, in turn, are measured against six programmes, namely 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 finally, establishing NERSA as an efficient and effective regulator.

During the review period, NERSA achieved 94% of its annual performance targets. This signifies an overall decrease of 3% in the performance when compared to our overall performance in 2017/18. In terms of the six programmes mentioned above, the percentage of achieved targets was 83% for the electricity industry due to three targets not being met (2017/18: 88%), 94% for piped-gas due to one target not being met (2017/18: 100%), 100% for petroleum pipelines (2017/18: 100%), 100% for transversal regulatory (2017/18: 100%) and 100% for organisational (2017/18: 100%). We are proud of our achievements, but accepts that this level of performance requires us to remain diligent in carrying out our mandate.

While we pause to examine and assess our progress, the experience, knowledge and expertise gained during the review period has strengthened the foothold from which we will 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.

Outlined below are some of the noteworthy achievements that in large derive from the sterling contributions of the Regulator Members, management and staff of our organisation.

## 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 2015/16–2019/20 and the Annual Performance Plan for 2018/19 – 2020/21, both of which have been approved by the Minister of Energy and tabled in Parliament.

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.

### *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.

### *Supply chain management*

NERSA's supply chain management processes, which have been refined over recent years, enables the organisation to meet both the relevant legislative requirements and its obligations to creditors, which were all paid (100%) within 30 days of receipt of all relevant documentation in this reporting period. 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 annual procurement plan, which is monitored by the Executive Committee (EXCO).

### *Externally focused responsibilities and initiatives*

In keeping with NERSA's strategic outcome-oriented goals, inter alia to position and establish it as a credible regulator, the Energy Regulator continuously engages with its stakeholders. Besides communicating through the NERSA website, the use of social 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, it 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 informed of the latest developments and decisions. Engagement with stakeholders at a number of forums is another integral part of the NERSA strategy and is crucial in creating public awareness of the roles and responsibilities of the Energy Regulator.

During the year under review, NERSA hosted 66 customer education workshops and stakeholder engagement activities, including exhibitions and various Ministerial Public Participation Programmes, such as:

- Africa World Trade and Investment Summit 2018 in Sandton;
- Africa Utility Week in Cape Town;

- Department of Energy Budget Vote in Cape Town;
- Sustainability Week 2018 in Pretoria;
- Department of Energy Learners Focus Week at the University of KwaZulu-Natal;
- Africa Oil & Power in Cape Town;
- Tomorrow's Leaders Convention in Ekurhuleni;
- Southern African Association for Energy Efficiency (SAEEC) Convention in Kempton Park;
- Energy Week in Cape Town;
- Africa Energy Indaba in Sandton;
- Power and Electricity World Africa in Sandton; and
- Africa World Trade and Investment Summit 2019 in Sandton.

### *Media coverage*

Print and electronic media are monitored daily for mention of electricity, piped-gas, petroleum pipelines and any other energy-related matters. Similar to the previous year, most of the coverage NERSA received throughout the review period was on electricity-related issues. Some publicity was self-generated, with NERSA having issued media statements and facilitated media interviews with print and electronic media representatives.

### *International coordination and partnerships*

At regional and continental levels, NERSA continues to be an active member of the Regional Electricity Regulators Association (RERA) and the African Forum for Utility Regulators (AFUR), and has contributed immensely to the strategic objectives and projects of the two structures through its international coordination department. This contribution has continually had an impact on NERSA being recognised as a world-class regulator, which is evident from a number of exchange programmes and information sharing visits that has been hosted by NERSA.

During the review year, NERSA participated in global, continental, regional and national events. As part of its continued contribution towards regional harmonisation, cooperation and exchange of information, NERSA participated in the activities and programmes of RERA and the AFUR, of



which NERSA is a member. This included participation in the following events:

- AFUR Executive Committee and Sectoral Committee meetings held in Pretoria in August 2018; and
- RERA Annual Conference and General Meeting held in Malawi in November 2018.

NERSA also successfully hosted a series of meetings of the RERA Subcommittees, Portfolio Committees and Executive Committee. This culminated in the Special Annual General Meeting held on 5 June 2018, which considered the review of the RERA constitution with the aim of realigning the mandate of the association to include gas- and petroleum-related issues that have gained prominence in the regional energy landscape.

NERSA representatives participated in the first meeting of the RERA Working Group for Petroleum and Gas. This Working Group has since been established as a proper RERA Subcommittee, the Petroleum and Gas Regulation Subcommittee (PGRS), which held its first meeting in October 2018 in Botswana. NERSA is currently the Chairperson of the PGRS. The aim is to improve regional integration, the harmonisation of regulations, and cross-border trade between the Member Regulator countries.

Nationally, NERSA successfully partnered with the Centre for Competition Regulation and Economic Development (CCRED) of the University of Johannesburg on the 4th Annual Competition and Economic Regulation (ACER) Week held in Johannesburg in July 2018. Other collaborators included the Competition Commission of South Africa. This event was aimed at fostering dialogue on competition and economic regulation issues, as a means of capacity building and contribution towards regional integration and socio-economic development in the region.

Additionally, NERSA attended and participated in the BRICS (Brazil, Russia, India, China, South Africa) side events held on the margins of the SADC 37th meeting of the Ministers responsible for Energy, which took place at the Sandton Convention Centre in Johannesburg.

In the spirit of information sharing and capacity building, NERSA also hosted delegations from Saudi Arabia, Botswana, Malawi and Zambia.

## Core Regulatory Functions

Detailed information on NERSA's performance in terms of the different core regulatory functions can be found in the Overview of key outputs/achievements for the 2018/19 financial year in Part B (Performance Information) of the Annual Report.

### *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:

- Ten new generation licences were issued and 34 generation licences were amended.
- Three distribution licence amendments were approved, as well as amendments to Schedule 1 (List of Areas of Supply) of 48 distribution licences under the ongoing NERSA Geographic Information System (GIS) Area of Supply project.
- Two amendments of a trading licence were done.

#### **(b) Compliance monitoring and enforcement**

##### *Generation*

- Sixteen electricity generation compliance audits were conducted on the renewable Independent Power Producers.
- Monitoring of the implementation of corrective action plans was done on 10 renewable power stations that had been audited during the 2017/18 financial year.

### Transmission

- Compliance monitoring audits were conducted on 15 transmission substations.
- Five transmission substations, which had been audited in the previous financial years, were monitored to ensure the implementation of the corrective action plans.

### Distribution

- Thirteen distribution compliance audits were conducted during the 2018/19 financial year.
- Six distribution compliance monitoring audits were also conducted in the 2018/19 financial year.

### (c) 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 tariff applications and seven tariff review applications were approved.
- Eskom's RCA Application – MYPD3 Year 2 (2014/15), Year 3 (2015/16) and Year 4 (2016/17) was approved.
- Eskom's MYPD3 Year 5 RCA application (2017/18) and the MYPD4 revenue application for 2019/20, 2020/21 and 2021/22 were approved.
- Eskom's application on the Sublime Technologies Negotiated Pricing Agreement was approved.
- The Energy Regulator also approved:
  - the Reasons for Decision (RfD) on the three RCA applications from Eskom for 2014/15, 2015/16 and 2016/17, which was held in abeyance pending the outcome of the Eskom court case against NERSA;
  - the liquidation of the RCA balance; and
  - the implementation plan on the RCA applications.

### (d) Complaints Resolution and Proactive Investigations

NERSA received 381 electricity-related complaints/disputes, excluding enquiries received via the website, emails, telephonically, fax and walk-ins. Customers used various communication channels such as email, telephone and fax to submit their complaints to NERSA. Other customers and licensees preferred coming in personally to lodge their complaints at NERSA offices during the period under review. Out of the 381 complaints/disputes received, 350 were successfully resolved. This translates to a success rate of 92%. A total of 31 cases are still pending. The disputes received ranged from tariff and billing complaints to complex technical cases.

One tribunal on Eskom's refusal to sign the renewable energy PPAs was conducted during the year.

### Piped-gas industry regulation

#### (a) Licences issued, amended, renewed or revoked

NERSA is responsible for the licensing of both the construction and operation of gas facilities, which includes transmission, storage, distribution, liquefaction and regasification facilities, as well as for the licensing of trading in gas. Its licensing activities during the period under review are listed below.

The Energy Regulator considered and approved the following licence applications:

#### Licences for construction of gas infrastructure

- Two licences were granted to Reatile Gastrade (Pty) Ltd for the construction of gas transmission facilities in the Wadeville and Langlaagte areas of the Gauteng province.
- Three licences were granted to Sasol Gas for the construction of gas transmission facilities in the Nigel, Kliprivier, and Wadeville areas of the Gauteng province.

*Licences for the operation of gas infrastructure*

- One licence was granted to Reatile Gastrade for the operation of a gas transmission facility in Langlaagte, Gauteng province.

*Licences for trading in gas*

- Two licences were granted to Egoli Gas (Pty) Ltd to trade in gas in the Gauteng and KwaZulu-Natal provinces.
- One licence was granted to Scaw Metals SA (Pty) Ltd to trade in gas in the Gauteng province.

*Amendment of licences*

- The amendment of a licence issued to Reatile Gastrade for trading in gas in the Gauteng province was approved.
- The amendment of three licences issued to Sasol Gas for trading in gas in the KwaZulu-Natal, Gauteng, Free State and Mpumalanga provinces, respectively, was approved.
- The amendment one licence issued to Sasol Gas for the operation of a gas transmission facility in the Gauteng province was approved.

*Registration of gas production activities*

- Two operations for the production of gas by Distell Limited in Stellenbosch, Western Cape and Springs, Gauteng province were registered.
- One operation for the production of gas by Vuhehli Drop-in Centre in the Giyani area of the Limpopo province was registered.

*Revocation of licences*

- One licence granted to Sasol Gas for the construction of gas distribution facilities in the Phoenix area of the KwaZulu-Natal province was revoked.
- One licence granted to Sasol Gas for the operation of gas distribution facilities in the Phoenix area of the KwaZulu-Natal province was revoked.
- One licence granted to Sasol Gas for the conversion of gas infrastructure in the Phoenix area of the KwaZulu-Natal province was revoked.
- One licence granted to Sasol Gas for trading in gas in the KwaZulu-Natal province was revoked.
- One licence granted to Novo Energy (Pty) Ltd for the operation of a gas storage facility in McFarlane in the Gauteng province was revoked.

**(b) Maximum prices considered and trading margins approved**

- The Energy Regulator considered four maximum price and approved trading margin applications from the following applicants:
  - EVRAZ (Pty) Ltd;
  - SLG Pty (Pty) Ltd;
  - SLCNG (Pty) Ltd; and
  - Reatile Gastrade (Pty) Ltd.

In addition, the Energy Regulator commenced with the assessment of the application by Sasol Gas for the distinguishing features for the period 1 July 2017 to 30 June 2021.

**(c) Tariffs**

No tariff applications were received in the year under review, as the previously approved tariffs were multi-year tariffs that are valid beyond the period of the year under review.

**(d) Reports on monitoring of maximum prices**

- Reports were completed on the monitoring of compliance with approved maximum prices by the following licensees:
  - Sasol Gas (Pty) Ltd;
  - SLG (Pty) Ltd;
  - SL CNG (Pty) Ltd;
  - Reatile Gastrade (Pty) Ltd;
  - Novo Energy (Pty) Ltd;
  - Virtual Gas Networks (Pty) Ltd;
  - Natural Gas Vehicles (Pty) Ltd;
  - Columbus Stainless (Pty) Ltd;
  - Tetra 4 (Pty) Ltd and
  - Evraz (Pty) Ltd.

**(e) Reports on monitoring of compliance with approved tariffs**

Reports were completed on the monitoring of compliance with approved maximum prices by the following licensees:

- Sasol Gas;
- Transnet Pipelines; and
- ROMPCO.

**(f) Compliance monitoring and enforcement**

- Compliance inspections were conducted on 48 licensed facilities to check for compliance with licensed conditions and applicable provisions of the Gas Act, 2001 (Act No. 48 of 2001), including the Regulations made under the Act.

- Notices of non-compliance were issued for the identified instances of non-compliance with the licence conditions.

**Assessment of monthly volume balance reports**

- A total of 12 monthly volume balance reports were completed on the monitoring of gas supply from Mozambique to South Africa in terms of section 4.1 of the Regulatory Agreement.

**(g) Investigation of complaints/dispute resolution and price monitoring****Investigations initiated in terms of section 4(d) of the Gas Act**

- Three investigations into incidents of gas supply interruptions at Sasol Gas Limited's gas facilities in Middelburg, Mpumalanga province and Lenasia, Gauteng province were initiated and completed.

**(h) Reports on developments in the gas industry**

Two reports on developments in the gas industry in South Africa and other international jurisdictions were completed in the year under review.

**(i) Customer education workshops**

Various stakeholder engagements/activities were conducted during the review period as part of the Energy Regulator's approach to engage with and educate customers and stakeholders about its regulatory processes.



**(j) Other activities***Determination of inadequate competition in the piped-gas industry*

- During the period under review, the Energy Regulator completed an assessment of the state of competition within the gas market. The assessment revealed that competition in the gas market remains inadequate.
- The determination was made in line with the Energy Regulator's duty in terms of section 21(1)(p) of the Gas Act to approve the maximum prices for distributors, reticulators and all classes of consumers where there is inadequate competition as contemplated in Chapters 2 and 3 of the Competition Act, 1998 (Act No. 89 of 1998) ('the Competition Act'). Approving maximum prices and the use of the Methodology for Approving the Maximum Prices of Gas of Piped-Gas in South Africa ('the Methodology') are therefore contingent on the Energy Regulator determining that there is inadequate competition as contemplated in the Competition Act.
- This marks the Energy Regulator's third determination that there is inadequate competition in the relevant gas markets. The first determination was approved by the Energy Regulator on 8 February 2012, and the second on 29 March 2016.

*Research reports on international gas prices*

The Energy Regulator completed three reports on gas pricing approaches and price formations in other jurisdictions in order to gather information on international best practices with regard to gas pricing methodologies in different countries.

*Regulatory advocacy*

The Energy Regulator also completed a report on the key areas identified for amendment in the current Piped-Gas Regulations. The amendments will enable the Energy Regulator to execute its functions under the Gas Act more effectively.

*Petroleum pipelines industry regulation*

NERSA's licensing activities during the period under review are listed below.

**(a) Licences issued, amended, renewed or revoked**

- During the course of the reporting period, 25 new applications were received. These applications comprised five licence applications, 15 amendment applications and five revocation applications.
- Only one of the licence applications was finalised, resulting in the approval and issuing of a licence to Sasol Oil (Pty) Ltd to construct two petroleum pipelines in Island View, Durban.
- Nine applications to amend the conditions of a licence were finalised. This included the approval of the following eight amendments:
  - Vopak Reatile Richards Bay Terminal's first amendment of a licence issued for the construction of petroleum facilities in the port of Richards Bay;
  - Sunrise Energy's second amendment of a licence issued for the construction of LPG facilities in Saldanha Bay;
  - Vopak SA Developments' first amendment of the construction licence for its Lesedi storage facility and associated interconnecting pipelines;
  - BPSA's first amendment of the operation licence for its George Airport storage facility;
  - Engen Petroleum's first amendment of the operation licence for its Waltloo storage facility;
  - Engen, BPSA & Total SA's first amendment of the operation licence for a jointly owned storage facility in Witbank;
  - Engen, BPSA & Chevron SA's first amendment of the operation licence for a jointly owned storage facility in Rustenburg; and
  - BPSA and Sasol Oil's first amendment of the operation licence for the jointly owned storage facility in Alrode.
- In addition, the Energy Regulator decided not to approve Oiltanking Grindrod Calulo's

fifth amendment of its licence to construct loading and storage facilities in the Port of Ngqura. The licensee was requested to submit a revised application.

- The Energy Regulator approved the revocation of two licences that were no longer needed:
  - Total South Africa's licence to construct a petroleum pipeline in Island View; and
  - BPSA's licence to operate a storage facility in Port Alfred.

The remaining applications are either in the adequacy assessment or public consultation phases, and will only be finalised in the 2019/2020 financial year.

#### *Monitoring and enforcement of compliance with licence conditions*

Compliance site visits to the facilities of 39 licensed activities were conducted. The site visits were performed to confirm the status of construction activities (five sites), confirm the facility details of 30 operational facilities and to verify potential unlicensed activities at four sites.

In addition, NERSA held pre-licensing meetings with prospective applicants as well as licensees to assist them with compliance requirements. Four tariff workshops were also held. Several requests for information relating to NERSA's licensed activities, and one request in terms of PAIA, were processed. However, no formal complaints were lodged with the Energy Regulator for investigation, nor was NERSA requested to resolve any disputes.

Due to third-party access continuing to materialise at low levels, NERSA reviewed the methodology to determine uncommitted capacity at the petroleum storage facilities, for implementation from April 2019, to be forward looking as opposed to relying on historic data, covering a period of 12 months. The licensees were informed of the changes and were requested to provide comments. Only one formal written comment was received, which has no impact on the new approach, as all the points raised have already been factored into the reviewed methodology. The new requirements are that licensees must publish their tanks with uncommitted capacity on their websites. NERSA will also publish the consolidated list of all licensed petroleum storage facilities with uncommitted capacity on its website.

#### **(b) Tariffs set or approved**

The Energy Regulator has set tariffs for the following petroleum pipelines:

- The Sasol Oil (Pty) Ltd Secunda to Natref Integrated (SNI), set on 10 May 2018; and
- The Transnet SOC Limited Petroleum Pipelines System – set on 1 March 2019.

The Energy Regulator approved tariffs for the following petroleum storage and loading facilities:

- The Automotive Gas Oil (Pty) Ltd petroleum storage facility in Krugersdorp, approved on 7 August 2018;
- The Sasol Oil (Pty) Ltd storage facility in Secunda, approved 10 May 2018;
- Sasol Oil and BPSA (Pty) Ltd for the storage facility in Alrode – approved on 10 May 2018;
- Engen Petroleum Limited, Chevron South Africa (Pty) Ltd and BP Southern Africa (Pty) Ltd for the storage facility in Witbank – approved on 10 May 2018; and
- Engen Petroleum Limited, Chevron South Africa (Pty) Ltd and Total SA (Pty) Ltd for the storage facility in Rustenburg – approved on 10 May 2018;

#### **(c) Other activities**

- NERSA participated in the Department of Energy's project to align the B-BBEE Petroleum and Liquid Fuels Sector Transformation Charter to the B-BBEE Act, the B-BBEE Codes of Good Practice and the B-BBEE Policy Framework to ultimately serve as a Sector Specific Code of Good Practice.
- NERSA provided comments to the Department of Energy on:
  - the Liquid Fuel Emergency Response Plan;
  - the Basic Fuel Pricing Review;
  - the Integrated Resource Plan and attended the public hearings held at Parliament in Cape Town; and
  - the coordinated approach to continental energy cooperation led by the Department of Energy.

- NERSA had continued engagements with the Department of Energy and other regulatory authorities such as the Competition Commission, Transnet National Ports Authority and the Ports Regulator of South Africa regarding legislative and policy matters on concurrent and overlapping mandates to try seek alignment.
- The Energy Regulator approved the Prudency Assessment Guidelines that will be used to assess the Prudency of capital and operational expenditure for all NERSA licensees.
- NERSA participated in the Heads of Supply industry forum chaired by the Department of Energy as observers to monitor industry developments and security of supply.

### *Transversal Regulatory Matters*

#### **(a) Regulatory Reporting Manuals (RRM)**

Eskom and six Metropolitan Municipalities participated in the implementation of the financial information of the Regulatory Reporting Manuals (RRMs). Five Piped-Gas and five Petroleum Pipeline licensees participated in the implementation of the RRMs and are complying with the RRMs.

NERSA conducted a workshop with five other Petroleum Pipeline licensees for the roll-out of the RRM project's implementation to licensees that have not yet complied with the RRMs. In addition, NERSA also conducted four individual workshops to assist and capacitate licensees in this regard.

Eskom, as well as 24 municipalities and 26 IPPs participated in the implementation of the pilot Non-Financial Information (NFIs) RRM. Six pilot Piped-Gas licensees are complying with the RRMs related to NFIs.

National Treasury conducted training as part of the roll-out of the Municipal Standard Chart of Accounts (mSCOA) on the Local Government Database and Reporting System (LGDRS) to NERSA employees to enable them to navigate the system. Further training on the LGDRS by

National Treasury is planned for NERSA employees to fully understand the system, which will enable them to use the system to its full potential.

#### **(b) Research**

The following research reports were produced during the 2018/19 financial year:

- The Regulatory Impact Assessment (RIA) report, which served at the Regulator Executive Committee meeting on 25 March 2019.
  - In the regulatory impact assessment framework reviewed by NERSA during the 2016/17 financial year, NERSA identified 14 indicators that can be used to track the impact of its decisions on its stakeholders and the energy sector.
  - These indicators also track NERSA's progress in its objective/vision of becoming a world-class energy leader.
  - This report therefore focuses on these indicators in the context of the above objectives.
- Impact of global, regional and local energy and economic trends on NERSA's business report.
  - This report looks at the developments in the Electricity, Petroleum Pipelines and Piped-Gas Industries in the regional and the global context.
  - The report also forms part of the Environmental Scan document that is used in the Annual Performance Planning Session.
- Second benchmarking study report.
  - In 2018, NERSA undertook a second benchmarking study to understand and improve its performance in line with international regulatory good practices. The first study was conducted in 2008 where the tool developed to assist with the comparison, was called the NERSA Benchmarking Better Regulation (NBBR) framework.

- The 2018 study was conducted to review the progress that NERSA has made since 2008 and recommendations were provided on what the organisation can further improve on. The engagement with the divisions and departments assisted in identifying 34 additional improvement opportunities. All improvement opportunities were allocated a lead department and supporting departments.
- Report on research conducted in line with the approved Research Agenda on conditions for allowance for funds used during construction (AFUDC) versus construction work in progress (CWIP).
  - The identification of conditions for the AFUDC/CWIP topic emanates from the approved research agenda projects, due to the fact that regulated utilities constructing licenced facilities incur significant project-related costs prior to submitting a tariff application. NERSA has been including these costs in the calculation of allowable revenue, however stakeholders have questioned this approach. They argue that this encourages inefficiency, and that licensees should not receive a return on assets not used in provision of services to consumers.
  - This study reviews the current practice and takes a position on whether CWIP should be included in the Regulatory Asset Base and allowed to earn a return, and whether consumers should pay for such assets.
- The NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect to ownership and equity, considered by the Energy Regulator.
  - The purpose of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity is to provide guidance to NERSA staff, NERSA licensees and other interested parties on how to facilitate transformation in the regulated industries (electricity, piped-gas and petroleum pipelines) with respect to ownership and equity in a fair, equitable, transparent and predictable manner.
  - Economic Transformation is part of the broader Transformation Framework that the Energy Regulator is in the process of adopting through the development of this

framework. The DoE is currently aligning the Liquid Fuels Industry Transformation Charter, which is annexed as Schedule 1 of the Petroleum Products Act, 1977 (Act No. 120 of 1977) ('the PPA'), as amended, with the B-BBEE policy framework (Codes of Good Practice). On promulgation in terms of section 9 of the B-BBEE Act, this will serve as the Petroleum and Liquid Fuels Sector Codes of Good Practice (PLFSC).

### (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.

## Acknowledgements

In my introductory paragraphs to this chapter, I pertinently mentioned NERSA's achievements. It is undeniable that our organisation's success relies on the management and staff, who give their all. In this manner we not only reach our targets, but also exceed them. I thank you for your loyalty, dedication and service to NERSA.

It goes without saying that we relied heavily on the continued support and guidance of the Chairperson and my fellow Regulator Members during the financial reporting period. Your immense contribution has seen NERSA making significant headway with our strategic plans and stakeholder relations.

My sincere gratitude goes to the former Minister of Energy, Mr Jeff Radebe, and the former Deputy Minister of Energy, Ambassador Thembisile Majola, as well as the Director-General in the Department of Energy, Mr Thabane Zulu, for their support and encouragement throughout the past year.



Furthermore, it is an honour to welcome Mr Gwede Mantashe as our Minister of Mineral Resources and Energy as well as Ms Bavelile Hlongwa as the Deputy Minister. We are looking forward to their leadership and guidance in our pursuit of best serving the South African public.

Our stakeholders deserve a special word of thanks for their continued support, engagement and interaction with NERSA. NERSA remains committed to regulating the energy industry in support of sustainable growth and development. I am confident that by continuing to work together, we can effect positive change in the energy industry and the country as a whole.



**Chris Forlee**

*Chief Executive Officer*

Date: 31 July 2019













# PART B

## PERFORMANCE INFORMATION

# 1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

## for the year ended 31 March 2019

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 (2015/16 – 2019/20) and approved Annual Performance Plan (2018/19 – 2020/21) of NERSA for the financial year ended 31 March 2019.

NERSA's performance information for the year ended 31 March 2019 has been examined by the external auditors and their report is presented on page 149.

The performance information of the entity set out on page 43 to page 111 was approved by the Energy Regulator and signed as delegated.



**Christopher Forlee**  
Chief Executive Officer  
Date: 31 July 2019



**Jacob RD Modise**  
Chairperson  
Date: 31 July 2019



## 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 149 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 is 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 and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Regulating in a manner which facilitates security of supply; and
- Policy advocacy with regards to cleaner fuels.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals –
  - To facilitate security of supply in order to support 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 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 which facilitates security of supply.

The above-mentioned are linked to the following –

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

The above-mentioned are linked to the following –

- NERSA 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 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 the following –

- NERSA 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 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;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP, the Integrated Energy Plan (once promulgated)

- and the Gas Utilisation Master Plan (once promulgated); and
- Facilitating the transition to a low carbon economy.

The above-mentioned are linked to the following –

- NERSA 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 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;
- The public is invited to make comments prior to decisions being made (written or in public hearing);
- Customer education;
- Training and development of staff and stakeholders, including training to electricity distributors on the completion of the forms requesting information from them;
- Participating in the Clean Energy Education and Empowerment Programme;
- Corporate Social Investment activities; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to

NERSA's activities through visits to the organisation during school holidays.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal
    - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
  - NERSA 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 milestones 1: Increase employment from 13 million in 2010 to 24 million in 2030

NERSA contributes through:

- 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 the following –

- NERSA Outcome-oriented goals -
  - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
- NERSA Strategic Objectives –
  - Establish and position NERSA as a credible and reliable regulator

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

The above-mentioned are linked to the following –

- NERSA 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 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;
- Implementation of the recruitment policy

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal
  - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA 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. In this manner NERSA creates pre-conditions towards the achievement of this milestone;
- Issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
- Facilitating and enforcing 3rd party access to facilities;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulatory advocacy for strengthening the powers of the Regulator.

The above-mentioned are linked to the following –

- NERSA 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 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 which facilitates security of supply;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- Registration of gas importation and production facilities;
- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- Incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- Promoting energy efficiency in general in South Africa and in particular in the NERSA building;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;

- Development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers;
- Facilitating the transition to a low carbon economy;
- Regulatory advocacy with regards to cleaner fuels policy; and
- Monitor the implementation of the Gas Utilisation Master Plan (once promulgated).

The above-mentioned are linked to the –

- NERSA 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 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;
- Facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- Monitoring the implementation of the IRP;
- Facilitating the transition to a low carbon economy; and
- Regulatory advocacy with regards to cleaner fuels policy.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal -
  - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
- NERSA Strategic Objective –
  - 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 which facilitates security of supply and investment;
- Facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;

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

The above-mentioned are linked to the following –

- NERSA 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 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 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 the following –

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

### 3.1.3. ANALYSIS OF NERSA'S PERFORMANCE IN 2018/19

- 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 of 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 for 2015/16 – 2019/20 and the Annual Performance Plans for the periods 2015/16 – 2017/18, 2016/17 – 2018/19, 2017/18 – 2019/20 and 2018/19 – 2020/21, 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 2018/19 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 2018/19 reporting period.

Table 1: Analysis of NERSA's performance – 2018/19

	PLANNED ANNUAL TARGETS		ANNUAL TARGETS MET		REASONS FOR ANNUAL TARGETS NOT MET			
	2017/18	2018/19	2017/18	2018/19	External Dependencies		Internal factors	
					2017/18	2018/19	2017/18	2018/19
Electricity Industry Regulation	17	18	15 (88%)	15 (83%)	0 (0%)	3 (17%)	2 (12%)	0 (0%)
Piped-Gas Industry Regulation	18	18	18 (100%)	17 (94%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
Petroleum Pipelines Industry Regulation	10	11	10 (100%)	11 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Transversal Regulatory	7	9	7 (100%)	9 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Organisational	9	14	9 (100%)	14 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
<b>Total</b>	<b>61</b>	<b>70</b>	<b>59 (97%)</b>	<b>66 (94%)</b>	<b>0 (0%)</b>	<b>3 (4%)</b>	<b>2 (3%)</b>	<b>1 (2%)</b>

From the above table it is evident that 15 (83%) of the 18 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21 relating to the regulation of the Electricity Industry, were met. This signifies a decrease of 5% in the performance when compared to 2017/18, where 15 (88%) of the planned targets were met. The three targets that were not met were due to external dependencies. Three targets could not be considered within the stated timeframes due to their dependence on the approval of Eskom's revenue application. These three targets were however met in the reporting period.

From the above table it is also evident that all 17 (94%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21 relating to the regulation of the Piped-Gas Industry, were met. This signifies a 6% decrease in performance when compared to 2017/18, where 100% of the planned targets were met. The one target that was not met was due to internal factors.

It can also be seen that all 11 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21 relating to the regulation of the Petroleum Pipelines Industry, were met. This also signifies the same level of performance if compared to 2017/18, where 100% of the planned targets were also met.

Moreover, from the table above it is evident that all 9 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21 relating to transversal regulatory matters, were also met. This signifies the same level of performance when compared to 2017/18, where 100% of the planned targets were also met.

Lastly, from the table above it is evident that all 14 (100%) of the planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21 relating to the organisational environment, were met. This signifies the same level of performance when compared to 2017/18, where 100% of the

planned targets were also met.

In summary, in total 66 (94%) of the 70 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2018/19 – 2020/21, were met. This signifies an overall decrease of 4% in the performance when compared to 2017/18, where 97% of the targets were met. Four targets could not be met, three due to external dependencies and one due to internal factors.

- 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, 2016/17, 2017/18 and 2018/19.

**Table 2: Comparison of NERSA's performance from 2009/10 to 2018/19**

Financial years	Annual Targets met	Annual Targets 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%
2017/18	97%	0%	3%
2018/19	94%	4.28%	1.43%

NERSA remains committed to continued improvement in our performance.



### 3.1.4. OVERVIEW OF KEY OUTPUTS / ACHIEVEMENTS FOR THE 2018/19 FINANCIAL YEAR

Some of the main achievements for NERSA during the 2018/19 financial year are listed below.

#### a) Electricity Industry Regulation

##### *Programme 1: Pricing and Tariffs*

- The Energy Regulator approved -
  - 175 tariff applications of licensed distributors;
  - 2 reports on the review of Eskom's applications (RCA & MYPD4);
  - 1 report on the review of Eskom's on ERTSA for the 2019/20 financial year;
  - 1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018; and
  - Eskom's application on the Sublime technologies Negotiated Pricing Agreement.
- The Energy Regulator considered the report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs).

##### *Programme 2: Licensing and Registration*

- The Energy Regulator considered 84 license applications.
- The Energy Regulator also approved the following:
  - The Update of the Cost of Unserved Energy (COUE) of Eskom for 2017;
  - The methodology for the COUE for licensed electricity distributors other than Eskom distributor; and
  - The performance targets for Eskom Transmission and Distribution in terms of Service Incentive Schemes (SQI).

##### *Programme 3: Compliance Monitoring and Enforcement*

- The Energy Regulator considered -
  - 1 consolidated distribution audit report on the state of compliance of licensees with license conditions;

- 1 consolidated generation audit report on the state of compliance of power stations with license conditions;
- 1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with license conditions;
- 3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees;
- 1 audit report on the review the annual performance of IDM for 2017/18;
- 1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid; and
- 2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19.

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

- The Energy Regulator closed 388 of 390 disputes/complaints within 180 days from receipt in the reporting period.
- The Energy Regulator considered 1 report on the trends regarding to the status of disputes and complaints in the electricity industry.

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

- The Energy Regulator approved -
  - 15 applications for exemption to the South African distribution and transmission grid code; and
  - 1 application for amendment to the South African distribution and transmission grid code.

##### *Programme 6: Establishing NERSA as an efficient and effective Regulator*

- The Energy Regulator considered a System Adequacy Report.

## b) Piped-Gas Industry Regulation

### *Programme 1: Pricing and Tariffs*

- The Energy Regulator considered 4 maximum price applications but decided not to pronounce on the applications because the Energy Regulator took a decision that the basket of alternative indicators option in the Maximum Gas Price Methodology, which was criticised by the Supreme Court of Appeal in the PG Group case, be suspended until the appeal lodged by NERSA and Sasol is finalised.
- The Energy Regulator considered 4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule.
- The Energy Regulator considered a report on the inadequate competition within the relevant markets in the piped gas industry in terms of Section 21 (1)(p) of the Gas Act.

### *Programme 2: Licensing and Registration*

- The Energy Regulator approved -
  - 5 applications to revoke a licence;
  - 3 applications for trading in gas;
  - 2 applications for a licence to construct distribution facilities;
  - 4 applications for a license to construct a gas transmission facility;
  - 7 applications for amendment of trading licences;
  - 1 application for amendment of operation license for a gas transmission facility;
  - 9 applications for amendment of license; and
  - 3 applications for the registration of gas production.

### *Programme 3: Compliance Monitoring and Enforcement*

- The Energy Regulator considered -
  - 12 monthly reports on the assessment and analysis of Sasol's volume balance reports;
  - 1 report on the audit conducted on the ROMPCO pipeline according to the compliance framework;
  - 4 reports on 48 inspections conducted to determine the level of compliance with licence conditions;
  - 4 monitoring reports on the implementation of the maximum prices of gas by licensees;
  - 3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas); and
  - 4 reports on the Implementation of the RRM for the preceding financial year by Transnet SOC, ROMPCO, SLG (Pty) Ltd and Sasol Gas (Pty) Ltd.

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

- The Energy Regulator considered reports on findings from 2 investigations initiated in relation to gas supply interruptions.

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

- The Energy Regulator considered a report on gas pricing strategy and formulae in different regional markets with implications to South Africa and an update of review of the Methodology; and
- The Energy Regulator considered a report on proposed amendments to the Piped Gas Regulations.

### *Programme 6: Establishing NERSA as an efficient and effective Regulator*

- The Energy Regulator considered the following reports:
  - Stakeholder workshops and meetings conducted on the Review of the Methodology to Approve Maximum Price of Gas;

- New developments in the gas industry;
- Four reports on progress in the construction of gas transmission and distribution facilities licensed by the Energy Regulator; and
- Global gas pricing mechanisms for recommendation to the DoE.

### c) Petroleum Pipelines Industry Regulation

#### *Programme 1: Pricing and Tariffs*

- The Energy Regulator considered –
  - tariff applications for 4 storage, 1 storage and loading, and 1 pipelines facilities; and
  - the Transnet SOC Limited's Petroleum Pipelines System Tariff Application for the 2019/20 Financial Year.

#### *Programme 2: Licensing and Registration*

- The Energy Regulator granted 1 licence for the construction of petroleum pipelines.
- The Energy Regulator considered 1 report on investigations done into suspected unlicensed activities.

#### *Programme 3: Compliance Monitoring and Enforcement*

- The Energy Regulator considered -
  - 2 reports on trends regarding utilisation of storage facilities and 3rd party access;
  - 1 report on reviewed methodology to determine uncommitted capacity;
  - 4 reports on the construction of new facilities; and
  - 4 reports on licensees' compliance with statutory reporting requirements.

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

- The Energy Regulator received no complaints or disputes in this reporting period.

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

- The Energy Regulator approved the Guidelines for Prudency Assessment.

#### *Programme 6: Establishing NERSA as an efficient and effective Regulator*

- The Energy Regulator considered
  - 1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies; and
  - 2 reports on the inland supply forecast.

### d) Transversal Regulatory

#### *Programme 6: Establishing NERSA as an efficient and effective Regulator*

- The Energy Regulator considered report on the following:
  - Regulatory impact assessment the NERSA Research agenda;
  - The implementation of the Regulatory Reporting Manuals for Non-financial and financial information; and
  - NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity.
- The NERSA Annual Report for 2017/18 was submitted to the Minister of Energy, Auditor-General and National Treasury and tabled in Parliament.
- NERSA's Annual Performance Plan 2018/19 – 2020/21 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 customer 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 –
  - 2 reports on the implementation of the Employment Equity Plan;
  - 4 reports on the implementation of the Youth Employment Accord;
  - 1 progress report on the implementation of the bursary programme for qualifying external applicants;
  - NERSA Enterprise Development Plan;
  - 4 reports on the implementation of the recommendations from the comprehensive ICT systems and operations review; and
  - 5 reports on regulatory and policy advocacy engagements.
- 100% implementation of Preferential Procurement Policy Framework, with 96,5% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better;
- NERSA received the Auditor-General's PFMA 2018/19 Clean Audit Award for the 5th consecutive year.

### 3.1.5. MAIN CHALLENGES FOR THE 2018/19 FINANCIAL YEAR AND CORRECTIVE STEPS BEING TAKEN

Some of the main challenges/lowlights for NERSA during the 2018/19 financial year, with action plans to address these challenges are outlined below.

#### Electricity Industry Regulation

- The MYPD4 and RCA applications were received late. This affected the processing of other projects that are depended on this project, i.e. it affected the value chain in terms of Eskom's retail tariffs and the municipal tariffs. The MYPD methodology unfortunately does not prescribe the date of application by Eskom.

Attention will be given to putting measures in place to ensure Eskom's application are received on time.

- There is misalignment with NERSA processes and those of the municipal budgeting process. This results in continuous requests for exemption from Minister of Finance on approval of municipal tariff applications. This further leads to budgetary problems for municipalities.

This is a statutory matter and does not fall within NERSA's mandate to address.

- Registration of small scale embedded generation may require additional resources in the ELC department. The impact of SSEG applications needs to be fully analysed bearing in mind that the scope has increased to include generation facilities above 1MW up to 10MW after receipt of the approval letter from the Minister of Energy for projects to deviate from the IRP. NERSA commenced with assessing the full impact of registration of generation facilities that are no more than 1MW and licensing generation facilities that are above 1MW up to 10MW. The Energy Regulator will consider a report on the outcome of the assessment.

## Piped-Gas Industry Regulation

- The ER decided not to pronounce on the applications for maximum price of gas due to the fact that the Price Indicators Approach method was criticised by the court. NERSA is unable to execute its mandate, as it is unable to consider or approve pricing applications under the Price Indicators Approach method.

NERSA is obtaining a legal opinion as to the exact implications of the said ER decision. In the meantime, licensees will continue to implement maximum prices approved by NERSA prior to the abovementioned ER decision.

- 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. These gaps limit NERSA's power to effectively regulate the piped-gas industry. In particular, there are no checks, balances or restraints on the exercising of the distribution network owner's monopoly power. The gap in the regulatory framework provides an opportunity for the existing owner of distribution infrastructure in South Africa, as well as for potential new entrants into this level of the gas supply chain, to charge excessive tariffs for the use of their infrastructure.

NERSA will continue 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 operationally, thus indirectly affecting the efficient functioning of the broader piped-gas industry.

NERSA intends to review the integrity of certain pipelines that may be too old to run effectively, the maintenance plans regarding such pipelines, and to identify pipelines that may have to be upgraded/renewed. NERSA also intends to conduct targeted

inspections and investigations at specific facilities to resolve the cause of gas supply interruptions at such facilities.

- In the piped-gas industry, Sasol Gas' vertically integrated monopoly / near monopoly remains, and the growth of its competitors in the relevant piped-gas markets remain limited. NERSA conducted an assessment of the inadequacy of competition in the piped-gas industry. It has revealed that there is inadequate competition in the piped-gas industry, and that this is primarily as a result of the lack of availability of new gas supplies in South Africa, the infrastructure required to enable such supplies, together with other factors, such as Sasol Gas' vertically integrated monopoly / near monopoly position throughout the gas supply chain. This negatively affects NERSA's ability to effectively execute its mandate to promote competition in the industry.

The measures within NERSA's mandate to address this matter include:

- Enforcing third party access to Sasol Gas' infrastructure;
- Approving maximum prices and tariffs for gas and the use of gas infrastructure that would serve to facilitate investment in the infrastructure to enable new gas supplies in South Africa;
- Continuing to review and approve where appropriate licences to construct and operate infrastructure required to enable new gas supplies in South Africa. This would also include NERSA's endeavours to assist and provide guidance to licensees / potential licensees regarding requirements to obtain said licenses.
- Continuing to advocate the importance of the need to further develop and progress policy initiatives to alleviate and address the piped-gas supply challenges in South Africa with the Department of Energy. These include the Integrated Energy Plan (IEP), Integrated Resource Plan (IRP), the Gas Utilisation Master Plan (GUMP) and Gas-to-Power Programme, which are all aimed at stimulating the gas industry in South Africa. These projects will likely act as economic and infrastructural catalysts for the further development of gas supplies in South Africa. It will serve to anchor the gas demand required to justify the development of the infrastructure required to import LNG and to transport it to gas customers in South Africa. If successfully executed, these projects may have the



potential to alter the competitive dynamics in the relevant market for the trading of gas to traders, by introducing

### Petroleum Pipelines Industry Regulation

- The suspension of the implementation of the Energy Regulator's Bulk Determination Decision and the lack of progress made to resolve the matter with the Department of Energy (DoE) created uncertainty with stakeholders and licensees. It also impacted negatively on the level of compliance with their licence conditions by the affected licensees. Licensees falling below the bulk threshold that gave their written consent to revoke the licenses (110 licenses affected), subsequently ceased complying with licence conditions due to the expectation that the licences will be revoked. This resulted in decreased compliance levels, which impacts negatively on NERSA's ability to achieve the objectives of the Act.

The Energy Regulator decided to suspend the implementation of the High Court revocation of the 110 Licensees, pending the outcome of engagements with the DoE on the matter. It will however take some time to reach a point where the Energy Regulator needs to decide on revoking its decision via the High Court, or to proceed with the full implementation including revocation of the affected licenses. Pending the discussions, there is nothing that NERSA can do in the short-term. In the long-term, the legislation needs to change to include defining bulk and/or providing NERSA the necessary discretion to decide on a threshold.

- Proof of funding of green fields projects remains a challenge for applicants as well as construction licensees. NERSA cannot grant a licence without the applicant proving that it has the necessary funding or commitments in place, since it is unlawful. One such licence was on condition they submit proof of funding. This was intended to try and facilitate entry by an HDSA applicant to the petroleum products storage sector. This may impact negatively on new entrants/BEE applicants, which has a negative impact on the transformation objective of the Act.

In the long-term, the legislation needs to change to allow flexibility on this requirement and to provide Energy Regulator with the necessary discretion, including defining bulk and/or providing NERSA the necessary discretion to decide on a threshold.

- Third party access to uncommitted storage capacity remains at low levels, mainly due to contracted capacity arrangements and therefore the Energy Regulator embarked on a process to review the methodology to determine uncommitted capacity and to verify the contracts/agreements licensees have in place. Licensees were informed of the changes and that the revised methodology would be implemented on 1 April 2019. The reviewed methodology will be monitored on an ongoing basis. Certain elements of the reviewed methodology were implemented on 9 November 2018 when the Energy Regulator published the list of facilities with uncommitted capacity and this entails a note that when storage access is requested the Energy Regulator is copied on an email in order to monitor the situation. Since the list was published the Energy Regulator has been copied on two occasions and has been able to monitor and facilitate access to petroleum storage, hence the two licensees sent communication offering storage.

The large number of licenced construction activities that remains in the pre-construction phase or are delayed, as a result of amongst others, outstanding approvals from other regulatory authorities, lack of funding or market conditions/final investment decisions. It results in amendments to the licence conditions seeking to extend the timelines, which is a regulatory burden to licensees and place unnecessary pressure on NERSA's resources and processes. In order to alleviate the aforementioned, NERSA will, during pre-licensing state, focus on pre-licensing workshops with applicants and ensure that adequacy screening takes place to avoid applications with missing information are processed. When processing an application for amendment, it allows for extra contingency in terms of time. NERSA will engage with other regulatory authorities, banking institutions and role players and enter into Memoranda of Agreement with such to align processes similar to the TNPA MoU. In the longer term, NERSA will advocate changes to the legislation to reduce regulatory barriers and create an investor friendly environment.

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

On 10 November 2017, Schedule II of the Electricity Regulation Act, 2006 was repealed by the Minister of Energy and replaced with the Licensing Exemption and Registration Notice on Government Gazette No 41237 Vol 629 ('the Notice').

- The Notice requires generation facilities that are not more than 1 MW and co-generation facilities to be registered with NERSA.
- The core of the Notice is that the licensed distributor/ network service provider must assess the requests to operate the facilities within its licensed area for purposes of connecting to its network and approve the connection requests. If the licensed distributor does not approve the connection requests, NERSA cannot register the facilities.
- On 30 October 2018 the Energy Regulator approved the registration procedure, registration application form and the registration certificate template. However the registration fee was not yet approved by the Energy Regulator.
- On 1 March 2019 the Energy Regulator approved the registration application fee of R200.00 per facility.

### 3.2. Organisational environment

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

**Table 3: Organisational challenges and mitigating strategies**

Challenges	Priorities
NERSA needs a thorough audit of available skills and competencies	<ul style="list-style-type: none"> <li>• Review the Human Capital strategy</li> <li>• Develop implementation plan</li> </ul>
Poor work culture	<ul style="list-style-type: none"> <li>• Undertake a culture survey</li> </ul>
Poor and inadequate IT Systems and business processes which do not improve the performance of individuals	<ul style="list-style-type: none"> <li>• Review IT system and business processes including security</li> <li>• Establishment of the Information Technology and Governance Committee (ITGC)</li> </ul>
Business processes: approval of submissions and role players	<ul style="list-style-type: none"> <li>• Implementation of the recommendations of the organisational review process</li> </ul>
Inadequate Organisational systems	<ul style="list-style-type: none"> <li>• Implementation of the recommendations of the organisational review process</li> <li>• Implementation of the quality management standards for NERSA</li> </ul>

### 3.3. Key policy developments and legislative changes

There have been no major changes to relevant policies or legislation that affected NERSA's operations during the 2018/19 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;
- Minerals and Petroleum Resources Development Amendment Bill (MPRDA); 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.

**Table 4: Link between the five strategic outcome-oriented goals and the six programmes**

Strategic Outcome-Oriented Goal	Programme
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

Strategic Outcome-Oriented Goal	Programme
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	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
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	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
	Compliance monitoring and enforcement
To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Compliance monitoring and enforcement
	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 2017/18 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:

*Table 5: Strategic objectives for Programme 1*

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

*Table 6: Strategic objectives for Programme 2*

Programme 2: Licensing and registration	
	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:

*Table 7: Strategic objectives for Programme 3*

Programme 3: Compliance monitoring and enforcement	
	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:

*Table 8: Strategic objectives for Programme 4*

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

**Table 9: Strategic objectives for Programme 5**

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

The following table provides the strategic objectives for the programme:

**Table 10: Strategic objectives for Programme 6**

Programme 6: Establishing NERSA as an efficient and effective regulator	
	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
	To contribute towards the transformation agenda of Government
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 (ELR)

Table 11: Planned targets and actual achievements per ELR strategic objectives

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To ensure financially sustainable supply of electricity by municipalities and private distributors	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application	100% (175/175) of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application.	None	N/A
To facilitate the sustainability of electricity supply by Eskom	1 report on the municipal guidelines and benchmarks for 2018/19 considered by the ER on 28 February 2018	1 report on the proposed guidelines and benchmarks for 2019/20 considered by the ELS/REC by 31 December 2018	1 report on the proposed guidelines and benchmarks for 2019/20 not considered.	-1 report	<p>The report on the proposed guideline and benchmarks for 2019/20 could not be completed due to the fact that this project is dependent on approval of ERTSA, and this is dependent on approval of Eskom's application.</p> <p>Following the finalisation of Eskom's application and the approval ERTSA, the report on the Municipal Guidelines and Benchmarks for 2019/20 will be considered during the first quarter of 2019/20.</p>

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	New target	1 report on the review of Eskom's revenue application for period starting 1 April 2019 considered by ER by 31 December 2018	1 report on the review of Eskom's applications (both RCA & MYPD4) was not considered by ER by 31 December 2018. The ER considered it on 7 March 2019	-1 report	The stated due dates for these two targets were based on the expected submission of Eskom's application by May or June 2018. NERSA needs at least six months after receipt of the application to complete the analysis, the public consultation process and the consideration of the application and recommendations by the Energy Regulator.
	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year approved by the ELS on 28 February 2018 in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year considered by the ELS/REC by 30 November 2018 in line with statutory requirements	1 report on the review of Eskom's on ERTSA for the 2019/20 financial year was not considered by ER by 30 November 2018 in line with statutory requirements. The ER considered it on 13 March 2019	-1 report	<p>The review of the ERTSA submission is dependent on the completion of the review of the MYPD 4.</p> <p>NERSA received Eskom's applications in September 2018, hence these two targets could not be completed within the stated timeframes. It was however completed within the reporting period.</p> <p>It should be noted that NERSA dealt with an unprecedented situation where the RCA's for years 2, 3 and 4 of the MYPD 4 had to be considered. This was the result of these applications being placed on hold due to a court case challenging NERSA's decisions on the RCA Year 1 of the MYPD 3. In addition, Eskom's RCA 5 and the MYPD 4 also had to be analysed and considered by the Energy Regulator.</p>

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) was noted by the REC on 25 October 2017	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the ELS/REC by 31 December 2018	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the REC on 17 September 2018.	None	N/A
	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 was considered by the ELS on 19 June 2017 and approved by the ER on 29 June 2017	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 considered by ELS/REC by 30 June 2018	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 approved by the Energy Regulator on 30 May 2018	None	N/A
<b>Programme 2: Licensing and Registration</b>					
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 considered by the ELS/REC within 120 days from receipt of all required information	100% (84/84) of license applications considered by the ELS within 120 days from receipt of all required information	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
To promote the quality and reliability level of electricity supply	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions noted by the ELS on 5 February 2018	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS on 7 February 2019	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 5 February 2018	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 7 February 2019	None	N/A
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by ELS on 5 February 2018	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS on 7 February 2019	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 5 February 2018, one each for transmission, generation and distribution licensees	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS/REC by 31 March 2019	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 7 February 2019	None	N/A
	1 audit report on the review the annual performance of IDM for 2016/17 considered by the ELS on 15 March 2018	1 audit report on the review the annual performance of IDM for 2017/18 considered by the ELS/REC by 31 March 2019	1 audit report on the review the annual performance of IDM for 2017/18 considered by the ELS on 4 March 2019	None	N/A
	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the ELS on 15 March 2018	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid, considered by the ELS/REC by 31 March 2019 subject to all information available	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid, considered by the ELS by 04 March 2019	None	N/A
	2 monitoring reports on the performance and progress of Renewable Energy projects 2017/18 was considered by the ELS on 28 September 2017 and 15 March 2018 respectively	2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19, considered by the ELS/REC by 30 September 2018 and 31 March 2019 respectively	2 monitoring report on the performance and progress of Renewable Energy projects for 2018/19, considered the ELS on 20 September 2018 and 04 March 2019	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To create a fair balance between the needs of all stakeholders	92% of disputes/complaints received were closed within 180 days from receipt (The planned target was 80%)	85% of disputes/complaints closed within 180 days from receipt	99% (388/390) of disputes/complaints closed within 180 days from receipt.	+14%	Staff involved in dispute resolution undertakes continuous development programs. This has enabled them to handle mediation meetings meticulously.

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
					<p>The legal knowledge of the dispute resolution officers has improved due to accumulated experience. Their knowledge in understanding the electricity processes, the Electricity Act, Municipal By-Laws, and all other related Legislation in the Electricity Industry has increased exponentially.</p> <p>The involvement of lawyers on behalf of the complainants in some instances also contributed to the dispute resolved within the prescribed time frame. The distributors (Eskom, Municipalities and private distributors) are now more cooperative after the intervention of the Public Protector, who refers all electricity related disputes to NERSA. This shows maturity of the electricity supply industry in that NERSA process are now respected.</p>
	1 report on the trends regarding the status of disputes and complaints in the electricity industry was considered by ELS on 5 February 2018.	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the ELS/ REC by 31 March 2019	1 report on the trends regarding to the status of disputes and complaints in the electricity industry was considered by the ELS on 7 February 2019	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry</b>					
To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	74% of applications received from the ESI requiring exemptions to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application (The planned target was 100%)	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of the recommendation from the GCAC	100% (15 of 15) applications for exemption to the South African distribution and transmission grid code was considered by the ELS within 60 days from receipt of complete application.	None	N/A
	14% of applications received from the ESI requiring amendment to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application (The planned target was 100%)	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of the recommendation from the GCAC	100% (1/1) application for amendment to the South African distribution and transmission grid code was considered by ELS within 60 days from receipt of complete application.	None	N/A
	New target	Report on the scope for the review of the South African distribution and transmission grid code considered by ER by 31 March 2019	The Report on the scope for the review of the South African distribution and transmission grid code considered by ER on 27 March 2019	None	N/A
<b>Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)</b>					
To promote Security of Supply	1 System Adequacy Report was considered by ELS on 8 August 2017	1 System Adequacy Report considered by the ELS/REC by 31 March 2019	1 System Adequacy Report considered by the ELS on 20 August 2018	None	N/A



## Piped-Gas Industry Regulation (GAR)

Table 12: Planned targets and actual achievements per GAR strategic objectives

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To provide piped-gas price certainty	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	100% (4/4) of maximum price applications were considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	None	N/A
	100% of trading margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/4) trading margin applications were considered by the ER within 120 days after the date of the publication of preliminary assessment. The 4 trading margin applications for the period 1 July 2018 to 30 June 2019 were approved by the ER on 27 March 2019	-100%	On 6 November 2018, the ER had to consider 4 applications for maximum price, of which the trading margin is a component of. The deliberations of these applications were directed at the recommendation to suspend the basket of alternative energy sources Methodology, due to the criticism levelled against it by the Supreme Court of Appeals. This methodology is applicable to maximum price applications. When the ER reached its conclusion, it decided only to suspend the criticised methodology.
To provide tariff certainty through the approval and monitoring of piped-gas transmission tariffs	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by ER within 120 days after date of publication of preliminary assessment of tariff application	No transmission tariff applications received	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
To provide tariff certainty through the calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	None	N/A
<b>Programme 2: Licensing and Registration</b>					
To ensure orderly development of the piped-gas industry by efficient licensing	100% of licence applications considered by the REC 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 PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (14/14) of license applications received was considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
	New target	100% of applications for licence amendments considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (9/9) of applications for license amendments received were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received.	None	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 PGS within <ul style="list-style-type: none"> <li>60 days from date of receipt of complete application, not requiring publication</li> </ul> OR <ul style="list-style-type: none"> <li>120 days from date of receipt of complete application which need to be published</li> </ul>	100% of registration applications of gas imports and production are processed and considered by the PGS within <ul style="list-style-type: none"> <li>60 days from date of receipt of complete application not requiring publication</li> </ul> OR <ul style="list-style-type: none"> <li>120 days of receipt of complete application which needs to be published</li> </ul>	100% (3/3) of registration applications of gas production not requiring publication was considered by the PGS within 60 days from date of receipt of complete application	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	12 monthly volume balance reports were assessed and considered by the PGS within 60 days from date of receipt of information from Sasol Gas.	12 monthly volume balance reports assessed and analysis reports considered by the PGS within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports were assessed and considered by the Piped-Gas within 60 days from date of receipt of information from Sasol Gas.	None	N/A
	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS on 7 March 2018	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS by 31 March 2019	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS on 19 February 2019	None	N/A
To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	40 inspections conducted, non-compliance notices issued (where necessary) and an inspection report was considered by the PGS (The planned target was 35 inspections)	40 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS	48 inspections conducted, and a preliminary letter of non-compliance was issued and failure to explain and/or rectify will result in a notice of non-compliance being issued and 4 inspection reports considered by the PGS	+8 inspections	While conducting planned inspections in Limpopo, a number of issues were discovered. It was therefore decided to also conduct additional inspections on all the operations of biogas production facilities in the vicinity of the planned ones, one was a newly completed facility and two inspections arose from a revocation of a licences which did not meet the licence condition.
To monitor licensees' compliance with approved transmission tariffs	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas) considered by the PGS	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the PGS by 31 March 2019	3 monitoring reports on the implementation of transmission tariffs by Sasol Gas, Transnet and ROMPCO considered by the PGS on 8 August 2018	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
To monitor licensees' compliance with approved Maximum Prices	1 monitoring report on the implementation of Maximum Prices per 10 licensees (after one year following the approval of the Maximum Price) were considered by the PGS	1 monitoring report on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price considered by the PGS by 31 March 2019	4 monitoring reports on the implementation of Maximum Prices for each of the 9 licensees after one year following the approval of the maximum price considered by the PGS	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To ensure fairness and equity in the piped-gas market	50% complaint investigations completed within 12 months and a report on findings considered by the PGS	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS	No reports on complaint(s) investigations needed to be considered	None	N/A
	100% of initiated investigations were completed within 12 months and a report on findings considered by the PGS	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS	100% (2/2) of initiated investigations completed within 12 months and a report on findings considered by the PGS	None	N/A
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry</b>					
To enhance regulatory certainty in the piped-gas market	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licensees of what type of information was considered as confidential by the Regulator in the past considered by the PGS on 19 February 2018 and published on the website	1 report on the review of the Maximum Pricing Methodology (if deemed necessary) considered by the PGS/REC by 31 March 2019	1 report on gas pricing strategy and formulae in different regional markets with implications to South Africa and an update of review of the Methodology was considered by the PGS on 19 February 2019.	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To engage in the debate on gas policy and legislation	1 report on gas regulatory advocacy considered by the considered by the PGS on 7 November 2018, and the ER on 13 December 2018	1 report on gas regulatory advocacy considered by the PGS by 31 March 2019	1 report on gas Regulatory Advocacy titled the Proposed Further Amendments to Piped Gas Regulations approved by ER on 27 March 2019	None	N/A
To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market	1 report on stakeholder workshops / meetings considered by the PGS on 19 February 2018	1 report on stakeholder workshops / meetings considered by the PGS by 31 March 2019	1 report on stakeholder workshops / meetings considered by the PGS on 25 March 2019 via a round robin process	None	N/A
To ensure an understanding of and monitor new developments in the gas industry	3 reports on new developments in the gas industry considered by the PGS at its meetings on 21 July 2017, 26 January 2018 and 16 March 2018 respectively (The planned target was 2 reports)	2 reports on new developments in the gas industry considered by the PGS by 30 September 2018 and 31 March 2019 respectively	3 reports on new developments in the gas industry considered by PGS on 26 July 2018, 6 December 2018 and 25 March 2019	+1 report	The 3rd report was produced due to major developments in the gas industry that took place in the last quarter of the financial year. These included most significantly the new gas condensate discovery by Total in the Brulpadda well off the shore of Mossel Bay. It was prudent for the PGS to take note of these as soon as possible.

## Petroleum Pipelines Industry Regulation (PLR)

Table 13: Planned targets and actual achievements per PLR strategic objectives

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	100% of storage, loading and pipelines facilities tariff applications were received and considered within 7 months of receipt of complete application (The planned target was 65%)	70% of pipeline, storage and loading facility tariff applications considered by the PPS/ER within 7 months of receipt of complete application	100% (7/7) of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application.	+30%	This is due to the information contained in the tariff applications being adequate which shortened the processing times, as there was no need to constantly liaise with the licensees for additional information.
<b>Programme 2: Licensing and Registration</b>					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	100% of licence applications were approved within 60 days as prescribed in section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within 60 Days under the conditions as prescribed in Section 19(1) of the Petroleum Pipeline Act	100% (1/1) of licence applications were decided upon within 60 days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act.	None	N/A
	4 reports on investigations done into suspected unlicensed activities were considered by the REC	1 <sup>1</sup> report on investigations done into suspected unlicensed activities, considered by the REC by 31 March 2019	1 report on investigations done into suspected unlicensed activities will be, considered by the REC on 25 March 2019	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
To monitor infrastructure utilisation and 3rd party access	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the PPS on 13 September 2017 and 6 March 2018 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by PPS by the 30 September 2018 and 31 March 2019 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access were considered by the PPS on 6 June 2018 and 8 November 2018.	None	N/A

<sup>1</sup> The number of reports was decreased to 1 report per annum due to the fact that the NERSA does not undertake this target that often to do quarterly reporting.



Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	New target	Reviewed methodology to determine uncommitted capacity considered by the relevant Subcommittee by 31 March 2019	1 report on reviewed methodology to determine uncommitted capacity was considered by the PPS on 8 November 2018	None	N/A
To monitor the development of infrastructure	5 progress reports on the construction of new facilities was considered by the PPS 14 June 2017, 21 July 2017, 6 December 2017 and 6 March 2018 respectively (The planned target was 4 reports)	4 quarterly reports on the construction of new facilities if any, considered by the PPS	4 quarterly reports on the construction of new facilities considered by the PPS.	None	N/A
To monitor licensees' compliance with statutory reporting requirements	4 reports on licensees' compliance with statutory reporting requirements considered by the PPS on 14 June 2017, 13 September 2017, 6 December 2017 and 6 March 2018 respectively	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS.	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	No complaints were received during the reporting period	100% of complaints investigated and considered by the PPS/REC within 12 months of receipt	No complaints were received	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry</b>					
To enhance regulatory certainty	No methodology needed to be reviewed. However, on 24 August 2017 the PPS resolved to revert to the Old Tariff Methodology for storage and loading facilities. In a discussion, a discussion document for the Prudency Assessment Criteria was approved by the PPS on 09 November 2017.	Prudency Guidelines considered by the ER by 31 March 2019	The Guidelines for Prudency Assessment was approved by the ER on 29 August 2018	None	N/A
	2 reports on Regulatory Alignment with Transnet National Ports Authority and the Department of Energy submitted to the PPS meetings of 13 September 2017 and 6 March 2018 for noting. (The planned target was 1 report)	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2019	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was considered by the PPS on 5 March 2019.	None	N/A
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To promote Security of Supply	2 reports on the inland supply forecast considered by the PPS on 13 September 2017 and 6 March 2018 respectively	2 reports on the inland supply forecast considered by PPS by 30 September 2018 and 31 March 2019	2 reports on the inland supply forecast was considered by the PPS on 7 August 2018 and on 5 December 2018	None	N/A

## Transversal Regulatory

Table 14: Planned targets and actual achievements per Transversal Regulatory strategic objectives

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To determine the impact of regulatory decisions	Report on regulatory impact assessment approved by REC on 12 March 2018	1 report on regulatory impact assessment considered by the REC by 31 March 2019	1 report on regulatory impact assessment was considered by the REC on 25 March 2019	None	N/A
To benchmark NERSA against recognised world-class regulators	No target planned for 2017/18	1 report on the outcomes of the benchmarking of NERSA, considered by the REC by 31 March 2019	1 report on the outcomes of the benchmarking of NERSA, was considered by the REC on 11 February 2019	None	N/A
	2 progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the by the REC on 24 October 2017 and 12 March 2018 respectively	2 progress reports on the implementation of the Regulatory Reporting Manuals for Nonfinancial and financial information, considered by the REC by 30 September 2018 and 31 March 2019 respectively	2 progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, was considered by the REC on 17 September 2018 and 25 March 2019 respectively	None	N/A
	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 26 February 2018	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2019	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 11 March 2019	None	N/A
To complete the research agenda for the organisation	1 Research Paper on Regulatory challenges associated with cross-border energy infrastructure was approved by REC through a Round Robin Process on 16 November 2017	1 report on research conducted in line with the approved research agenda considered by the REC 31 March 2019	1 report on research conducted in line with the approved research agenda was considered the REC on 11 March 2019.	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	4 quarterly newsletters published	4 quarterly newsletters published	4 newsletters published	None	N/A
	68 stakeholder engagement and education programmes undertaken (The planned target was 45 stakeholder engagement and education programmes)	50 stakeholder engagement and education programmes undertaken by 31 March 2019	60 stakeholder engagements and education programmes conducted.	+ 10 stakeholder engagements and education programmes	<p>NERSA received invitations to conduct the following additional programmes:</p> <ul style="list-style-type: none"> <li>• 4 workshop in KwaZulu-Natal</li> <li>• 1 workshop in Gauteng</li> <li>• 1 workshop in Limpopo</li> <li>• 1 Exhibition in KwaZulu-Natal</li> </ul> <p>NERSA was invited to participate in the Energy Week: Africa in Cape Town and in 1 event in Gauteng and 1 in KwaZulu-Natal.</p>
	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC on 29 May 2017	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 May 2018	1 report considered by REC on 17 September 2018 as part of the environmental scan document.	None	N/A
	New target	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity considered by the Energy Regulator by 30 September 2018	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity was considered by the Energy Regulator of 27 March 2019.	None	N/A

## Organisational

Table 15: Planned targets and actual achievements per Organisational strategic objectives

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To create an efficient and effective world-class organisation	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC on 17 July 2017 and 13 October 2017 respectively	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September 2018 and 31 March 2019 respectively	2 progress reports on the implementation of the Employment Equity Plan have been considered by the HRRC of 17 July in August 2018 and on 22 November 2018.	None	N/A
	New target	50% of women in management positions	52% of women are in management positions	+2%	Two females were appointed as Head of Department and Executive Manager respectively.
	New target	2% of people with disabilities employed	2% of people with disabilities have been employed	None	N/A
	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	4 progress reports on the implementation of the Youth Employment Accord were considered by the HRRC.	None	N/A
	2 reports on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 17 July 2017 and 16 January 2018 respectively – as part of the quarterly reports on Human Resources (The planned target was 1 report)	Annual report on the implementation of the Learnership and Internship Programmes by 31 March 2019	Annual Report on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 16 April 2019.	None	N/A

Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	The proposed NERSA External Bursaries Scheme Procedure for qualifying external applicants was considered by the HRRC on 16 January 2018.	1 progress report on the implementation of the bursary programme for qualifying external applicants considered by the HRRC/REC by 31 March 2019	1 report on the implementation of the bursary programme was considered by a subcommittee of the REC, the Capacity Building Committee on 12 March 2019.	None	N/A
	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A
	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	None	N/A
	New target	NERSA Enterprise Development Plan considered by the ER by 31 March 2019 and relevant black female-owned enterprises identified	The NERSA Enterprise Development Plan was considered by the ER on 27 March 2019	None	N/A
	New target	100% implementation of Preferential Procurement Policy Framework, with ≥80% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	100% implementation of Preferential Procurement Policy Framework, with 97% R86 940/ R90 012) procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	None	N/A



Strategic objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
To position and promote the good image of NERSA	2,3% improvement on the customer and stakeholder perception and satisfaction level (The planned target was 2%)	2% improvement on the customer and stakeholder perception and satisfaction level (baseline is 86.5% and target was 88.5%)	Customer and stakeholder perception and satisfaction level achieved is 89.17%	+0.67%	Customer and stakeholder perception and satisfaction level is a measure of individuals' understanding of their rights and their grasp of the regulation of the Electricity Supply Industry following the completion of customer education programs. The customer and stakeholder perception level of 89.17% is an indication that NERSA's customer education programs are improving the knowledge people in the various communities in respect of electricity regulation. The communities are now more aware of NERSA as the Regulator and they will be able to use the services offered by NERSA such as dispute resolution.
To improve the effectiveness of the financial processes, systems and procedures	NERSA received a clean audit (The planned target was an unqualified audit)	Unqualified audit	Clean audit	None	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	100% (2056/2056) of undisputed invoices were all paid within 30 days	None	N/A
To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy	5 reports on regulatory and policy advocacy considered by the REC and ELS (The target was 4 reports)	4 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	5 reports on legislative and policy developments that might impact on the Regulator, considered by the REC	+1 report	The target was exceeded due to the planned legislative review report coinciding with the amendment of the Labour Laws.

## 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 (ELR)

Table 16: Planned targets and actual achievements per ELR performance indicator

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% 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 considered by the ELS/REC within 60 days of receipt of complete application	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application	100% (175/175) of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application.	None	N/A
Number of reports on the proposed municipal guidelines and benchmarks for the forthcoming financial year considered by the relevant subcommittee	1 report on the municipal guidelines and benchmarks for 2018/19 considered by the ER on 28 February 2018	1 report on the proposed guidelines and benchmarks for 2019/20 considered by the ELS/REC by 31 December 2018	1 report on the proposed guidelines and benchmarks for 2019/20 not considered.	-1 report	<p>The report on the proposed guideline and benchmarks for 2019/20 could not be completed due to the fact that this project is dependent on approval of ERTSA, and this is dependent on approval of Eskom's application.</p> <p>Following the finalisation of Eskom's application and the approval ERTSA, the report on the Municipal Guidelines and Benchmarks for 2019/20 will be considered during the first quarter of 2019/20.</p>

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of reports on the review of Eskom's revenue application for period starting 1 April 2019 considered by ER	New target	1 report on the review of Eskom's revenue application for period starting 1 April 2019 considered by ER by 31 December 2018	1 report on the review of Eskom's applications (both RCA & MYPD4) was not considered by ER by 31 December 2018. The ER considered it on 7 March 2019.	-1 report	The stated due dates for these two targets were based on the expected submission of Eskom's application by May or June 2018. NERSA needs at least six months after receipt of the application to complete the analysis, the public consultation process and the consideration of the application and recommendations by the Energy Regulator.
Numbers of reports on the review of Eskom's submission on the Annual retail tariffs (ERTSA) considered by the relevant subcommittee in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year approved by the ELS on 28 February 2018 in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year considered by the ELS/REC by 30 November 2018 in line with statutory requirements	1 report on the review of Eskom's on ERTSA for the 2019/20 financial year was not considered by ER by 30 November 2018 in line with statutory requirements. The ER considered it on 13 March 2019	-1 report	<p>The review of the ERTSA submission is dependent on the completion of the review of the MYPD 4.</p> <p>NERSA received Eskom's applications in September 2018, hence these two targets could not be completed within the stated timeframes. It was however completed within the reporting period.</p> <p>It should be noted that NERSA dealt with an unprecedented situation where the RCA's for years 2, 3 and 4 of the MYPD 4 had to be considered. This was the result of these applications being placed on hold due to a court case challenging NERSA's decisions on the RCA Year 1 of the MYPD 3. In addition, Eskom's RCA 5 and the MYPD 4 also had to be analysed and considered by the Energy Regulator.</p>

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
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) was noted by the REC on 25 October 2017	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the ELS/REC by 31 December 2018	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the REC on 17 September 2018.	None	N/A
Number of reports on the Free Basic Electricity (FBE) Rate for the compensation of Eskom for implementation on 1 July annually considered by the relevant Subcommittee	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 was considered by the ELS on 19 June 2017 and approved by the ER on 29 June 2017	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 considered by ELS/REC by 30 June 2018	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 approved by the Energy Regulator on 30 May 2018	None	N/A
<b>Programme 2: Licensing and Registration</b>					
% of licence applications considered by the relevant subcommittee 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 considered by the ELS/REC within 120 days from receipt of all required information	100% (84/84) of license applications considered by the ELS within 120 days from receipt of all required information	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of consolidated audit reports on the state of compliance of licensees with license conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions noted by the ELS on 5 February 2018	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS on 7 February 2019	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 5 February 2018	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 7 February 2019	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by ELS on 5 February 2018	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS/REC by 31 March 2019	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS on 7 February 2019	None	N/A
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 ELS on 5 February 2018, one each for transmission, generation and distribution licensees	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS/REC by 31 March 2019	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 7 February 2019	None	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 the annual performance of IDM for 2016/17 considered by the ELS on 15 March 2018	1 audit report on the review the annual performance of IDM for 2017/18 considered by the ELS/REC by 31 March 2019	1 audit report on the review the annual performance of IDM for 2017/18 considered by the ELS on 4 March 2019	None	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 2016/17 projects for compliance with the South African Grid Code, considered by the ELS on 15 March 2018	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid, considered by the ELS/REC by 31 March 2019 subject to all information available	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid, considered by the ELS by 04 March 2019	None	N/A
Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects 2017/18 was considered by the ELS on 28 September 2017 and 15 March 2018 respectively	2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19, considered by the ELS/REC by 30 September 2018 and 31 March 2019 respectively	2 monitoring report on the performance and progress of Renewable Energy projects for 2018/19, considered the ELS on 20 September 2018 and 04 March 2019	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of disputes/complaints closed within stated timelines	92% of disputes/complaints received were closed within 180 days from receipt (The planned target was 80%)	85% of disputes/complaints closed within 180 days from receipt	99% (388/390) of disputes/complaints closed within 180 days from receipt.	+14%	Staff involved in dispute resolution undertakes continuous development programs. This has enabled them to handle mediation meetings meticulously. The legal knowledge of the dispute resolution officers has improved due to accumulated experience. Their knowledge in understanding the electricity processes, the Electricity Act, Municipal By-Laws, and all other related Legislation in the Electricity Industry has increased exponentially. The involvement of lawyers on behalf of the complainants in some instances also contributed to the dispute resolved within the prescribed time frame. The distributors (Eskom, Municipalities and private distributors) are now more cooperative after the intervention of the Public Protector, who refers all electricity related disputes to NERSA. This shows maturity of the electricity supply industry in that NERSA process are now respected.
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 the status of disputes and complaints in the electricity industry was considered by ELS on 5 February 2018.	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the ELS/ REC by 31 March 2019	1 report on the trends regarding to the status of disputes and complaints in the electricity industry was considered by the ELS on 7 February 2019	None	N/A



Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry</b>					
% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	74% of applications received from the ESI requiring exemptions to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application (The planned target was 100%)	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of the recommendation from the GCAC	100% (15 of 15) applications for exemption to the South African distribution and transmission grid code was considered by the ELS within 60 days from receipt of complete application.	None	N/A
% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant Subcommittee within 60 days from receipt of application	14% of applications received from the ESI requiring amendment to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application (The planned target was 100%)	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of the recommendation from the GCAC	100% (1/1) application for amendment to the South African distribution and transmission grid code was considered by ELS within 60 days from receipt of complete application.	None	N/A
Number of reports on the scope for the review of the South African distribution and transmission grid code considered by ER within stated timeline	New target	Report on the scope for the review of the South African distribution and transmission grid code considered by ER by 31 March 2019	The Report on the scope for the review of the South African distribution and transmission grid code considered by ER on 27 March 2019	None	N/A
<b>Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)</b>					
Number of System Adequacy Reports considered by the relevant subcommittee	1 System Adequacy Report was considered by ELS on 8 August 2017	1 System Adequacy Report considered by the ELS/REC by 31 March 2019	1 System Adequacy Report considered by the ELS on 20 August 2018	None	N/A

## Detailed information regarding the actual performance regarding the Programmes 1, 2, 4 and 5

### *Programme 1: Pricing and Tariffs*

For the review period, 175 of tariff applications of licensed distributors were approved.

### *Programme 2: Licensing and Registration*

- Generation licences were granted to the following:
  - Darling Wind Power (Pty)
  - Kouga Wind Farm (Pty) Ltd
  - Dorper Wind Farm (RF) (Pty) Ltd
  - Electrawinds Africa and Indian Ocean Island (Pty) Ltd
  - ACED Renewables Hidden Valley (Pty) Ltd
  - Nxuba wind farm (RF) (Pty) Ltd
  - Soetwater wind farm (Pty) Ltd
  - Garobe wind farm (RF) (Pty) Ltd
  - Oysterbay wind farm (RF) (Pty) Ltd
  - Zolograph Investments (RF) (Pty) Ltd
  - Zevobuzz (Pty) Ltd
  - Kaxu solar one (RF) (Pty) Ltd
  - South Africa Mainstream Renewable power Kangnas (Pty) Ltd [61 days]
  - South Africa Mainstream Renewable power Perdekraal East (Pty) Ltd
  - Augrabies Solar PV1 (Pty) Ltd
  - Scuitdrift Solar Project (Pty) Ltd
  - Roma Energy Danielskuil (Pty) Ltd
  - Capella Solar PV Project (Pty) Ltd
  - Keren Energy Kakamas (Pty) Ltd
  - Keren Energy Disselfontein (Pty) Ltd
  - Keren Energy Keimoes (Pty) Ltd
  - Roma Energy Mount Roper (Pty) Ltd
  - Castor Solar PV Project (Pty) Ltd
- Khoi-Sun Development (Pty) Ltd
- L'Ormarins (Pty) Ltd
- ACWA Power SolarReserve Redstone Solar Thermal Power Plant (RF) (Pty) Ltd
- Solar Capital Orange (Pty) Ltd
- Droogfontein 2 Solar (Pty) Ltd and Solar Capital Orange (Pty) Ltd
- Zolograph Investments (RF) (Pty) Ltd
- Bokamoso Energy (RF) (Pty) Ltd
- RE Capital 2 (Pty) Ltd
- Greefspan PV Power Plant No. 2 (RF) (Pty)
- DPS79 Solar Energy (RF) (Pty) Ltd
- Tongaat Hulett Sugar South Africa Ltd
- Distribution licences were granted to the following:
  - Application by City of Cape Town Metropolitan Municipality (CoCT) to include Mooiberge Development, situated within portion 28 and 91 of farm 222, into its electricity distribution license
  - Application by Ndlambe Local Municipality (NLM) to include Alexandria Town and River View Estate into its electricity distribution license
  - Ditsobotla Local Municipality
  - Kgetleng Local Municipality
  - Naledi Local Municipality
  - Greater Taung Local Municipality
  - Lekwa-Teemane Local Municipality
  - Maamusa Local Municipality
  - City of Matlosana Local Municipality
  - Maquassi Hills Local Municipality
  - Govan Mbeki Local Municipality
  - Dipaleseng Local Municipality
  - Lekwa Local Municipality
  - Mkhondo Local Municipality
  - Inxuba Yethemba Local Municipality
  - Beaufort Local Municipality

- Bitou Local Municipality
- Breede Valley Local Municipality
- Laingsburg Local Municipality
- Langeberg Local Municipality
- Oudtshoorn Local Municipality
- Prince Albert Local Municipality
- Kou-Kamma Local Municipality
- Inxuba Yethemba Local Municipality
- Lesedi Local Municipality
- Lephhalale Local Municipality
- Trading licences were granted to the following:
  - PowerX (Pty) Ltd
  - ACED Renewables Hidden Valley (Pty) Ltd
- Amendments to the following distribution licences were approved:
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of George Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Cape Agulhas Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Hessequa Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Kannaland Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Knysna Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Mossel Bay Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Overstrand Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Swellendam Local municipality
  - Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of

Theewaterskloof Local municipality

- Application by Nkomazi Local Municipality to amend its electricity distribution license to cede Mzinti RDP into Eskom's area of electricity supply
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Bela-Bela Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Thabazimbi Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Mantsopa Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Maluti a Phofung Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Nala Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Masilonyana Local municipality
- Amendment of Electricity Distribution License Schedule 1 (List of Supply Areas) of Mathjabeng Local municipality

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

- NERSA received 381 electricity-related complaints/disputes, excluding enquiries received via the website, email, telephone, fax as well as walk-ins. Of these cases, 92% (335) were successfully resolved.
- 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.

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

- A total of 15 applications for exemption from the South African distribution and transmission grid code and the Network Code were granted and 1 application for the amendment of the Grid Code were approved.

## Piped-Gas Industry Regulation (GAR)

Table 17: Planned targets and actual achievements per GAR performance indicator

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	100% (4/4) of maximum price applications were considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	None	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 margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/4) trading margin applications were considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	On 6 November 2018, the ER had to consider 4 applications for maximum price, of which the trading margin is a component of. The deliberations of these applications were directed at the recommendation to suspend the basket of alternative energy sources Methodology, due to the criticism levelled against it by the Supreme Court of Appeals. This methodology is applicable to maximum price applications. When the ER reached its conclusion, it decided only to suspend the criticised methodology.
% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by ER within 120 days after date of publication of preliminary assessment of tariff application	No transmission tariff applications received	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	None	N/A
<b>Programme 2: Licensing and Registration</b>					
% 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 REC 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 PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (9/9) of license applications received was considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
% of applications for licence amendments considered by the PGS/REC within - <ul style="list-style-type: none"> <li>60 days from date of close of public comment period or period of applicant's response to objections received</li> </ul> OR <ul style="list-style-type: none"> <li>90 days from date of receipt of complete application, not requiring publication for comment</li> </ul>	New target	100% of applications for licence amendments considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (9/9) of applications for license amendments received were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received.	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within <ul style="list-style-type: none"> <li>60 days from date of receipt of complete application not requiring publication</li> </ul> OR <ul style="list-style-type: none"> <li>90 days of receipt of complete application which need to be published</li> </ul>	100% of registration applications of gas imports and production are processed and considered by the PGS within <ul style="list-style-type: none"> <li>60 days from date of receipt of complete application, not requiring publication</li> </ul> OR <ul style="list-style-type: none"> <li>120 days from date of receipt of complete application which need to be published</li> </ul>	100% of registration applications of gas imports and production are processed and considered by the PGS within <ul style="list-style-type: none"> <li>60 days from date of receipt of complete application not requiring publication</li> </ul> OR <ul style="list-style-type: none"> <li>120 days of receipt of complete application which needs to be published</li> </ul>	100% (3/3) of registration applications of gas production not requiring publication was considered by the PGS within 60 days from date of receipt of complete application	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly volume balance reports were assessed and considered by the PGS within 60 days from date of receipt of information from Sasol Gas.	12 monthly volume balance reports assessed and analysis reports considered by the PGS within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports were assessed and considered by the Piped-Gas within 60 days from date of receipt of information from Sasol Gas.	None	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	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS on 7 March 2018	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS by 31 March 2019	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS on 19 February 2019	None	N/A



Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	40 inspections conducted, non-compliance notices issued (where necessary) and an inspection report was considered by the PGS (The planned target was 35 inspections)	40 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS	48 inspections conducted, and a preliminary letter of non-compliance was issued and failure to explain and/or rectify will result in a notice of non-compliance being issued and 4 inspection reports considered by the PGS	+8 inspections	While conducting planned inspections in Limpopo, a number of issues were discovered. It was therefore decided to also conduct additional inspections on all the operations of biogas production facilities in the vicinity of the planned ones, one was a newly completed facility and two inspections arose from a revocation of a licences which did not meet the licence condition.
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 each for ROMPCO, Transnet and Sasol Gas) considered by the PGS	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the PGS by 31 March 2019	3 monitoring reports on the implementation of transmission tariffs by Sasol Gas, Transnet and ROMPCO considered by the PGS on 8 August 2018	None	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 per 10 licensees (after one year following the approval of the Maximum Price) were considered by the PGS	1 monitoring report on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price considered by the PGS by 31 March 2019	4 monitoring reports on the implementation of Maximum Prices for each of the 9 licensees after one year following the approval of the maximum price considered by the PGS	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% complaint investigations completed within 12 months and a report on findings considered by the PGS	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS	No reports on complaint(s) investigations needed to be considered	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	100% of initiated investigations were completed within 12 months and a report on findings considered by the PGS	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS	100% (2/2) of initiated investigations completed within 12 months and a report on findings considered by the PGS	None	N/A
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry</b>					
Tariff and pricing methodologies and guidelines reviewed (if deemed necessary)	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licensees of what type of information was considered as confidential by the Regulator in the past considered by the PGS on 19 February 2018 and published on the website	1 report on the review of the Maximum Pricing Methodology (if deemed necessary) considered by the PGS/REC by 31 March 2019	1 report on gas pricing strategy and formulae in different regional markets with implications to South Africa and an update of review of the Methodology was considered by the PGS on 19 February 2019.	None	N/A
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on gas regulatory advocacy considered by the relevant Subcommittee	1 report on gas regulatory advocacy considered by the considered by the PGS on 7 November 2018, and the ER on 13 December 2018	1 report on gas regulatory advocacy considered by the PGS by 31 March 2019	1 report on gas Regulatory Advocacy titled the Proposed Further Amendments to Piped Gas Regulations approved by ER on 27 March 2019	None	N/A
Number of reports on stakeholder workshops / meetings considered by the relevant Subcommittee	1 report on stakeholder workshops / meetings considered by the PGS on 19 February 2018	1 report on stakeholder workshops / meetings considered by the PGS by 31 March 2019	1 report on stakeholder workshops / meetings considered by the PGS on 25 March 2019 via a round robin process	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of reports on new developments in the gas industry considered by the relevant Subcommittee	3 reports on new developments in the gas industry considered by the PGS at its meetings on 21 July 2017, 26 January 2018 and 16 March 2018 respectively (The planned target was 2 reports)	2 reports on new developments in the gas industry considered by the PGS by 30 September 2018 and 31 March 2019 respectively	3 reports on new developments in the gas industry considered by PGS on 26 July 2018, 6 December 2018 and 25 March 2019	+1 report	The 3rd report was produced due to major developments in the gas industry that took place in the last quarter of the financial year. These included most significantly the new gas condensate discovery by Total in the Brulpadda well off the shore of Mossel Bay. It was prudent for the PGS to take note of these as soon as possible.

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

### Programme 1: Pricing and Tariffs

- The maximum price and trading margin applications of the following licensees were approved:
  - Sasol Gas (Pty) Ltd
  - EVRAZ Highsteel and Vanadium SLG (Pty) Ltd
  - SL CNG (Pty) Ltd
  - Reatile Gastrade maximum price of gas
- Four calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules were considered.

### Programme 2: Licensing and Registration

- The license applications of the following licensees were approved:
  - Egoli Gas (Pty) Ltd application to trade in gas in Gauteng province;
  - Egoli Gas (Pty) Ltd application to trade in gas in KwaZulu-Natal province;
  - Sasol Gas Ltd application for a licence to construct a distribution facility (Wadeville);
  - Reatile Gastrade's application for a licence to construct a gas transmission facility (Wadeville);
  - Sasol Gas' application for a licence to construct a gas distribution facility (Benoni);
  - Sasol Gas' application for a licence to construct a gas transmission facility (Nigel);
  - Reatile Gastrade's application for a licence to operate a gas transmission facility (Langlaagte);
  - Sasol Gas' application a licence to construct a gas transmission facility (Kliprivier); and
  - Scaw Metals SA (Pty) Ltd's application for a licence to trade in gas in the Gauteng province.
- The following applications to revoke licenses were approved:
  - Novo Energy (Pty) Ltd application to revoke a licence to operate a gas storage facility (McFarlane) (Gala.s.F3/1484/2011)
  - Sasol Gas Ltd application to revoke a licence for conversion a transmission facility into a distribution facility; (Gala.t.F2/147/2011);

- Sasol Gas Ltd application to revoke a licence operation of a gas distribution facility; (Gala.d.F3/1517/2014);
- Sasol Gas Ltd's application to revoke a licence for construction of a gas distribution facility (Gala.d.F1/1489/2011); and
- Sasol Gas Ltd's application to revoke a licence to trade gas; (Gala.tr.F1/1519/2014) in Phoenix, KwaZulu-Natal province.
- The following applications to amend license conditions were approved:
  - Reatile Gastrade (Pty) Ltd application to amend the conditions of a licence to trade in gas in Gauteng province;
  - Reatile Gastrade (Pty) Ltd application to amend the conditions of a licence to trade in gas in KwaZulu-Natal province;
  - Reatile Gastrade (Pty) Ltd application to amend the conditions of a licence to trade in gas Gauteng province;
  - Sasol Gas' application for the amendment of a licence to trade in gas in the KwaZulu-Natal province (Umgeni) (Gala.tr.F1/1466-1471/2009);
  - Sasol Gas' application for amendment of license conditions relating to the operation of a gas transmission facility (Wadeville) (Gala.t.F3/1419/2008);
  - Sasol Gas' application for amendment of license conditions relating to trading in gas in the Gauteng, Free State and Mpumalanga provinces (Gala.tr.F1/1421/2008);
  - Sasol Gas' application for the amendment of a licence to operate a gas transmission facility in the KwaZulu-Natal province (Umgeni);
  - Sasol Gas' application for the amendment of a licence to operate a gas transmission facility (Kliprivier); and
  - Sasol Gas' application for the amendment of a licence to trade in gas in Gauteng province.

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

- NERSA investigated and reported on the following:
  - Gas supply interruptions on Sasol Gas' facility in the Secunda-Witbank-Middleburg transmission; and
  - Gas supply interruptions on Sasol Gas' facility in the Alrode-Westrand-Krugerdsorp transmission pipeline.

## Petroleum Pipelines Industry Regulation (PLR)

Table 18: Planned targets and actual achievements per PLR performance indicator

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	100% of storage, loading and pipelines facilities tariff applications were received and considered within 7 months of receipt of complete application (The planned target was 65%)	70% of pipeline, storage and loading facility tariff applications considered by the PPS/ER within 7 months of receipt of complete application	100% (7/7) of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application.	+30%	This is due to the information contained in the tariff applications being adequate which shortened the processing times, as there was no need to constantly liaise with the licensees for additional information.
<b>Programme 2: Licensing and Registration</b>					
% 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 were approved within 60 days as prescribed in section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within 60 Days under the conditions as prescribed in Section 19(1) of the Petroleum Pipeline Act	100% (1/1) of licence applications were decided upon within 60 days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act.	None	N/A
Number of reports on investigations done into suspected unlicensed activities considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities were considered by the REC	<sup>2</sup> report on investigations done into suspected unlicensed activities, considered by the REC by 31 March 2019	1 report on investigations done into suspected unlicensed activities will be, considered by the REC on 25 March 2019	None	N/A

2 The number of reports was decreased to 1 report per annum due to the fact that the NERSA does not undertake this target that often to do quarterly reporting.

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of 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 PPS on 13 September 2017 and 6 March 2018 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by PPS by the 30 September 2018 and 31 March 2019 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access were considered by the PPS on 6 June 2018 and 8 November 2018.	None	N/A
Reviewed methodology to determine uncommitted capacity considered by the relevant Subcommittee	New target	Reviewed methodology to determine uncommitted capacity considered by the relevant Subcommittee by 31 March 2019	1 report on reviewed methodology to determine uncommitted capacity was considered by the PPS on 8 November 2018	None	N/A
Number of reports on the construction of new facilities, considered by the relevant Subcommittee	5 progress reports on the construction of new facilities was considered by the PPS 14 June 2017, 21 July 2017, 6 December 2017 and 6 March 2018 respectively (The planned target was 4 reports)	4 quarterly reports on the construction of new facilities if any, considered by the PPS	4 quarterly reports on the construction of new facilities considered by the PPS.	None	N/A
Number of reports on licensees' compliance with statutory reporting requirements considered by the relevant Subcommittee	4 reports on licensees' compliance with statutory reporting requirements considered by the PPS on 14 June 2017, 13 September 2017, 6 December 2017 and 6 March 2018 respectively	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS.	None	N/A



Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of complaints investigated and considered by the relevant subcommittee within 12 months of receipt	No complaints were received during the reporting period	100% of complaints investigated and considered by the PPS/REC within 12 months of receipt	No complaints were received	None	N/A
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry</b>					
Reviewed Prudency Guidelines considered by the relevant structure	No methodology needed to be reviewed. However, on 24 August 2017 the PPS resolved to revert to the Old Tariff Methodology for storage and loading facilities. In a discussion, a discussion document for the Prudency Assessment Criteria was approved by the PPS on 09 November 2017.	Prudency Guidelines considered by the ER by 31 March 2019	The Guidelines for Prudency Assessment was approved by the ER on 29 August 2018	None	N/A
Number of reports on contributions towards alignment between relevant Petroleum legislation and regulations and government policies considered by the relevant subcommittee	2 reports on Regulatory Alignment with Transnet National Ports Authority and the Department of Energy submitted to the PPS meetings of 13 September 2017 and 6 March 2018 for noting. (The planned target was 1 report)	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2019	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was considered by the PPS on 5 March 2019.	None	N/A
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on the inland supply forecast considered by the relevant subcommittee	2 reports on the inland supply forecast considered by the PPS on 13 September 2017 and 6 March 2018 respectively	2 reports on the inland supply forecast considered by PPS by 30 September 2018 and 31 March 2019	2 reports on the inland supply forecast was considered by the PPS on 7 August 2018 and on 5 December 2018	None	N/A

## Detailed information regarding the actual performance regarding the Programmes 1 and 2

### *Programme 1: Pricing and Tariffs*

- The following pipeline tariff applications were approved:
  - Transnet SOC Limited's Petroleum Pipelines System Tariff Application for the 2019/20 Financial Year
  - Sasol Oil NATREF Integrated (SNI) (Pty) Ltd's tariff application for the pipeline facility at Secunda.
  
- The following storage tariff applications were approved:
  - Automotive Gas Oil (Pty) Ltd for storage facility at Krugersdorp
  - Engen Petroleum Limited, Chevron South Africa (Pty) Ltd and BP Southern Africa (Pty) Ltd's tariff applications for the storage facilities in Witbank and Rustenburg
  - Sasol Oil (Pty) Ltd's tariff application for the storage facility at Secunda
  - Sasol Oil and BPSA (Pty) Ltd's tariff application for the storage facility at Alrode.

### *Programme 2: Licensing and Registration*

- The following application for a construction licence were approved:
  - Sasol Oil (Pty) Ltd for the construction of petroleum pipelines in Island View

## Transversal Regulatory

Table 19: Planned targets and actual achievements per Transversal Regulatory performance indicator

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on regulatory impact assessment considered by the relevant subcommittee	Report on regulatory impact assessment approved by REC on 12 March 2018	1 report on regulatory impact assessment considered by the REC by 31 March 2019	1 report on regulatory impact assessment was considered by the REC on 25 March 2019	None	N/A
Number of reports on the outcomes of the benchmarking of NERSA, considered by the relevant subcommittee	No target planned for 2017/18	1 report on the outcomes of the benchmarking of NERSA, considered by the REC by 31 March 2019	1 report on the outcomes of the benchmarking of NERSA, was considered by the REC on 11 February 2019	None	N/A
Number of progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the relevant subcommittee	2 progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the by the REC on 24 October 2017 and 12 March 2018 respectively	2 progress reports on the implementation of the Regulatory Reporting Manuals for Nonfinancial and financial information, considered by the REC by 30 September 2018 and 31 March 2019 respectively	2 progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, was considered by the REC on 17 September 2018 and 25 March 2019 respectively	None	N/A
Number of progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the relevant subcommittee	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 26 February 2018	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2019	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 11 March 2019	None	N/A
Number of reports on research conducted in line with the approved research agenda considered by the relevant Subcommittee	1 Research Paper on Regulatory challenges associated with cross-border energy infrastructure was approved by REC through a Round Robin Process on 16 November 2017	1 report on research conducted in line with the approved research agenda considered by the REC 31 March 2019	1 report on research conducted in line with the approved research agenda was considered the REC on 11 March 2019.	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of published quarterly newsletters	4 quarterly newsletters published	4 quarterly newsletters published	4 newsletters published	None	N/A
Number of stakeholder engagement and education programmes conducted	68 stakeholder engagement and education programmes undertaken (The planned target was 45 stakeholder engagement and education programmes)	50 stakeholder engagement and education programmes undertaken by 31 March 2019	60 stakeholder engagements and education programmes conducted.	+ 10 stakeholder engagements and education programmes	<p>NERSA received invitations to conduct the following additional programmes:</p> <ul style="list-style-type: none"> <li>• 4 workshop in KwaZulu-Natal</li> <li>• 1 workshop in Gauteng</li> <li>• 1 workshop in Limpopo</li> <li>• 1 Exhibition in KwaZulu-Natal</li> </ul> <p>NERSA was invited to participate in the Energy Week: Africa in Cape Town and 1 event in Gauteng and 1 in KwaZulu-Natal.</p>
Number of reports on the impact of global, regional and local energy trends on NERSA's business considered by the relevant subcommittee	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC on 29 May 2017	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 May 2018	1 report considered by REC on 17 September 2018 as part of the environmental scan document.	None	N/A
NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect ownership and equity considered by the Energy Regulator	New target	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity considered by the Energy Regulator by 30 September 2018	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity was considered by the Energy Regulator of 27 March 2019.	None	N/A

## Organisational

Table 20: Planned targets and actual achievements per Organisational performance indicator

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of progress reports on the implementation of the Employment Equity Plan considered by the relevant subcommittee	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC on 17 July 2017 and 13 October 2017 respectively	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September 2018 and 31 March 2019 respectively	2 progress reports on the implementation of the Employment Equity Plan have been considered by the HRRC of 17 July in August 2018 and on 22 November 2018.	None	N/A
% of women in management positions	New target	50% of women in management positions	52% of women are in management positions	+2%	Two females were appointed as Head of Department and Executive Manager respectively.
% of people with disabilities employed	New target	2% of people with disabilities employed	2% of people with disabilities have been employed	None	N/A
Number of progress reports on the implementation of the Youth Employment Accord considered by the relevant subcommittee	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	4 progress reports on the implementation of the Youth Employment Accord were considered by the HRRC.	None	N/A
Number of reports on the implementation of the Learnership and Internship Programmes by 31 March	2 reports on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 17 July 2017 and 16 January 2018 respectively – as part of the quarterly reports on Human Resources (The planned target was 1 report)	Annual report on the implementation of the Learnership and Internship Programmes by 31 March 2019	Annual Report on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 16 April 2019.	None	N/A

Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of progress report on the implementation of the bursary programme for qualifying external applicants considered by the relevant subcommittee	The proposed NERSA External Bursaries Scheme Procedure for qualifying external applicants was considered by the HRRC on 16 January 2018.	1 progress report on the implementation of the bursary programme for qualifying external applicants considered by the HRRC/REC by 31 March 2019	1 report on the implementation of the bursary programme was considered by a subcommittee of the REC, the Capacity Building Committee on 12 March 2019.	None	N/A
Number of progress reports on the implementation of the recommendations from the comprehensive Information and Communication Technology (ICT) systems review considered by the relevant Subcommittee	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A
Number of progress reports on the progress made regarding obtaining ISO certification considered by the relevant Subcommittee	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	None	N/A
NERSA Enterprise Development Plan considered by the ER by 31 March 2019 and relevant black female-owned enterprises identified	New target	NERSA Enterprise Development Plan considered by the ER by 31 March 2019 and relevant black female-owned enterprises identified	The NERSA Enterprise Development Plan was considered by the ER on 27 March 2019	None	N/A
% implementation of Preferential Procurement Policy Framework, with % procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	New target	100% implementation of Preferential Procurement Policy Framework, with ≥80% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	100% implementation of Preferential Procurement Policy Framework, with 97% R86 940/ R90 012) procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	None	N/A



Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
% improvement on the customer and stakeholder perception and satisfaction level	2,3% improvement on the customer and stakeholder perception and satisfaction level (The planned target was 2%)	2% improvement on the customer and stakeholder perception and satisfaction level (baseline is 86.5% and target was 88.5%)	Customer and stakeholder perception and satisfaction level achieved is 89.17%	+0.67%	Customer and stakeholder perception and satisfaction level is a measure of individuals' understanding of their rights and their grasp of the regulation of the Electricity Supply Industry following the completion of customer education programs. The customer and stakeholder perception level of 89.17% is an indication that NERSA's customer education programs are improving the knowledge people in the various communities in respect of electricity regulation. The communities are now more aware of NERSA as the Regulator and they will be able to use the services offered by NERSA such as dispute resolution.
Result of annual audit	NERSA received a clean audit (The planned target was an unqualified audit)	Unqualified audit	Clean audit	None	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	100% (2056/2056) of undisputed invoices were all paid within 30 days	None	N/A
Number of reports on legislative and policy developments impacting on the Regulator, considered by the relevant Subcommittee	5 reports on regulatory and policy advocacy considered by the REC and ELS (The target was 4 reports)	4 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	5 reports on legislative and policy developments that might impact on the Regulator, considered by the REC	+1 report	The target was exceeded due to the planned legislative review report coinciding with the amendment of the Labour Laws.

### Strategy to overcome areas of under performance

The one target that were not met was because the report on the proposed municipal guidelines and benchmarks for 2019/20 was not considered by the REC by 31 December 2018. The reason was because this project is dependent on approval of the ERTSA, which in turn is dependent on approval of Eskom's application. Eskom's application was received late which delayed the related targets. This resulted in the proposed municipal guidelines and benchmarks for 2019/20 not being considered in the 2018/10 reporting period.

### Changes to planned targets

No changes were made to the planned targets.

### Linking performance with budgets

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

#### Electricity Industry Regulation (ELR)

Table 21: Link between planned targets per programme and the financial resources for ELR

Programme	2018/19			2017/18		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
<b>Programme 1:</b> Setting and/or approval of tariffs and prices	21 785 713	22 710 394	(924 682)	30 471 128	25 692 628	4 778 501
<b>Programme 2:</b> Licensing and Registration	18 376 606	17 327 389	1 049 216	12 257 266	12 389 185	(131 919)
<b>Programme 3:</b> Compliance monitoring and enforcement	25 467 012	25 453 493	13 519	9 588 008	9 519 716	68 292
<b>Programme 4:</b> Dispute resolution including mediation, arbitration and the resolution of complaints	14 937 420	14 108 657	828 763	9 588 008	9 519 716	68 292
<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the electricity industry	5 936 063	5 870 564	65 499	14 198 382	15 633 404	(1 435 022)
<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	108 139 690	89 997 825	18 141 864	99 440 027	95 585 884	3 854 143
<b>Total Electricity</b>	<b>194 642 503</b>	<b>175 494 959</b>	<b>19 146 544</b>	<b>175 542 820</b>	<b>168 340 533</b>	<b>7 202 287</b>

## Piped-Gas Industry Regulation (GAR)

Table 22: Link between planned targets per programme and the financial resources for GAR

Programme	2018/19			2017/18		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
<b>Programme 1:</b> Setting and/or approval of tariffs and prices	15 593 783	10 149 191	5 444 592	13 861 648	9 706 415	4 155 232
<b>Programme 2:</b> Licensing and Registration	7 571 541	7 507 429	64 111	5 297 367	4 841 444	455 923
<b>Programme 3:</b> Compliance monitoring and enforcement	7 571 541	7 507 429	64 111	5 297 367	4 841 444	455 923
<b>Programme 4:</b> Dispute resolution including mediation, arbitration and the resolution of complaints	5 640 822	5 441 466	199 356	4 822 843	4 369 931	452 913
<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the piped-gas industry	1 892 194	1 899 194	(7 000)	1 975 700	1 540 849	434 852
<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	39 154 028	37 929 357	1 224 671	36 004 148	36 117 929	(113 781)
<b>Total Piped-Gas</b>	<b>77 423 909</b>	<b>70 444 012</b>	<b>6 979 897</b>	<b>67 259 074</b>	<b>61 418 012</b>	<b>5 841 062</b>

## Petroleum Pipelines Industry Regulation (PPR)

Table 23: Link between planned targets per programme and the financial resources for PPR

Programme	2018/19			2017/18		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
<b>Programme 1:</b> Setting and/or approval of tariffs and prices	11 635 100	9 073 428	2 561 672	11 367 693	10 091 223	1 276 470
<b>Programme 2:</b> Licensing and Registration	6 245 204	3 334 149	2 911 055	4 700 065	2 444 762	2 255 303
<b>Programme 3:</b> Compliance monitoring and enforcement	6 245 204	3 334 149	2 911 055	4 700 065	2 444 762	2 255 303
<b>Programme 4:</b> Dispute resolution including mediation, arbitration and the resolution of complaints	4 189 053	2 023 063	2 165 990	4 700 065	2 444 762	2 255 303
<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	2 132 903	711 978	1 420 925	1 500 262	763 332	736 930
<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	39 154 029	34 509 322	4 644 706	36 004 148	31 804 157	4 199 991
<b>Total Petroleum Pipelines</b>	<b>69 601 492</b>	<b>52 955 358</b>	<b>16 646 134</b>	<b>62 972 297</b>	<b>49 992 998</b>	<b>12 979 300</b>

## Total NERSA

Table 23: Link between planned targets per programme and the financial resources for NERSA

Programme	2018/19			2017/18		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
<b>Programme 1:</b> Setting and/or approval of tariffs and prices	49 014 595	41 933 014	7 081 582	55 700 469	45 490 266	10 210 203
<b>Programme 2:</b> Licensing and Registration	32 193 350	28 168 967	4 024 383	22 254 698	19 675 391	2 579 307
<b>Programme 3:</b> Compliance monitoring and enforcement	39 283 757	36 295 071	2 988 686	19 585 440	16 805 922	2 779 518
<b>Programme 4:</b> Dispute resolution including mediation, arbitration and the resolution of complaints	24 767 295	21 573 186	3 194 109	19 110 916	16 334 408	2 776 508
<b>Programme 5:</b> Setting of rules, guidelines and codes for the regulation of the electricity, piped-gas and petroleum pipelines industries	9 961 159	8 481 736	1 479 423	17 674 344	17 937 585	(263 241)
<b>Programme 6:</b> Establishing NERSA as an efficient and effective regulator	162 436 504	162 443 354	24 011 242	171 448 324	163 507 971	7 940 358
<b>Total NERSA</b>	<b>298 888 479</b>	<b>42 779 424</b>	<b>42 772 575</b>	<b>305 774 191</b>	<b>279 751 543</b>	<b>26 022 649</b>

## 5. SUMMARY OF FINANCIAL INFORMATION

### 5.1. Revenue Collection

Table 23: 2018/19 Revenue Collection

Sources of Revenue	2018/19			2017/18		
	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)
Licence fees from Electricity	194 487 085	191 610 857	(2 876 228)	177 563 453	181 987 841	4 424 388
Levies from Piped-Gas	69 355 644	65 190 908	(4 164 736)	57 878 841	56 530 360	(1 348 481)
Levies from Petroleum Pipelines	68 321 736	69 548 472	1 226 736	67 062 657	64 112 731	(2 949 926)
<b>Total</b>	<b>332 164 465</b>	<b>326 350 237</b>	<b>5 814 228</b>	<b>302 504 951</b>	<b>302 630 932</b>	<b>125 981</b>

#### Licence fees from the Electricity Industry

The license fees for the electricity industry were invoiced based on actual volumes of 224 805 GWh against total budgeted volumes of 228 180 GWh. The difference in volumes is 3 375 GWh, which translates to under-recovery of levies by R2 876 228 (1.5 %).

#### Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 177 075 515 GJ against budgeted volumes of 188 388 024 GJ. The variation in volumes is 11 312 509 GJ, which translates to an under-recovery of levies by R4 164 736 (6.0%).

#### Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 17 976 072 Kl against budgeted volumes of 17 659 000 Kl. The variation in volumes is 317 072 Kl, which translates to an over-recovery of levies by R 1226 736 (1.8%).

### 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

In 2016/17 the Energy Regulator approved a cap of R70 million to be utilised on the refurbishment of Kulawula House. A budget of R40 million was provided for in 2017/18 with the remaining R30 million being allocated in 2018/19. Actual expenditure for 2017/18 amounted to R29,67 million while R23.9 million was spent in 2018/19. Due to the liquidation of the previous main contractor, the project duration was extended. During 2018/19 the Energy Regulator approved an increase to the budget for the refurbishment project from R70 million to R79 million. An allocation of R16 million was made in the 2019/20 financial year to complete the project.

Table 24: Capital Investment, maintenance and asset management plan

Infrastructure projects	2018/19			2017/18		
	Budget (R'000)	Actual Expenditure (R'000)	(Over)/ Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/ Under Expenditure (R'000)
Land	-	-	-	-	-	-
Building improvements	30 000	23 870	6 122	40 000	29 669	10 331
Office furniture and Equipment	3 500	1 388	2 111	4 000	1 739	2 261
Computer Hardware	3 250	3 623	(374)	2 500	786	1 714
Motor Vehicle	800	-	800	600	-	600
Computer Software	2 650	59	2 591	15 497	405	15 091
<b>Total P</b>	<b>40 200</b>	<b>28 940</b>	<b>11 250</b>	<b>62 597</b>	<b>32 599</b>	<b>29 998</b>









# 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 of South Africa (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 IV 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. They are also 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. During the review period, NERSA made presentations to the PPC on Energy as well as the Select Committee on Economic and Business Development on the 2018/19 Eskom Revenue Determination process.

## 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 (2018/19 – 2020/21) – in line with the Framework for the development of Strategic Plans and Annual Performance Plans as published by National Treasury, it was submitted on 29 January 2018. It was approved by the Minister of Energy and tabled in Parliament on 18 April 2018.
- First Quarter Performance Report for the period 1 April to 30 June 2018 – submitted on 30 July 2018.
- Second Quarter Performance Report for the period 1 July to 30 September 2018 – submitted on 30 October 2018.
- Third Quarter Performance Report for the period 1 October to 31 December 2018 – submitted on 31 January 2019.
- Fourth Quarter Performance Report for the period 1 January to 31 March 2019 – submitted on 30 April 2019.
- The Annual Report (2017/18) was submitted to the Minister of Energy, the Minister of Finance and the Auditor-General on 23 August 2018 and tabled in Parliament on 26 September 2018.

## 4. THE ACCOUNTING AUTHORITY/ENERGY REGULATOR

### Introduction

The Energy Regulator, as the accounting authority in line with the National Energy Regulator Act, 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.

### Corporate Governance Handbook

The Energy Regulator adopted the Corporate Governance Handbook as part of its commitment to implement 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 1 April 2018 to 31 March 2019:



**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



**MS NOMFUNDO MASETI**  
FULL-TIME REGULATOR MEMBER  
Piped-Gas and Electricity



**MR MUZI MKHIZE**  
FULL-TIME REGULATOR MEMBER  
Petroleum Pipelines



**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
<b>Mr JRD Modise</b>	Chairperson (Part-Time Regulator Member)	Reappointed 19 March 2018	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	42
<b>Ms M Nkomo</b>	Deputy Chairperson (Part-Time Regulator Member)	Reappointed 19 March 2018	n/a	B Comm B Comm Hons M Comm Senior Executive Programme	Finance	National Urban Reconstruction and Housing Agency National Consumer Tribunal	Piped-Gas Subcommittee, Finance Committee, and Human Resources and Remuneration Committee	51
<b>Mr C Forlee</b>	Chief Executive Officer and Full-Time Regulator Member	1 January 2017	n/a	Master of Business Administration BSc (Electrical and Electronic Engineering)	Engineering	None	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Human Resources and Remuneration Committee, Finance Committee and Regulator Executive Committee	74



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
<b>Mr Y Adam</b>	Part-Time Regulator Member	1 August 2016	n/a	B Com B Com Hons Master in Public Administration Post Graduate Diploma in Education Post Graduate Diploma in Advanced Banking Post Graduate Diploma in Maritime Studies	Economic Development, Oceans Economy, Policy Implementation, Monitoring & Evaluation, Project Management	None	Petroleum Pipelines Subcommittee, Audit and Risk Committee and Information Technology and Governance Committee	45
<b>Ms N Maseti</b>	Full-Time Regulator Member: Piped-Gas Regulation	1 March 2019	n/a	BA Ed, BA Hons (Economics), Post Graduate Diploma in Economics for Competition Law	Economics	ICASA Complaints and Compliance Committee (until April 2017)  Part-Time Member of the National Consumer Tribunal	Piped-Gas Subcommittee, Petroleum Pipelines Subcommittee, Electricity Subcommittee, Human Resources and Remuneration Committee and Regulator Executive Committee	88
<b>Mr M Mkhize</b>	Full-Time Regulator Member: Petroleum Pipelines	16 January 2018	n/a	MBL (Master of Business Leadership BCom BSc (Chemical Engineering)	Executive Management Strategy and Policy Formulation Economic Development	None	Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Electricity Subcommittee, Finance Committee Regulator Executive Committee	99
<b>Mr F Sibanda</b>	Part-Time Regulator Member	Reappointed 19 March 2018	n/a	MSc (Economics), B Comm, B Comm 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, Electricity Subcommittee,	57

## External Members of Committees

Name	Designation	Date appointed	Date resigned	Area of expertise	Other Committees	No. of meetings held	No. of meetings attended	Other**
Ms J Meissner	External Member	1 April 2015	n/a	Auditing	Audit and Risk Committee	8*	6	1
Ms T Mashanda	External Member	1 May 2017	n/a	Auditing	Audit and Risk Committee	8*	8	5
Ms G Jiyane	External Member	1 May 2017	n/a	Finance	Finance Committee	15*	12	5
Mr N Chonco	External Member	1 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	14	14	4
Dr MJ Ndlovu	External Member	1 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	14	12	2

\* Meetings include Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)

\*\* Meetings include Energy Regulator strategic planning workshops and Electricity Subcommittee public hearings

## Energy Regulator Meetings

MEMBER	STATUS	TOTAL (2018/19)	ATTENDED (2018/19)
Mr JRD Modise	Chairperson (Reappointed 19 March 2018)	27	24
Ms M Nkomo	Deputy Chairperson (Reappointed 19 March 2018)	27	21
Mr C Forlee	Chief Executive Officer and Regulator Member	27	18
Mr M Mkhize	Regulator Member	27	27
Ms N Maseti	Regulator Member	27	26
Mr F Sibanda	Regulator Member (Reappointed 19 March 2018)	27	24
Mr Y Adam	Regulator Member	27	23

## Subcommittees

Subcommittee	No. of meetings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	12	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr M Mkhize 4. Mr J Modise 5. Mr F Sibanda
2. Piped-Gas Subcommittee (PGS)	12	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr M Mkhize 4. Mr J Modise 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	11	5	1. Mr M Mkhize – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr Y Adam 4. Ms N Maseti 5. Mr J Modise

## Committees

Committee	No. of meetings held	No. of members	Name of members
1. Regulator Executive Committee (REC) and Bid Adjudication Committee (BAC)	23	3	1. Mr C Forlee – Chairperson (CEO) 2. Ms N Maseti 3. Mr M Mkhize
2. Audit and Risk Committee (ARC)	7	6	1. Ms M Nkomo – Chairperson 2. Mr Y Adam 3. Ms T Mashanda (External Member) 4. Ms J Meissner (External Member) 5. Mr J Modise (Invitee) 6. Mr C Forlee (CEO) (Invitee)
3. Finance Committee (FIC) and BAC	15	4	1. Mr F Sibanda – Chairperson 2. Mr C Forlee - CEO 3. Ms G Jiyane (External Member) 4. Mr M Mkhize
4. Human Resources & Remuneration Committee (HRRC)	13	5	1. Mr F Sibanda – Chairperson 2. Mr C Forlee - CEO 3. Ms N Maseti 4. Mr N Chonco (External Member) 5. Dr. J Ndlovu (External Member)
5. Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)	1	8	1. Ms M Nkomo – Chairperson (ARC) 2. Ms T Mashanda (External Member) (ARC) 3. Ms J Meissner (External Member) (ARC) 4. Mr Y Adam (ARC) 5. Mr F Sibanda – Chairperson (FIC) 6. Mr C Forlee (FIC) – CEO 7. Ms G Jiyane (External Member) (FIC) 8. Mr M Mkhize (FIC)
6. Information Technology and Governance Committee (ITGC)*	1	5	1. Mr Y Adam – Chairperson 2. Ms M Nkomo 3. Mr C Forlee – CEO and Regulator Member

\* The inaugural meeting of the ITGC was held in February 2019

### Subcommittee's public hearings

Subcommittee	No. of public hearings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	26	5	<ol style="list-style-type: none"> <li>1. Ms N Maseti – Chairperson</li> <li>2. Mr C Forlee – CEO</li> <li>3. Mr M Mkhize</li> <li>4. Mr J Modise</li> <li>5. Mr F Sibanda</li> </ol>
2. Piped-Gas Subcommittee (PGS)	1	5	<ol style="list-style-type: none"> <li>1. Ms N Maseti – Chairperson</li> <li>2. Mr C Forlee – CEO</li> <li>3. Mr M Mkhize</li> <li>4. Mr J Modise</li> <li>5. Ms M Nkomo</li> </ol>
3. Petroleum Pipelines Subcommittee (PPS)	3	5	<ol style="list-style-type: none"> <li>1. Mr M Mkhize – Chairperson</li> <li>2. Mr C Forlee – CEO</li> <li>3. Mr Y Adam</li> <li>4. Ms N Maseti</li> <li>5. Mr J Modise</li> </ol>

## Energy Regulator's workshops

Subcommittee	No. of workshops held	No. of members	Name of members
1. Energy Regulator (ER)	5	8	<ol style="list-style-type: none"> <li>1. Mr JRD Modise – Chairperson</li> <li>2. Ms M Nkomo – Deputy Chairperson</li> <li>3. Mr C Forlee – CEO</li> <li>4. Ms N Maseti</li> <li>5. Mr M Mkhize</li> <li>6. Mr F Sibanda</li> <li>7. Mr Y Adam</li> </ol>
2. Electricity Subcommittee (ELS)	7	5	<ol style="list-style-type: none"> <li>1. Ms N Maseti – Chairperson</li> <li>2. Mr C Forlee – CEO</li> <li>3. Mr M Mkhize</li> <li>4. Mr J Modise</li> <li>5. Mr F Sibanda</li> </ol>
3. Piped-Gas Subcommittee (PGS)	1	5	<ol style="list-style-type: none"> <li>1. Ms N Maseti – Chairperson</li> <li>2. Mr C Forlee – CEO</li> <li>3. Mr M Mkhize</li> <li>4. Mr J Modise</li> <li>5. Ms M Nkomo</li> </ol>
4. Petroleum Pipelines Subcommittee (PPS)	3	5	<ol style="list-style-type: none"> <li>1. Mr Mkhize – Chairperson</li> <li>2. Mr C Forlee – CEO and Regulator Member</li> <li>3. Mr JRD Modise</li> <li>4. Mr F Sibanda</li> <li>5. Mr Y Adam</li> </ol>
5. Regulator Executive Committee (REC)	4	3	<ol style="list-style-type: none"> <li>1. Mr C Forlee – Chairperson – CEO</li> <li>2. Ms N Maseti</li> <li>3. Mr M Mkhize</li> </ol>
6. Human Resources & Remuneration Committee (HRRC)	1	6	<ol style="list-style-type: none"> <li>1. Mr F Sibanda – Chairperson</li> <li>2. Ms N Maseti</li> <li>3. Ms M Nkomo</li> <li>4. Mr C Forlee – CEO</li> <li>5. Mr N Chonco (External Member)</li> <li>6. Dr MJ Ndlovu (External Member)</li> </ol>



## 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 Fees Policy for External Members.

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 2019

	Salary	Performance bonus	Car allowance	Reimbursive and other allowances	Medical	Pension Contribution and UIF	Total
	R	R	R	R	R	R	R
<b>NERSA Full-Time Regulator Members</b>							
Mr C Forlee	1 973 826	0	0	82 168	144 825	2 068	2 202 887
Ms N Maseti*	1 823 663	0	60 000	325 220	75 021	233 092	2 516 996
Mr M Mkhize	1 940 680	0	0	121 660	0	230 993	2 293 337
	<b>5 783 173</b>	<b>0</b>	<b>60 000</b>	<b>529 048</b>	<b>219 846</b>	<b>466 153</b>	<b>7 013 220</b>

\* Appointed FTRM: Electricity for the period 31 March 2019

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R				R
<b>NERSA Part-Time Regulator Members</b>							
Mr J Modise (Chairperson)	364 007	17 486	44 839				426 332
Ms M Nkomo (Deputy Chair)	379 018	8 782	17 567				405 367
Mr F Sibanda (Member)	452 714	7 183	26 173				550 843
Mr Y Adam (Member)	487 250	1 591	9 033				463 338
	<b>1 905 394</b>	<b>37 365</b>	<b>98 210</b>				<b>1 845 880</b>

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R				R
<b>NERSA Part-Time External Regulator Members</b>							
Ms TN Mashanda	73 817	511	8 563				82 891
Ms J Meissner	39 734	-	3 635				43 369
Ms G Jiyane	109 758	7 360	4 804				121 922
Dr MJ Ndlovu	66 292	21 844	11 970				100 106
Mr NG Chonco	100 798	11 215	4 190				116 203
<b>TOTAL:</b>	<b>390 399</b>	<b>40 930</b>	<b>33 162</b>				<b>464 491</b>

## 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.

The Audit and Risk Committee (ARC) has been delegated the responsibility to oversee NERSA's overall risk management and to ensure the effectiveness thereof.

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 annually. 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 militate against the occurrence of the identified risks.

Following the ranking of the risks, the risk appetite and risk tolerance should be determined. While risk appetite deals with the level of risk that the organisation will pursue to meet their organisational objectives, risk tolerance defines the upper and lower levels that an organisation is able to deal with or absorb risk, without significantly impacting the achievement of its strategic objectives. Strategies to reduce, manage or minimise risk exposures to acceptable levels, and within appetite and tolerance levels, are identified and implemented.

It should be noted that NERSA is in the process of developing a framework on determining risk appetite and risk tolerance, which will be used in the next reporting period. In accordance with the recommendations from the King Report on Good Governance, primary risk owners as well as secondary risk owners (assurance providers) will also be identified.

As identified and ranked in the approved strategic risk register, the following are the strategic risks facing the organisation:

1. suboptimal decisions made by NERSA;
2. shortcomings in the legislative and regulatory framework to achieve the objectives of the relevant acts;
3. inadequate infrastructure to enable the security of supply;
4. lack of competition in the energy market structures;
5. inadequate access of customers to energy services and existing infrastructure at affordable levels; and
6. inadequate performance management to assist NERSA in achieving its goals and objectives.

## 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

NERSA has developed a Combined Assurance Framework, 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. Quarterly progress reports on addressing the top strategic risks were submitted to the Executive Committee (EXCO), the Audit and Risk Committee (ARC) and the Energy Regulator. Bi-annual progress reports on the implementation of the mitigating strategies for all the risks were submitted to EXCO and ARC.

Emerging risks are identified annually during the organisation's strategic planning session, as well as during the quarterly performance monitoring process. The identified risks were assessed and mitigating strategies were developed. Quarterly progress reports on these mitigating strategies were also submitted to EXCO, ARC and the Energy Regulator.

were made where required. All significant findings were reported to the ARC for monitoring.

There is constant communication between the risk management and 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 being 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 PFMA and its Treasury Regulations, the objectives of the NERSA internal audit function are to:

- provide professional, independent and objective assurance and consulting activities 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 a 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 43 audits planned for the period under review. Furthermore, an external quality assessment review of the Internal Audit Activity was conducted and a "generally conform" rating, the highest rating available was obtained.

### 8.2 Audit and Risk Committee

#### *Key activities and objectives of the Audit and Risk Committee*

The objectives of the Audit and Risk Committee are 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 NERSA'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 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 16 requests for information were received in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'). Thirteen have been dealt with and three are currently pending. 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 and Executive Managers 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. There were no disciplinary cases related to conflict of interest for the reporting period.

## 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 the 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. There were no disciplinary cases related to code of conduct for the reporting period.

## 13. HEALTH AND SAFETY ISSUES

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.

During the reporting period, health and safety issues related to the NERSA building were raised by the employees. These issues were addressed through health and safety risk assessments conducted as part of the refurbishment project in the third and fourth quarters of the financial year.

The refurbishment of the NERSA building was done in compliance with all relevant regulations to ensure a conducive work environment for the employees, as well as for any stakeholders attending meetings at the NERSA building.

The health, safety and wellbeing of NERSA's employees, as well as any other persons conducting business on NERSA's premises, will always remain a priority.

## 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.

## 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 World Aids Day and 16 Days of Activism for no violence against Women and Children events. The events consisted of Industrial theatre, poetry as well as a speaker on living with HIV/Aids and trends. Staff could also go for health assessment checks such as blood pressure, diabetes screening, body mass index as well as HIV testing and counselling.

## 16. ENVIRONMENTAL ISSUES

### *Internal*

NERSA is continuing its journey towards becoming a green organisation by reducing its paper usage and carbon footprint. The organisation is also busy with the refurbishment of its building where after it will receive a Green Building certificate on completion of the project.

### *External*

NERSA is committed to the protection of the environment and the growth of cleaner, more resource-efficient production. The introduction of renewable energy and the licensing of a

### *External*

On 18 July 2018, NERSA participated at the Department of Energy's Mandela Day celebrations that took place at the Reneuwe Early Childhood Development/Day Care Centre in Qholaqhwe village situated in the Maluti-a-Phofung Local Municipality, Free State Province. NERSA contributed items on the Centre's wish list, as well as paid for the burglar proofing of the Centre.

Furthermore, the Nyeleti Children's Home in Puffontein, Benoni visited NERSA's offices on Friday, 20 July 2018 as part of the organisation's Mandela Day celebrations. The Home is a registered non-profit, interdenominational organisation and was established in 2004 solely to take care of abused and homeless children, of which some are orphans. They also take in single, destitute mothers and children.

NERSA donated blankets, promotional items, non-perishable food, food parcels and other items on their wish list to the Nyeleti Children's Home in an effort to enhance their quality of life.

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 on, and 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. NERSA balances 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 2019.

### Audit and Risk Committee Members and Attendance of Meetings

The Audit and Risk Committee (the Committee) consists of the members listed hereunder. During the current year, two special meetings and six scheduled meetings were held.

MEMBER	STATUS	MEETINGS HELD	MEETINGS ATTENDED
Ms M Nkomo *	Chairperson	8	7
Mr Y Adam **	Member	8	6
Ms J Meissner	External Member	8	7
Ms T Mashanda	External Member	8	8

\*Appointed as a Member and Chairperson on 30 May 2018 and was not a member when meeting of April 2018 was held

\*\*Was not a member when the two meetings in May and July 2018 were held

## Audit and Risk Committee Responsibilities

The Committee reports that it has complied with its responsibilities arising from section 76(4)(d) of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA) and paragraph 27.1.7 of the Treasury Regulations.

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

## Corporate Governance

The 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 current financial year, the Committee monitored and was comfortable with NERSA's compliance with 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 PFMA and King Report on Corporate Governance requirements, Internal Audit provides the 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, fraud investigations, the Audit Report on financial statements, and the management letter of the Auditor General South Africa ("AGSA"), it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, the Committee 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 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 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.

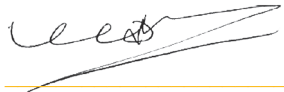
The quality of quarterly management reports submitted in terms of the PFMA and Treasury Regulations

The 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 Committee has:

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



**Ms MMD Nkomo**

*Chairperson of the Audit and Risk Committee*

Date: 31 July 2019













# PART D

## HUMAN RESOURCE 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 coordinate and provide immediate support for key organisational activities in respect of the execution of the human capital management strategy and the implementation of midterm to annual HR plans, policies, guidelines and systems. It has the overall responsibility of ensuring that NERSA attracts, develops, maintains and retains high calibre people at all levels through effective recruitment and selection processes. The HR Department assists NERSA in meeting its mandate by:

- facilitating training and development;
- ensuring transparent performance management processes;
- ensuring attractive remuneration and an effective payroll system;
- implementing employment equity and diversity management;
- creating a healthy and safe work environment; and
- promoting 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. NERSA has conducted a competency blue print in the last quarter of the reporting period. This blue print details future competency requirements for critical occupational levels within the organisation. The blue print will assist NERSA in readying itself for changes and future competency requirements in the Energy Regulation space.

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 NBC Holdings, 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;
- Discovery 702 Walk the Talk;
- Weekly Onsite Consultations;
- Breast Cancer Testing;
- Diabetic Testing; and
- Women's Day Celebration.

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.

### *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, 12 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 through the development of skills within the regulatory environment. Theoretical and on-the-job training are provided in order to create a pool of potential candidates for employment by the Energy Regulator.

Twelve 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 61% 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.

NERSA's internship programme, consisting of 24 interns, including four living with disabilities, commenced in January 2019. Currently, interns with disabilities constitute 2% of the intake. This has assisted NERSA in implementing its Employment Equity plan, as well as in improving its recognised level in terms of Broad-Based Black Economic Empowerment. It also showcases the inclusivity of the South African society.

### *Employment Equity*

The current Employment Equity (EE) Plan for 1 October 2017 to 30 September 2018 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

Table 1: Personnel Cost by programme 2018/19

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	41 933 014	31 929 470	76,14	48	665 197
Licensing and Registration	28 168 967	22 200 119	78,81	18	1 233 340
Compliance monitoring and enforcement	36 295 071	29 525 667	81,35	24	1 230 236
Dispute resolution including mediation, arbitration and the resolution of complaints	21 573 186	16 997 307	78,79	7	2 428 187
Setting of rules, guides and codes for regulation	8 481 736	6 587 918	77,67	16	411 745
Establishing NERSA as an efficient and effective organisation	162 137 001	106 312 471	65,57	153	694 853
<b>TOTAL</b>	<b>298 588 975</b>	<b>213 552 952</b>	<b>71,52</b>	<b>266</b>	<b>802 831</b>

\* The number of employees includes fixed-term employees, interns, learners and employee movements i.e. employees who were appointed and who resigned during the reporting period.

Table 2: 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	7 006 641	3.28%	3	2 335 547
Part time regulators	2 197 137	1.03%	9	244 126
Senior Management	10 724 081	5.02%	6	1 787 347
Professional Qualified	111 455 119	52.19%	83	1 342 833
Skilled	70 463 153	33%	108	652 437
Semi-skilled	10 177 228	4.77%	35	290 778
Unskilled	R 504 892	0.24%	2	252 446
Interns and learners	1 024 701	0.48%	20	51 235
<b>TOTAL</b>	<b>213 552 952</b>	<b>100.00%</b>	<b>266</b>	<b>802 831</b>

\* The number of employees includes fixed-term employees, interns, learners and employee movements i.e. employees who were appointed and who resigned during the reporting period.

Table 3: Performance Rewards

LEVEL	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost (R'000)
Top Management	0**	14 302 229	0.00%
Senior Management	921 071	9 305 065	9.90%
Professional Qualified	12 939 744	96 803 309	13.37%
Skilled	7 328 669	61 210 478	11.97%
Semi-skilled	1 011 250	8 845 556	11.43%
Unskilled	64 549	440 363	14.66%
<b>TOTAL</b>	<b>22 265 283</b>	<b>190 907 000</b>	<b>11.66%</b>

\* The above is for qualifying employees.

\*\* The performance rewards for top management is still to be finalised.

Table 4: 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	40 030 821	855 757	2,14	18	47 542
Chief Finance Office	17 748 483	173 772	0,98	12	14 481
Chief Human Capital Office	14 601 238	390 271	2,67	10	39 027
Corporate Services Division	33 931 928	143 128	0,42	17	8 419
Electricity Regulation Division	65 065 296	99 568	0,15	19	5 240
Petroleum Pipelines Division	26 525 719	974 746	3,67	11	88 613
Piped-Gas Regulation Division	15 649 466	586 325	3,75	20	29 316
<b>TOTAL</b>	<b>213 552 952</b>	<b>3 223 567</b>	<b>1,51</b>	<b>107</b>	<b>30 127</b>

Table 5 (a): Employment and vacancies by programme

Programme	2018/2019 Approved Posts	2017/2018 No. of Employees	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	50	29	48	2	6%
Licensing and registration	29	29	18	11	-
Compliance monitoring and enforcement	30	25	19	11	29%
Dispute resolution, including mediation, arbitration and handling of complaints	7	6	7	1	14%
Setting of rules, guidelines and codes for the regulation industry	18	7	15	3	11%
Establishing NERSA as an efficient and effective regulator	119	113	112	7	14%
<b>TOTAL</b>	<b>253</b>	<b>209</b>	<b>219</b>	<b>34</b>	<b>13.4%</b>

\*The number of employees excludes fixed-term employees, interns and learners and is as at 31 March 2019.

Table 5 (b): Employment and vacancies by level

Level	2018/2019 Approved Posts	2017/2018 No. of Employees	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Top Management	4	3	3	1	25%
Senior Management	6	5	4	2	33%
Professional qualified	90	75	80	11	14%
Skilled	115	98	101	16	16%
Semi-skilled	36	26	29	4	14%
Unskilled	2	2	2	0	0%
<b>TOTAL</b>	<b>253</b>	<b>209</b>	<b>219</b>	<b>34</b>	<b>13.4%</b>

\* The number of employees excludes fixed-term employees, interns and learners and is as at 31 March 2019.

Table 6: Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	0	3
Senior Management	5	1	2	4
Professional qualified	75	17	11	80
Skilled	98	12	13	101
Semi-skilled	26	9	3	30
Unskilled	2	0	0	2
<b>TOTAL</b>	<b>209</b>	<b>39</b>	<b>29</b>	<b>219</b>

\* This includes employees appointed on fixed-term contracts and learners

Table 7: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignations (permanent)	20	9.1%
Resignations (learners & interns)	4	1.8%
Dismissal	1	0.4%
Retirement	1	0.4%
Expiry of contract	3	1.3%
Other	0	
<b>TOTAL</b>	<b>29</b>	<b>13%</b>

\* This includes employees appointed on fixed-term contracts and learners

Table 8: Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
written warning	0
Final Written Warning	0
Dismissal	1
Grievances	8
CCMA Cases	7
Labour Court Referral	0
<b>TOTAL</b>	<b>16</b>

Table 9 (a): Employment Equity Status and Target - Male

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0		0		0
Senior Management	2	3	0	0	0	0	0	1
Professional qualified	35	37	0	8	1	2	3	4
Skilled technical	34	31	0	3	0	1	2	3
Semi-skilled and discretionary decision making	7	16	0	1	0	1	0	0
Unskilled and defined decision making		0	0	0		0		0
<b>TOTAL PERMANENT</b>	<b>80</b>	<b>88</b>	<b>0</b>	<b>12</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>8</b>



Table 9 (b): Employment Equity Status and Target - Female

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1		1	0	1	0	0
Senior Management	2	1	0	0	0	1	0	0
Professional qualified	28	25	0	2	1	1	5	5
Skilled	56	55	2	3	0	1	1	3
Semi-skilled	20	19	1	2	0	0	1	2
Unskilled	2	2		0		0		0
<b>TOTAL</b>	<b>99</b>	<b>103</b>	<b>3</b>	<b>8</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>10</b>

Table 9 (c): Employment Equity Status and Target – Employees Living With Disability By Level

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

\*The Employment Equity status is reported against the approved Employment Equity Plan (1 October 2017 - 30 September 2018). The report is for the Employment Equity cycle of 1 October 2017 to 30 September 2018. There is an overlap on the Employment Equity period and the Financial Year. Target for people living with disability for management levels are set up for the ensuing year







# 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 as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). 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 (GRAP). 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.



**C Forlee**

Chief Executive Officer (CEO)

Date: 31 July 2019

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 continue as 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 2018 to 31 March 2019. 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 PFMA on 31 May 2019 and are signed on its behalf by:



**JRD Modise**

Chairperson

Date: 31 July 2019

## Report of the auditor-general to Parliament on the National Energy Regulator of South Africa (NERSA)

### 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 163 to 200, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999).

#### 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 this auditor's 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) and 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 accounting authority for the financial statements

6. The Energy Regulator, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management

Act of South Africa, 1999 (Act No. 1 of 1999), 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 the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this 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 2019:

<b>Programmes</b>	<b>Pages in the annual performance report</b>
Programme 1 – Setting and/or approval of tariffs and prices	64 – 101
Programme 2 – Licensing and registration	64 – 101
Programme 3 – Compliance monitoring and enforcement	64 – 101
Programme 4 – Dispute resolution, including mediation, arbitration and handling of complaints	64 – 101
Programme 5 – Setting of rules, guidelines and codes for the regulation of the three energy industries	64 – 101

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 raise any material findings on the usefulness and reliability of the reported performance information for these 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

## Other matter

15. I draw attention to the matter below:

### Achievement of planned targets

16. Refer to the annual performance report on pages 50 to 58 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets

### Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1 – setting and/or approval of tariffs and prices, Programme 2 – licensing and registration and Programme 4 – dispute resolution, including mediation, arbitration and handling of complaints / As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

18. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

20. The 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 and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

21. 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.
22. 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.

#### Internal control deficiencies

23. 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 on it. I did not identify any significant deficiencies in internal control.

Auditor - General

Johannesburg

31 July 2019



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 this 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 entity’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 National Energy Regulator South Africa 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 this auditor’s report. However, future events or conditions may cause a public entity to cease continuing 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, where 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 2019.

The National Energy Regulator of South Africa (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 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 2019:

Member	Date of appointment	Position
Mr J Modise	Re-appointed 19 March 2018	Chairperson (Part-time Regulator Member)
Ms M Nkomo	Re-appointed 19 March 2018	Deputy Chairperson (Part-time Regulator Member)
Mr F Sibanda	Re-appointed 19 March 2018	Part-time Regulator Member
Ms N Maseti *	Re-appointed 1 March 2019	Full-time Regulator Member: Piped-Gas Regulation
Mr C Forlee	Appointed 1 January 2017	Chief Executive Officer and a Full-time Regulator Member
Mr M Mkhize	Appointed 16 January 2018	Full-Time Regulator Member: Petroleum Pipelines
Mr Y Adam	Appointed 1 August 2016	Part-Time Regulator Member

\* Appointed Full-time Member: Electricity Regulation since 9 January 2018.



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	Re-appointed on 1 May 2017	Audit and Risk Committee
Ms N Jiyane	Re-appointed on 1 May 2017	Finance Committee
Ms J Meissner	Term-ended 31 March 2019	Audit and Risk Committee
Dr MJ Ndlovu	Term-ended 31 March 2019	Human Resources & Remuneration Committee
Mr NG Chonco	Term-ended 31 March 2019	Human Resources & Remuneration Committee

The Regulator Secretary of NERSA is Mr. Sandile Ntanzu 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 National Energy Regulator Act, 2004 (Act No.40 of 2004) and the Public Finance Management Act, 1999 (Act No. 1 of 1999). The Full-Time Regulator Members consist of the Chief Executive Officer, the member primarily responsible for Electricity Regulation, the member primarily responsible for Piped Gas Regulation and the member primarily responsible for Petroleum Pipelines Regulation.

### 4. Principal Activities

The Energy Regulator is the regulatory authority over the energy industry, and currently regulates the electricity, piped-gas and petroleum pipeline 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 pipeline 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 the 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 of 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 was no significant impact on the methodology as a result of the changes to the structure.

The distribution of these costs for 2018/19 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 R 40 million. The summary of the relevant financial results is detailed below.

	Actual	Budget	Variance
	R	R	R
Licence fees and levies	326 350 237	332 164 465	(5 814 228)
Registration fees	3 400	-	3 400
Interest received	16 069 802	11 279 888	4 789 914
Other income	4 408 728	65 044	4 244 079
Expenditure	(306 649 058)	(341 667 903)	35 166 184
Surplus	40 183 109	1841494	(38 389 349)
Capital Expenditure	(28 940 486)	(40 200 000)	11 259 514

## 6. NERSA Accumulated Surpluses (see statement of changes in Net Assets)

	2019	2018
	R	R
Accumulated Surplus	<b>293 703 976</b>	<b>253 520 866</b>
The Accumulated surplus reported as at 31 March 2019 consists of the following:		
	<b>293 751 710</b>	<b>253 520 866</b>
Approved Commitments	58 963 244	40 874 737
Cash Flow Mitigating Reserve	58 869 332	53 284 520
Portion of surplus to be refunded in respect of the period ending 2018/ 19	16 509 791	
<b>AVAILABLE REFUNDS FOR INDUSTRIES</b>	<b>159 361 609</b>	<b>159 361 609</b>
Portion of surplus to be refunded in respect of the period ending 2011/ 12 to 2013/14	29 262 010	29 262 010
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	51 752 644	51 752 644
Portion of surplus to be refunded in respect of the period ending 2016/17	13 298 052	13 298 052
Portion of surplus to be refunded in respect of the period ending 2017/18	20 295 775	20 295 775

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, staff vacancies, travel expenses and professional fees. The surplus will be refunded to the relevant industries through a reduction of the levy rates for the period 2019/2020 to 2022/2023.

SURPLUS TO BE REFUNDED PER INDUSTRY							
INDUSTRY	YEAR OF SURPLUS	2018/2019	2019/2020	2020/21	2021/2022	2022/2023	Total
Electricity Piped-Gas Petroleum Pipeline	2011/12 to 2012/13	5 280 913	1 586 283				<b>6 867 196</b>
Electricity Piped-Gas Petroleum Pipeline	2013/14	11 063 734 5 053 788 1 223 504	5 053 788				<b>22 394 814</b>
Electricity Piped-Gas Petroleum Pipeline	2014/15	2 190 991	10 942 700 12 786 437	3 280 828 7 198 007	8 354 166		<b>44 753 128</b>
Electricity Piped-Gas Petroleum Pipeline	2015/16	4 811 158 2 552 134 6 115 815	3 118 915	10 163 555 9 112 715	13 326 218 2 552 134		<b>51 752 642</b>
Electricity Piped-Gas Petroleum Pipeline	2016/17	1 016 467 (949 999)	609 880 (1 899 998)	406 587	9 877 094	4 238 020	<b>13 298 052</b>
Electricity Piped-Gas Petroleum Pipeline	2017/18		3 553 098 (5 430 212) 6 788 587	6 165 950	2 429 761	6 788 587	<b>20 295 773</b>
		<b>38 358 505</b>	<b>37 109 478</b>	<b>36 327 642</b>	<b>36 539 374</b>	<b>11 026 607</b>	<b>159 361 609</b>

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 and 2017/18 are due to the industry reporting a deficit. These amounts were used to reduce the total refunds available to this industry during the budget process.

## 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 58 of the Electricity Act, 1987 (No. 41 of 1987). This license fee is based on Kilowatt hours of electricity 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 Gigajoules 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 liters of petroleum as it enters the inlet flanges of petroleum pipelines.

The above levies and licence 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 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 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Current assets</b>			
Inventories	5	195 985	283 759
Receivables from exchange transactions	6	1 813 742	2 771 235
Receivables from non-exchange transactions	7	29 072 907	22 649 823
Cash and cash equivalents	8	243 940 957	209 262 995
		<b>275 023 591</b>	<b>234 967 812</b>
<b>Non-current assets</b>			
Property, plant and equipment	3	105 656 848	83 621 755
Intangible assets	4	3 385 423	4 799 226
		<b>109 042 271</b>	<b>88 420 981</b>
<b>Total Assets</b>		<b>384 065 862</b>	<b>323 388 793</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	11	29 300 845	14 632 185
Payables from non-exchange transactions	12	-	368
Provisions	10	32 918 316	27 092 649
		<b>62 219 161</b>	<b>41 725 202</b>
<b>Total Liabilities</b>		<b>62 219 161</b>	<b>41 725 202</b>
<b>Net Assets</b>		<b>321 894 435</b>	<b>281 663 591</b>
Reserves			
Revaluation reserve	9	28 142 725	28 142 725
Accumulated surplus		293 703 976	253 520 866
<b>Net Assets</b>		<b>321 846 701</b>	<b>281 663 591</b>

## 4.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental income	14	49 543	56 168
Other income	16	4 359 185	9 137
Interest income	17	16 069 802	14 021 222
<b>Total revenue from exchange transactions</b>		<b>20 478 530</b>	<b>14 086 527</b>
<b>Revenue from non-exchange transactions</b>			
Registration fee	15	3 400	
Licence fees and levies	18	326 350 237	302 630 932
<b>Total revenue from non-exchange transactions</b>		<b>326 353 637</b>	<b>302 630 932</b>
<b>Total revenue</b>	13	<b>346 832 167</b>	<b>316 717 459</b>
<b>Expenditure</b>			
Employee related costs	19	(213 600 685)	(195 918 729)
Depreciation and amortisation	3&4	(7 606 392)	(5 304 640)
Debt Impairment	20	(36 799)	-
Loss on disposal of assets		(117 389)	-
General expenses	21	(85 287 793)	(83 832 813)
<b>Total expenditure</b>		<b>(306 649 053)</b>	<b>(285 056 182)</b>
<b>Surplus for the year</b>		<b>40 183 109</b>	<b>31 661 277</b>

## 4.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2017</b>	<b>28 142 725</b>	<b>221 859 590</b>	<b>250 002 315</b>
Changes in net assets			
Surplus for the year	-	31 661 277	31 661 277
Total changes	-	31 661 277	31 661 277
<b>Balance at 01 April 2018</b>	<b>28 142 725</b>	<b>253 520 867</b>	<b>281 663 591</b>
Changes in net assets			
Surplus for the year	-	40 183 109	40 183 109
Total changes	-	40 183 109	40 183 109
<b>Balance at 31 March 2019</b>	<b>28 142 725</b>	<b>293 703 976</b>	<b>321 846 701</b>

## 4.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Licence fees, levies and sale of goods and services		325 259 975	308 813 745
Interest income		16 069 802	14 021 222
		341 329 777	322 834 967
<b>Payments</b>			
Employees and suppliers		(278 306 745)	(272 544 286)
<b>Net cash flows from operating activities</b>	23	<b>63 023 029</b>	<b>50 290 681</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(28 881 456)	(32 232 595)
Proceeds from sale of property, plant and equipment	3	595 419	115 500
Purchase of other Intangible assets	4	(59 030)	(405 293)
<b>Net cash flows from Investing activities</b>		<b>(28 345 067)</b>	<b>(32 522 388)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		209 262 995	191 494 702
<b>Cash and cash equivalents at the end of the year</b>	8	<b>243 940 957</b>	<b>209 262 995</b>

## 4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to notes
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	65 044	-	65 044	49 543	(15 501)	
Other income	-	-	-	4 359 185	4 359 185	
Interest received	11 279 888	-	11 279 888	16 069 802	4 789 914	34.1
<b>Total revenue from exchange transactions</b>	<b>11 344 932</b>	<b>-</b>	<b>11 344 932</b>	<b>20 478 530</b>	<b>9 133 598</b>	
<b>Revenue from non-exchange transactions</b>						
Registration fee	-	-	-	3 400	3 400	
Licence fees and levies	332 164 465	-	332 164 465	326 350 237	(5 814 228)	
<b>Total revenue from non-exchange transactions</b>	<b>332 164 465</b>	<b>-</b>	<b>332 164 465</b>	<b>326 353 637</b>	<b>(5 810 828)</b>	
<b>Total revenue</b>	<b>343 509 397</b>	<b>-</b>	<b>343 509 397</b>	<b>346 832 167</b>	<b>3 322 770</b>	
<b>Expenditure</b>						
Personnel	(242 516 490)	-	(242 516 490)	(213 600 685)	28 915 805	34.2
Depreciation and amortisation	-	-	-	(7 606 392)	(7 606 392)	34.3
Debt Impairment	-	-	-	(36 799)	(36 799)	
General expenses	(99 151 413)	-	(99 151 413)	(85 287 793)	13 863 620	34.4
<b>Total expenditure</b>	<b>(341 667 903)</b>	<b>-</b>	<b>(341 667 903)</b>	<b>(306 531 669)</b>	<b>35 136 234</b>	
<b>Operating surplus</b>	<b>1 841 494</b>	<b>-</b>	<b>1 841 494</b>	<b>40 300 498</b>	<b>38 459 004</b>	
Loss on disposal of assets and liabilities	-	-	-	(117 389)	(117 389)	
<b>Net (Deficit)/Surplus for the year</b>	<b>1 841 494</b>	<b>-</b>	<b>1 841 494</b>	<b>40 183 103</b>	<b>38 341 651</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>1 841 494</b>	<b>-</b>	<b>1 841 494</b>	<b>40 183 103</b>	<b>38 341 651</b>	

## 4.6 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2018

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized 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. These financial statement are presented in South African Rands, which is NERSA's functional currency.

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

#### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that NERSA will continue to operate as a going concern for at least the next 12 months.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Property, plant and equipment and Intangible assets

The entity management determines the estimated useful lives and residual values of property, plant and equipment and Intangible assets. These assessments are made on an annual basis and use historical evidence and economic factors to estimate the values

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held 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 are 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 improvement in which case a revaluation exercise will be conducted at the end of the year in which those improvements have been affected such that the carrying amount does not differ materially from that which would be determined using the 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.

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

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.

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 depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

NERSA separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

NERSA discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

#### 1.4 Intangible assets

Intangible assets is an identifiable non-monetary assets without physical substance. 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.

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. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

NERSA Intangible assets has infinite useful life.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	8 years

#### 1.5 Financial Instruments and financial risk management

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash;
- 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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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.

### 1.6 Taxation

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

### 1.7 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

Operating lease revenue is recognised as revenue on a month to month basis when the right to the revenue has been established or when it accrues.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories comprises of current assets held for consumption during the ordinary course of business. Inventories are measured at the lower of cost or current replacement cost where they are held for;

- 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.

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

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

### 1.9 Employee benefits

Employee benefits are all forms of consideration given by NERSA in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within the financial year or within twelve months after the financial year.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after

the end of the reporting period in which the employees render the related service; and

NERSA recognise the expected cost of bonus, incentive and performance related payments when the 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 Fund. The plan is funded by payment from the employer and employees. The Umbrella Fund is managed by the Board of Trustees consisting of a Principal Officer and Professional Trustees who are usually practitioners in the retirement fund industry.

Payments to defined contributions retirement benefit plans (Umbrella Fund) are charged as an expense in the period such contributions become payable.

### 1.10 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 the 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 utilised only for expenditures for which the provision was originally recognised.

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

### 1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Commitments are disclosed in note 24.

### 1.12 Revenue recognition

Revenue is the gross Inflow of economic benefits or service potential received and receivable by NERSA which results in an increase in net assets.

#### Revenue from exchange transactions

An exchange transaction is one in which NERSA receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods,

services or use of assets) to the other party in exchange.

Revenue arising from the sale of goods or services is recognized when the outcome of a transaction can be estimated reliably and of the conditions of the agreement have been satisfied.

Revenue arising from interest income is recognized when it is probable that the economic benefits or service potential will flow to NERSA and the amount of revenue can be measured reliably using the effective interest rate method.

Revenue from exchange transactions is measured at fair value of the consideration received or receivable in a non-exchange transaction, NERSA 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.

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

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

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

The following Acts have been reference In this regard:

- Section 58 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, 2004 (No.28 of 2004).

### 1.13 Interest Income

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

### 1.14 Comparative figures

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

### 1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that was made in vain and would 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.

### 1.16 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. 1 of 2018/2019 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 December 2018):

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

### 1.16 Irregular expenditure (continued)

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 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.

### 1.17 Budget Information

NERSA's budget, which covers the fiscal period from 1 April to 31 March, 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 the different programmers.

The annual financial statements and the budget are on the same basis of accounting. A comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.18 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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 the Minister of Energy are considered to be related parties.

Only transactions with related parties not at arms' length or not in the ordinary course of business are disclosed.

### 1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## 4.7 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 2. New standards and interpretations

- 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 2019 or later periods:

Standard/ Interpretation	Effective date	Expected impact
GRAP 34: Separate Financial Statements	No date determined	The Standard prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. It is not expected that this standard will impact future disclosures.
GRAP 104 (revised): Financial Instruments	No date determined	The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. It is not expected that this standard will impact future disclosures.
GRAP 35: Consolidated Financial Statements	No date determined	The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It is not expected that this standard will impact future disclosures.
GRAP 36: Investments in Associates and Joint Ventures	No date determined	The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It is not expected that this standard will impact future disclosures.
GRAP 37: Joint Arrangements	No date determined	The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). It is not expected that this standard will impact future disclosures.
GRAP 38: Disclosure of Interests in Other Entities	No date determined	The objective of this Standard is to require an entity to disclose Information that enables users of its financial statements to evaluate: <ol style="list-style-type: none"> <li>the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and</li> <li>the effects of those interests on its financial position, financial performance and cash flows. It is not expected that this standard will impact future disclosures.</li> </ol>
GRAP 110 (as amended 2016): Living and Non-living Resources	No date determined	The objective of this Standard is to prescribe the: <ul style="list-style-type: none"> <li>recognition, measurement, presentation and disclosure requirements for living resources; and</li> <li>disclosure requirements for non-living resources. It is not expected that this standard will impact future disclosures.</li> </ul>



Standard/ Interpretation	Effective date	Expected impact
GRAP 20: Related parties	01 April 2019	The 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 impact future disclosures.
GRAP 32: Service Concession Arrangements : Grantor	01 April 2019	The standard prescribes the accounting for services concession arrangement by the grantor, a public sector entity. It is not expected that this statement will impact future disclosures.
GRAP 108: Statutory Receivables	01 April 2019	The standard prescribes the accounting requirement for recognition, measurement, presentation and disclosure of statutory receivables. It is expected that this statement will Impact future disclosure.
GRAP 109: Accounting by Principals and Agents	01 April 2019	The 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 arrangement, whether it is a principal or an agent in undertaking transactions in terms of such agreement. It is not expected that this standard will impact future disclosures.

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>3. Property, plant and equipment</b>						
<b>Buildings</b>						
Buildings current	75 885 722	(17 550 139)	58 335 583	67 106 321	(14 024 358)	53 081 963
Building improvements	23 951 129	-	23 951 129	8 860 234	-	8 860 234
<b>IT equipment</b>	16 434 490	(8 210 121)	8 224 369	12 898 300	(6 391 402)	6 506 898
<b>Land</b>	9 200 000	-	9 200 000	9 200 000	-	9 200 000
<b>Motor vehicles</b>	1 318 415	(1 108 887)	209 528	2 106 631	(1 529 088)	577 543
<b>Office equipment</b>	10 930 587	(5 194 348)	5 736 239	11 213 782	(5 818 665)	5 395 117
<b>Total</b>	<b>137 720 343</b>	<b>(32 063 495)</b>	<b>105 656 848</b>	<b>111 385 268</b>	<b>(27 763 513)</b>	<b>83 621 755</b>

	Opening balance	Additions	Disposals	Transfers Received	Transfers	Depreciation	Total
<b>Reconciliation of property, plant and equipment - 2019</b>							
<b>Buildings</b>							
Buildings current	53 081 963	283 738	-	8 495 664	-	(3 525 782)	58 335 583
Building improvements	8 860 234	23 586 559	-	-	(8 495 664)	-	23 951 129
<b>IT equipment</b>	6 506 898	3 622 773	(48 223)	-	-	(1 857 079)	8 224 369
<b>Land</b>	9 200 000	-	-	-	-	-	9 200 000
<b>Motor vehicles</b>	577 543	-	(220 891)	-	-	(147 124)	209 528
<b>Office equipment</b>	5 395 117	1 388 386	(338 913)	-	-	(708 351)	5 736 239
<b>Total</b>	<b>83 621 755</b>	<b>28 881 456</b>	<b>(608 027)</b>	<b>8 495 664</b>	<b>(8 495 664)</b>	<b>(6 238 336)</b>	<b>105 656 848</b>

	Opening balance	Additions	Disposals	Transfers Received	Transfers	Depreciation	Total
<b>Reconciliation of property, plant and equipment - 2018</b>							
<b>Buildings</b>							
Buildings current	31 695 203	-	-	23 208 810	-	(1 822 050)	53 081 963
Building improvements	2 400 433	29 668 611	-	-	(23 208 810)	-	8 860 234
<b>IT equipment</b>	7 387 802	825 033	(87 487)	-	-	(1 618 450)	6 506 898
<b>Land</b>	9 200 000	-	-	-	-	-	9 200 000
<b>Motor vehicles</b>	791 272	-	-	-	-	(213 729)	577 543
<b>Office equipment</b>	4 231 810	1 738 951	(28 013)	-	-	(547 631)	5 395 117
<b>Total</b>	<b>55 706 520</b>	<b>32 232 595</b>	<b>(115 500)</b>	<b>23 208 810</b>	<b>(23 208 810)</b>	<b>(4 201 860)</b>	<b>83 621 755</b>

**Figures in Rand**

	2019	2018
<b>Compensation received for losses and sale on property, plant and equipment -included in operating profit</b>		
Motor vehicles	463 800	-
Office equipment	26 000	-
IT equipment	105 619	66 05
	<b>595 419</b>	<b>66 05</b>

**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 improvement in which case a revaluation exercise will be performed at the end of the year in which case the improvement have been affected. 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 which is expected to be completed during the 2019/20 financial year. 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 historical costs of R 5 184 097. These assets will be systematically replaced during the refurbishment project.

Figures in Rand	2019	2018
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Equipment</b>		
Buildings	23 951 129	8 860 234
	<b>Buildings</b>	<b>Total</b>
<b>Reconciliation of Work-in-Progress 2019</b>		
Opening balance	8 860 234	8 860 234
Additions/capital expenditure	23 870 297	23 870 297
Transferred to completed items	(8 779 402)	(8 779 402)
	<b>23 951 129</b>	<b>23 951 129</b>
	<b>Buildings</b>	<b>Total</b>
<b>Reconciliation of Work-in-Progress 2018</b>		
Opening balance	2 400 433	2 400 433
Additions/capital expenditure	29 668 612	29 668 612
Transferred to completed items	(23 208 811)	(23 208 811)
	<b>8 860 234</b>	<b>8 860 234</b>
<b>Figures in Rand</b>	<b>2019</b>	<b>2018</b>
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	6 100 883	5 618 335
General expenses	676 167	327 043
	<b>6 777 050</b>	<b>5 945 378</b>

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>4. Intangible assets</b>						
Computer software, other	11 236 338	(7 850 915)	3 385 423	20 565 483	(15 766 257)	4 799 226

	Opening balance	Additions	Disposals	Amortisation	Total
<b>Reconciliation of property, plant and equipment - 2019</b>					
Computer software, other	4 799 226	59 030	(104 777)	(1 368 056)	3 385 423

	Opening balance	Additions	Amortisation	Total
<b>Reconciliation of property, plant and equipment - 2018</b>				
Computer software, other	5 496 714	405 293	(1 102 781)	4 799 226

Figures in Rand	2019	2018
<b>5. Inventories</b>		
Stationery	195 985	283 759
<b>6. Receivables from exchange transactions</b>		
Sundry debtors	396 674	86 385
Accrued bank interest	70 591	115 726
Prepaid expenses	1 346 477	2 569 124
	<b>1 813 742</b>	<b>2 771 235</b>
Included in sundry debtors are amounts owed by Full-Time Regulator Members and former Part-Time Regulator members. Refer to note 26.		
Trade and other receivables impaired		
As of 31 March 2019, other receivables of R 25 257 were impaired and provided for. NERSA's policy is to provide for receivables which are more than 120 days outstanding.		
The ageing of these sundry debtors is as follows:		
one to 30 days	10 160	10 252
31 to 90 days	36 234	-
over 120 days	91 846	44 167
<b>7. Receivables from non-exchange transactions</b>		
Licence fees and levies	29 072 907	22 649 823
Receivables from non-exchange transactions impaired		
As of 31 March 2019, other receivables from non-exchange transactions of R 11 542 were impaired and provided for. NERSA's policy is to provide for receivables which are more than 120 days owing.		
The ageing of these loans is as follows:		
one to 30 days	29 062 019	22 628 898
over 120 days	11 542	20 926

Figures in Rand	2019	2018
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	3 893	9 772
Bank balances	17 715 836	29 700 971
Short - term investment	226 221 228	179 552 252
	<b>243 940 957</b>	<b>209 262 995</b>
<b>9. Revaluation reserve</b>		
Balance at year end	28 142 725	28 142 725

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
<b>10. Provisions</b>					
<b>Reconciliation of provisions - 2019</b>					
Performance bonuses	27 092 649	30 718 612	(22 265 283)	(2 627 662)	32 918 316
<b>Reconciliation of provisions - 2018</b>					
Performance bonuses	22 014 981	26 725 971	(19 831 163)	(1 817 140)	27 092 649

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



Figures in Rand	2019	2018
<b>11. Payables from exchange transactions</b>		
Trade payables	2 778 652	126 295
Nominated bonus	132 700	136 700
Accrued leave pay	7 974 453	6 905 910
Other accruals	18 415 040	7 463 280
	<b>29 300 845</b>	<b>14 632 185</b>
<b>12. Payable from non-exchange transactions</b>		
Trade debtor with credit balance	-	368
<b>13. Revenue</b>		
Registration fees	3 400	-
Rental of facilities and equipment	49 543	56 168
Sundry Income	4 359 185	9 137
Interest received	16 069 802	14 021 222
Levies	326 350 237	302 630 932
	<b>346 832 167</b>	<b>316 717 459</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rental of facilities and equipment	49 543	56 168
Sundry Income	4 359 185	9 137
Interest received	16 069 802	14 021 222
	<b>20 478 530</b>	<b>14 086 527</b>
<b>The amount Included in revenue arising from non-exchange transactions is as follows:</b>		
Registration fees	3 400	-
Levies	326 350 237	302 630 932
	<b>326 353 637</b>	<b>302 630 932</b>

Figures in Rand	2019	2018
<b>14. Rental of facilities and equipment</b>		
Premises	49 543	56 168
<b>15. Registration fees</b>		
Small-Scale Embedded Generators of Electricity	3 400	
<b>16. Sundry Income</b>		
Miscellaneous Income	4 359 185	4 512
Profit on disposal of assets	-	4 625
	<b>4 359 185</b>	<b>9 137</b>
<p>Sundry Income for 2019 relates to the award for legal fees was made to NERSA. The award was for legal fees in previous financial year. The amount to be received by NERSA was only determined in the current year after the completion of the reconciliation by the legal firm representing NERSA. Included is also an Insurance recovery in respect of losses incurred by NERSA due to the liquidation of the refurbishment contractor.</p> <p>Sundry income for 2018 relates to receipts from the paper recycling company.</p>		
<b>17. Interest income</b>		
<b>Interest revenue</b>		
Interest received	16 069 802	14 018 773
Interest charged on trade and other receivables	-	2 449
	<b>16 069 802</b>	<b>14 021 222</b>
<p>Interest received has been earned from NERSA's current bank account and the Corporation for Public Deposits account.</p>		
<b>18. Levies</b>		
Licencee fees from Electricity	191 610 857	181 987 841
Levies from Piped Gas	65 190 908	56 530 360
Levies from Petroleum Pipelines	69 548 472	64 112 731
	<b>326 350 237</b>	<b>302 630 932</b>

Figures in Rand	2019	2018
<b>19. Employee related costs</b>		
Basic salaries	157 070 321	146 856 051
Performance bonuses	28 090 950	24 908 831
Medical aid	7 787 928	6 778 674
Unemployment insurance fund	399 987	391 981
Leave pay provision charge	1 916 979	1 321 520
Pension fund contributions	17 733 174	15 461 527
Overtime payments	141 660	150 145
Long-service awards	50 500	50 000
Arbitration and settlement award	364 186	-
Staff Publication incentives	45 000	-
	<b>213 600 685</b>	<b>195 918 729</b>
<b>20. Debt impairment</b>		
Provision for doubtful debt	36 799	-

Figures in Rand	2019	2018
<b>21. General expenses</b>		
Advertising and publications	11 502 289	10 269 968
Municipal rates and water consumption	1 109 424	1 012 574
Auditors remuneration	1 329 399	2 158 838
Bank charges	75 609	89 132
Recruitment costs	1 095 643	1 395 100
Consulting and professional fees	13 917 897	19 989 966
Catering for meetings and functions	1 377 344	1 576 296
Sponsorship	40 230	-
Insurance	539 237	622 922
Stakeholder meetings	607 623	414 965
Lease rentals on operating lease	2 062 702	1 166 642
Information Technology expenses	1 160 134	1 292 232
Motor vehicle expenses	235 124	221 757
Postage and courier	54 763	221 028
Printing and stationery	1 287 940	1 477 989
Software expenses	4 313 095	2 949 439
Health and safety and Employee wellness	1 031 506	828 604
Subscriptions and membership fees	1 945 171	1 486 057
Telephone and fax	899 216	601 139
Training	2 978 175	3 895 981
Travel- costs	18 030 879	15 293 719
Electricity consumption	1 807 824	2 555 239
Learnership programme	245 392	718 648
National/International Initiatives	508 975	142 937
Knowledge Centre	2 299 018	2 978 893
Public Hearings	5 030 006	2 143 069
Study fees	1 506 156	1 184 959
Office Operations	1 519 972	1 198 975
Repairs and maintenance	6 777 050	5 945 745
	<b>85 287 793</b>	<b>83 832 813</b>

Figures in Rand	2019	2018
<b>22. Auditors' remuneration</b>		
External auditors	1 329 399	2 158 838
<b>23. Cash generated from operations</b>		
Surplus for the year	40 183 109	31 661 277
<b>Adjustments for:</b>		
Depreciation and amortisation	7 606 392	5 304 640
Loss on sale of assets	117 389	
Movements in provisions	5 825 667	5 077 668
<b>Changes in working capital:</b>		
Inventories	87 774	(97 422)
Receivables from exchange transactions	957 497	629 767
Receivables from non-exchange transactions	(6 423 084)	5 487 741
Payables from exchange transactions	14 668 657	2 235 732
Payable from non exchange transactions	(368)	(8 722)
	<b>62 833 029</b>	<b>50 290 681</b>

Figures in Rand	2019	2018
<b>24. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Computer hardware and software	1 825 881	586 887
• Buildings	20 746 453	1 029 124
• Office furniture	2 826 438	4 233 397
• Intangible assets	4 701 633	-
	<b>30 100 405</b>	<b>5 849 408</b>
<b>Authorised operational expenditure</b>		
• Already contracted for but not provided for	28 862 839	35 025 329
<b>Total capital commitments</b>		
Capital commitments	30 100 405	5 849 408
Operational commitments	28 862 839	35 025 329
	<b>58 963 244</b>	<b>40 874 737</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
• within one year	97 220	680 541
The lease obligation relates to a rental agreement for the use of multifunctional printers for the period of six months beginning 01 November 2018 to 30 April 2019.		
<b>Rental expenses relating to operating leases</b>		
<b>Minimum lease payments due</b>		
• within one year	762 174	
The rental agreement is for the use of offices for a period of six months beginning 01 January 2019 to 30 June 2019.		

Figures in Rand	2019	2018
<b>Minimum lease payments due</b>		
• within one year	45 097	46 354
• in second to fifth year inclusive	239 663	209 781
	<b>284 760</b>	<b>256 135</b>

The minimum future lease receipts are in respect of the use of NERSA premises. The contract was amended from February 2019 due to the reduction of the office space occupied by the lessee.

## 25. Contingent liabilities

There is a contingent liability that comprises the accumulated cash surpluses as at 31 March 2019. A request for the retention of the previous year's cash accumulated surplus of R 151.6 million has been approved by National Treasury. A request to retain the accumulated cash surplus as at 31 March 2019 will be submitted to National Treasury when the annual financial statements for the year ended 31 March 2019 have been approved by the Energy Regulator.

There are various legal matters currently before the Centre for Conciliation, Mediation and Arbitration. The NERSA Legal and Advisory Service considers the prospect of success for NERSA highly likely.



Figures in Rand

2019

2018

## 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.

### Key management personnel balances

#### Amounts included in Trade receivable regarding related parties

Full Time Regulator Member (FTRM)

83 039

-

Former Part Time Regulator Member (Former PTRM)

25 040

25 040

The amount for FTRM relates to an over-payment with regard to cellphone and data allowance.

The amount for Former PTRM relates to an over-payment of claims for attending more than one meeting in a day. A payment was made per meeting instead one of a daily meeting rate

#### Provision for doubtful debts relating to outstanding balances with related parties

Former PTRM

25 040

-

NERSA's Debtors Management Policy is to provide for receivables which are more than 120 days outstanding.

## 27. Remuneration of Regulators and Executive Management

Figures in Rand	Salary	Car allowances	Reimbursive and other allowances	Medical	Pension contributions and UIF	Total
<b>Full time regulator members - 2019</b>						
C Forlee	1 973 826	-	82 168	144 825	2 068	2 202 887
N Maseti *	1 823 663	60 000	325 220	75 021	233 092	2 516 996
M Mkhize	1 940 684	-	121 660	-	230 993	2 293 337
	<b>5 738 173</b>	<b>60 000</b>	<b>529 048</b>	<b>219 846</b>	<b>466 153</b>	<b>7 013 220</b>

\* Appointed FTRM: Electricity for the period 01 April 2018.

Figures in Rand	Salary	Performance bonus *	Car allowances	Reimbursive and other allowances	Medical	Pension contributions and UIF	Total
<b>Full time regulator members - 2018</b>							
C Forlee	1 912 268	337 347	-	14 586	133 089	78 444	2 475 734
N Maseti **	2 129 683	266 491	60 000	80 182	69 087	331 004	2 936 447
M Ncetezo ***	1 523 686	-	90 000	50 761	-	240 151	1 904 598
M Mkhize ****	406 764	-	-	3 853	-	55 070	465 687
	<b>5 972 401</b>	<b>603 838</b>	<b>150 000</b>	<b>149 382</b>	<b>202 176</b>	<b>704 669</b>	<b>7 782 466</b>

\* Performance bonus were paid in 2017/18 financial year with regard to the performance of 2016/17 financial year.

\*\* Appointed FTRM: Petroleum Pipelines for the period 01 April 2017 (since 09 January 2017) to 08 January 2018.

\*\*\* Appointed FTRM: Electricity for the period 01 April 2017 (since 09 January 2017) to 08 January 2018.

\*\*\*\* Appointed 16 January 2018.

## 27. Remuneration of Regulators and Executive Management (continued)

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
<b>Part time regulator members - 2019</b>				
J Modise	364 007	17 486	44 839	426 332
M Nkomo	379 018	8 782	17 567	405 367
F Sibanda	517 487	7 183	26 173	550 843
Y Adam	452 714	1 591	9 033	463 338
	<b>1 713 226</b>	<b>35 042</b>	<b>97 612</b>	<b>1 845 880</b>

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
<b>Part time regulator members - 2018</b>				
J Modise *	297 172	116 637	92 156	505 965
M Nkomo *	323 178	94 056	35 753	452 987
K Mthimunye **	331 870	122 729	76 647	531 246
F Sibanda *	380 016	18 438	44 691	443 145
Y Adam	296 084	52 950	42 983	392 017
	<b>1 628 320</b>	<b>404 810</b>	<b>292 230</b>	<b>2 325 360</b>

\* Term ended 28 February 2018 and re-appointed 13 April 2018.

\*\* Term ended 31 March 2018.

## 27. Remuneration of Regulators and Executive Management (continued)

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
<b>External members - 2019</b>				
T Mashanda	73 817	511	8 563	82 891
J Meissner *	39 734	-	3 635	43 369
G Jiyane	109 758	7 360	4 804	121 922
M Ndlovu *	66 292	21 844	11 970	100 106
N Chonco *	100 798	11 215	4 190	116 203
	<b>390 399</b>	<b>40 930</b>	<b>33 162</b>	<b>464 491</b>

\* Term ended 31 March 2019.

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
<b>External members - 2018</b>				
T Mashanda *	64 309	-	2 889	67 198
J Meissner	46 912	-	3 331	50 243
G Jiyane *	66 618	-	6 150	72 768
M Ndlovu	46 912	23 290	21 195	91 397
N Chonco	73 912	42 305	3 513	119 730
	<b>298 663</b>	<b>65 595</b>	<b>37 078</b>	<b>401 336</b>

\* Term ended on 30 April 2017 and re-appointed on 01 May 2017.

## 27. Remuneration of Regulators and Executive Management (continued)

Figures in Rand	Salary	Performance bonus *	Car allowances	Reimbursive and other allowances	Medical	Pension contributions and UIF	Total
<b>Executive Management - 2019</b>							
M Ncetezo **	942 305	46 706	60 000	114 506	-	106 687	1 270 204
N Sithole	1 869 372	342 049	42 000	188 798	64 368	182 966	2 689 553
P Nku	1 484 334	271 311	-	42 046	76 051	144 877	2 018 619
T Nxumalo	1 653 970	-	-	23 760	-	197 172	1 874 902
W Strauss ***	1 665 913	261 005	-	92 699	18 411	156 094	2 194 122
X Mtwa ****	235 857	-	-	3 960	8 460	26 858	275 135
	<b>7 851 751</b>	<b>921 071</b>	<b>102 000</b>	<b>465 769</b>	<b>167 290</b>	<b>814 654</b>	<b>10 322 535</b>

\* Performance bonuses were paid in the 2018/19 financial year with regard to the performance of 2017/18 financial year.

\*\* Resigned 30 September 2018. The performance bonus relates to the performance of 2016/17 which was under-paid in 2017/18.

\*\*\* Resigned 28 February 2019.

\*\*\*\* Appointed 1 February 2019.

Figures in Rand	Salary	Performance bonus *	Car allowances	Reimbursive and other allowances	Medical	Pension contributions and UIF	Total
<b>Executive Management - 2018</b>							
M Ncetezo **	429 056	354 963	30 000	39 092	-	54 087	907 198
N Sithole	1 744 452	318 778	42 000	77 953	56 589	210 325	2 450 097
P Nku	1 359 242	197 707	-	34 415	96 341	177 748	1 865 453
T Nxumalo	1 542 882	-	-	28 847	-	186 074	1 757 803
W Strauss ***	1 244 291	-	-	27 394	12 616	150 274	1 434 575
P Singh ****	1 142 329	215 328	-	223 462	-	131 186	1 712 305
	<b>7 462 252</b>	<b>1 086 776</b>	<b>72 000</b>	<b>431 163</b>	<b>165 546</b>	<b>909 694</b>	<b>10 127 431</b>

\* Performance bonuses were paid in the 2017/18 financial year with regard to the performance of 2016/17 financial year.

\*\* FTRM: Electricity for the period 01 April 2017 (since 09 January 2017) to 08 January 2018 and Executive Manager: Electricity for the period 09 January 2018 to 31 March 2018.

\*\*\* Appointed 07 July 2017.

\*\*\*\* Acting Executive Manager: Petroleum Pipelines for the period 01 April 2017 to 31 March 2018.

## 28. Comparative figures

Certain comparative figures have been reclassified. On the General expenses note for the previous financial year Advertising expenditure included an amount of R 1 395 100 for recruitment costs. For the current year recruitment costs are classified separately.

## 29. Risk management

### Financial risk management

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

### Liquidity risk

NERSA's risk to liquidity is a result of the funds available to cover future commitments. NERSA manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses NERSA's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures in Rand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 March 2019</b>				
Payables from exchange transactions	29 300 845	-	-	-
Provisions	32 918 316	-	-	-
<b>At 31 March 2018</b>				
Payables from exchange transactions	14 632 185	-	-	-
Payables from non-exchange transactions	368	-	-	-
Provisions	27 092 649	-	-	-

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. NERSA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Credit Counter party risk refers to the risk that a counter party will default on its obligations resulting in financial loss to the entity. NERSA mitigates Credit Counter party risk through the collection of revenue based on three legislation namely section 58 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 Act, 2004 (No.28 of 2004).The risk of non-payment is largely mitigated by the existence of the relevant legislation and the NERSA debtor's management policy. Payment of licence fee is license condition and non-payment may lead to NERSA revoking the licence.

Financial assets exposed to credit risk at year end were as follows:

Figures in Rand	2019	2018
<b>Financial instrument</b>		
Receivables from exchange transactions	1 813 742	2 771 235
Receivables from non-exchange transaction	29 072 907	22 649 823

**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 rate risk is managed by investing on a short term basis in the current account and the Corporation for Public Deposits.

Figures in Rand	Weighted average rate of interest %	One year or less	Non-interest
<b>2019</b>			
Cash	- %	-	3 893
Current account	4,75 %	17 715 836	-
Short-term investment	7,21 %	226 221 228	-
<b>2017</b>			
Cash	- %	-	9 772
Current account	5,06 %	29 700 971	-
Short-term investment	7,33 %	179 552 252	-



## Figures in Rand

2019

2018

**30. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes 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.

**31. Events after the reporting date**

Management is not aware of any matters or circumstances as at the end of the financial year, not otherwise dealt with in the annual financial statements, that significantly affects the financial position of NERSA or the results of its operations.

**32. Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure - Current year	-	10 293
Less: Amount written off	-	(10 293)
	-	-

The amount for 2018 relates to the reimbursement for travelling and accommodation expense for the erroneous appointment of a learner.

## Figures in Rand

2019

2018

## 33. Irregular expenditure

Opening balance	4 935 109	4 795 003
Add: Irregular Expenditure - current year	-	140 106
	<b>4 935 109</b>	<b>4 935 109</b>

**Analysis of expenditure awaiting condonation per age classification**

Awarding of a quotation to a supplier whose tax clearance had expired	-	-
Services rendered by a consultant without prior approval	-	23 612
Procurement of promotional material not on existing contract	-	84 004
Procurement of a staff competency assessment report without prior approval	-	32 490
	-	<b>140 106</b>

**Details of irregular expenditure**

- Non-compliance with delegation of authority
- Non-compliance with delegation of authority
- Non-compliance with delegation of authority
- Awarding of quotation to a supplier whose tax clearance had expired
- 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 and 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 the approval of the Minister of Energy.

**Condoning authority/Disciplinary steps**

- Under investigation. 23 612
- Under investigation. 84 004
- Under investigation. 32 490
- Condonation application was submitted to National Treasury on 11 December 2017. 184 605
- The Energy Regulator requested condonation from the Minister of Energy of 25 March 2013. 4 610 398
- 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 by NERSA.
- NERSA has submitted a second request for condonation in terms of the Treasury Regulations to the Minister of Energy on 15 February 2017.

4 935 109

## 34. Budget differences

### *Material differences between budget and actual amounts*

- 34.1 Actual is higher than budgeted interest received due to excess funds in the investment account as a result of under spending in the previous financial years on operational expenditure (including employment costs, professional fees and travelling cost) and capital expenditure.
- 34.2 Actual is lower than budgeted Personnel cost due to unfilled vacancies during the year.
- 34.3 Actual is lower than budgeted Depreciation and Amortisation due to the under-expenditure of capital expenditure for previous financial years.
- 34.4 Actual is lower than budgeted General Expenses due to under-expenditure on travelling and consulting fees.

### *Changes from the approved budget to the final budget*

There are no changes between the approved and final budget.

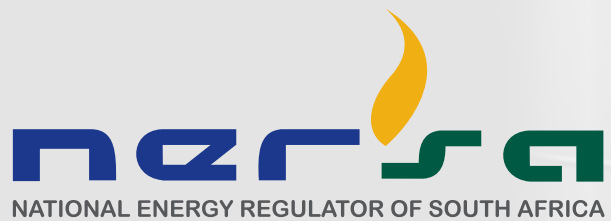














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