NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

ANNUAL REPORT **2022/23**

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.

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

ANNUAL REPORT TWENTY 22/23

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PART A:
GENERAL INFORMATION

1. GENERAL INFORMATION

REGISTERED NAME:	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)
REGISTRATION NUMBER (if applicable):	NOT APPLICABLE
PHYSICAL ADDRESS:	KULAWULA HOUSE 526 MADIBA STREET ARCADIA, PRETORIA, 0083
POSTAL ADDRESS:	PO BOX 40343 ARCADIA, 0007 SOUTH AFRICA
TELEPHONE NUMBER/S:	+27 12 401 4600
FAX NUMBER:	+27 12 401 4700
EMAIL ADDRESS:	info@nersa.org.za
WEBSITE ADDRESS:	www.nersa.org.za
EXTERNAL AUDITORS:	AUDITOR-GENERAL OF SOUTH AFRICA
BANKERS:	THE STANDARD BANK OF SOUTH AFRICA
REGULATOR SECRETARY:	SANDILE NTANZI

2. ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AFS	ANNUAL FINANCIAL STATEMENTS
AFUDC	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION
AFUR	AFRICAN FORUM FOR UTILITY REGULATORS
AGM	ANNUAL GENERAL MEETING
AGSA	AUDITOR-GENERAL OF SOUTH AFRICA
AMEU	ASSOCIATION OF MUNICIPAL ELECTRICITY UTILITIES
ARC	AUDIT AND RISK COMMITTEE
B-BBEE	BROAD-BASED BLACK ECONOMIC EMPOWERMENT
CAM	COST ALLOCATION MANUAL
CEO	CHIEF EXECUTIVE OFFICER
CNG	COMPRESSED NATURAL GAS
COSO	COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION
COUE	COST OF UNSERVED ENERGY
CPI	CONSUMER PRICE INDEX
CSIR	COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH
CWIP	CONSTRUCTION WORK IN PROGRESS
DMRE	DEPARTMENT OF MINERAL RESOURCES AND ENERGY
EAP	ECONOMICALLY ACTIVE POPULATION
EE[1]	EMPLOYMENT EQUITY
EE[2]	ENERGY EFFICIENCY
ELS	ELECTRICITY SUBCOMMITTEE
EPP	ELECTRICITY PRICING POLICY
ER	ENERGY REGULATOR (THE ACCOUNTING AUTHORITY)
ESD	ENTERPRISE SUPPLIER DEVELOPMENT

ACRONYM	FULL DESCRIPTION
EWSETA	ENERGY AND WATER SECTOR EDUCATION AND TRAINING AUTHORITY
EXCO	EXECUTIVE COMMITTEE
FAQ	FREQUENTLY ASKED QUESTIONS
FIC	FINANCE COMMITTEE
FTRM	FULL-TIME REGULATOR MEMBER
GIS	GEOGRAPHIC INFORMATION SYSTEM
GJ/a	GIGAJOULE PER ANNUM
GRAP	GENERALLY RECOGNISED ACCOUNTING PRACTICE
GW	GIGAWATT
HR	HUMAN RESOURCES
HRRC	HUMAN RESOURCES AND REMUNERATION COMMITTEE
IEA	INTERNATIONAL ENERGY AGENCY
INEP	INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME
IPP	INDEPENDENT POWER PRODUCER
IRP	INTEGRATED RESOURCE PLAN
LNG	LIQUEFIED NATURAL GAS
LPG	LIQUEFIED PETROLEUM GAS
MIRTA	MINIMUM INFORMATION REQUIREMENTS FOR TARIFF APPLICATIONS
MSCOA	MUNICIPAL STANDARD CHART OF ACCOUNTS
MW	MEGAWATT
MYPD	MULTI-YEAR PRICE DETERMINATION
NDP	NATIONAL DEVELOPMENT PLAN
NEHAWU	NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS UNION

ACRONYM	FULL DESCRIPTION
NERSA	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (THE ORGANISATION)
NFI	NON-FINANCIAL INFORMATION
NMPP	NEW MULTI-PRODUCT PIPELINE
OECD	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
OHSA	OCCUPATIONAL HEALTH AND SAFETY ACT
PAIA	PROMOTION OF ACCESS TO INFORMATION ACT
PAJA	PROMOTION OF ADMINISTRATIVE JUSTICE ACT
PFMA	PUBLIC FINANCE MANAGEMENT ACT
PGS	PIPED-GAS SUBCOMMITTEE
PPA	POWER PURCHASE AGREEMENT
PPC	PARLIAMENTARY PORTFOLIO COMMITTEE
PPI	PRODUCER PRICE INDEX
PPS	PETROLEUM PIPELINES SUBCOMMITTEE
PV	PHOTOVOLTAIC
RCA	REGULATORY CLEARING ACCOUNT
RE	RENEWABLE ENERGY
REC	REGULATOR EXECUTIVE COMMITTEE
REIPP	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER
REIPPPP	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME

ACRONYM	FULL DESCRIPTION
RERA	REGIONAL ELECTRICITY REGULATORS ASSOCIATION OF SOUTHERN AFRICA
RIA	REGULATORY IMPACT ANALYSIS
ROMPCO	REPUBLIC OF MOZAMBIQUE PIPELINE INVESTMENT COMPANY (PTY) LIMITED
RPP	RENEWABLE ENERGY POWER PLANT
RRM	REGULATORY REPORTING MANUALS
SA	SOUTH AFRICA
SADC	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
SAHRC	SOUTH AFRICAN HUMAN RIGHTS COMMISSION
SALGA	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SAQA	SOUTH AFRICAN QUALIFICATIONS AUTHORITY
SCOA	STANDARD CHART OF ACCOUNTS
SMART	SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC AND TIME-BOUND
SLA	SERVICE LEVEL AGREEMENT
SSEGS	SMALL-SCALE EMBEDDED GENERATORS
SSLNG	SMALL-SCALE LIQUEFIED NATURAL GAS
TNPA	TRANSNET NATIONAL PORTS AUTHORITY
USA	UNITED STATES OF AMERICA
WEO	WORLD ENERGY OUTLOOK
WSP	WORK PLACE SKILLS PLAN

3. FOREWORD BY THE CHAIRPERSON

MR. THEMBANI BUKULA
CHAIRPERSON

It is my privilege and honour to present the Annual Report for the period 1 April 2022 to 31 March 2023 on behalf of the National Energy Regulator of South Africa (NERSA).

This is the first report released since I was appointed Chairperson of this worthy organisation, and it has been highly rewarding to see NERSA continue to positively impact economic growth and social development within South Africa.

I stepped into the role of chairperson at a particularly challenging time for the energy sector, with these influences testing the country's resolve to withstand repeated shocks. With pressures on the country, the economy, the environment, energy suppliers and consumers, the need to regulate the energy industry in a balanced way has perhaps never been more crucial.

While the COVID-19 pandemic retreated into the background during 2022/23, its implications could still be felt on the world's psyche and how business and life are now done. It certainly jolted humans out of their comfort zone – some may say complacency – to embrace new approaches and technology.

The improvements we achieved in our regulatory operations have set us up to continue elevating our processes and procedures to edge closer to our vision of being a recognised world-class leader in energy regulation.

We will uphold our commitment to the country's priorities, such as the National Development Plan, which emphasises the need to maintain and expand the electricity infrastructure to support economic growth and social development goals and, specifically in energy regulation, to stimulate and promote affordable access to high-quality services.

We also pledge to further the government's major goals for the nation, having identified priorities two (economic transformation and job creation), three (education, skills and health) and seven (a better Africa and world) as imperatives to which we can contribute most meaningfully.

In so doing, the organisation will adhere to our regulatory principles that have always underscored our work – *Transparency, Consistency and predictability, Independence, Accountability, Integrity, Efficiency and Public interest.*

I am confident that when perusing this account of our 2022/23 year, it is evident that NERSA has spent the time very well and constructively in advancing the professionalism and reputation of energy regulation in South Africa. Our determination to maintain our impressive performance across the spectrum of diverse targets in the core regulatory, cross-cutting regulatory and organisational functions is evident in the statistics.

An organisation's performance in times of adversity is often the truest test of its capabilities, and 2022/23 allowed us to demonstrate the integrity of our regulatory processes and our progress in the drive for continuous improvement. In almost all aspects of our operations, we enhanced our performance to the benefit of all role-players.

We realised 62 of the 70 planned annual targets, an achievement of 89%. This is a decrease of 1% in performance compared to the performance of 2021/22 when 90% (75) of the 83 planned targets were met.

On the fringes of its all-important regulatory activity, our other traditional roles continued apace during the year.

Significant steps made against national priorities included NERSA's establishment of a gender project team to lead gender mainstreaming across the organisation. This is a response to the launch in August 2021 by the Minister of Mineral Resources and Energy, Mr Gwede Mantashe, of his ministry's Women Empowerment and Gender Equality Strategy and the establishment of a forum on women in energy, of which NERSA Chief Executive Officer, Advocate Nomalanga Sithole, is a member.

Outlined below are some of the noteworthy achievements in the Electricity, Piped-Gas and Petroleum Pipelines sectors that largely derive from the sterling contributions of the Regulator Members, Management and Staff.

Electricity regulation

During the reporting period, two new trading licences were issued and five amendments of the existing trading licences were approved, 14 new generation licences were granted and 39 were amended.

NERSA further approved 175 electricity tariff applications for licensed municipalities and private distributors for implementation from 1 July 2022.

The Regulator considered and approved Eskom's revenue application for the year effective from 1 April 2023 including related Regulatory Clearing Accounts (RCA) adjustments.

NERSA also approved Eskom retail tariffs after consideration of Eskom's Tariff Plan which was based on approved Cost of Supply study submitted by Eskom.

Our ongoing consumer education campaign continued to impart much-needed information to communities countrywide and promote awareness of the role of NERSA and the need for consumer vigilance and safety.

Piped-gas regulation

The global surge in gas prices that emerged in 2021 had a considerable impact on the piped-gas industry. The impact necessitated a review of the Methodology that has been introduced in the prior year of 2020 with regards to the approval of maximum prices of gas. The review of the Methodology was essential to cushion industry stakeholders against possible price shocks that emanated from the global surge in gas prices that affected many countries in the world.

The process of reviewing the Methodology was successfully completed and stakeholders were engaged in numerous workshops to assist them in clarifying the requirements of the new Methodology, including guidance on how to apply for new maximum prices of gas.

Several licences were issued for construction and operation of new gas facilities and trading of gas in the year, including registrations for importation of gas into the country. The process of licensing and registration of gas activities continues to play a significant role in ensuring the growth of the industry and allowing new entrants to come into the gas market. A total of nine new entrants joined the gas market in the year under review, having been licenced to construct, operate gas facilities and trade in gas. Five of the new entrants are companies that are 100% black owned, which contributed significantly to the creation of opportunities for previously disadvantaged individuals in the gas market. Similarly, the introduction of new players in the space of ownership and supply of gas added momentum to the diversification of gas supply options within the gas market and allowed several companies to save significantly on distribution costs.

Petroleum pipelines regulation

The processing of nineteen applications for licences, three new licences, twelve amendments of licence conditions and four revocations post the public consultation period, were finalised within an average of 34 working days.

Furthermore, NERSA processed 93 written inquiries received from stakeholders. These high level inquiries related amongst others to NERSA's mandate, the need for licensing of certain activities, the licensing process, the list of licensed facilities or requests on third party access.

NERSA also participated in several industry forums, amongst others the Department of Mineral Resources and Energy (DMRE) Compliance Forum, the Logistical Planning Team meetings with the industry players chaired by the DMRE and the Jet Fuel Forum. In addition, NERSA collaborated with government departments (DMRE, Department of Labour, Department of Environmental Affairs, Fisheries and Forestry) as well as other regulatory authorities with concurrent or overlapping mandates. This included the Competition Commission of South Africa, the National Ports Authority and the Ports Regulator of South Africa.

Global energy

In an article titled 'Renewable energy – powering a safer future', the United Nations (UN) points out that fossil fuels still account for more than 80% of global energy production, but cleaner sources of energy are gaining ground, with about 29% of electricity currently coming from renewables.

However, the ramifications of the world's energy crisis triggered by the Russia-Ukraine war could potentially accelerate the transition to a more sustainable and secure energy system, according to the International Energy Agency (IEA) World Energy Outlook of October 2022.

The most significant upheavals have been in the markets for natural gas, coal and electricity – with ructions in oil markets necessitating two oil stock releases of unparalleled scale by IEA member countries to avoid even greater disruptions. Amid geopolitical and economic concerns, energy markets remain extremely vulnerable and the crisis is a reminder of the fragility and unsustainability of the current global energy system, the report cautions.

The stated policies scenario mooted propels clean energy investment to more than US$2 trillion a year by 2030, a 50% increase from the current figure. The share of fossil fuels will fall to just above 60% by 2050 and global carbon dioxide (CO2) emissions will reduce from 37 billion tons a year to 32 billion by 2050. Russia's share of internationally traded energy, which stood at close to 20% in 2021, falls to 13% in 2030 in the scenario, while the shares of both the United States and the Middle East rise.

Assessing the year since the Russia-Ukraine conflict outbreak, an IEA analysis published in February 2022 confirmed the conflict's continuing repercussions for the global energy environment, soaring prices further burdening consumers. Dependence on fossil fuels has been thrust into the spotlight, including price and resource volatility.

The report confirms mounting calls for an accelerated energy transition from polluting fuels to low-carbon energy sources such as renewables and nuclear.

'High inflation and supply chain disruptions resulting from the conflict and compounded by the fallout of COVID-19 pandemic, have also shone a light on the risk of over-reliance on highly concentrated manufacturing and critical minerals,' the IEA analysis report states. These factors have spurred significant government interventions to protect consumers and shield the industry from spiralling energy and technology costs. Many countries and regions are now considering the policy's role in hastening a clean energy transition alongside economic recovery. The Inflation Reduction Act in the United States, Japan's GX Green

Transformation programme and Europe's REPowerEU (European Union) plan are among policymakers' responses. The last-mentioned, released in May 2022, intends to increase the share of renewables in final energy consumption to 45% by 2030, exceeding the 40% target previously discussed. Renewable electricity capacity in the EU is projected to double from 2022 to 2027.

The IEA notes that although Russian oil output and exports are holding up despite sanctions, with Moscow having rerouted shipments of crude to Asia and the Group of Seven (G7) price caps helping to keep oil pumping, the decision to cut back output by 500 kilobarrels a day in March from the 11.2 million barrels a day of January indicates that Russia may no longer have buyers for all its production, particularly given its decision not to sell to those that subscribe to the G7 caps.

The EU Versailles Declaration commitment to phase out Russian fossil fuel imports soon should transform the continent's energy and gas markets in the years to come, with implications for global trade and market dynamics.

Russia more than halved its pipeline gas supplies to the EU in the past year and its market share dwindled from 23% in 2022 to below 10% in January 2023. European nations kept levels above 95% by boosting supplies from elsewhere and rapidly reducing consumption.

In its renewable energy article, the UN states that fossil fuels such as coal, oil and gas, account for more than 75% of global greenhouse gas emissions and nearly 90% of all CO2 emissions.

To avoid the worst impacts of climate change, emissions need to be almost halved by 2030 and eliminated by 2050, which will demand an investment of about $4 trillion a year in technology and infrastructure until 2030. This is less than the $5.9 trillion the International Monetary Fund confirms subsidised the fossil fuel industry in 2020. And the reduction of pollution and climate impacts alone could save the world up to $4.2 trillion per year by 2030, the article notes.

A rapidly developing trend with huge potential is green hydrogen, stresses Thijs van de Graaf, an associate professor of international politics at Ghent University in Belgium, in his December 2022 account 'Hydrogen's decade'. In the past five years, he confirms, more than 30 countries have developed or started to prepare national hydrogen strategies.

Most decarbonisation scenarios feature a key role for hydrogen in achieving net-zero emissions by mid-century, with energy agencies expecting hydrogen to meet 12% to 13% of final energy demand by 2050 from virtually zero base currently.

Continental developments

Greater interest in natural gas, the establishment of enabling environments across Africa and increasing regional demand will drive expected energy sector growth in 2023, forecasts S&P Global Commodity Insights in its 'Africa energy review and outlook 2022-23'. This is despite the approaching mild recession in some economies and the persisting fallout from the Russia-Ukraine war, which has raised concerns about energy security, with African governments advancing oil and gas exploitation to meet supply through a succession of licensing rounds.

S&P Gobal contends that while the upstream market is expected to slow, the downstream sector should lead growth in 2023. The increase in refined product demand is expected to continue through the year, with additional elements including the transition from natural gas to more competitively priced liquid fuels and greater use of products for power generation. However, a diesel shortage of about 700 000 barrels a day may materialise.

S&P Global also observed strong growth in renewables in 2022, with 2.4GW of added capacity. However, power demand remained lower than 500kWh per capita as economic activity still had not recovered to pre-pandemic levels. Sub-Saharan Africa's capacity to produce green hydrogen continues to attract global attention.

The IEA Africa Energy Outlook 2022 also highlights a reversal of positive trends, with 4% more people without electricity in 2021 than in 2019. Ironically, Africa's climate change woes are more severe than those of most regions despite it being a relatively minor contributor to it. With nearly one-fifth of the world's population, Africa accounts for less than 3% of energy-related carbon dioxide (CO^2) emissions and has the lowest emissions per capita of any region.

Nevertheless, the report expresses confidence that the global clean energy transition holds promise for Africa's economic and social development. By May 2022,

Renewables, including solar, wind and hydropower, will make up more than 80% of new power generation capacity by 2030 in the scenario.

12 African states responsible for 40% of the continent's CO^2 emissions were among the countries contributing more than 70% of global CO^2 emissions that had committed to eradicating the offenders by 2050.

Presenting a sustainable Africa scenario, the publication envisages universal access to affordable electricity by 2030, which will require connecting 90 million people a year – triple the current rate. While 600 million people – 43% of the total population – lack access to electricity, most in sub-Saharan Africa, countries such as Ghana, Kenya and Rwanda are on track to achieve the goal.

The IEA notes that access to modern energy will cost US$25 billion a year, around 1% of global energy investment today. Electricity is the pillar of Africa's new energy systems, powered increasingly by renewables. The continent has 60% of the best solar resources, yet only 1% of installed solar photovoltaic capacity. Renewables, including solar, wind and hydropower, will make up more than 80% of new power generation capacity by 2030 in the scenario.

Hydrogen looks to become big business in Africa, with the potential to produce 5 000 megatons a year, which equates to total global energy supply. Efforts underway are focused largely on the production of ammonia for fertiliser, which would strengthen food security.

The South Africa energy environment

The local energy sector has had to contend not only with domestic issues, but against the backdrop of the Russia-Ukraine conflict, which continues to strain relations among countries and affect the supply of commodities, fuel and oil prices, with spinoffs detrimental to most of the world's population.

The Council for Scientific and Industrial Research's (CSIR) 'Statistics of power generation in South Africa 2022', released in February 2023, confirms that coal still dominates the energy mix, at 80% of the total system load, while wind, solar, photovoltaic and concentrated solar power provided 7.3% in 2022, an increase to 6.2GW in installed capacity.

The Eskom energy availability factor continued to drop, reaching 58.1% compared to the 61.7% and 65% for 2021 and 2020, respectively. The country experienced its most intensive load-shedding since 2007, with the second half accounting for 80% of the total. December 2022, the highest load-shedding month ever, delivered more power cuts than in any previous year. Stage 6 disconnections far surpassed those of 2019.

Against this backdrop, the government instituted a number of urgent steps. In an address to the nation on 25 July 2022, President Cyril Ramaphosa introduced the Energy Action Plan, which was agreed with energy experts to be the most effective and fastest path to energy security.

The establishment of the National Energy Crisis Committee (NECOM) followed to oversee implementation of the plan. On 21 January 2023, NECOM released a six-month progress update, revealing several key developments to expand capacity.

The report points out that the first of more than 100 private sector projects with 9 000MW of capacity are expected to connect to the grid by the end of the year and that the scrapping of licensing requirements for generation projects will further accelerate private investment.

March 2023 brought the appointment of the Minister in the Presidency responsible for Electricity, Dr Kgosientsho Ramokgopa, fulfilling a promise made in the February 2023 State of the Nation Address and among the decisive moves that led to the lifting of the energy-linked state of disaster announced in that address. Minister Ramokgopa was introduced to the nation as the manager of the crisis responsible for turnaround plans and overseeing new generation capacity.

In 'South Africa's infrastructure emergency: An urgent and collaborative intervention', a document penned before his appointment, the Minister warned that the state of energy 'is no longer a crisis but rather an emergency' and that the country's inability to provide sustainable and reliable sources of power has long posed an immediate risk, with the situation drastically deteriorating daily.

To bolster the historic Just Energy Transition Partnership (JETP) forged at the Conference of Parties (COP) 26 climate summit in November 2021 by South Africa, France, Germany, United Kingdom, United States and EU, the President launched on the eve of COP27 in February 2023 the country's Just Energy Transition Investment Plan (JETP IP). This, according to the Presidential Climate Change (PCC) website, outlines the needs and investments required to transition South Africa's fossil fuel-dependent economy justly.

South Africa's international JETP partners have undertaken to facilitate an initial US$8.5 billion between 2023 and 2027. However, the plan depends on funding of nearly R1.5 trillion, so the mooted amount represents less than 10% and will accordingly be used to leverage even more significant resources from both private and public sectors.

The plan follows a just transition framework developed under the auspices of the PCC and was adopted in May 2022. The framework details actions for the government and its social partners and is based on the consensus that 'social and economic impacts should be minimised, while the livelihoods of those vulnerable to climate change must be improved', as reported in 'A just transition to a low carbon future in South Africa' published by the Mapungubwe Institute for Strategic Reflection.

South Africa is also stepping out boldly on the road to green hydrogen, with the Minister of Trade, Industry and Competition having mandated the Industrial Development Corporation (IDC) to drive commercialisation. Hydrogen's inclusion in the JETP was considered an early victory.

The IDC cited in its 2021/22 annual report a memorandum of cooperation concluded with Sasol, with further partnership agreements in place across the green hydrogen value chain. Catalytic projects under review include conversion of grey hydrogen facilities to green hydrogen production, new green ammonia production, sustainable aviation fuel and industrial mobility applications. The value of projects in the pipeline was estimated in the report at R14 billion.

A hydrogen commercialisation strategy was released for comment during 2022/23, and the President offered more insight into it at the nation's first green hydrogen summit at the end of November 2022, where he affirmed the country's determination to be a leader in a field that is on the brink of significant growth. 'It is estimated that South Africa has the potential to produce 6 to 13 million tons of green hydrogen and derivatives a year by 2050,' he stated. This would require between 140GW and 300GW of renewable energy.

"The report points out that the first of more than 100 private sector projects with 9 000MW of capacity are expected to connect to the grid by the end of the year."

The focus, he added, would be on green hydrogen exports, electrolyser and fuel cell production, and the manufacture of green steel, sustainable aviation fuel, ammonia, fertilisers and renewable energy components.

The Energy Regulator considered the aforementioned developments, trends and challenges to effectively plan for improved regulation of South Africa's energy industry. We remain cognisant that as a regulator, we have to, more than ever before, remain focused on the role NERSA plays in the growth of South Africa's economy.

Conclusion

NERSA has an enviable mix of skills, expertise and knowledge that is brought to bear frequently in reaching consensus on the demanding issues we must deliberate. This group of esteemed specialists enables us to arrive at the fairest decisions possible, taking into account all the factors influencing the market, the prevailing environment and the pressures on an ailing economy.

I thank the Deputy Chairperson, Ms Zandile Mpungose, and the Full-Time and Part-Time Regulator Members for their dedication to the many tasks placed before them, which by their nature, challenge NERSA's ability to the hilt as it consistently tries to tread the finest line en-route to the most equitable decisions.

Let me take this opportunity to extend a warm welcome to my fellow Part-Time Regulator Members who were appointed on 30 August 2022 for a period of four years. I have no doubt that with this solid foundation, working together as a collective, the new Part-Time Regulator Members will significantly contribute to ensuring that NERSA achieves its mandate.

Minister of Mineral Resources and Energy, Mr Gwede Mantashe, continues to provide clear guidance and sage advice on pertinent matters, and we value our relationship with him and his ministry. We extend our support to Minister Kgosientsho Ramokgopa as he navigates his new portfolio. We will continue to contribute, in all ways possible, to alleviating the crisis through our participation in NECOM.

The Chief Executive Officer (CEO), Advocate Nomalanga Sithole, completed her first full year at the helm during this financial year and led her team with poise and authority. On behalf of all Members, I acknowledge her and the NERSA Team on their sterling work and dedication to the organisation.

Without the Regulator Members, CEO and staff members, NERSA's successes, as recorded in the CEO's report, would not have been possible, and my own task would have been considerably more difficult. I thank you all.

Mr. Thembani Bukula
Chairperson
31 July 2023

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

ADV. NOMALANGA SITHOLE
CHIEF EXECUTIVE OFFICER

It is my pleasure to present NERSA's Annual Report for 2022/23, which showcases the organisation's performance of all planned activities implemented in the aftermath of the COVID-19 pandemic.

In 2022/23, one of the key focus areas was to ensure continuous improvement of our regulatory operations and approaches, as well as putting measures in place that would improve our resilience and ability to be agile and innovative. Attention was therefore given to the regulatory tools, such as rules, methodologies and frameworks, which needed to be reviewed, updated and/or developed in close collaboration with the policymaker. In addition, we remained committed to fast-tracking processes relating to applications for prices, tariffs, licences and registrations without compromising the quality of the analysis process. The aim is to contribute towards regulatory certainty in the energy sector.

Looking back at what transpired during the previous two years during the COVID-19 pandemic, it became clear that NERSA, as all other organisations worldwide, would not be returning to the proverbial business as usual. For the past two years, we implemented new ways of working in order to deal with COVID-19 restrictions, and many of those were so effective and efficient that NERSA would be implementing a 'new normal' strategy. This will be based on leveraging all the gains from the COVID-19 pandemic and underpinning NERSA's ability to be innovative and resilient during the past two years.

Summary of organisational performance

After seventeen years in existence, NERSA has shown itself to have a firm hand in energy regulation in South Africa. As evidenced by our actual performance per programme, NERSA consistently ranks in the high-

NERSA has once again received an unqualified audit opinion from the Auditor-General of South Africa, indicating our strong adherence to accountability and responsible corporate governance principles throughout the organisation.

performance percentiles. In addition, it has once again received an unqualified audit opinion from the Auditor-General of South Africa, indicating our strong adherence to accountability and responsible corporate governance principles throughout the organisation.

Furthermore, I am immensely proud to announce that we have also received a clean audit from the Auditor-General of South Africa for the 2022/2023 financial 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 five programmes, namely Regulatory Service Delivery; Advocacy and Engagement; Innovation; Operational Efficiency and Quality Management; and People and Organisational Culture.

During the review period, NERSA achieved 89% of its annual performance targets. This signifies an overall decrease of 1% in the performance compared to our overall performance in 2021/22. In terms of the five programmes mentioned above, the percentage of achieved targets was 75% for the electricity industry due to three targets not being met due to internal factors (2021/22: 84%), 100% for piped-gas (2021/22: 100%), 100% for petroleum pipelines (2021/22: 75%), 82% for support services (2021/22: 75%) and 88% for people and organisational culture environment (2021/22: 88%).

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.

NERSA's main source of funding is the levies and licence fees from licensees in the three regulated industries. The Electricity Industry's levies and licence fees are proposed by the Energy Regulator and approved by the Minister of Mineral Resources and Energy annually. In the case of the Piped-Gas and Petroleum Pipelines industries, the levies and licence fees are proposed and approved in consultation with the Minister of Finance.

NERSA collected sufficient revenue to perform its regulatory functions for the year under review. Expenditure was also contained in light of the economic circumstances, as cost savings against the budget for the year were realised due to limited travel and continued remote working arrangements.

NERSA reported a deficit of R38 million against a budgeted deficit of R59.7 million for the year. This results from planned levy refunds from NERSA's accumulated surpluses to the regulated industries.

NERSA was in a stable financial position at 31 March 2023, with a positive net asset value of R250 million. This is mainly due to cash reserves of R169 million, mostly from deposits placed with the Corporation for Public Deposits at the South African Reserve Bank.

Cash flow risk mitigation reserve

NERSA maintained 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 also covers a shortfall in levies in cases where the levies collected are below the total expenditure. NERSA collected amounts owed by its debtors in an average of 29 days.

Externally focused responsibilities and initiatives

In keeping with its vision to position and establish the organisation as a recognised world-class leader in energy regulation, NERSA continuously engages with its stakeholders. Besides communicating through the NERSA website, using social media for announcements and updates, as well as publishing NERSA's quarterly newsletter, NERSA News, NERSA also 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 inform stakeholders of the latest developments and decisions. In addition, engagement with stakeholders at several forums is another integral part of the NERSA strategy. The publication is a crucial part of creating public awareness of the roles and responsibilities of the organisation.

During the year under review, NERSA continued to embrace digital technology and other innovative ways of communication to interact with its stakeholders and customers in the aftermath of the COVID-19 pandemic, as they proved very effective. In addition, NERSA used social media platforms to empower stakeholders with relevant industry, economic and regulatory knowledge and information.

Regarding stakeholder engagement activities, NERSA conducted 55 customer education workshops, hosted 11 roadshows and undertook 12 radio interviews as part of the customer education programme. The programme aims to create awareness about NERSA's role and mandate.

Furthermore, NERSA participated in the following nine exhibitions:

- Enlit Africa 2022 (formerly known as African Utility Week and POWERGEN Africa), 7 – 9 June 2022, Cape Town
- The Water, Waste and Green Energy Conference 2022; 21 – 22 July 2022, Cape Town
- Power & Electricity Africa, 23 – 24 August 2022, Sandton
- The Sustainability Summit, a live virtual event and expo, 20 – 22 September 2022
- Windaba, 12 – 13 October 2022, Cape Town
- Africa Energy Week, 18 – 21 October 2022, Cape Town
- African Mining Indaba, 6 – 9 February 2023, Cape Town
- Solar Power Africa, 8 – 10 February 2023, Cape Town
- Africa Energy Indaba, 7 – 9 March 2023, Cape Town.

Media coverage

Print and electronic media are monitored daily for the mention of electricity, piped-gas, petroleum pipelines and other energy-related matters. During the period under review, electricity coverage dominated with 5,442 mentions (99% share of voice), followed by piped-gas with 55 mentions (1% share), while petroleum pipelines had 20 mentions (0% share).

Furthermore, some publicity was self-generated, with NERSA having issued media statements and facilitated media interviews with print and electronic media representatives. Virtual media briefings were also held to engage with the media and keep them informed about the latest developments within the organisation.

International coordination and partnerships

During the review year, NERSA participated in global, continental and regional events, where meetings were held virtually and face-to-face.

At regional and continental levels, as part of its continued contribution towards regional harmonisation, cooperation and exchange of information, NERSA participated in the activities and programmes of the Regional Energy Regulators Association of Southern Africa (RERA) and the African Forum for Utility Regulators (AFUR) and contributed immensely to the strategic objectives and projects of the two structures through its international coordination department.

NERSA participated in the RERA subcommittee meetings held in July, September, October and December 2022. The RERA Special Executive Committee Meeting, Annual Conference and related Side Events and the Annual General Meeting were held from 11 to 17 December 2022 in Luanda, Angola. The AFUR EXCO Committee meetings, Annual Conference and Annual General Meeting were held in person in the second half of the financial year.

Additionally, NERSA participated in the following virtual engagements:

- On 6 July 2022, a virtual meeting was held between NERSA and the Zimbabwe Energy Regulatory Authority (ZERA). The meeting focused on the development of the NERSA Regulatory Accounting Framework and the lessons from its implementation. ZERA submitted its draft Regulatory Accounting Framework for NERSA's comments.
- From 18 to 20 July 2022, NERSA hosted a physical meeting with the National Petroleum Authority (NPA), Ghana. The meeting included the following areas of discussion:
  - Licensing for NERSA petroleum storage and pipeline facilities
  - NERSA determining and regulating pipeline and storage tariffs, fuel price setting and formula
  - Incorporating the storage and pipeline charges into the price formula.
- Two Electricity Licensing and Regulation staff members participated in a training course from 21 November to 2 December 2022 in Milan, Italy. The training was held in partnership with Enel Foundation, the Italian Ministry of Foreign Affairs and International Cooperation and the European Investment Bank, in collaboration with Politecnico di Milano Graduate School of Management and SDA Bocconi.
- On 17 August 2022, the Petroleum Pipelines Division met with delegates from the United Nations University Institute for Natural Resources in Africa (UNU-INRA). The purpose of the engagement included stranded fossil fuel assets as the area of discussion.
- In January 2023, NERSA held a virtual exchange with representatives from the Namibian Electricity Control Board (ECB). Information exchange on the following area of expertise: Technical Rules Review and Embedded Generation Standards.
- The Electricity Regulatory Board (ERB), Zambia, visited NERSA as part of a study tour, held from 28 February to 3 March 2023.
- In February 2023, NERSA held a virtual NERSA bilateral meeting with representatives from the UK regulator, OFGEM.

As part of its capacity building drive, NERSA participated in the DK-SA Energy Partnership Programme signed in April 2013. The development objective of the programme is to decouple economic growth in the Republic of South Africa from the growth in overall greenhouse gas (GHG) emissions. NERSA was invited to participate in an online compliance course for national energy regulators organised by NoordPool on 13 October 2022 and attend a workshop on the Green Transition and Markets from 14 to 15 December 2022. The Danish Energy Agency further invited NERSA to attend Electricity Markets Course Part I: The Physical and Financial Power Market in partnership with Nord Pool from 27 to 30 March 2023.

In November 2021, NERSA signed a Letter of Intent with the National Association of Regulatory Utility Commissioners (NARUC) – Bureau of Energy Resources' (ENR) Electricity Regulatory. The partnership entails the formulation of four bilateral webinars or technical peer review exercises, which were conducted by the ENR Energy experts. The webinars commenced in July 2022 and concluded in October 2022. The following webinars were held by ENR-NARUC:

a. Peer Review and Webinars on Distribution Interconnection – 27 July 2022 and 10 August 2022
b. Webinar on Auditing and Prudence Review of Utility Investments and Procurements – 24 August 2022
c. Webinar on Balancing Rules and Tariffs – 6 October 2022.

The partnership has assisted in building a strong working bilateral partnership through engaging with the United States Bureau of Energy Resources through bilateral engagements, as the partnership was a government-to-government engagement. The bilateral engagement has further provided a platform to engage the US Department of Energy on critical topics for NERSA through webinars and technical peer reviews, training and enhanced capacity building for the organisation through engagement with experts, US regulators and access to technical know-how on identified topics.

The NERSA-European Union partnership was signed in October 2021. The partnership agreement focused on creating a platform for dialogue, workshops, and benchmarking activities where the Florence School of Regulation engaged NERSA on critical topics for the Energy Regulator. The partnership presented an enormous opportunity for beneficial skills transfer between the EU and NERSA in terms of tried and tested regulatory solutions that the EU offered on specific challenges experienced by NERSA. The partnership has enhanced NERSA's knowledge base and experience in terms of international trends and effective regulatory approaches to challenges, such as market liberalisation, energy transitions, emerging technologies and tariff design.

Core Regulatory Functions

Detailed information on NERSA's performance in terms of the different core regulatory functions can be found in the overview of the key outputs/achievements for the 2022/23 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:

Distribution

- Two distribution licenses were amended.
- One application was not approved because there was already a licensed distributor in the area.

Trading

Trading licenses were issued to Etana Energy (Pty) Ltd and Energy Exchange Southern Africa (Pty) Ltd, increasing the total number of licensed electricity traders to four. This raises the level of competitiveness in the trading space.

(a) Compliance monitoring and enforcement

Eighteen electricity distribution compliance audits were conducted. Eighteen individual reports and a consolidated report were prepared on the state of compliance with electricity licence conditions. Also, twelve compliance monitoring audits were conducted on electricity licensees.

- Twenty-four generation compliance audits were conducted on Independent Power Producers (IPPs).
- Monitoring and enforcement was done on six non-compliant generation licensees.
- One consolidated transmission audit report on the state of compliance of main transmission substations with licence conditions was considered.
- One transmission progress report on the monitoring of the implementation of the corrective action plans by non-complying licensee was considered.

(b) Tariffs or tariff structures set or approved

NERSA's mandate includes the approval of tariffs for all municipalities and other electricity distributors in South Africa. During the review period, NERSA approved 165 municipal tariff applications and 10 tariff applications for private distributors.

"The NERSA-European Union partnership has enhanced NERSA's knowledge base and experience in terms of international trends and effective regulatory approaches to challenges."

(c) Complaints Resolution and Proactive Investigations

NERSA received 356 electricity-related disputes, excluding enquiries received via the website, emails, telephonically, fax and walk-ins. In addition, customers used various communication channels, largely emails, to submit their disputes to NERSA. Out of the 356 disputes received, 327 were successfully resolved. This translates to a 92% success rate. A total of 29 cases are still pending. The disputes received ranged from tariff and billing disputes to complex technical cases. The turnaround time for dispute resolution is 120 working days, depending on the complexity of the matters at hand. The target for disputes was exceeded by 2%, as 92% of disputes were successfully resolved within 120 working days upon receipt.

Piped-gas industry regulation

(a) Licences issued, amended, renewed or revoked

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

- Nine licences for the operation of gas transmission facilities, regasification facilities and storage facilities.
- Five licences for the construction of distribution and transmission facilities.
- Three licences for trading in gas.
- Two licences for the revocations of the operations of gas transmission facilities.
- Three applications for amendment of licence conditions to trade in gas.
- Two applications for amendment of licence conditions to operate gas distribution and transmission facilities.

(b) Registration activities approved

- The approval of the Karpowership registration applications for gas importation activities was a highlight that will facilitate the diversification of the energy mix through the importation of LNG into the country for power production.
- Five operations relating to the importation of gas were registered. This will improve opportunities for diversification of the local energy mix and contribute to the improvement of competition through the introduction of new entrants into the gas market.

(c) Maximum prices considered and trading margins approved

- No applications for maximum prices of gas were received by the Energy Regulator.
- NERSA conducted a rationality test on the methodology used to determine the maximum price and found the maximum prices produced by the methodology are disproportionate to its costs of procuring and supplying gas, thus, limiting the methodology's use to allocate economic surplus in the local gas market going forward as was originally envisaged. The disconnect was caused by the volatility and surge in international gas prices that were used by the methodology as benchmark to determine the maximum price of gas in South Africa.
- On 26 January 2023, NERSA approved a new Methodology to Approve Maximum Price in South Africa. The methodology will be used going forward by traders of gas to apply for the maximum of gas.
- NERSA calculated and published the Maximum Gas Energy (GE) price on a quarterly basis. This minimise discrepancies between NERSA and licensees' calculation of the Maximum GE price.

(d) Tariffs

Four application for a multi-year tariff are currently being considered by the Energy Regulator and will be completed by the first quarter of 2023/24.

(e) Reports on monitoring of maximum prices

NERSA's Piped-Gas Subcommittee (PGS) considered ten reports on the monitoring of the implementation of Maximum Prices.

(f) Reports on monitoring of compliance with approved tariffs

The PGS considered three reports on the monitoring of the implementation of transmission tariffs (one for the Republic of Mozambique Pipeline Investment Company (Pty) Limited [ROMPCO], one for Transnet and one for Sasol Gas).

(g) Compliance monitoring and enforcement

- The PGS considered four reports on compliance monitoring and enforcement on facilities belonging to Transnet Pipelines, Sasol Gas (Pty) Ltd, Tetra4 (Pty) Ltd, SLG (Pty) Ltd, Columbus Steel (Pty) Ltd, Novo Energy (Pty) Ltd and PG Group (Pty) Ltd.
- Two compliance audit reports on ROMPCO's transmission facilities were also considered by the PGS during the reporting year.

(h) Investigation of complaints/dispute resolution and price monitoring

- One report on the investigations into gas supply interruptions on licensed gas facilities was considered and corrective measures effected.
- A discussion document on the *Inquiry into Sasol Gas implementation of the uniform price approach was compiled and published.*

(i) Reports on developments in the gas industry

- Four reports on developments on new gas souces in South Africa and neighbouring countries were considered by the PGS. The reports are done as part of NERSA's effort to continuously monitor key developments affecting the gas industry. They outlining new developments in the gas industry at local, regional and international level, including the potential impact of these developments to the local gas market.
- One report on significant developments around competition in the industry was also finalised. The report dealt with the likely impact of these developments on competition in the gas industry and made recommendations on appropriate measures to be taken in terms of regulatory advocacy.
- This will improve opportunities for diversification of the local energy mix and contribute to the improvement of competition through the introduction of new entrants into the gas market.

(j) Customer education workshops

In line with its annual plan for interaction with customers and industry stakeholders, NERSA conducted several workshops regarding the planned review of the current Maximum Price Methodology to deal with the potential impact of the global surge in gas prices. The workshops were well received, and stakeholders expressed appreciation for the engagements in which NERSA's plans regarding review of the Methodology were clarified.

(k) Regulatory advocacy

NERSA finalised a regulatory advocacy report on features of the gas distribution value chain that may impact the attainment of certain objectives set out in section 2 of the Gas Act, 2001 (Act No. 48 of 2001).

(m) Other activities

- Finalisation of the Methodology to Approve Maximum Prices in South Africa. Valuable inputs were received from various stakeholders regarding the review process and will be considered in final decision making on the Methodology.

Petroleum pipelines industry regulation

(a) Licences issued, amended, renewed or revoked

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

- The processing of nineteen applications for licences, three new licences, twelve amendments of licence conditions and four revocations post the public consultation period were finalised within an average of 34 working days. This duration is shorter than in the 2021/22 financial year and less than the stipulated 60 working days.
- One licence was issued to Wasaa Terminals (Pty) Ltd, a 51% BEE-owned entity, to operate a petroleum storage facility in East London, which is in line with the transformation of the sector objective of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003) ('the Petroleum Pipelines Act').
- Twelve applications for amendment of licence conditions and four revocation applications. These above applications were finalised within a average of **35** working days post the closing date for public comments.

Monitoring and enforcement of compliance with licence conditions

- Forty-five site visits were conducted according to the Annual Site Visit Plan. In addition, NERSA conducted fourteen ad-hoc visits. These visits, including licensed construction and operation activities and potential unlicensed activities, were added to monitor compliance and verify facility details to inform NERSA's decisions.

(b) Tariffs set or approved

- The Energy Regulator approved tariffs for twenty-eight petroleum storage and loading facilities.
- The Energy Regulator set tariffs for four petroleum pipelines.

(c) Dispute resolution

- On 24 February 2021, NERSA received a complaint from Transnet SOC Ltd, in terms of section 31 of the Petroleum Pipelines Act, against Sasol Oil. (Pty) Ltd and Total SA (Pty) Ltd. The complaint was carried over to this reporting period. Following the investigation process, and the receipt of the comments on NERSA's preliminary findings from the three parties, the Report on NERSA's Final Findings was considered by the Energy Regulator on 24 March 2023 to close the matter.
- On 8 September 2022, NERSA received another complaint from the Petroleum Oil and Gas Corporation of South Africa SOC Ltd ('PetroSA') against the Transnet National Ports Authority ('TNPA'), a division of Transnet SOC Ltd, in terms of section 31 of the Petroleum Pipelines Act. At the reporting time, the investigation was at the information gathering stage, following which the 12-month APP target would commence.
- On 30 January 2023, NERSA received a complaint from Lanele Group (Pty) Ltd ('Lanele') against Engen Petroleum Ltd ('Engen'). At the time of this report, NERSA was at the preliminary stages of processing this complaint. Through intervention and facilitation by NERSA, the two parties engaged on the matter and NERSA monitored the situation. The outcome of the ongoing engagements would determine whether the complaint may be resolved with or without formal investigation by NERSA.

(d) Other activities

- During the reporting period, NERSA processed 93 written inquiries received from stakeholders. At a high level, these inquiries related, amongst others, to NERSA's mandate, the need for licensing of certain activities, the licensing process, the list of licensed facilities or requests on third-party access.
- NERSA also participated in several industry forums, amongst others, the DMRE Compliance Forum, the Logistical Planning Team meetings with the industry players chaired by the DMRE and the Jet Fuel Forum. Also, NERSA collaborated with government departments (DMRE, Department of Employment and Labour, Department on Environmental Affairs, Fisheries and Forestry) and other regulatory authorities with concurrent or overlapping mandates. This included the Competition Commission of South Africa, the National Ports Authority and the Ports Regulator of South Africa.

Transversal Regulatory Matters

a) Regulatory Reporting Manuals (RRM)

Eskom Generation, Transmission and Distribution facilities have been consistently reporting on their annual regulatory financial reports (RFRs) since 2012. However, Eskom did not submit its 2021/22 RFRs before or on the approved date, and was reported as non-compliant. Ninety-seven per cent of the municipal licensees submitted the annual distribution forms (D-Forms) for 2022. All municipalities were D-form-compliant for 2021. Eighty-two per cent of independent power producers (IPPs) submitted the annual generation forms (G-Forms) for 2021/22, while one of the eleven private distributors did not submit its D-Forms. The Municipal Standard Chart of Accounts (mSCOA) project incorporated the RRM requirements for the reporting of municipalities. The National Treasury stated that municipalities submitting their information on the Local Government database were estimated at 100% of the total municipalities, however, the information was not at the required level of quality.

All five piped-gas licensees that participated in the implementation of the financial RRMs submitted their 2021/22 RFRs. Only one licensee submitted within the four-month time frame, hence the other licensees requested an extension. Since each of those five licensees started reporting on the RFRs, there has been consistency with regard to reporting on the annual RFRs.

Regarding Petroleum Pipelines licensees, out of ten licensees that were implementing the financial RRMs, only three were fully compliant with the RRMs during the last three years. However, since those three licensees started reporting on the RFRs, there has been consistency in annual reporting.

Eskom Generation, Transmission and Distribution facilities have been consistently reporting on the non-financial information (NFI) templates since inception. Eskom requested an extension and submitted its NFI report for Generation, Transmission and Distribution on 30 January 2023.

Concerning municipalities and metros, twenty-four participated in the implementation of the pilot NFI templates. Eight of the licensees did not submit the reports for the 2021/22 financial year; eight submitted the D-forms and eight submitted the NFI template. Thirty IPPs participated in the implementation of the pilot NFI templates. Thirty licensees (100 %) were fully compliant in submitting their NFI for the 2021/22 financial year. Six licensees are compliant by submitting the NFI templates for the 2021/22 financial year and the remaining licensees are not yet due.

With regard to Piped-Gas licensees, the NFI templates were implemented for thirteen licensees. Twelve licensees (92%) were fully compliant in submitting their NFI for the 2021/22 financial year ending, and one licensee was not fully compliant.

NERSA considered four Audited Regulatory Financial Reports (RFRs) under piped-gas activities. The four audited reports were for Sasol Gas (Pty) Ltd, Transnet Pipelines (for the piped-gas activities), SLG (Pty) Ltd and ROMPCO (Pty) Ltd. The audit reports confirmed that the four regulatory financial reports from the four licensees for the 2020/2021 financial year were prepared in compliance with the prescribed Regulatory Reporting Manual (RRM) and NERSA approved the Cost Allocation Manual.

NERSA's Petroleum Pipelines Division groups its licensees' compliance according to each section of the RRM and not per licensee. Overall, for this reporting period, the level of compliance with Petroleum Pipelines NFI templates improved, following a continued concerted effort to remind and follow up.

b) Research

The following research reports were produced during the 2022/23 financial year:

- ***Implementation of the second benchmarking study recommendations***
  - This report, which was approved by the Regulator Executive Committee (REC), monitors the implementation of the 34 additional improvement opportunities identified and 18 good practices identified under the second NERSA benchmarking study approved during the 2019/20 financial year. All the improvement opportunities and good practices were successfully implemented.
- ***NERSA research agenda***
  - The NERSA research agenda, which is designed to support current and emerging priorities and identify those areas that require new research knowledge in the short, medium and long term, was approved during the 2020/21 financial year with 11 projects to be executed from the 2021/22 to 2023/24 financial years. During 2022/23 financial year, the following projects were finalised:
    - > Phase 2: Treatment of Assets and Licences with TNPA Concession Agreements.
    - > Performance Benchmarking in Regulated Energy Markets.

Acknowledgements

In my introductory paragraphs to this chapter, I pertinently mentioned NERSA's achievements. Our organisation undeniable has such success on the back of Management and Staff who give their all. 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 make significant headway with our strategic plans and stakeholder relations.

I want to express our appreciation to the Minister of Mineral Resources and Energy, Mr Gwede Mantashe, for his leadership and support of the Energy Regulator. I would also like to extend our gratitude to the Deputy Minister, Dr Nobuhle Nkabane, and the Department of Mineral Resources and Energy for their ongoing cooperation and guidance and leadership.

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

As we look back on the past year, it is clear that NERSA has significantly impacted the lives of ordinary South Africans across the length and breadth of our land. At the same time, it created an environment in which the energy sector could grow and stimulate the economy to benefit all industries, large and small alike.

Finally, I must thank our stakeholders for their active participation and involvement in our mandated regulatory energy matters during the past year. I extend my unequivocal appreciation to them for their contribution to ensuring that NERSA continues the efficient and effective regulation of the energy industry in South Africa.

Adv. Nomalanga Stihole
Chief Executive Officer
31 July 2023

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

ADV. NOMALANGA STIHOLE
CHIEF EXECUTIVE OFFICER

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP).

The Energy Regulator is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Energy Regulator is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of NERSA for the financial year ended 31 March 2023.

Adv Nomalanga Stihole
Chief Executive Officer
31 July 2023

6. STRATEGIC OVERVIEW

6.1 Vision

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

6.2 Mission

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

6.3 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

6.4 Regulatory Principles

In regulating the electricity, piped-gas and petroleum pipelines industries, the National Energy Regulator of South Africa (NERSA) must adhere to sound principles and approaches to deliver on its mandate and achieve its objectives. NERSA has considered the international best practice and 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.

7. LEGISLATIVE AND OTHER MANDATES

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

- The National Energy Regulator Act, 2004 (Act No. 40 of 2004)
- The Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA')
- The Gas Act, 2001 (Act No. 48 of 2001)
- The 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:

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

Apart from the above-mentioned 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 business conduct:

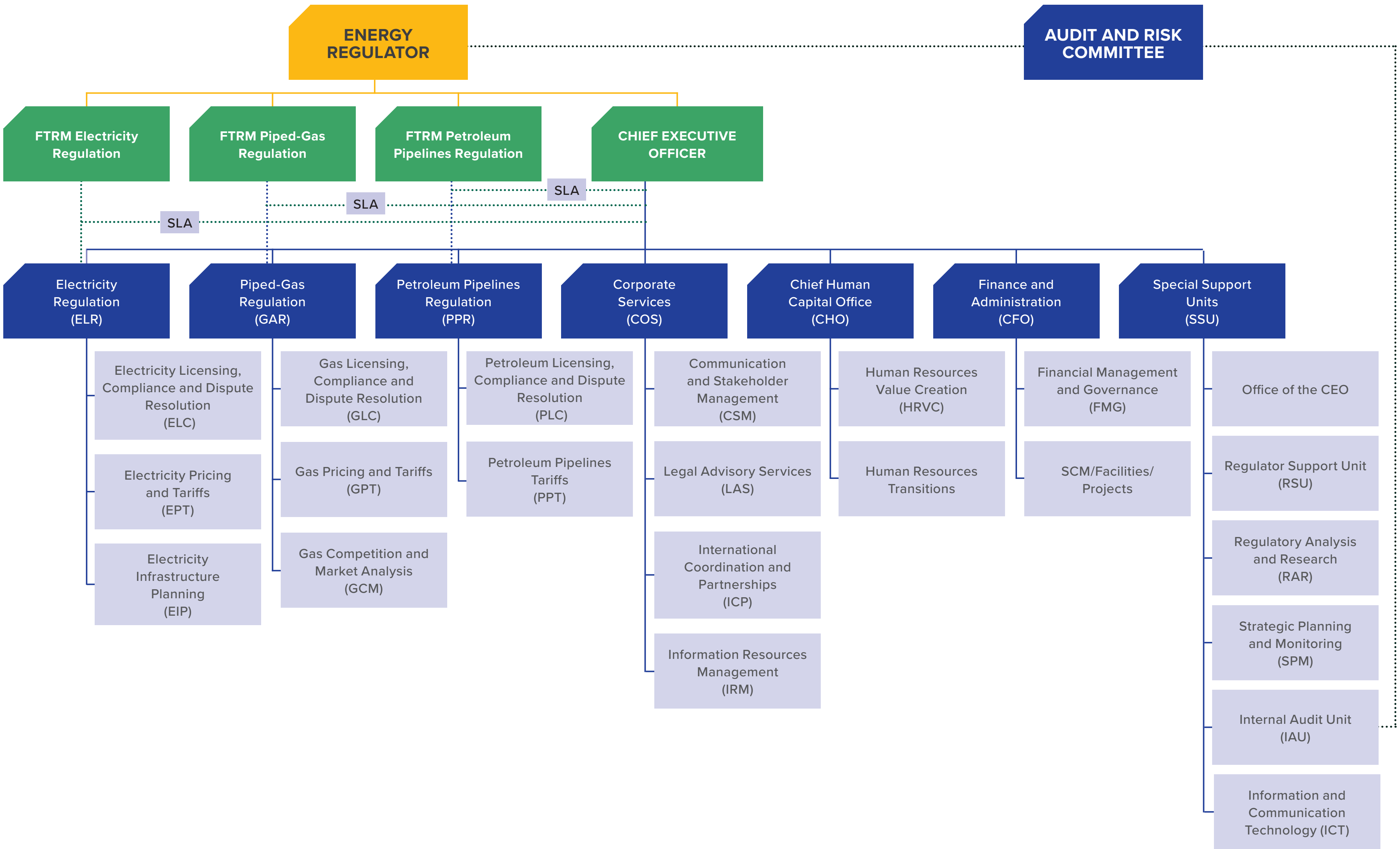
- The Constitution of the Republic of South Africa
- The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), which specifies the accounting of NERSA as a Public Entity in terms of Schedule 3A
- The Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA), which determines the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

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

The relevant applicable policies are:

- the White Paper on Energy Policy for South Africa of 1998;
- the Electricity Pricing Policy (EPP) of the South African Electricity Supply Industry;
- the Free Basic Electricity Policy;
- the White Paper on Renewable Energy Policy for South Africa of 2003;
- the Energy Security Master Plan: Liquid Fuels published by the then Department of Energy in 1998 and 2007; and
- the Integrated Resource Plan (IRP) 2019.

8. ORGANISATIONAL STRUCTURE



NERSA's organisational structure is as outlined on page 49. 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 (PTRMs), the Chief Executive Officer (CEO), as well as the Executive Managers and Senior Managers reporting to the CEO, with their links to the programmes implemented by NERSA. It also reflects the dual reporting of the Regulatory Executive Managers to the FTRMs and the CEO. Another dual reporting indicated in the structure is by 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
ENERGY REGULATOR MEMBERS		
Mr Thembani Bukula[1]	Chairperson (Part-Time Regulator Member)	**Programme 1:** Regulatory Service Delivery **Programme 2:** Advocacy and Engagement **Programme 3:** Innovation **Programme 4:** Operational Efficiency and Quality Management **Programme 5:** People and Organisational Culture
Ms Z Mpungose[2]	Deputy Chairperson (Part-Time Regulator Member)	
Adv. NP Sithole	Full-Time Regulator Member & Chief Executive Officer	
Mr N Gumede	Full-Time Regulator Member responsible for Electricity Regulation	
Ms N Maseti	Full-Time Regulator Member responsible for Piped-Gas Regulation	
Mr M Mkhize	Full-Time Regulator Member responsible for Petroleum Pipelines Regulation	
Ms Thembeka Semane[3]	Part-Time Regulator Member	
Ms Precious Sibiya[4]	Part-Time Regulator Member	
Mr Fungai Sibanda[5]	Part-Time Regulator Member	

[1] Appointed as Chairperson on 30 August 2022
[2] Appointed as Chairperson on 3 May 2022 and as Deputy Chairperson on 30 August 2022
[3] Appointed as Part-Time Regulator Member on 30 August 2022
[4] Appointed as Part-Time Regulator Member on 30 August 2022
[5] Appointed as Part-Time Regulator Member on 30 August 2022

NAME	POSITION	PROGRAMME INVOLVEMENT
EXECUTIVE MANAGEMENT		
Mr Z Mavuso	Executive Manager: Electricity	Programme 1: Regulatory Service Delivery Programme 2: Advocacy and Engagement
Mr T Nxumalo	Executive Manager: Piped-Gas Regulation	Programme 1: Regulatory Service Delivery Programme 2: Advocacy and Engagement
Ms X Mtwa	Executive Manager: Petroleum Pipelines Regulation	Programme 1: Regulatory Service Delivery Programme 2: Advocacy and Engagement
Mr L Nematswerani	Chief Human Capital Officer	Programme 5: People and Organisational Culture
Ms B Pono	Chief Financial Officer	Programme 4: Operational Efficiency and Quality Management
Ms F Harrison[6]	Acting Executive Manager: Corporate Services	Programme 2: Advocacy and Engagement Programme 3: Innovation Programme 4: Operational Efficiency and Quality Management
Mr S Ntanzi	Senior Manager: Regulator Support	Programme 4: Operational Efficiency and Quality Management
Ms M Sikhosana	Chief Audit Executive	Programme 4: Operational Efficiency and Quality Management
Ms Z Kapika	Senior Manager: Office of the CEO	Programme 2: Advocacy and Engagement Programme 4: Operational Efficiency and Quality Management
Ms G Gräbe	Senior Manager: Strategic Planning and Monitoring	Programme 4: Operational Efficiency and Quality Management
Dr M Maphosa	Senior Manager: Regulatory Analysis and Research	Programme 4: Operational Efficiency and Quality Management
Mr D Totten	Chief Information Officer	Programme 3: Innovation Programme 4: Operational Efficiency and Quality Management

[6] Acting Executive Manager Corporate Services from 1 April 2022 to date

PART B:
PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2023

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 Amended Strategic Plan (2020/21 – 2024/25) and approved Annual Performance Plan (2022/23 – 2024/25) of NERSA for the financial year ended 31 March 2023.

NERSA's performance information for the year ended 31 March 2023 has been examined by the external auditors and their report is presented on page 121.

The performance information of the entity set out on page 33 to page 74 was approved by the Energy Regulator and signed as delegated.

Adv. Nomalanga Sithole
Chief Executive Officer

Mr. Thembani Bukula
Chairperson

1. 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 131 of the report on the Auditor's Report, published as Part F: Financial Information.

2. OVERVIEW OF NERSA'S PERFORMANCE

2.1. Service Delivery Environment

2.1.1. Context

2.1.1.1. 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). 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 the sustainable socio-economic development of South Africa and a better life for all.

2.1.1.2. NERSA's regulatory functions, as contained in the relevant legislation, are summarised as follows:

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

2.1.1.3. As a public entity, NERSA has to comply with the requirements of the 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.

2.1.1.4. In November 2019 National Treasury issued Instruction Note No. 05 of 2019/2020 in which gave legal effect for the implementation of the Revised Framework for Strategic Plans and Annual Performance Plans (2019) detailing the requirements for the development of Strategic Plans and Annual Performance Plans. According to this Instruction Note of National Treasury, Schedule 3A public entities have to comply with the requirements of the Revised Framework as from 15 November 2019. In line with this requirement, the NERSA Strategic Plan (2020/21 – 2024/25) was approved by the Minister of Mineral Resources and Energy. NERSA also developed its Annual Performance Plan for the period 2021/22 – 2023/24 in line with the Revised Framework, which was also approved by the Minister of Mineral Resources and Energy.

2.1.2. Overall performance

2.1.2.1. Some of the NERSA's key outputs that could impact on the public are summarised below, grouped per each of the three industries that are regulated by NERSA:

2.1.2.1.1. Electricity Industry Regulation (ELR)

a) During the reporting period the electricity crisis in South Africa posed a serious threat. The Regulator endeavoured to support Government in its efforts to deal with the crisis while regulating the electricity industry striving for a balance between the needs of both the consumers and licencees.

b) The following are the key outputs:
   - (i) A total of 94% of all applications for the registration of electricity generation facilities were processed within the improved turnaround time of 45 working days.
   - (ii) 100% of both the Compliance Audit Plan and the Enforcement Plan were executed and reports considered by the Energy Regulator.
   - (iii) The Energy regulator made a determination on the Eskom's MYPD5 revenue application for the 2022/23 and 2023/24 financial years as well as on Eskom's 2020/21 RCA application.
   - (iv) The Energy Regulator reviewed the following codes:
     - Battery Energy Storage Facility Code;
     - Transmission Network Code; and
     - Governance code.
   - (v) The Wheeling Rules were developed.

2.1.2.1.2. Piped-Gas Industry Regulation (GAR)

a) The Division successfully completed the review of the Methodology for Approval of Maximum Prices of gas. The review was necessitated by the global surge in gas prices that emerged in 2021 and had a considerable impact on the piped gas industry. The review of the Methodology was essential to cushion industry stakeholders against possible price shocks that emanated from the global surge in gas prices that affected many countries in the world.

b) Following approval of the new Methodology, stakeholders were engaged in numerous workshops to assist them in clarifying the requirements of the Methodology, including guidance on how to apply for new maximum prices of gas.

c) Several licences were issued for construction and operation of new gas facilities and trading of gas in the year, including registrations for importation of gas into the country. The process of licensing and registration of gas activities continues to play a significant role in ensuring the growth of the industry and allowing new entrants to come into the gas market.

d) In terms of monitoring of compliance with tariffs, four quarterly calculations were made of the ROMPCO tariff for gas volumes below 120 million Gigajoules.

e) In order to continuously monitor the volumes of natural gas imported from Mozambique through the ROMPCO pipeline, monthly reports were assessed and considered by the Piped Gas Sub-Committee in the year under review;

f) Two audits were also conducted on the ROMPCO pipeline in order to ensure the effectiveness of the pipeline and related facilities located in South Africa and Mozambique to accurately measure the volumes of gas transported into the country from Mozambique;

g) Monitoring reports on the implementation of maximum prices of gas under the previous Methodology were considered by the Piped Gas Sub-Committee to ensure compliance with NERSA's decision on maximum prices of gas. In addition to the above, the Energy Regulator considered two maximum price applications and 1 transmission tariff application.

h) As part of its quest to continuously research and monitor key developments affecting the gas industry, the Division completed two reports outlining new developments in the gas industry at local, regional and international level, including the potential impact of these developments to the local gas market.

i) One report on significant developments around competition in the industry was also finalised. The report dealt with the likely impact of these developments on competition in the gas industry and made recommendations on appropriate measures to be taken in terms of regulatory advocacy.

j) In order to highlight the negative impact of continued delay in the promulgation of the Gas Amendment Bill, a report was finalised and considered by the PGS and ER indicating the regulatory impediments that NERSA continues to experience as a result of the delay.

2.1.2.1.3. Petroleum Pipelines Industry Regulation (PPR)

a) The following are the key outputs:
   (i) The Energy Regulator considered the following:
      1) 18 petroleum storage tariff applications;
      2) 2 petroleum loading tariff applications;
      3) 1 petroleum pipelines system tariff application;
      4) 3 petroleum pipelines tariff applications;
      5) 2 petroleum pipeline tariff applications;
      6) 2 petroleum storage and loading tariff applications;
      7) 2 licence applications for the operation of a storage facility; and
      8) 1 licence application to construct a storage and dedicated loading facility.
   (ii) The following reports were developed and considered by the Energy Regulator:
      1) One report on investigations done into suspected unlicensed activities;
      2) One report on the geographic spread of licences issued for petroleum pipelines infrastructure and new entrants;
      3) Two reports on the inland security of supply;
      4) Two report on trends regarding utilisation of storage facilities and third-party access;
      5) One report on the implementation of the methodology to determine uncommitted capacity;
      6) Two report on the construction of new facilities;
      7) Two reports on licensees' compliance with statutory reporting requirements; and
      8) One report on the monitoring of the implementation of the revised methodology.

2.1.2.2. It should be noted that in the development of the 2022/23 Annual Performance Plan NERSA focused on its value-add to external and internal customers as the point of departure to define the strategic focus. This resulted in the following new programmes in terms of which the Annual Performance Plan and Budget is now being structured:

a) Programme 1: Regulatory Service Delivery. The key functions are -
   (i) Tariff and Price Setting
   (ii) Licensing and Registration
   (iii) Compliance Monitoring and Enforcement
   (iv) Dispute and complaints resolution
   (v) Regulatory Rules, Guidelines and Codes

b) Programme 2: Advocacy And Engagement. The key functions are -
   (i) Regulatory and policy advocacy
   (ii) Customer and stakeholder engagement
   (iii) Equity and Transformation

c) Programme 3: Innovation. The key functions are -
   (i) Information management
   (ii) ICT strategy implementation

d) Programme 4: Operational Efficiency and Quality Management. The key functions are -
   (i) Corporate Services
   (ii) Finance
   (iii) Regulator Support
   (iv) Regulatory Analysis and Research
   (v) Information and Communication Technology
   (vi) Strategic Planning and Monitoring, Risk Management, Business Continuity and Business Processes.
   (vii) Internal Audit

e) Programme 5: People and Organisational Culture. The key function is -
   (i) Human Resources Management

2.1.2.3. Table 1 provides an analysis of NERSA's performance with regard to the implementation of its planned annual targets linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2022/23 – 2024/25.

a) From Table 1 it is evident that a total of 9 (75%) of the 12 planned annual targets relating to the regulation of the *Electricity Industry*, were met. This signifies a 9% decrease in the

Table 1: Analysis of NERSA's performance – 2022/23

	Planned annual targets		Annual targets met		Reasons for annual targets not met			
					External Dependencies		Internal Factors	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Programme 1: Regulatory Service Delivery								
Electricity Industry Regulation	29	7	24/29 (83%)	5/7 (71%)	5/29 (17%)	0 (0%)	0 (0%)	2/7 (29%)
Piped-Gas Industry Regulation	17	16	17 (100%)	16/16 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Petroleum Pipelines Industry Regulation	12	12	12/12 (100%)	12/12 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Programme 2: Advocacy And Engagement								
Electricity Industry Regulation	3	5	3/3 (100%)	4/5 (80%)	0 (0%)	0 (0%)	0 (0%)	1 (20%)
Piped-Gas Industry Regulation	2	2	2/2 (100%)	2/2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Petroleum Pipelines Industry Regulation	2	2	2/2 (100%)	2/2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Support Functions	1	3	1/1 (100%)	3/3 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Programme 3: Innovation								
Support Functions	2	2	2/2 (100%)	2/2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Programme 4: Operational Efficiency and Quality Management								
Support Functions	7	12	4/7 (57%)	9/12 (75%)	0 (0%)	0 (0%)	3/7 (43%)	3/12 (25%)
Programme 5: People and Organisational Culture								
People and Organisational Culture	8	9	8/8 (100%)	7/9 (78%)	0 (0%)	0 (0%)	0 (0%)	2/9 22%
Total	**83**	**70**	**75/83 (90%)**	**62/70 (89%)**	**5 (6%)**	**0/70 (0%)**	**3 (4%)**	**8/70 (11%)**

performance when compared to 2021/22, where 84% of the planned targets were met. Three targets were not met due to internal factors.

b) It is also evident that 18 (100%) of the 18 planned annual targets, linked to the key performance indicators relating to the regulation of the *Piped-Gas Industry*, were met. This signifies the same level of performance when compared to 2021/22, where 100%of the planned targets were met.

c) It can also be seen that 14 (100%) of the 14 planned annual targets, linked to the key performance indicators relating to the regulation of the *Petroleum Pipelines Industry*, were met. This signifies the same level of performance when compared to 2021/22, where 100%of the planned targets were met.

d) Moreover, from the table above it is evident that 14 (82%) of the 17 planned annual targets, linked to the key performance indicators relating to *Support Functions,* were met. This signifies a 7% increase compared to 2021/22, where 75% of the planned targets were also met. Three targets were not met due to internal factors.

e) Lastly, from the table above it is evident that 7(78%) of the 9 planned annual targets, linked to the key performance indicators relating to the people and *organisational culture environment*, were met. This signifies a decrease of 10% in performance when compared to 2021/22, where 88% of the planned targets were met. Two targets were not met were due to internal factors.

f) In summary, in total 62 (89%) of the 70 planned annual targets, linked to the key performance indicators, were met. This signifies a decrease of 1% in performance when compared to 2021/22, where 90% of the targets were met.

2.1.2.4. 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, 2018/19 and 2019/20, 2020/21 and 2021/22 and 2022/23.

Table 2: Comparison of NERSA's performance from 2009/10 to 2022/2

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%
2019/20	79%	15%	6%
2020/21	88%	9%	3%
2021/22	90%	6%	4%
2022/23	89%	0%	11%

NERSA remains committed to continued improvement in our performance.

2.1.3. Main Challenges for the 2022/23 Financial Year and Corrective Steps Being Taken

2.1.3.1. Electricity Industry Regulation

a) The rising electricity prices continued to reducing competiveness in the industrial sectors and reduced affordability for households. NERSA commenced with the review of the electricity pricing approach.

b) There was an increase in incidents of damage to electricity infrastructure exacerbating energy supply deficit triggering distribution network failures. There is a need to engage with law enforcement and judicial agencies to increase impact of consequence penalty of economic crimes.

2.1.3.2. Piped-Gas Industry Regulation (GAR)

a) The impact of the unforeseen global surge in international gas prices and the implications of this development to the local gas market remains a challenge. NERSA is reviewing the Methodology and engaging with industry stakeholders to mitigate the impact of surging global gas prices.

b) The current gas supplies are not sufficient and the lack of adequate local gas sources to satisfy demand from industry remains a challenge. Furthermore, there is possible decline of natural gas supply from Mozambique effective from 2025. NERSA is facilitating the importation of LNG to augment the current gas supplies by issuing licenses to applicants who intend to import gas into the country. The Regulator is furthermore consulting with ROMPCO, Sasol, and other key stakeholders on the possibilities of alternative available gas sources. There is also a need for appropriate policy instruments and a regulatory framework to enable Shale Gas, Brulpadda, Luiperd and other local gas sources as a long-term supply solution.

c) There is a continued lack of competition and investment in the gas industry. NERSA has initiated an inquiry on measures to facilitate competition, investment and achieve security of supply in the South African piped-gas industry. Attention is given to the licensing of infrastructure to ensure sufficient capacity is available, and that available capacity is fully utilized by facilitating third party access.

2.1.3.3. Petroleum Pipelines Industry Regulation

a) The closure of local refineries posed a serious challenge to the security of petroleum supply.

b) Third party access to uncommitted storage capacity remains at low levels, mainly due to financial challenges experienced by these parties acting as barriers to entry. NERSA is engaging with the financial institutions in an effort to assist in this matter

2.1.3.4. Organisational

a) The shutdown of coal fired power stations, the transportation of petroleum and gas via road instead of pipelines, as well the tendency of some licensees opting to be registered as opposed to be licenced (especially the private applicants) could result in a possible decline in funding resources of NERSA. The Regulator approved NERSA financial sustainability strategy and plan.

b) The recruitment of people with disabilities remains a challenge. However, measures are being put in place to increase the number of people with disabilities.

2.2. Organisational Environment

2.2.1. The following new part-time regulator members were appointed:

- Mr T Bukula (Chairperson)
- Ms T Semane
- Mr F Sibanda
- Ms PN Sibiya

2.3. Key Policy Developments and Legislative Changes

2.3.1. Government did not make any legislative changes that impacted on NERSA's mandate. It should however be noted that the process relating to the Gas Amendment Bill commenced.

3. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

3.1. The achievement of the outcomes and targets as stated in the Strategic Plan, were, where applicable, achieved through the implementation of the Annual Performance Plan.

3.2. NERSA's contribution toward the 2019-24 Medium Term Strategic Framework are summarised below:

3.2.1. Priority 2: Economic Transformation and Job Creation

3.2.1.1. By facilitating investment in the energy industry and thereby contributing to economic growth, leading to job creation, NERSA contributes through:

a) licensing and the setting and/or approving of tariffs and prices, as in this manner NERSA creates pre-conditions towards the achievement of this priority;
b) approving renewable energy licenses to ensure that the socio-economic development commitments specified in the bidding process are met;
c) promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
d) regulating in a manner that facilitates security of supply.

3.2.1.2. Contributing to a competitive and responsive economic infrastructure network through:

a) Setting rules and frameworks that facilitate the building of new infrastructure;
b) Setting and/or approving cost reflective tariffs and prices that encourage efficient investment;
c) Facilitating and enforcing third-party access to facilities;
d) 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
e) Promoting competition and competitiveness in the energy industry.

3.2.2. Priority 3: Education, skills and health

3.2.2.1. Implementation of the Learnership and Internship Programmes;
3.2.2.2. Implementation of the bursary programme for qualifying external applicants;
3.2.2.3. Coordinating the design of a regulatory course at an accredited institution of higher learning; and
3.2.2.4. Coordinating the development of a technical regulatory training and development programme.

3.2.3. Priority 6: A Capable, Ethical and Developmental State

3.2.3.1. Transparent regulatory processes;
3.2.3.2. All decisions and reasons thereof are made public through being published on the website;
3.2.3.3. The public is invited to make comments prior to decisions being made (written or in public hearing);
3.2.3.4. Customer education programmes and awareness campaigns;
3.2.3.5. Training and development of staff and stakeholders, including training to electricity distributors on the completion of the forms requesting information from them; and
3.2.3.6. To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
3.2.3.7. 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.

4. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

4.1. Description of each programme

4.1.1. Programme 1: Regulatory Service Delivery

4.1.1.1. The programme purpose is to–

a) set and/or approve tariffs and prices in order to ensure a fair balance between the needs of the customer and the regulated entity;

b) ensure the orderly development of the energy industry and to ensure that all activities related to all operations are licensed and registered as required by the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003);

c) ensure that all licensees in the three regulated industries fully comply with their licence conditions, including those relating to health, safety, security and environmental standards and requirements, as well as any other standards and requirements prescribed by the relevant industry-specific legislation;

d) ensure compliance with directives to govern relations between a licensee and its end users;

e) 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; and that when needed, any mediation or arbitration required will be done within prescribed procedures.

f) 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.

4.1.1.2. This Programme is divided into three sub-programmes, one for each of the regulated industries, namely Electricity, Piped-Gas and Petroleum Pipelines. The planned performance in the three subprogrammes are grouped into the following categories, which are based on NERSA's key regulatory functions:

a) Setting and/or approval of tariffs and prices

b) Licensing and registration

c) Compliance monitoring and enforcement

d) Dispute resolution, including mediation, arbitration and handling of complaints

e) Setting of rules, guidelines and codes for regulation

4.1.1.3. This programme contributes towards the following strategic outcomes:

a) Efficiency in facilitating entry, setting prices and resolving disputes

b) A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards

c) Innovation drives our response to the transition of the Industry

4.1.2. Programme 2: Advocacy and Engagement

4.1.2.1. The programme purpose is to contribute towards relevant legislation and policies; government's transformation as well as to informed customers and stakeholders.

4.1.2.2. This programme contributes towards the following strategic outcomes:

a) Energy industry regulatory framework is relevant for the effective regulation for the benefit of the customers and stakeholders.

b) Integrated and value-added services to customers

4.1.3. Programme 3: Innovation

4.1.3.1. The programme purpose is to ensure a technology solution that supports the business in delivering integrated and value- added services to customers internally and externally.

4.1.3.2. This programme contributes towards the following strategic outcome:

a) Integrated and value-added services to customers

4.1.4. Programme 4: Operational Efficiency And Quality Management

4.1.4.1. The programme purpose is to ensure that NERSA's integrated operational processes, improved planning and project management remain relevant in supporting core business.

4.1.4.2. This programme contributes towards the following strategic outcome:

a) Integrated and value-added services to customers

4.1.5. Programme 5: People And Organisational Culture

4.1.5.1. The programme purpose is to ensure a conducive work culture and human capacity that is balanced between specialised skills and generic skill requirements as well as system development to deliver the value to customer and stakeholder expectations.

4.1.5.2. This programme contributes towards the following strategic outcome:

a) Integrated and value-added services to customers.

4.2. Outcomes, outputs, output indicators, planned targets and actual achievements

4.2.1. The tables in this section provide information on the various programmes' outcomes, outputs and indicators, with the actual outputs achieved in the prior year, the planned targets as per the Annual Performance Plan and the actual achievements. This information is grouped into the following programmes and subprogrammes:

Table 3: NERSA's programmes and subprogrammes

PROGRAMME	SUBPROGRAMMES
Programme 1: Regulatory Service Delivery	• Electricity Industry Regulation • Piped-Gas Industry Regulation • Petroleum Pipelines Industry Regulation
Programme 2: Advocacy And Engagement	• Regulatory and Policy Advocacy • Customer and Stakeholder Engagement
Programme 3: Innovation	• Integrated and Value-Added Services
Programme 4: Operational Efficiency and Quality Management	• Integrated Operations and Research and Analysis
Programme 5: People and Organisational Culture	• Human Resources and Capacity

4.2.2. Programme 1: Regulatory Service Delivery

The performance information for each of the subprogrammes is structured in line with the following categories:

a) Setting and/or approval of tariffs and prices
b) Licensing and registration
c) Compliance monitoring and enforcement
d) Dispute resolution, including mediation, arbitration and handling of complaints
e) Setting of rules, guidelines and codes for the regulation of the three energy industries

4.2.2.1. Subprogramme: Electricity Industry Regulation (ELR)

Table 4: Planned targets and actual achievements per ELR strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
a) Setting and/or approval of tariffs and prices							
Efficiency in Facilitating entry, setting prices and resolving disputes	1. Reviewed Electricity MYPD Methodology	Energy Regulator decision on the Reviewed MYPD Methodology within the stated timeframe	New target	Regulator decision by 30 June 2022	Regulator decision on the Reviewed Electricity MYPD Methodology was not taken by 30 June 2022.	-1 Regulator decision	NERSA decided to develop a new Electricity Price Determination Methodology (EPDM). This new methodology takes into account current and possible future changes in the Electricity Supply Industry. The intention is to incorporate the MYPD Methodology into the EPDM.
	2. Electricity pricing for Eskom and municipalities	Energy Regulator decision on Eskom and municipal electricity prices within the stated timeframe	New target	Regulator decision by 28 February 2023	Energy Regulation decisions on - • Municipal Tariff Applications for of the 2022/23 at the REC meetings of 14 June 2022, 21 June 2022 and 28 June 2022; • Eskom's MYPD5 revenue application for FY2022/23 and FY 2023/24 at the ER meeting of 12 January 2023; and • Eskom's 2020/21 RCA application at the ER meeting of 23 February 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
b) Licensing and Registration							
Efficiency in Facilitating entry, setting prices and resolving disputes	1. Review efficiency of registration and licencing processes	Improved turnaround times for considering applications for the licencing of electricity generation facilities	New target	120 working days	• 1 of 45 licence applications and applications for licence amendments was considered by the Energy Regulator within 120 working days • 44 of 45 licence applications and applications for licence amendments were considered by the Energy Regulator between 8 and 108 working days	None	N/A
		Improved turnaround times for considering applications for the registration of electricity generation facilities	New target	45 working days	The Energy Regulator considered 430 of 446 (94%) applications for the registration of electricity generation facilities were considered by the Energy Regulator within 45 working days	9 (6%) applications for the registration of electricity generation facilities were considered by the Energy Regulator within more than 45 working days	The delays were due to round robin decisions not approved and a standing instruction needed to be approved by the FTRM.

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
c) Compliance monitoring and enforcement							
Efficiency in Facilitating entry, setting prices and resolving disputes	1. Compliance audit plans with reports in place and executed	Percentage variance of planned versus actual compliance audit plans	New target	80%	• 100% of the compliance audit plans were executed • Consolidated reports on audits conducted in 2022 for electricity generation and transmission respectively compliance audits conducted in 2022 were considered by ELS of 3 March 2023 and 30 January 2023	+20%	The execution of the audit plan started earlier than planned
	2. Enforcement plan in place and executed	Percentage variance of planned versus actual enforcement plan	New target	80%	100% of the enforcement plan was executed.	+20%	The process of monitoring the Corrective Action Plans of relevant licensees commenced in the first quarter and not the second quarter as planned.
d) Dispute resolution, including mediation, arbitration and handling of complaints							
Efficiency in Facilitating entry, setting prices and resolving disputes	1. Reviewed complaints/ dispute resolution/ Investigations Framework and Process	% of categorised disputes/ complaints, including initiated investigations, closed within the agreed upon turnaround time	New target	90%	90% (320/356) of disputes received including initiated investigations closed within 120 working days from receipt.	None	N/A
e) Setting of rules, guidelines and codes for the regulation of the electricity industry							
Innovation drives our response to the transition of the Industry	1. Review and develop targeted tools and systems for a changing electricity industry	Percentage variance between planned versus actual targeted tools reviewed and development planned	New target	80%	80% of tools and systems for a changing electricity industry developed	0%	N/A

4.2.2.2. Subprogramme: Piped-Gas Industry Regulation (GAR)

Table 5: Planned targets and actual achievements per GAR strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
a) Setting and/or approval of tariffs and prices							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. 100% of complete maximum price applications considered by the ER within 120 working days after date of publication of the preliminary assessment of the maximum price applications	% of complete maximum price Applications considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (6/6) maximum price applications were considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	100%	100% (2/2) complete maximum price applications were considered by the ER of 28 April 2022 within 120 working days after date of publication of preliminary assessment of maximum price application	None	N/A
	2. 100% of complete applications on distinguishing features considered by the ER within 120 working days after the date of the publication of preliminary assessment of the applications	% of complete applications on distinguishing features considered by the relevant committee or the Energy Regulator within the stated timeframe	0% (0/0) applications on distinguishing features considered by the ER within 120 days after the date of the publication of preliminary assessment	100%	0% (0/0) of applications on distinguishing features considered by the ER within 120 working days after the date of the publication of preliminary assessment	-100%	No applications needed to be considered by the Energy Regulator

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
a) Setting and/or approval of tariffs and prices							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	3. 100% of complete transmission tariff applications considered by ER within 120 working days after date of publication of preliminary assessment of tariff applications	% of complete transmission tariff applications considered by the relevant committee or the Energy Regulator within the stated timeframe	100% (1/1) complete transmission tariff applications considered by the ER within 120 days after the date of the publication of preliminary assessment	100%	100% (1/1) of complete transmission tariffs applications considered by the ER of 26 October 2022 within 120 working days after the date of the publication of preliminary assessment	None	N/A
	4. Four calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered quarterly by the PGS	Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Four quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4	Four quarterly calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
b) Licensing and Registration							
A stable and diverse energy sector system and pricing regime supports which access through regulatory services that are delivered on time and to quality standards	1. 100% of complete licence applications considered by the PGS/REC/ER within 60 working days from date of close of public comment period or period of applicant's response to objections received	% of complete licence applications considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (12/12) of complete licence applications were considered by the REC and ER within 60 working days from date of close of public comment period or period of applicant's response to objections received	100%	100% (17/17) of complete licence applications considered by the REC and ER within 60 working days from date of close of public comment period or period of applicant's response to objections received.	None	N/A
	2. 100% of complete applications for licence amendments/ revocations/ conversions considered by the PGS/ REC within 60 working days from date of close of public comment period or period of applicant's response to objections received	% of complete applications for licence amendments considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (6/6) of complete applications for licence amendments/ revocations/ conversions considered by the PGS/ REC within 60 working days from date of close of public comment period or period of applicant's response to objections received	100%	100% (6/6) of complete amendment applications considered by the REC within 60 working days from date of close of public comment period or period of applicant's response to objections received	None	N/A
	3. 100% of complete applications for the registration of gas activities are processed and considered by the PGS within 60 working days from date of close of public comment period	% of complete applications for the registration of gas activities considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (8/8) of complete registration applications of gas activities were processed and considered by the PGS within 60 working days from date of close of public comment period	100%	100% (5/5) of complete applications for the registration of gas activities are processed and considered by the PGS within 60 working days from date of close of public comment period or period of applicant's response to objections received	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
			c) Compliance monitoring and enforcement				
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. Twelve monthly volume balance reports assessed and analysis reports considered quarterly by the PGS	Number of monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	12 monthly volume balance reports assessed and analysis reports considered by the PGS	12	Twelve monthly volume balance reports assessed and considered by the PGS	None	N/A
	2. One audit report on the compliance of ROMPCO pipeline considered annually by the PGS by 31 March	Number of audit reports on compliance of the ROMPCO pipeline considered by the relevant subcommittee within the stated timeframe	One audit report on the compliance of ROMPCO pipeline considered annually by the PGS on 10 March 2022	1	Two audit reports on the compliance of ROMPCO pipeline considered by the PGS of 6 December 2022 and 15 March 2023	+1 report	It was decided to monitor the process quarterly to ensure that non-compliance is managed before the end of the financial year.
	3. One report on compliance with licence conditions considered annually by PGS by 31 March	Number of reports on licensees' compliance with licence conditions considered by the relevant Subcommittee within the stated timeframe	Two report on compliance with licence conditions considered by PGS by 31 March 2022	1	Two report on compliance with licence conditions considered by the PGS of 6 December 2022 and 15 March 2023	+1 report	It was decided to monitor the process quarterly to ensure that non-compliance is managed before the end of the financial year.

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
			c) Compliance monitoring and enforcement				
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	4. 100% of monitoring reports on the implementation of transmission tariffs considered annually by the PGS by 31 March, after one year following the approval of the transmission tariff	% of monitoring reports on the implementation of transmission tariffs considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (3/3) monitoring reports on the implementation of transmission tariffs considered by the PGS , after one year following the approval of the transmission tariff	100%	100% (2/2) of monitoring Reports (ROMPCO, Transnet and Sasol Gas) on the implementation of transmission tariffs considered annually by the PGS of 6 October 2022 and 6 December 2022	None	N/A
	5. Four reports (one for each licensee – SASOL, ROMPCO, Transnet and SLG) on the implementation of the RRM for the preceding financial year considered annually by the PGS/REC by 31 March	Number of reports on the implementation of the RRM for the preceding financial year considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Four reports (one for each licensee – SASOL, ROMPCO, Transnet and SLG) on the implementation of the RRM for the preceding financial year considered by the REC on 07 February 2022	4	Four reports (for Sasol Gas, ROMPCO, Transnet and SLG) on the implementation of the RRM for the preceding financial year considered by REC of 21 November 2022, 20 February and 6 March 2023	None	N/A
	6. 100% of monitoring reports on the implementation of Maximum Prices, after one year following the approval of the maximum price considered annually by the PGS by 31 March	% of monitoring reports per licensee on the implementation of Maximum Prices considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (6/6) monitoring reports per licensee on the implementation of Maximum Prices, after one year following the approval of the maximum price considered by the PGS by 31 March	100%	100% (11/11) monitoring reports per licensee (NOVO, VGN, NGV, Columbus, EVRAZ, Tetra 4, SL CNG, SLG, Egoli Gas, Sasol Gas and NGV) on the implementation of maximum price of gas, considered by the PGS of 6 December 2022 and 18 January 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
d) Dispute resolution, including mediation, arbitration and handling of complaints							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. 60% of complaint investigations completed within 12 months and a report on findings considered by the PGS	% of complaint investigations completed and a report on findings considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	0% (0/0) of complaint investigations completed within 12 months and a report on findings considered by the PGS	60%	0% (0/0) of complaint investigations completed within 12 months and a report on findings considered by the PGS	-60%	No complaint investigations needed to be completed and no reports on findings needed to be considered
	2. 60% of initiated investigations and enquiries completed within 12 months and a report on findings considered by the PGS	% of initiated investigations completed and a report on findings considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (2/2) initiated investigations and enquiries completed within 12 months and a report on findings considered by the PGS	60%	100%(1/1) on initiated investigations and inquiries completed within 12 months and a report on findings considered by the PGS of 10 November 2022	+40%	Only one investigation was initiated, therefore it was possible to complete it in one year as the response by the licensee was provide on time.

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
e) Setting of rules, guidelines and codes for the regulation of the piped-gas industry							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. Two reports on new developments in the gas industry considered bi-annually by the PGS by 30 September and 31 March	Number of reports on new developments in the gas industry considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Three reports on developments in new gas industry considered by the PGS by 30 September and 31 March	2	Two reports on new developments in the gas industry considered bi-annually by the PGS of 6 December 2022 and 8 September 2022	None	N/A
	2. One report on the impact of developments on competition in the gas industry considered annually by the PGS by 31 March	Number of reports on the impact of developments on competition in the gas industry considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	1	One report on the impact of developments on competition in the gas industry considered annually by the PGS of 5 March 2023	None	N/A

4.2.2.3. Subprogramme: Petroleum Pipelines Industry Regulation (PPR)

Table 6: Planned targets and actual achievements per PPR strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
a) Setting and/or approval of tariffs and prices							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. 80%of complete pipeline, storage and loading facility tariff applications considered by the REC/PPS/ER within 6 months from receipt of application	% of complete pipeline, storage and loading facility tariff applications considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	97% (61/ 63) of storage, loading and pipeline facilities tariff applications were considered by the PPS within 6 months of receipt of complete application	80%	93% (26/28) of complete storage, loading and pipeline facilities tariff applications were considered by the PPS within 6 months of receipt of complete application.	+7%	There were no objections received on the applications considered in the third quarter. Furthermore, there were no delays pertaining to submission of additional information by licensees and other affected stakeholders

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
b) Licensing and Registration							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. 100% of complete licence applications considered by the PPS/REC/ER within 60 working days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act	% of complete licence applications considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (4/4) licence applications considered by the REC within 60 working days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act	100%	100% (3/3) of complete licence applications was considered by the PPS within 60 working days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
b) Licensing and Registration							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	2. 100% of complete applications for licence amendments / revocations considered by the PPS/REC/ER within 60 working days from date of close of public comment period or period of applicant's response to objections received	% of complete applications for licence amendments / revocations considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	100% (11/11) of complete applications for licence amendments and revocations considered by the REC and ER within 60 working days from date of close of public comment period or period of applicant's response to objections received	100%	100% (16/16) of complete applications for licence amendment/ revocation was considered by the REC/PPS within 60 working days under the conditions in Sections 23 or 24 of the Petroleum Pipelines Act	None	N/A
	3. One report on investigations done into suspected unlicensed activities considered annually by the REC by 31 March	Number of reports on investigations done into suspected unlicensed activities considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	One report on investigations done into suspected unlicensed activities considered by the REC on 25 March 2022	1	One report on investigations done into suspected unlicensed activities considered by the REC of 22 March 2023	None	N/A
	4. One report on the geo-graphic spread of licences issued for petroleum pipelines infrastructure and new entrants considered annually by the PPS by 31 March	Number of reports on the geographic spread of licences issued for petroleum pipelines infrastructure and new entrants considered annually by the relevant subcommittee or the Energy Regulator	One report on the geographic spread of licences issued for petroleum pipelines infrastructure and new entrants considered by the PPS on 23 March 2022	100%	One report on the geographic spread of licences issued for petroleum pipelines infrastructure and new entrants considered by the PPS of 3 March 2023	None	N/A
	5. Two reports on the inland security of supply considered bi-annually by the PPS by 30 September and 31 March	Number of reports on the inland security of supply considered by relevant subcommittee or the Energy Regulator within the stated timeframe	Two reports on the inland security of supply considered by the PPS by 30 September 2021 and 31 March 2022	2	Two reports on the inland security of supply considered by the PPS of 7 September 2022 and 8 February 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
c) Compliance monitoring and enforcement							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. Two reports on trends regarding utilisation of storage facilities and third-party access considered bi-annually by PPS by 30 September and 31 March	Number of reports on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Two reports on trends regarding utilisation of storage facilities and third-party access considered by the PPS by 30 September and 31 March	2	Two reports on trends regarding utilisation of storage facilities and third-party access considered by the PPS of 7 September 2022 and 3 March 2023	None	N/A
	2. One report on the implementation of the methodology to determine uncommitted capacity considered annually by the PPS by 31 March	Number of reports on the implementation of the methodology to determine uncommitted capacity considered by the relevant committee or the Energy Regulator within the stated timeframe	One report on the implementation of the methodology to determine uncommitted capacity considered by the PPS on 16 February 2022.	1	One reports on the implementation of the methodology to determine uncommitted capacity considered by the PPS of 8 February 2023	None	N/A
	3. Two reports on the construction of new facilities considered bi-annually by the PPS by 30 September and 31 March	Number of reports on the construction of new facilities considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Two reports on the construction of new facilities considered by the PPS by 30 September and 31 March 9 March 2022	2	Two reports on the construction of new facilities considered by the PPS of 7 September 2022 and 3 March 2023	None	N/A
	4. Two reports on licensees' compliance with statutory reporting requirements considered bi-annually by the PPS by 30 September and 31 March	Number of reports on licensees' compliance with statutory reporting requirements considered considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Two report on licensees' compliance with statutory reporting requirements considered by the PPS 09 September 2021. And 9 March 2022	2	Two reports on licensees' compliance with statutory reporting requirements considered by the PPS of 7 September 2022 and 3 March 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
d) Dispute resolution, including mediation, arbitration and handling of complaints							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. 100% of complaints investigated and report considered by the PPS within 12 months of receipt of complete information form relevant parties	% of complaints investigated and report considered by the relevant subcommittee or the Energy Regulator within the stated timeframe of receipt of complete information from relevant parties	None due.	100%	100% (1/1) of complaints investigated and report considered by the PPS (24 March 2023) within 12 months of receipt of adequate information from relevant parties.	None	N/A
e) Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry							
A stable and diverse energy sector system and pricing regime which supports access through regulatory services that are delivered on time and to quality standards	1. One report on the monitoring of the implementation of the revised methodology considered annually by the PPS by 31 March	Number of reports on the monitoring of the implementation of the tariff methodology considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	One report on the monitoring of the implementation of the revised methodology considered by the PPS on 23 March 2022	1	One report on the monitoring of the implementation of the revised methodology considered by the PPS 30 March 2023	None	N/A

4.2.3. Programme 2: Advocacy and Engagement

4.2.3.1. Regulatory and Policy Advocacy

Table 7: Planned targets and actual achievements per Regulatory and Policy Advocacy strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Energy industry regulatory framework is relevant for the effective regulation for the benefit of the customers and stakeholders	1. Two reports on regulatory advocacy for the piped-gas and petroleum pipelines regulated industries, aimed at improvement of the regulatory framework provided through legislation, regulation and government policies considered annually by the PGS and PPS by 31 March	Number of reports on regulatory advocacy considered by the relevant subcommittee or the Energy Regulator within stated timeframe	One report on gas regulatory advocacy considered annually by the PGS on 3 May 2021 One report on regulatory advocacy aimed at improvement of the regulatory framework provided through legislation, regulation and government policies for the petroleum pipelines industry considered by PPS on 23 March 2022	4	Four reports on regulatory advocacy for the piped-gas (2) and petroleum pipelines (2) regulated industries, aimed at improvement of the regulatory framework provided through legislation, regulation and government policies considered annually by the PPS of 7 September and 3 March 2023 and PGS of 10 November 2022	None	N/A
	2. Regulatory and Policy advocacy procedure considered by the ER by 31 December 2022	Regulatory and Policy advocacy procedure considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	Regulatory and Policy advocacy procedure	Regulatory and Policy advocacy procedure considered by the ER on 29 November 2022.	None	N/A
Innovation drives our response to the transition of the Industry	3. Regulatory Advocacy in line with the approved annual ESI Advocacy plan aimed at influencing legislative and policy changes	Percentage variance of planned versus actual annual ESI advocacy plan	New target	65%	65% of the Advocacy Plan was implemented The ESI Stakeholder Engagement and Advocacy Plan served at the ELS of 19 October 2022, where the combination of the Advocacy and Stakeholder Plans into one plan was approved	None	N/A

4.2.3.2. Customer and Stakeholder Engagement

Table 8: Planned targets and actual achievements per Customer and Stakeholder Engagement strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value-added services to customers	1. Two reports on stakeholder engagements for the piped-gas and petroleum pipelines regulated industries considered annually by the PGS and PPR by 31 March	Number of reports on stakeholder workshops / meetings for the piped-gas and petroleum pipelines regulated industries considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	4	Four reports on stakeholder engagements for the piped-gas (2) and petroleum pipelines (2) regulated industries considered annually by the PPR of 7 September and 3 March 2023 and the PGS of 15 March 2023	None	N/A
	2. ESI Stakeholder engagement plan	Percentage variance of planned versus actual annual ESI Stakeholder engagement plan	New target	65%	55% of the ESI Stakeholder Engagement Plan was implemented. The ESI Stakeholder Engagement and Advocacy Plan served at the ELS of 19October 2022, where the combination of the Advocacy and Stakeholder Plans into one plan was approved.	-10%	The implementation of the ESI Stakeholder Engagement Plan did not commence in the first quarter as planned as the Plan was only considered by the ELS of 19 October 2022
Integrated and value-added services to customers	3. Seventy-five customer education programmes undertaken annually by 31 March	Number of customer education programmes undertaken within the stated timeframe	72 Customer education programmes undertaken by 31 March	75	Eighty seven (87) customer education programmes were undertaken	+12	NERSA received unforeseen invitations to conduct additional workshops and programmes during exhibitions

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value-added services to customers	4. One consolidated report on the customer education Programmes undertaken considered annually by the ELS/REC by 31 March	Number of consolidated reports on the customer education programmes undertaken considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	1	One consolidated report on the customer education programmes undertaken considered by the ELS of 1 March 2023	None	N/A
	5. Two reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered biannually by the REC by 30 September and 31 March	Number of reports on partnership creation considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	2 reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered annually by the REC by 30 September 2021 and 31 March 2022	2	Two reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered by the REC of 26 September 2022 and 22 March 2023	None	N/A
	6. One report on the implementation of the stakeholder management plan considered annually by the REC by 31 March	Number of reports on the implementation of the stakeholder management plan considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	One report on the implementation of the stakeholder management plan considered by the REC on 25 March 2022	1	One report on the implementation of the stakeholder management plan considered by the REC of 22 March 2023	None	N/A
	7. Reviewed integrated communication and stakeholder engagement strategy considered by the REC by 31 March 2023	Reviewed integrated communication and stakeholder engagement strategy considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	Reviewed integrated communication and stakeholder engagement strategy	Revised Stakeholder Engagement and Advocacy Strategy approved was considered by the REC on 21 November 2022 and approved by ER on 29 November 2022	None	N/A

4.2.4. Programme 3: Innovation

4.2.4.1. Integrated and Value-Added Services

Table 9: Planned targets and actual achievements per Integrated and Value-Added Services strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Innovation drives our response to the transition of the Industry	Information management framework considered by the REC by 31 March 2023	Information management framework considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	Information management framework	Information management framework considered by the REC of 22 March 2023	None	N/A
	Two reports on the implementation of the approved ICT Strategy considered bi-annually by the ITGC by 30 September and 31 March	Number of reports on the implementation of the approved ICT Strategy considered by the relevant committee or the Energy Regulator within the	Two reports on the implementation of the ICT Strategy was considered by the ITGC by 30 September 2021 and 31 March	2	Four reports on the implementation of the approved ICT Strategy considered by the ITGC of 12 July, 4 October 2022, 13 January 2023 and 12 April 2023	+2	Proactively reporting on the process to ensure that it will be tracked closely

4.2.5. Programme 4: Operational Efficiency and Quality Management

4.2.5.1. Integrated Operations and Research and Analysis

Table 10: Planned targets and actual achievements per Operational Efficiency and Quality Management strategic outcomes

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value added services to customers	1. One progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered annually by the REC by 31 March	Number of reports on the Implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for municipalities considered by the relevant committee or the Energy Regulator within the stated timeframe	Two progress reports the Implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities was considered by the REC on 14 June 2021 and 25 October 2021	1	One progress report on implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities was considered by the REC of 20 February 2023.	None	N/A
	2. One report on the impact of global, regional and local energy trends on NERSA's business considered annually by the REC by 30 June	Number of reports on the impact of global, regional and local energy trends on NERSA's business considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	One report on the impact of global, regional and local energy trends on NERSA's business considered by the REC on 31 May 2021. The report was considered on 23 August 2021.	1	Two reports on the impact of global, regional and local energy trends on NERSA's business was considered by the REC 20 June 2022 and 6 February 2023.	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value added services to customers	3. Two reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information considered biannually by the REC by 30 September and 31 March	Number of reports on the Implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Two progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information considered by the REC by 30 September 2021 and 31 March 2022	2	Two progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, was submitted to be considered by REC via round robin on 30 September 2022 and 6 March 2023	None	N/A
	4. One report on the independent peer review of NERSA's regulatory tools considered by the REC by 31 March 2023	Number of reports on the independent peer review of NERSA's regulatory tools considered by the relevant Subcommittee or the Energy Regulator within the stated timeframe	New target	1	One progress report on the independent peer review of NERSA's regulatory tools was considered by the REC of 22 March 2023.	None	N/A
	5. Revised NERSA operating model considered by the ER by 30 July 2022	Revised operating model considered by the relevant Subcommittee or the Energy Regulator within the stated timeframe	New target	1	One Revised NERSA operating model not considered by the ER by 30 July 2022	-1 revised operating model	Delays in facilitating workshops and meetings due to unavailability of members
	6. Financial Sustainability Strategy and Plan considered by the ER by 31 March 2023	Financial Sustainability strategy and Plan considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	Financial Sustainability Strategy and Plan	The Financial Sustainability Strategy considered by FIC on 14 March 2023 and ER on 30 March 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value added services to customers	7. Revised organisational Business processes considered by the ER by 30 October 2022	Revised organisational business processes considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	New target	Revised organisational business processes	Revised organisational Business processes not considered by the ER by 30 October 2022	Business processes not revised	The processes for most departments increased from what was provided. Timeframes changed to accommodate NERSA business resulted in cancelations of some meetings
	8. Four reports on legislative and policy developments impacting on the Regulator considered quarterly by the REC	Number of reports on legislative and policy developments impacting on the Regulator, considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Four reports on legislative and policy developments impacting on the Regulator considered by REC	4	Four report on legislative and policy developments impacting on the Regulator considered quarterly by the REC	None	N/A
	9. Four reports on the progress made regarding certification with an appropriate international standard on quality management considered quarterly by the REC	Number of reports on the progress made regarding certification with an appropriate international standard on quality management, considered by the relevant subcommittee or the Energy Regulator within the stated timeframe	Two reports on the progress made regarding certification with an appropriate international standard on quality management considered by the REC	4	Two reports on the progress made regarding certification with an appropriate international standard on quality management considered by REC.	-2 report	The ER resolved that NERSA will no longer pursue this target as the organisation is not ready to be certified for quality management. This matter will be dealt with on an operational level to ensure that measures are put in place to enhance quality management.

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value added services to customers	10. Audit Report that is not qualified	Unqualified audit	Unqualified Audit	Unqualified Audit	Unqualified audit	None	N/A
	11. ≥86% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	% 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 an average of 86% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	≥86%	96% of procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	+10%	The use of pre-qualification criteria has contributed to the target being exceeded
	12. One report on the implementation of gender mainstreaming initiatives considered quarterly by the REC	Number of reports on the implementation of the gender mainstreaming plan considered by the relevant subcommittee within the stated timeframe	New target	1	One Report on implementation of gender mainstreaming initiatives considered by REC on 22 March 2023	None	N/A

4.2.6. Programme 5: People and Organisational Culture

4.2.6.1. Human Resources and Capacity

Table 11: Planned targets and actual achievements per People and Organisational strategic objectives

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value-added services to customers	1. One report on Organisational Culture Assessment considered annually by the HRRC by 31 March	Number of reports on Organisational Culture Assessment considered by the relevant committee or the Energy Regulator within the stated timeframe	New target	1	One report on Organisational Culture Assessment considered by the HRRC	-1 Report	There was a delay with the initiation of the procurement process due to the suspension of the procurement regulations
	2. Two reports on the implementation of the Employment Equity Plan considered annually by the HRRC by 30 September and 31 March	Number of reports on the implementation of the Employment Equity Plan considered by the relevant committee or the Energy Regulator within the stated timeframe	Two reports on the implementation of the Employment Equity Plan considered by the HRRC by 30 September and 31 March	2	Two reports on the implementation of the Employment Equity Plan was considered by the HRRC on 14 July 2022 and 11 January 2023	None	N/A
	3. 50% of women in management positions.	% of women in management positions	51% women in management positions	50%	50% women in management positions	None	N/A
	4. 2% of people with disabilities employed	% of people with disabilities employed	2% of people with disabilities employed	2%	1% of people with disabilities employed	-1%	There were two terminations of people with disabilities during the third quarter. One due to retirement and one due to medical incapacity.
	5. Four reports on the implementation of the Youth Employment Accord considered quarterly by the HRRC	Number of reports on the implementation of the Youth Employment Accord considered by the relevant committee or the Energy Regulator within the stated timeframe	Four progress reports on the implementation of the Youth Employment Accord was considered by the HRRC	4	Four reports on the implementation of the Youth Employment Accord considered by the HRRC 14 April 2022, 14 July 2022, 11 October 2022 and 11 January 2023	None	N/A

Strategic Outcomes	Output	Output indicators	Audited Achievement 2021/22	Planned Target 2022/23	Actual Achievement 2022/23	Variance	Comment on deviations
Integrated and value-added services to customers	6. One report on the implementation of the bursary programme for qualifying external applicants considered annually by the HRRC by 31 March	Number of reports on the implementation of the bursary programme for qualifying external applicants considered by the relevant committee or the Energy Regulator within the stated timeframe	One report on the implementation of the bursary programme for qualifying external applicants considered by the HRRC by on 12 January 2022	1	Three reports on the implementation of the bursary programme for qualifying external applicants was considered HRRC on 14 April 2022, 4 July 2022 and 11 January 2023	+2	The office of the CHCO has decided to pro-actively monitor this project on a quarterly basis in order to ensure delivery
	7. One report on the design of a regulatory course at an accredited institution of higher learning considered annually by the HRRC by 31 March	Number of reports on the design of a regulatory course at an accredited institution of higher learning considered by the relevant committee or the Energy Regulator within the stated timeframe	One report on the design of a regulatory course at an accredited institution of higher learning considered annually by the HRRC on 12 October	4	Four reports on the design of a regulatory course at an accredited institution of higher learning was considered by HRRC 14 April 2022, 14 July 2022, 22 December 2022 and 11 January 2023	None	N/A
	8. One report on the leadership development programme considered by the HRRC by 31 March 2023	Number of reports on leadership development programme considered by the relevant committee or the Energy Regulator within the stated timeframe	1	1	Three report on the leadership development pro-gramme was considered by the HRRC 14 April, 14 July 2022 and 11 January 2023	+2	The office of the CHCO has decided to pro-actively monitor this project on a quarterly basis in order to ensure delivery
	9. One report on the devel-opment of a technical regulatory training and de-velopment programme considered by the HRRC by 31 March 2023	Number of reports on the development of a technical regulatory training and development programme considered by the relevant committee or the Energy Regulator within the stated timeframe	Two reports on the devel-opment of a technical regulatory training and development programme considered by the HRRC on 15 April 2021 and 12october 2021	1	Three reports on the development of a technical regulatory training and development programme was considered by HRRC of 14 April 2022, 14 July 2022 and 11 January 2023	+2	The office of the CHCO has decided to pro-actively monitor this project on a quarterly basis in order to ensure delivery

4.2.7. Strategy to overcome areas of under performance

4.2.7.1. The targets that could not be achieved due to internal constraints will be analysed to be addressed in the next reporting period.

Linking performance with budgets

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

Electricity Industry Regulation (ELR)

Table 12: Link between planned targets per programme and the financial resources for ELR

	2022/23				2021/22		
Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Regulatory Service Delivery	82 703 004	83 667 187	(964 183)	**Programme 1:** Setting and/or approval of tariffs and prices	25 084 129	22 892 140	2 191 989
Programme 2: Advocacy And Engagement	20 675 751	20 916 797	(241 046)	**Programme 2:** Licensing and Registration	20 101 086	18 690 377	1 410 708
Programme 3: Innovation	-	-	-	**Programme 3:** Compliance monitoring and enforcement	31 886 404	28 757 561	3 128 843
Programme 4: Operational Efficiency and Quality Management	-	-	-	**Programme 4:** Dispute resolution including mediation, arbitration and the resolution of complaints	16 461 573	15 272 555	1 189 018
Programme 5: People and Organisational Culture	-	-	-	**Programme 5:** Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	7 471 138	6 704 712	766 426
				Programme 6: Establishing NERSA as an efficient and effective regulator	123 465 161	112 393 487	11 071 674
Total Electricity	**103 378 755**	**104 583 984**	**(1 205 229)**	**Total Electricity**	**224 469 491**	**204 652 634**	**19 816 858**

Piped-Gas Industry Regulation (GAR)

Table 13: Link between planned targets per programme and the financial resources for GAR

	2022/23				2021/22		
Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Regulatory Service Delivery	36 740 738	36 236 818	488 786	**Programme 1:** Setting and/or approval of tariffs and prices	12 940 120	11 769 183	1 170 937
Programme 2: Advocacy And Engagement	2 175 345	2 283 360	(503 919)	**Programme 2:** Licensing and Registration	8 547 997	7 605 181	942 816
Programme 3: Innovation	-	-	-	**Programme 3:** Compliance monitoring and enforcement	8 547 997	7 605 181	942 816
Programme 4: Operational Efficiency and Quality Management	-	-	-	**Programme 4:** Dispute resolution including mediation, arbitration and the resolution of complaints	6 331 997	5 967 332	364 326
Programme 5: People and Organisational Culture	-	-	-	**Programme 5:** Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	2 021 524	1 960 820	60 704
				Programme 6: Establishing NERSA as an efficient and effective regulator	44 702 906	37 882 556	6 820 350
Total Electricity	**38 916 083**	**38 519 303**	**396 780**	**Total Electricity**	**83 092 2020**	**72 790 253**	**10 301 949**

Petroleum Pipelines Industry Regulation (PPR)

Table 14: Link between planned targets per programme and the financial resources for PPR

	2022/23				2021/22		
Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Regulatory Service Delivery	30 756 055	33 555 060	(2 799 005)	**Programme 1:** Setting and/or approval of tariffs and prices	12 998 393	10 705 137	2 293 256
Programme 2: Advocacy And Engagement	2 233 788	2 303 399	(69 6111)	**Programme 2:** Licensing and Registration	6 447 448	5 570 586	876 862
Programme 3: Innovation	-	-	-	**Programme 3:** Compliance monitoring and enforcement	6 447 448	5 570 586	876 862
Programme 4: Operational Efficiency and Quality Management	-	-	-	**Programme 4:** Dispute resolution including mediation, arbitration and the resolution of complaints	4 256 995	3 656 962	600 033
Programme 5: People and Organisational Culture	28 692 285	20 697 877	7 994 408	**Programme 5:** Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	2 066 542	1 743 338	323 204
				Programme 6: Establishing NERSA as an efficient and effective regulator	44 702 906	37 990 658	6 712 221
Total Electricity	**32 989 843**	**35 858 459**	**(2 868 616)**	**Total Electricity**	**76 919 733**	**65 237294**	**11 682 439**

Total NERSA

Table 15: Link between planned targets per programme and the financial resources for NERSA

	2022/23				2021/22		
Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Regulatory Service Delivery	150 199 797	153 459 065	(3 259 268	**Programme 1:** Setting and/or approval of tariffs and prices	51 022 642	45 366 460	5 656 182
Programme 2: Advocacy And Engagement	42 623 548	44 236 130	(1 612 582)	**Programme 2:** Licensing and Registration	35 096 531	31 866 145	3 230 387
Programme 3: Innovation	6 655 042	5 478 275	1 176 767	**Programme 3:** Compliance monitoring and enforcement	46 881 650	41 933 328	4 984 522
Programme 4: Operational Efficiency and Quality Management	168 646 547	163 418 909	5 227 638	**Programme 4:** Dispute resolution including mediation, arbitration and the resolution of complaints	27 050 226	24 896 848	2 153 378
Programme 5: People and Organisational Culture	28 692 285	20 973 831	7 718 454	**Programme 5:** Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	11 559 204	10 408 870	1 150 334
				Programme 6: Establishing NERSA as an efficient and effective regulator	212 970 973	188 266 728	24 604 245
Total Electricity	**396 817 219**	**387 566 211**	**9 251 008**	**Total Electricity**	**384 481 416**	**342 680 180**	**41 801 246**

SUMMARY OF FINANCIAL INFORMATION

1. Revenue Collection

Table 16: 2022/23 Revenue Collection

	2022/23			2021/22		
Programme	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)
Licence fees from Electricity	200 427 830	205 648 339	(5 220 509)	190 915 910	199 969 007	(9 053 097)
Levies from Piped-Gas	71 971 726	73 996 486	(2 204 760)	72 907 903	75 417 974	(2 510 071)
Levies from Petroleum Pipelines	58 408 397	61 613 928	(3 205 521)	56 870 706	60 819 195	(3 948 489)
Total	**330 807 953**	**341 258 753**	**(10 450 800)**	**320 694 519**	**336 206 176**	**(15 511 657)**

Licence fees from the Electricity Industry

The licence fees for the electricity industry were invoiced based on actual volumes of 209 055 GWh against total budgeted volumes of 203 749 GWh. The difference in volumes is 5 307 GWh, which translates to over-recovery of levies by R 5 220 509 (2.6%).

Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 172 104 863 GJ against budgeted volumes of 167 395 572 GJ. The variation in volumes is 4 709 291 GJ, which translates to an over-recovery of levies by R 2 204 7601 (2.8%).

Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 15 506 601 Kl against budgeted volumes of 14 699 853 Kl. The variation in volumes is 806 748, which translates to an over-recovery of levies by R 3 205 531 (5.5%).

2. Programme Expenditure

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

3. Capital investment, maintenance and asset management plan

Table 17: Capital Investment, maintenance and asset management plan

	2022/23			2021/22		
Programme	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Land	-	--		-	-	-
Building improvements	6 99 353	-	6 99 353	3 500 000		3 500 000
Office furniture and Equipment	2 083 000	116 823	1 966 177	1 500 000	270 892	1 229 108
Computer Hardware	7 100 000	6 202 422	897 578	2 000 000	1 646 151	353 849
Motor Vehicle	1 850 000	1 882 673	(32 673)	777 500	-	777 500
Computer Software	2 000 000	1 883 901	16 099	6 222 000	170 800	6 051 200
Total	**13 732 353**	**10 085 820**		**13 999 500**	**2 087 843**	**11 911 657**

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 Mineral Resources and 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 industries.

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 Mineral Resources and Energy has oversight of NERSA. During the review period, NERSA presented its Annual Performance Plan and Budget for 2021/22 on 5 May 2022, and Annual Report 2021/22 on 22 October 2022.

On 10 August 2022, NERSA also presented the Piped-Gas Licensing Processes. NERSA fulfilled its fiduciary duties and continued to discharge its mandate in accordance with governance best practices while complying with regulatory and legislative requirements.

3. EXECUTIVE AUTHORITY

The Executive Authority of the National Energy Regulator of South Africa is the Minister of Mineral Resources and Energy. The Energy Regulator submitted a number of documents to the Executive Authority, as follows:

- The Annual Performance Plan (2023/24 – 2025/26), in line with the Reviewed Framework for Strategic Plans and Annual Performance Plans as published by the Department of Planning, Monitoring and Evaluation, was submitted on 31 January 2023. It was approved by the Minister of Mineral Resources and Energy and tabled in Parliament on 24 March 2023.
- First Quarter Performance Report for the period 1 April to 30 June 2022 – submitted on
- 30 July 2022.
- The electronic version of the NERSA Annual Report for 2021/22 was submitted to the Department of Mineral Resources and Energy on 30 August 2022 and tabled in Parliament on 30 September 2022.
- Second Quarter Performance Report for the period 1 July to 30 September 2022 – submitted on 27 October 2022.
- Third Quarter Performance Report for the period 1 October to 31 December 2022 – submitted on 31 January 2023.
- Fourth Quarter Performance Report for the period 1 January to 31 March 2023 – submitted on 28 April 2023.

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 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 pose 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 implementing internationally accepted standards and best practices for corporate governance to ensure proper levels of accountability, transparency and responsibility. It sets out policies to guide the Energy Regulator Members and staff in effectively discharging 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 Mineral Resources and 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 2022 to 31 March 2023:

MR. THEMBANI BUKULA
CHAIRPERSON

PART-TIME REGULATOR MEMBER
(Appointed on 30 August 2022)

MS ZANDILE MPUNGOSE
DEPUTY CHAIRPERSON

PART-TIME REGULATOR MEMBER

ADV NOMALANGA SITHOLE
CHIEF EXECUTIVE OFFICER

FULL-TIME REGULATOR MEMBER

MR NHLANHLA GUMEDE

FULL-TIME REGULATOR MEMBER: ELECTRICITY

MS NOMFUNDO MASETI

FULL-TIME REGULATOR MEMBER PIPED-GAS

MR MUZI MKHIZE

FULL-TIME REGULATOR MEMBER PETROLEUM PIPELINES

MS THEMBEKA SEMANE

PART-TIME REGULATOR MEMBER

MR FUNGAI SIBANDA

PART-TIME REGULATOR MEMBER

MS PRECIOUS SIBIYA

PART-TIME REGULATOR MEMBER

Composition of energy regulator members

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)*
Mr T Bukula	Chairperson (Part-Time Regulator Member)	30 August 2022	N/A	BSc Engineering (Electrical) degree Post Graduate Diploma in Engineering Business MSc Mathematics, Science and Technology Education degree Professional Engineer (Pr Eng)	Engineering	PowerX (Pty) Ltd	Electricity Subcommittee
Ms Z Mpungose	Deputy Chairperson (Part-Time Regulator Member)	14 September 2020	N/A	Masters in Commercial Law LLB and B.A Law, Diploma in Corporate Law Certificate in Development Management.	Law, Regulation & Governance	B-BBEE Commission (still part of the DTIC)	Piped Gas Subcommittee Human Resources and Remuneration Committee
Adv. N Sithole	Chief Executive Officer (Full-time Regulator Member)	25 August 2021	N/A	LLB B.Proc Diploma in Company Direction Executive Development Programme	Law and Governance	Government Sector Security Council (GSSC)	Electricity Subcommittee Piped Gas Subcommittee Petroleum Pipelines Subcommittee Finance Committee Human Resources and Remuneration Committee Information Technology and Governance Committee Regulator Executive Committee

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)*
Mr N Gumede	Full-Time Regulator (Member: Electricity Regulation)	1 April 2020	N/A	BSc Eng (Extractive Metallurgy) (Wits, 1990); Management Development Programme (UCT GSB, 1996); Master of Business Administration, Wits Business School, 2009	Engineering Business Leadership	None	Electricity Subcommittee; Petroleum Pipelines Subcommittee; Piped Gas Subcommittee; Regulator Executive Committee; and Information Technology and Governance Committee
Ms N Maseti	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 Competition law and Policy	Part-Time Member of the National Consumer Tribunal Chairperson of Regulatory Committee for Meteorological Services	Piped-Gas Subcommittee; Petroleum Pipelines Subcommittee; Electricity Subcommittee; Finance Committee; and Regulator Executive Committee
Mr M Mkhize	Full-Time Regulator (Member: Petroleum Pipelines Regulation)	Reappointed 16 January 2023	N/A	MBL (Master of Business Leadership BCom BSc (Chemical Engineering)	Executive Management Strategy and Policy Formulation Economic Development	Magalies water Board	Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Electricity Subcommittee, Human Resources and Remuneration Committee Regulator Executive Committee

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)*
Ms T Semane	Part-Time Regulator Member	30 August 2022	N/A	Post Graduate Diploma Bachelor of Commerce degree Certification as a Qualified Banker Master's degree	Business Administration Financial Accounting Industrial Policy Development	None	Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Electricity Subcommittee, Human Resources and Remuneration Committee Regulator Executive Committee
Mr F Sibanda	Part-Time Regulator Member	Reappointed on 30 August 2022	N/A	MSc (Economics), B Comm, B Comm Hons, Certificate in Competition Law	Economics	Hekima Advisory, National Consumer Tribunal	Petroleum Pipelines Sub-committee, Piped-Gas Sub-committee, Electricity Sub-committee, Human Resources and Remuneration Committee Regulator Executive Commit-tee
Ms PN Sibiya	Part-Time Regulator Member	30 August 2022	N/A	Chartered Accountant Business Rescue Practitioner Intellectual Property Commission	Finance Audit		Electricity Subcommittee Audit and Risk Committee

Energy Regulator (ER) meetings

Member	Status	Meetings Held	Meetings Attended
Mr T Bukula[1]	Chairperson	16	10
Adv. N Sithole	Chief Executive Officer	16	13
Ms Z Mpungose	Regulator Member	16	16
Mr N Gumede	Regulator Member	16	14
Ms T Semane[2]	Regulator Member	16	11
Mr F Sibanda	Regulator Member	16	13
Ms P Sibiya[3]	Regulator Member	16	11
Ms N Maseti	Regulator Member	16	13
Mr M Mkhize	Regulator Member	16	16
Ms N Jiyane[4]	Invitee (External Member)	16	3
Mr P Slack[5]	Invitee (External Member)	16	1

[1] Appointed on 30 August 2022
[2] Appointed on 30 August 2022
[3] Appointed on 30 August 2022
[4] Chairperson of the Audit and Risk Committee
[5] Chairperson of the Finance Committee

Electricity Subcommittee (ELS) meetings

Member	Status	Meetings Held	Meetings Attended
Mr N Gumede	Chairperson	16	14
Adv. N Sithole	Member & CEO	16	12
Mr T Bukula[6]	Member	16	8
Ms N Maseti	Member	16	13
Mr M Mkhize	Member	16	16
Ms P Sibiya[7]	Member	16	8

Piped-Gas Subcommittee (PGS) meetings

Member	Status	Meetings Held	Meetings Attended
Ms N Maseti	Chairperson	11	10
Adv. N Sithole	Member & CEO	11	11
Mr T Bukula[8]	Member	11	6
Mr N Gumede	Member	11	8
Mr M Mkhize	Member	11	10
Ms Z Mpungose[9]	Member	11	6

6 Appointed on 30 August 2022
7 Appointed on 30 August 2022
8 Appointed 30 August 2022
9 Reconstitution of Committees on 2 September 2022

Petroleum Pipelines Subcommittee (PPS) meetings

Member	Status	Meetings Held	Meetings Attended
Mr. M Mkhize	Chairperson	13	12
Adv. N Sithole	Member & CEO	13	11
Ms. N Maseti	Member	13	13
Mr. N Gumede	Member	13	12
Ms T Semane[10]	Member	13	9
Mr. F Sibanda	Member	13	12

Regulator Executive Committee (REC) meetings

Member	Status[16]	Meetings Held	Meetings Attended
Adv. N Sithole	Chairperson	23	21
Mr. M Mkhize	Member	23	22
Ms. N Maseti	Member	23	19
Mr. N Gumede	Member	23	17

[10] Appointed on 30 August 2022

Human Resources and Remuneration Committee (HRRC) meetings

Member	Status	Meetings Held	Meetings Attended
Ms. Z Mpungose	Chairperson	6	6
Adv. N Sithole	Member	6	6
Mr F Sibanda[11]	Member	6	4
Mr. M Mkhize	Member	6	6
Ms T Semane[12]	Member	6	0
Ms P Kekana	External Member	6	4

Finance Committee (FIC) Meetings[13]

Member	Status	Meetings Held	Meetings Attended
Ms T Semane[14]	Chairperson	7	3
Mr. F Sibanda[15]	Outgoing Chairperson	7	2
Adv. N Sithole	Member	7	7
Ms. N Jiyane	Member & Chairperson of Audit and Risk	7	1
Ms. N Maseti	Member	7	6
Ms Z Mpungose	Member	7	2
Ms T Mashanda	Member (Invitee)	7	1
Mr P Slack	External Member	7	6

[11] Reconstitution of Committees on 2 September 2022

[12] Appointed on 30 August 2022

[13] Includes one joint sitting of the Finance and Audit and Risk Committees

[14] Appointed on 30 August 2022

[15] Reconstitution of Committees on 2 September 2022

Information Technology and Governance Committee (ITGC) meetings

Member	Status	Meetings Held	Meetings Attended
Mr F Sibanda[16]	Chairperson	5	3
Ms Z Mpungose[17]	Outgoing Chairperson	5	2
Adv. Sithole	Member & CEO	5	4
Mr N Gumede	Member	5	5
Dr V Mello	External Member	5	4
Mr M Zakwe	External Member	5	3

[16] Reconstitution of Committees on 2 September 2022

[17] Reconstitution of Committees on 2 September 2022

Audit and Risk Committee (ARC) meetings:

Member	Status	Meetings Held	Meetings Attended
Ms P Sibiya[18]	Chairperson	7	4
Ms N Jiyane[19]	Outgoing Chairperson	7	3
Adv. N Sithole	Invitee (CEO)	7	6
Ms T Mashanda[20]	Member	7	3
Ms Z Mpungose[21]	Member	7	1
Mr F Sibanda[22]	Member	7	5
Mr M Nkhabu	External Member	7	4
Ms Z Tshabalala	External Member	7	4
Mr T Bukula	Chairperson of Energy Regulator (invitee)	7	4

[18] Appointed on 30 August 2022
[19] End of term on 31 August 2022
[20] End of term on 31 August 2022
[21] Reconstitution of Committees on 2 September 2022
[22] Reconstitution of Committees on 2 September 2022

Energy Regulator (ER) workshops:

Member	Status	Meetings Held	Meetings Attended
Mr T Bukula[23]	Chairperson	9	6
Ms Z Mpungose	Deputy Chairperson	9	9
Adv. N Sithole	Chief Executive Officer	9	9
Mr N Gumede	Regulator Member	9	7
Ms N Maseti	Regulator Member	9	6
Mr M Mkhize	Regulator Member	9	9
Ms T Semane[24]	Regulator Member	9	7
Mr F Sibanda	Regulator Member	9	6
Ms P Sibiya[25]	Regulator Member	9	7
Ms N Jiyane	External Member – ARC	9	2
Ms T Mashanda	External Member – ARC	9	2
Dr V Mello	External Member – ITGC	9	2
Mr M Zakwe	External Member– ITGC	9	2
Mr P Slack	External Member – FIC	9	1
Ms P Kekana	External Member – HRRC	9	2
Ms N Jiyane[26]	External Member – ARC	9	1
Ms T Mashanda[27]	External Member – ARC	9	1

[23] Appointed on 30 August 2022
[24] Appointed on 30 August 2022
[25] Appointed on 30 August 2022
[26] End of term on 31 August 2022
[27] End of term on 31 August 2022

Electricity Subcommittee (ELS) workshops[28]

Member	Status	Meetings Held	Meetings Attended
Mr N Gumede	Chairperson	10	10
Adv. N Sithole	Member	10	4
Ms N Maseti	Member	10	6
Mr M Mkhize	Member	10	10
Mr F Sibanda[29]	Invitee	10	6
Ms Z Mpungose[30]	Invitee	10	6
Mr T Bukula[31]	Member	10	4
Ms T Semane[32]	Invitee	10	5
Ms P Sibiya[33]	Member	10	7

28 Includes Extended workshops

29 Reconstitution of the committees on 2 September 2022

30 Reconstitution of the committees on 2 September 2022

31 Appointed on 30 August 2022

32 Appointed 30 August 2022

33 Appointed 30 August 2022

Piped-Gas Subcommittee (PGS) workshops[34]

Member	Status	Meetings Held	Meetings Attended
Ms N Maseti	Chairperson	5	5
Mr N Gumede	Member	5	2
Mr M Mkhize	Member	5	4
Mr F Sibanda	Invitee	5	2
Adv. N Sithole	Member & CEO	5	5
Mr T Bukula[35]	Member	5	2
Ms T Semane[36]	Invitee	5	0
Ms P Sibiya[37]	Invitee	5	0
Ms Z Mpungose[38]	Member	5	2

34 Includes Extended workshops
35 Appointed on 30 August 2022
36 Appointed on 30 August 2022
37 Appointed on 30 August 2022
38 Reconstitution of the committees on 2 September 2022

Petroleum Pipelines Subcommittee (PPS) workshops:

Member	Status	Meetings Held	Meetings Attended
Ms N Maseti	Chairperson	5	5
Mr N Gumede	Member	5	2
Mr M Mkhize	Member	5	4
Mr F Sibanda	Invitee	5	2
Adv. N Sithole	Member & CEO	5	5
Mr T Bukula[39]	Member	5	2
Ms T Semane[40]	Invitee	5	0
Ms P Sibiya[41]	Invitee	5	0
Ms Z Mpungose[42]	Member	5	2

[39] Appointed on 30 August 2022

[40] Appointed on 30 August 2022

[41] Appointed on 30 August 2022

[42] Reconstitution of the committees on 2 September 2022

Human Resources and Remuneration Committee (HRRC) workshops[43]

Member	Status	Meetings Held	Meetings Attended
Ms Zandile Mpungose	Chairperson	2	2
Mr M Mkhize	Member	2	2
Adv. N Sithole	Member	2	2
Mr N Gumede	Invitee	2	1
Ms T Semane[44]	Member	2	0
Ms P Kekana	External Member	2	2
Ms N Maseti	Invitee	2	1

Information Technology and Governance Committee (ITGC) Workshops

Member	Status	Meetings Held	Meetings Attended
Mr F Sibanda[45]	Chairperson	1	0
Ms Zandile Mpungose[46]	Outgoing Chairperson	1	1
Adv. N Sithole	Member	1	1
Mr N Gumede	Member	1	0
Dr V Mello	External Member	1	1
Mr M Zakwe	External Member	1	1

[43] Includes Extended workshop

[44] Appointed on 30 August 2022

[45] Reappointed on 30 August 2022 (was not a Regulator Member from 20 June to 29 August 2022)

[46] Reconstitution of Committees on 2 September 2022

Regulator Executive Committee (REC) workshops

Member	Status	Meetings Held	Meetings Attended
Adv. N Sithole	Chairperson	5	4
Mr. M Mkhize	Member	5	5
Ms. N Maseti	Member	5	4
Mr. N Gumede	Member	5	4

Electricity Subcommittee (ELS) public hearings

Member	Status	Meetings Held	Meetings Attended
Mr N Gumede	Chairperson	13	8
Ms N Maseti	Member	13	8
Mr M Mkhize	Member	13	10
Adv. N Sithole	Member & CEO	13	9
Ms P Sibiya[47]	Member	13	4
Mr T Bukula[48]	Member	13	5
Mr F Sibanda[49]	Invitee	13	1
Ms Z Mpungose[50]	invitee	13	5
Ms T Semane[51]	Invitee	13	4

[47] Appointed on 30 August 2022

[48] Appointed on 30 August 2022

[49] Reconstitution of the Committees on 2 September 2022

[50] Reconstitution of the Committees on 2 September 2022

[51] Appointed on 30 August 2022

Piped-Gas Subcommittee (PGS) public hearings

Member	Status	Meetings Held	Meetings Attended
Ms N Maseti	Chairperson	5	4
Mr M Mkhize	Member	5	3
Mr N Gumede	Member	5	3
Adv. N Sithole	Member & CEO	5	4
Mr T Bukula[52]	Member	5	3
Ms Z Mpungose[53]	Member	5	3
Mr F Sibanda	Invitee	5	1

52 Appointed on 30 August 2022

53 Reconstitution of the Committees on 2 September 2022

Remuneration of Energy Regulator Members

The remuneration of Energy Regulator Members is determined by the Minister of Mineral Resources and 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 Mineral Resources and Energy.

External Members of governance committees of the Energy Regulator are also remunerated at a daily rate, in accordance with the directive from the Minister of Mineral Resources and Energy.

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

Energy Regulator Members' Remuneration

2023	Salary	Car allowance	Reimbursive and other allowances	Medical Aid	Pension Contribution and UIF	Performance bonus*	Leave provision	Total
	R	R	R	R	R	R	R	R
NERSA Full-Time Regulator Members								
Adv. N Sithole	2 445 155	42 000	82 150	82 317	258 928	353 178	195 818	3 459 546
Ms N Maseti	2 014 428	60 000	23 031	97 722	255 971	284 747	296 300	3 032 199
Mr M Mkhize**	2 172 150	-	25 983	-	252 225	266 950	341 122	3 058 430
Mr N Gumede	2 085 006	-	10 505	87 144	247 904	261 018	239 819	2 931 396
	8 716 739	**102 000**	**141 669**	**267 183**	**1 015 028**	**1 165 893**	**1 073 059**	**12 481 571**

* Performance bonus were paid in 2022/23 financial year with regard to the performance of the 2021/22.

** Contract renewed 16 January 2023.

2022	Salary	Car allowance	Reimbursive and other allowances	Medical Aid	Pension Contribution and UIF	Performance bonus*	Leave provision	Total
	R	R	R	R	R	R	R	R
NERSA Full-Time Regulator Members								
Adv N Sithole **	1 470 722	24 500	-	46 175	144 703	-	77 532	1 763 632
Ms N Maseti	1 908 277	60 000	-	91 053	233 432	504 239	177 858	2 974 859
Mr M Mkhize	2 059 330	-	15 340	-	233 432	286 018	316 364	2 910 484
Mr N Gumede **	1 961 337	-	-	97 993	228 563	144 916	203 685	2 636 494
Total	**7 399 666**	**84 500**	**15 340**	**235 221**	**840 130**	**935 173**	**775 439**	**10 285 469**

* Performance bonuses were paid in 2021/22 financial year with regard to the performance of the 2019/20 ad 2020/21 financial years.

** Appointed Full-Time Regulator Member (Chief Executive Officer) on 25 August 2021.

** Appointed 1 April 2020 and the performance bonus relates to the performance for the 202/21 financial year

2023	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
NERSA Part-Time Regulator Members				
Mr T Bukula (Chairperson) *	346 392	8 568	10 216	365 176
Ms Z Mpungose (Deputy Chairperson) **	572 748	10 574	12 825	596 147
Ms T Semane ***	320 682	-	13 310	333 992
Ms P Sibiya ***	283 039	-	7 669	290 708
Mr F Sibanda****	438 886	24 988	10 520	474 394
Total	**1 961 747**	**44 130**	**54 540**	**2 060 417**

* Appointed Part-Time Regulator Member and Chairperson on 30 August 2022.
** Appointed Deputy Chairperson on 30 August 2022. Acting Chairperson 3 May 2022 to 29 August 2022.
*** Appointed on 30 August 2022.
**** Re-appointed on 30 August 2022.

2022	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
NERSA Part-Time Regulator Members				
Mr S Mokoena (Chairperson) *	551 130	55 300	13 210	619 640
Ms M Nkomo (Deputy Chairperson) **	91 534	22 286	3 279	117 099
Mr F Sibanda ***	511 334	20 591	12 150	544 075
Ms Z Mpungose	419 200	19 980	12 150	451 330
Total	**1 573 198**	**118 157**	**40 789**	**1 732 144**

* Appointed Chairperson on 20 October 2021 and passed away on 17 March 2022.
** Appointed Acting Chairperson on 6 January 2021 and passed away on 5 July 2021.
*** Appointed Acting Chairperson from 22 June 2021 to 19 October 2021.

2021	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
External Members				
Ms T Mashanda*	67 116	-	1 013	68 129
Ms G Jiyane*	73 834	5 560	1 013	80 407
Mr M Zakwe	39 368	-	4 050	43 418
Dr V Mello	44 764	-	4 050	48 814
Ms P Kekana-Sungubele	59 052	-	4 050	63 102
Mr P Slack	62 548	556	4 050	67 154
Mr M Nkhabu**	35 872	-	2 025	37 897
Ms Z Tshabalala**	30 476	-	2 025	32 501
Total	**413 030**	**6 116**	**22 276**	**441 422**

* Contract ended 31 July 2022

** Appointed 1 October 2022

2020	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
External Members				
Ms T Mashanda	48 696	540	4 050	53 286
Ms G Jiyane	145 512	2 700	4 050	152 262
Mr M Zakwe*	-	-	1 013	1 013
Dr V Mello*	-	-	1 013	1 013
Ms P Kekana-Sungubele*	-	-	1 013	1 013
Mr P Slack*	-	-	1 013	1 013
Total	**194 208**	**3 240**	**12 152**	**209 600**

* Appointed 01 February 2023.

6. RISK MANAGEMENT

As a public entity, NERSA is obliged to comply with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA') by establishing and maintaining effective, efficient and transparent risk management systems.

The Audit and Risk Committee (ARC) has been given 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 the Integrated Risk Management Framework and Risk Management Policy for the organisation. The Integrated Risk Management Framework incorporates the Risk Assessment Methodology, which provides the risk identification approach, and the Risk Matrix. As part of the requirements of the approved Risk Management Policy, the strategic risk register for NERSA is reviewed and updated annually in conjunction with the organisational strategic planning process for consideration by the Audit and Risk Committee and approval by the Energy Regulator.

In order to ensure a comprehensive and systematic identification of strategic risks, a risk universe, which illustrates NERSA's overall business environment, is used. This allows the risk identification process to cover all areas of NERSA's business strategies, namely:

- electricity industry risks;
- piped-gas industry risks;
- petroleum pipelines industry risks;
- transversal regulatory risks;
- information, communication and technology risks; governance risks;
- human capital risks;
- information management risks; and
- economical risks.

As identified and ranked in the approved Strategic Risk Register, the organisation faces the following strategic risks:

1. Cyber security
2. Perceived regulatory irrelevance
3. Rising energy costs (high energy prices and tariffs)
4. Supply instability
5. Maturity level of the business processes that might hamper the achievement towards optimised state/ Inadequate maturity level of the organisational systems, processes and resources
6. Business continuity and disruption
7. Reputational damage
8. Inability to implement our governing legislation
9. Lack of growth, sustainability and transformation of energy industry.

During the reporting period, the Energy Regulator further identified the following emerging risks:

1. Inadequate management competency
2. Unresponsive/ineffective strategy formulation
3. Inadequate project management.

Risk response strategies have been developed to prevent these risks from materialising. The exercise endeavours to optimally control and limit risk exposure to an acceptable level, and ensure that such exposures are not realised. The implementation of the risk response strategies is monitored quarterly, and progress is reported to the Audit and Risk Committee and the Energy Regulator.

In order to ensure that all risks are adequately managed and mitigated to an acceptable level, the Energy Regulator approved the Risk Appetite and Tolerance Thresholds for the organisation. The thresholds define the amount and extent of risk exposure that NERSA is willing and/or capable to undertake in pursuit of its mandate and business strategies. The levels also indicate those risks that NERSA is prepared to terminate or transfer to a third party.

NERSA has embarked on the implementation of the Combined Assurance Framework and Model. The process follows the King IV Report's five lines of assurance providers that incorporate all assurance services and functions to optimise and enable an effective internal control environment for NERSA.

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 were undertaken to assess the adequacy and effectiveness of controls relating to the specific audit activities. The objective was to ensure that management's control strategies were consistent with the organisation's activities and objectives. Recommendations relating to the adequacy and effectiveness of controls were made where required. All significant findings were reported to the 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 to provide assurance that mitigation strategies and controls are implemented by management.

8. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE

8.1 Internal Audit

Key activities and objectives of Internal Audit

In accordance with the definition of internal auditing, and the authority to establish and maintain an internal audit function as contained in the PFMA and the 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 team 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 audits planned for the period under review. Furthermore, an external five-year quality assessment of the Internal Audit Activity was conducted in 2019 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 that 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 Auditor's proposed audit scope, approach and 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 Mineral Resources and Energy. All policies and procedures approved by the Energy Regulator are maintained in the Corporate Governance Handbook and are complied with.

The Audit and Risk Committee approved a comprehensive compliance framework, which defines the compliance universe and provides for compliance monitoring and reporting. Quarterly compliance monitoring reports were tabled to the Audit and Risk Committee, and the Committee maintained oversight over the status of compliance with legislation and regulations.

Compliance with the Promotion of Access to Information Act

A total of nine requests for information were received in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA). The report on the requests was compiled and submitted to the Information Regulator, as required in terms of section 32 of the PAIA.

Compliance with the Protection of Personal Information Act

NERSA complies with the Protection of Personal Information Act, 2013 (Act No. 4 of 2013) (POPIA) and the Regulations thereto.

A comprehensive assessment into NERSA's compliance with the provisions of POPIA was conducted. Based on the outcome of the compliance assessment, an action plan was developed and implemented to ensure compliance. This included the training of management and incorporating the POPIA Compliance Framework into the larger NERSA Compliance Universe Framework.

The NERSA Compliance Universe Framework is closely monitored by the Audit and Risk Committee quarterly for compliance.

10. FRAUD AND CORRUPTION

An anti-fraud and anti-corruption policy is in place and was approved by the Energy Regulator.

A fraud hotline, which is operated by an external service provider, is in place. It 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 period under review.

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 Mineral Resources and 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 implemented the supply chain management framework as required by the PFMA. The Energy Regulator also approved the Supply Chain Management Policy. 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 involved in the bidding processes (evaluation and adjudication of bids) must 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. Should a staff member be found to have interest that has not been declared, it is considered a contravention of NERSA's policies, and disciplinary measures are taken against the individual. There were no disciplinary matters 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. These include upholding 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. Further, it 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 matters under which the Code of Conduct was violated for the reporting period.

13. HEALTH AND SAFETY ISSUES

Health and Safety as well as Compliance with the relevant legislation and regulations is remains a strategic imperative for ensuring a safe environment for both employees as well as the stakeholders that we interact with on a day to day basis.

The NERSA Occupational Health and Safety (OHS) committee ensures that monthly inspections are conducted in conjunction with Facilities Management team, with the allocation of Health and Safety Representatives on a rotational basis to the building in case of emergency. In compliance with the City of Tshwane bylaws, the NERSA emergency evacuation plan and procedure is in place and has been signed by the Chief Fire Officer.

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 the minutes of meeting proceedings. The Secretary has to ensure that meeting rules are followed.

The Secretary must also ensure that the levels of remuneration and expenses of Regulator Members are in accordance with those approved by the Minister of Mineral Resources and Energy.

15. SOCIAL RESPONSIBILITY

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

As part of NERSA's contribution towards the fight against gender-based violence (GBV), donations were made to two women's shelters in the Gauteng area – the Theodorah Ndaba Victim Support Centre and the Nisaa Institute for Women's Development. Items such as microwaves, electric kettles, blankets, baby formula and baby diapers were identified on the shelters' wish lists and the required procurement process was followed in line with NERSA's Supply Chain Policy to purchase the items for the shelters.

16. ENVIRONMENTAL ISSUES

Internal

NERSA is continuing its journey towards becoming a green organisation by reducing its paper usage and carbon footprint. The NERSA building has a 4 Green Star Status, which was awarded by the Green Building Council in the 2020/21 financial year.

External

NERSA is committed to the protection of the environment and the growth of cleaner, more resource-efficient energy. The introduction of renewable energy into the electricity supply industry and the licensing of a number of independent power producers 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 also registered operations related to the production or importation of gas, the transmission of gas for own use, as well as small biogas projects in rural areas. These operations will add impetus to the gas industry's growth, 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 and approving of prices and tariffs; compliance monitoring and enforcement; and dispute resolution in the electricity, piped-gas and petroleum pipelines industries. NERSA, 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 2023.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee (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.

Audit and Risk Committee Members and Attendance of Meetings

The Committee consists of the members listed hereunder. During the financial year, four scheduled meetings and three special meetings were held. The meeting attendance is as reflected on the next page:

Term: 1 April 2022 to 31 August 2022

MEMBER	STATUS	MEETINGS HELD	MEETINGS ATTENDED
Ms N Jiyane**	Chairperson	3	3
Adv. N Sithole	Invitee	3	3
Ms T Mashanda	Member	3	3
Ms Z Mpungose	Member	3	1
Mr F Sibanda*	Member	3	1

*Membership ended during the first quarter.

Term: 1 September 2022 to 31 March 2023

MEMBER	STATUS	MEETINGS HELD	MEETINGS ATTENDED
Ms P Sibiya	Chairperson	4	4
Mr T Bukula	Invitee	4	4
Adv. N Sithole	Invitee	4	3
Mr F Sibanda**	Member	4	4
Mr M Nkhabu	Member	4	4
Ms Z Tshabalala	Member	4	4

**Membership resumed during the third quarter.

Corporate Governance

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

Compliance

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

Effectiveness of Internal Controls

The systems of controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA and the 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, the Audit Report on financial statements, and the management letter of the Auditor-General South Africa (the AGSA), it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were efficient and effective

The Effectiveness of Internal Audit

The Energy Regulator has established an internal audit unit which is an independent function from management, as required in terms of section 76(4)(d) of the PFMA.

During the year, the internal audit unit operated in terms of the approved Internal Audit Charter, developed a risk-based internal audit plan, and reported quarterly to the Committee against the plan. The Internal Audit Unit has reviewed the system of internal controls, performance information and risk management throughout the year. The Internal Audit Activity operated efficiently and address some of the pertinent risk areas in its internal audits. The Committee is satisfied that the internal audit function was independent and objective.

Risk Management

Although the Committee provided oversight on the implementation of risk assessments and management processes, Management is ultimately responsible for maintaining an effective risk management environment.

In fulfilling its risk management oversight responsibilities, the Committee reviewed the risk management framework, monitored the implementation of risk mitigation strategies and reviewed the adequacy of the insurance cover. Risk mitigations are still in the process of being fully implemented by management. This will include the implementation of the combined assurance model.

The Committee will continue to monitor the risk management processes and notes the measures that management has instituted to address the capacity constraints and improve the risk maturity level within NERSA.

Performance Management

During the year under review, the Committee monitored the implementation of the Energy Regulator's Annual Performance Plan (APP) designed to achieve its strategic objectives and deliver on its mandate. The Committee is satisfied that the quarterly reports on performance information were a fair reflection of the achievement of the strategic objectives against the APP.

The Committee is of the opinion that the performance management system was fully functional during the period under review. This has resulted in NERSA being able 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

During the year, the Regulator submitted quarterly reports to the Executive Authority and the National Treasury as required by section 51(1)(f) of the PFMA.

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 Annual Financial Statements

The Committee has performed the following activities:

- 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 information on pre-determined objectives to be included in the 2022/23 annual report; and
- assessed the Energy Regulator's compliance with legal and regulatory provisions.

Auditor-General of South Africa

The Committee liaised with the AGSA during the year. We have reviewed the Energy Regulator's implementation plan to address the AGSA audit findings raised in the previous years.

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

Conclusion

The Committee is satisfied that through the guidance it provides, and the cooperation by management, internal controls and good governance practices have been enhanced.

We would like to thank the Energy Regulator, the Executive Management Team and Staff for their support throughout the year.

Special appreciation also goes to the Internal Audit team and the AGSA for their support and professionalism in the performance of their mandates.

Sibiya

Ms Precious Sibiya
Chairperson of the Audit and Risk Committee
Date: 31 July 2023

19. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

NERSA supports the broad impetus of Broad-Based Black Economic Empowerment (B BBEE) to structure and transform the economy within the prescripts of the Broad-Based Black Economic Empowerment Act, 2013 (Act No. 46 of 2013) and any other related legislation, and to further create capacity within the broader economic landscape. The following table has been completed in compliance with the requirements of the B-BBEE Act:

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regard to the following:

Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic ac-tivity in terms of any law?	Yes	Issued the application procedure and application form, which requires the applicant to perform a self-assessment, and enables the Energy Regulator to take decisions.
Developing and implementing a preferential procurement policy?	Yes	In order to achieve the required target spend on Enterprise Supplier Development (ESD), the following strategic interventions are proposed: • B-BBEE certificates are requested for all Request for Quotations (RFQs) and Request for Proposals (RFPs) issued to the market. • NERSA applies a prequalification B-BBEE level criteria for all bids, based on the assessment of the supplier market. This requirement should be reviewed with the view to increase it annually. • Where companies are unable to submit the prequalification criteria (minimum B-BBEE level), they are required to submit a B-BBEE Improvement Plan for all contracts with a duration of two years or more.
Determining qualification criteria for the sale of state-owned enterprises?	Not Applicable	
Developing criteria for entering into partnerships with the	Not Applicable	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	Not Applicable	

The following were the different elements used to measure NERSA's B-BBEE compliance:

- **Ownership (where applicable)** – this measures the percentage of black ownership shareholding in the business.
- **Management control** – which measures the directorship, executive management, other executive management, senior management, middle management, junior management and disabled staff in the business.
- **Skills development** – which measures the amount of money spent on training of black employees and black people.
- **Enterprise and supplier development** – this measures spending on helping other black-owned enterprises grow, both suppliers to you and non-suppliers.
- **Socio-economic development** – this element measures spending on assisting charitable organisations.

NERSA conducted a B-BBEE assessment based on the audited Annual Financial Statements for the period ended 31 March 2022, to determine its level of compliance. The below table depicts the results obtained from the assessment:

B-BBEE Element Weighting Points Achieved Score:

B-BBEE Element Weighting Points Achieved Score	B-BBEE Element Weighting Points Achieved Score	B-BBEE Element Weighting Points Achieved Score
Ownership	N/A	N/A
Management Control	17.39	20
Skills Development	10.84	25
Enterprise and Supplier Development	41.61	50
Socio-Economic Development	4.64	5
OVERALL SCORE	**74.49**	**100**

NERSA achieved an overall assessment score of 74.49 points, and was classified as a compliant entity under the B-BBEE Act. The entity is now a certified Level 6 BBBEE contributor.

PART D:
HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

The Human Resources (HR) Division attracts, develops, maintains and retains an effective workforce in the organisation through effective recruitment and selection processes. Its mandate is to coordinate services and provide immediate support for key organisational activities in respect of the execution of the human capital management strategy and the implementation of mid-term to annual HR plans, policies, guidelines and systems.

The HR Division assists NERSA in meeting its mandate by:

- facilitating training and development;
- ensuring transparent performance management processes;
- ensuring attractive remuneration and competitive reward systems;
- implementing employment equity and diversity management;
- creating a healthy and safe work environment; and
- promoting skills development through learnerships, internships and bursaries, as well as job shadowing for grade 9 to 11 learners.

In establishing NERSA as an employer of choice, the organisational priorities are to keep the organisational structure filled at a minimum of 95% capacity at all times and further upskill employees through training and development interventions at a rate of 85% and above. Training interventions include the upskilling of managers through management and leadership development interventions. The foundation for the NERSA leadership and development programme was laid by the finalisation of the Heads of Department's (HODs') leadership and competency assessments. This was done to ascertain the leadership potential at HOD level.

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. In addition to the NERSA Learnership and Internship Programme, NERSA continued to support the beneficiaries of its Bursary Programme which boasts a beneficiary base of 75% women. The Bursary Programme aims to fund deserving students who intend to pursue postgraduate studies in areas of value to NERSA. Four students at postgraduate level were awarded bursaries during 2022/23, with two students studying towards their PHD degrees and two are studying towards their Master's degree.

The Learnership and Internship Programme and the Bursary Programme form part of the NERSA flagship Youth Employment Strategy. The NERSA Youth Employment Strategy is aimed at facilitating the integration of young people into the mainstream economic activities of the Energy sector, through the creation of decent work opportunities and unlocking learning development opportunities to ensure sustainable livelihoods and reduce income inequalities.

NERSA continues to ensure the adaptability of NERSA's Human Capital Management office as well as to ensure more agile people management strategies. The Division continued to implement these agile strategies and achieved notable success during the period. To this end, NERSA saw a vacancy rate of 5.5% by the end of the 2022/23 financial year, compared to a 4.3% vacancy rate in the same period for 2021/22.

Due to a successful recruitment drive, NERSA's staff complement consisted of 238 employees, with only 14 vacancies, by the end of the review period. The average staff complement for the financial year was 239 employees, which is calculated based on the average number of employees per month for the period, with an average employee turnover of 3%.

The period under review also saw the finalisation of a skills audit for Energy Regulator members, which was aimed against the need to conduct a high-level skills analysis and prepare a status quo report, indicating overall strengths, development areas, trends, themes and suggestions within the ER member cohort. At the time of this report, an implementation plan to address the gaps identified in the audit was underway. The NERSA talent management initiatives also included the development of a technical regulatory training programme, which is aimed at deploying a learning and development strategy geared at building and cultivating a high-performance and highly engaged workforce. The technical regulatory training programme aims to ensure the capacitation of roles in the Regulatory Divisions, which is expected to result in excellence, professionalism and innovation within NERSA.

All of the above interventions form part of the NERSA Integrated Human Resourcing Strategy, whose 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 is monitored and measured to allow for performance management, employee reward and the improvement of poor performance, with the aim to enhance the organisation's efficiency and effectiveness and achieve improved service delivery. NERSA management and staff members are continually trained and attend workshops on matters relating to the performance management policy to ensure compliance at all times.

NERSA continues to be a caring organisation, focusing constantly 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, which can have a negative impact 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.

The NERSA Human Resources team, in partnership with the wellness company, continued to provide wellness services and response strategies to various employee wellness issues. A quarterly report is produced by the appointed service provider and provides a confidential report on the utilisation of the services without divulging individual information.

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

- Human Rights Day
- A commemorative campaign for the16 Days of Activism for no violence against Women and Children
- Cancer Day
- Employee Wellness Programme (EWP) Care Centre (Toll-free Line) for Counselling Services
- Women's Day Celebration

NERSA's remuneration policy aims to:

- attract and retain highly qualified staff; ensure
- equitable pay and rewards;
- 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 the NERSA internships and learnerships, as well as the recently implemented NERSA bursary programme, among other programmes. In line with the Skills Development Act, 1998 (Act No. 97 of 1998), NERSA views the Learnership and Internship and the Bursary programmes as ideal opportunities 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 generate interest in careers in the energy sector.

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 customer- and service-centric Human Resources Business Partnership model.

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.

This resulted from an initial intake of 12 learners and 12 interns for the period. The majority of the learners and interns (54%) are female. This is in keeping with NERSA's vision to ensure increased representation of women within the Energy Sector. NERSA takes pride in this success as it continues to show the impact of skills programmes for the youth who are able to secure employment after receiving valuable training and experience through internship and learnership programmes.

The Learnership and Internship Programme empowers 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 to create a pool of potential candidates for employment by NERSA. The intake for 2022/2023 was finalised on 1 December 2022.

NERSA's job-shadowing programme exposes a group of 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, Youth and Persons with Disabilities.

Employee representative body

The National Education, Health and Allied Workers Union (NEHAWU) is the only union recognised by NERSA, with 70% of staff 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 must be created to increase the number of South Africans employed so that the benefits reach more young people through sustainable, decent work opportunities. At the same time, it is recognised that the absorption of young people into employment is a major challenge that must be successfully addressed.

The NERSA Youth Employment Strategy also sees NERSA placing the focus on a NERSA graduate programme, career awareness at institutions of higher learning and exchange programmes within the Energy Sector.

Employment Equity

The Employment Equity (EE) Plan for 1 October 2020 to 30 September 2023 was in its third year during the reporting period. The plan was enforced and barriers to EE were 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 would be pursued through targeted selection methodologies and a specific effort was directed to employing people living with disabilities.

True to this commitment, NERSA achieved 50% women representation at top management level. The total female representation within NERSA was 58%. The NERSA EE Plan is aligned with B-BBEE compliance in terms of Human Resources-related initiatives.

The new EE plan for the coming periods will be drafted in line with the recently passed Employment Equity Amendment Bill.

2. Human Resources Oversight Statistics

Table 1: Personnel cost by programme 2022/23

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Programme 1: Regulatory service delivery	153,459,065	131,094,864	85.43	135	971,073
Programme 2: Advocacy and engagement	44,236,130	35,482,099	80.21	19	1,867,479
Programme 3: Innovation	5,478,275	2,660,516	48.56	22	120,933
Programme 4: Operational efficiency and quality management	163,418,909	102,328,082	62.62	54	1,894,964
Programme 5: People and organisational culture	20,973,831	14,956,747	71.31	11	1,359,704
TOTAL	**387,566,211**	**286,522,308**	**73.93**	**241**	**1,188,889**

* The number of employees includes only permanent employees and Full-Time Regulator Members (FTRMs) – it excludes fixed-term employees, Part-Time Regulator Members (PTRMs), learners and interns.

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 – Full-Time Regulator Members	10 841 018	3.77%%	4	2 710 254
Part-Time Regulator Members	2 028 422	0.70%	5	405 684
Senior Management	13 198 416	4.59%	5	2 639 683
Professional Qualified	146 272 263	50.83%	86	1 700 840
Skilled	100 429 268	34.9%	113	888 755
Semi-skilled	13 097 264	4.55%	28	467 759
Unskilled	656 189	0.23%	2	328 095
Interns and learners	1 237 292	0.43%	24	51 553
***TOTAL**	**287 760 132**	**100%**	**267**	**1 077 753**

* The number of employees includes interns, leaners and PTRMs and excludes fixed-term employees.

Table 3: Performance rewards

Level	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost (R'000)
Top Management	1 165 893	10 841 018	1.08%
Senior Management	1 581 656	13 198 416	11.98%
Professional Qualified	19 928 058	146 272 263	13.62%
Skilled	13 191 681	100 429 268	13.14%
Semi-skilled	1 449 451	13 097 264	11.07%
Unskilled	74 737	656 189	11.39%
***TOTAL**	**37 391 476**	**284 494 418**	**13.14%**

* The above is for qualifying employees.

Table 4: Training costs

Directorate/Business Unit	Personnel Expenditure	Training Expenditure	Training as percentage of Personnel expenditure	No. of employees trained	Avg training cost per employee
Electricity Regulation Division	91 137 575	1 064 482	1,17	42	25 345
Piped-Gas Regulation Division	33 199 371	503 840	1,52	15	33 589
Petroleum Pipelines Division	28 949 690	620 104	2,14	20	31 005
Corporate Services Division	30 839 571	571 643	1,85	21	27 221
Specialised Support Unit	63 513 588	1 560 009	2,46	23	67 826
Chief Finance Office	23 925 767	766 213	3,20	17	45 071
Chief Human Capital Office	14 956 747	392 200	2,62	9	43 578
***TOTAL**	**286 522 308**	**5 478 491**	**1,91**	**147**	**37 269**

* Personeel costs includes learners, interns, temp employees and FTRM training costs includes learnership programme and training for FTRM.

Table 5 (a): Employment and vacancies by programme

Programme	2021/22 Approved Posts	2021/22 No. of Employees	2022/23 No. of Employees	2022/23 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	50	50	50	0	0.00%
Licensing and registration	29	28	26	3	1.19%
Compliance monitoring and enforcement	30	27	27	3	1.19%
Dispute resolution, including mediation, arbitration and handling of complaints	7	7	7	0	0.00%
Setting of rules, guidelines and codes for the regulation industry	18	17	16	2	0.79%
Establishing NERSA as an efficient and effective regulator	118	112	112	6	2.38%
***TOTAL**	**252**	**241**	**238**	**14**	**5.55%**

* The number of employees excludes fixed-term employees, interns and learners and is as at 31 March 2023.

Table 5 (b): Employment and vacancies by level

Level	2021/22 Approved Posts	2021/22 No. of Employees	2022/23 No. of Employees	2022/23 Vacancies	% of vacancies
Top Management	4	4	4	0	0.00%
Senior Management	6	5	5	1	0.39%
Professional qualified	91	87	87	4	1.58%
Skilled	117	113	109	8	3.17%
Semi-skilled	32	30	31	1	0.39%
Unskilled	2	2	2	0	0.00%
TOTAL	**252**	**241**	**238**	**14**	**5.53%**

Table: 6: Employment changes

Level	Employment at beginning of period	Appointments (Permanent)	Promotions/ Transfer	Terminations (Permanent)	Employment at end of the period
Top Management	4	1	0	0	4
Senior Management	5	0	0	0	5
Professional qualified	87	3	2	5	87
Skilled	113	1	3	2	113
Semi-skilled	30	2	0	1	30
Unskilled	2	0	0	0	2
Total	**238**	**6**	**5**	**8**	**241**

* The calculation at the end of the period excludes promotions and transfers.

Table 7: *Reasons for staff leaving*

Level	Number	% of total number of staff leaving
Resignations (permanent)	5	1.98%
Dismissal (incapacity)	1	0.39%
Retirement	1	0.39%
Expiry of contract	1	0.39%
Other (deceased)	1	0.39%
Other (settlement agreement)	0	0.00%
TOTAL	**9**	**3.57%**

* This includes employees appointed on fixed-term contracts.

Table 8: Labour relations: misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	3
Final Written Warning	0
Dismissal	1
Grievances	5
CCMA Cases	2
Labour Court Referral	2
TOTAL	**13**

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	2	0	0	0	0	0	0
Senior Management	3	2	0	0	0	0	0	0
Professional qualified	39	35	1	1	1	2	2	4
Skilled technical	41	39	0	2	0	1	2	2
Semi-skilled and discretionary decision mak-ing	6	6	0	1	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0
*TOTAL PERMANENT	91	84	1	4	1	3	4	6

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

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	0	0	0	0	0	0
Senior Management	2	3	0	1	0	0	0	0
Professional qualified	32	28	0	3	0	2	5	5
Skilled	67	64	2	3	0	2	2	2
Semi-skilled	19	20	1	1	0	0	1	2
Unskilled	1	1	0	0	0	0	0	0
*TOTAL	123	118	3	8	0	4	8	9

* The employment equity statistics excludes 10 foreign nationals for both males and females.

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	3	3	0	0
Skilled	1	1	0	2
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	**4**	**4**	**0**	**2**

* The Employment Equity status is reported against the approved Employment Equity Plan (1 October 2020 – 30 September 2023). The report is for the Employment Equity cycle of 1 October 2020 to 30 September 2021. There is an overlap on the Employment Equity period and the financial year.

PART E:
PFMA COMPLIANCE REPORT

1. INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

Irregular expenditure

Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	4 610 398,00	6023 812,00
Prior Period Errors		
As Restated	4 610 398,00	6 023 812,00
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	1 413 414,00
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**4 610 398,00**	**4 610 398,00**

The irregular expenditure relates to FTRM Salary. The Energy Regulator implemented the salary increases effective 01 April 2011 without the approval of the Minister of Mineral Resources and Energy in concurrence with the Minister of Finance. Condonation was requested from Minister of Mineral Resources and Energy.

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	1 413 414,00
Total	-	**1 413 414,00**

The irregular expenditure relates to expenditure incurred due to non-compliance with SCM prescripts and was not condoned by National Treasury but removed by the Energy Regulator after complying with the framework

NERSA did not incur any fruitless and wasteful expenditure.

2. INFORMATION ON SUPPLY CHAIN MANAGEMENT

2.1 Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Support and maintenance of SAGE 300 ACCPACC	Phuthumani IT Solutions(Pty) Ltd	Single Source	CONO26/2019/2020	R182 400,00
Microsoft Exchange environment	First Technology Pty (Ltd)	Emergency Procurement	Not Applicable	R100 510,00
Microsoft Exchange environment	First Technology Pty (Ltd)	Emergency Procurement	Not Applicable	R10 488,00
Three Year Maintenance and Support Services of the 3M Model 9101 System with M895 and M804DLA, including 2 services per annum plus unlimited callouts plus three (3) days onsite staff supports	CSX Customer Services (Pty) Ltd	Sole source	CON012/2022/23	R139 441,45
Prorated five (5) months subscription for Natural Gas Market Prices and Forecasted Fuel Prices Services (Oct 2022 - Feb 2023).	Afriforesight (Pty) Ltd	Single Source	Not Applicable	R104 350,52

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Annual subscription renewal to Econometrix report on the following: GDP - Quarterly CPI Monthly update CPIX Monthly update PPI Monthly Update Exchange Rate Monthly update Forecast for current year plus three - Quarterly update	Econometrix Pty (Ltd)	Single Source	Not Applicable	R36 345,75
NERSA exhibition stand at Africa Energy Indaba	Africa Energy Week	Sole Source	Not Applicable	R53 371,50
Supply of Refreshments to NERSA for a period of three years	Masstores (Pty) Ltd T/A Makro SA	Single Source	Not Applicable	R720,000.00
Extra Security Service	MTK Civil Construction and Security	Emergency procurement	Not Applicable	R21,620.00
Extra Security Service	MTK Civil Construction and Security	Emergency procurement	Not Applicable	R4,830.00
Alsson Network for conducting individual preparatory briefing Sessions with the Full-Time Regulatory Members (FTRM's) and the Chief Executive Officer; and Facilitating a workshop with Regulator Executive Committee (REC) of the Energy Regulator on the Business Process Review Project	Alsson Network	Single Source	CON024/2021/2022	R144,417.00
Annual subscription renewal of the Franking machine	Early Worx	Sole source	Not Applicable	R3,998.55
Rental of parking spaces and parking vouchers for visitors for 3 years.	Ozmik Property Investments	Single Source	CON027/2022/2023	R731,300.00
Appointment of Relationship Building Workshop Facilitator for the Energy Regulator – Dr Deon Fisher	Reimed (Pty) Ltd	Urgent Procurement	Not Applicable	R101,200.00

2.2 Contract variations and variations

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of previous contract expansion/s or variation/s (if applicable) R Value of current contract expansion or variation R'000
None						

PART F:
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) (section 55). 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.

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

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 2022 to 31 March 2023. The Energy Regulator believes that NERSA's systems of internal control were effective for the period under review and risk management process requires attention.

The annual financial statements were approved by the Energy Regulator in terms of section 51(1)(f) of the PFMA on 25 May 2023 and are signed on its behalf by:

Mr. Thembani Bukula
Chairperson
Date: 31 July 2023

2. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the National Energy Regulator of South Africa (NERSA) set out on pages **148** to **197**, which comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of changes in net assets, and statement of cash flows as well as the statement of comparison of budget information with actual information for the year then ended, as well as 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 the National Energy Regulator of South Africa as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African standard of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa 1 of 1999, (PFMA).

Basis for opinion

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

Responsibilities of the Accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and for such internal control as the Accounting Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity'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.

Responsibilities of the auditor-general for the audit of 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 these 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

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
11. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 1: Regulatory Service Delivery	Pages 43 - 57	Contribute to a fair balance between the needs of the customer and the regulated entity as well as the creation of investor confidence and lessening the regulatory burden on licensees.
Programme 2: Advocacy And Engagement	Pages 58 - 60	To contribute towards relevant legislation and policies; government's transformation as well as to informed customers and stakeholders

12. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
13. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.
15. I did not identify any material findings on the reported performance information of selected subject matters.

Other matters

16. I draw attention to the matter below.

Achievement of planned targets

17. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information. Reasons for the underachievement of targets are included in the annual performance report on pages 33 to 74.

Report on the audit of compliance with legislation

18. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
19. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
20. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
21. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

22. The accounting authority is responsible for the other information included in the annual report. The other information comprises the information included in the annual report. The other information referred to 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 on in this auditor's report.
23. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
24. My responsibility is to read this other information and, in doing so, consider whether it 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.
25. I have nothing to report in this regard.

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

27. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.actions taken to eliminate threats or safeguards applied.

Financial statements

In addition to my responsibility for the audit of 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
- conclude on the appropriateness of the 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 relating to events or conditions that may cast significant doubt on the ability of the public entity's 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 my 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 operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c'); 66(5)
Treasury Regulations	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Public service regulation	Public service regulation 13(c);18; 18 (1) and (2);
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1)

Legislation	Sections or regulations
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2 Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PPR 2022	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
PFMA SCM Instruction no. 09 of 2022/2023	Paragraph 3.1; 4.1; 4.2
National Treasury Instruction No.1 of 2015/16	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT SCM Instruction Note 03 2021/22	Paragraph 6
NT SCM Instruction 4A of 2016/17	Par 5.5.1(vi); Paragraph 5.5.1(x);
NT SCM Instruction Note 03 2019/20	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7

Legislation	Sections or regulations
NT SCM Instruction Note 11 2020/21	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2
NT SCM Instruction note 2 of 2021/22	Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 5 of 2009/10	Paragraph 3.3
PFMA SCM instruction 08 of 2022/23	Paragraph 3.2
Competition Act	Par. 4.3.2; 4.3.3
NT instruction note 4 of 2015/16	Section 4(1)(b)(ii)
Second amendment of NTI 05 of 2020/21	Paragraph 3.4

Legislation	Sections or regulations
Erratum NTI 5 of 202/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Practice note 7 of 2009/10	Paragraph 2
Practice note 11 of 2008/9	Paragraph 4.1.2
NT instruction note 1 of 2021/22	Paragraph 3.1
Public Service Act	Paragraph 3.1 (b)
Employment of Educators Act	Paragraph 4.1
	Section 30 (1)
	Section 33 (1)

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 2023.

It is the responsibility of the Energy Regulator as the Accounting Authority to prepare annual financial statements and related financial information that represents the Energy Regulator's state of affairs.

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Principles (GRAP) and the accounting policies as set out in note 1 and include appropriate disclosures based on accounting policies that have been consistently applied which are supported by reasonable and prudent judgements and estimates.

These annual financial statements were also prepared on a going concern basis, taking cognisance of certain unique aspects relating to NERSA's mandate 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) respectively. NERSA is also listed as a national public entity in terms of schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and as such the required disclosures in terms of the PFMA are also taken into account.

The financial statements will be submitted for auditing to the Auditor General of South Africa (AGSA) who are given unrestricted access to all financial records and related data, including minutes of all the meetings of the Energy Regulator and its committees.

2. Regulator Members

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).

The Minister of Mineral Resources and Energy (The Minister) appoints both Part-Time and Full-Time Regulator members for a period of four and five years respectively. The Energy Regulator consists of nine Regulator Members, five of whom are part-time and four of whom are full-time. 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.

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) and acts independently, but reports administratively to The Minister of Mineral Resources and Energy.

The Energy Regulator Members that were active during the financial year ending 31 March 2023 are as follows:

Name	Date of Appointment	Member Status
Mr T Bukula	Appointed 30 August 2022	Chairperson of the Energy Regulator and Part-Time Regulator Member.
Ms Z Mpungose	Appointed 14 September 2020 (Appointed Deputy Chairperson 30 August 2022)	- Deputy Chairperson of the Energy Regulator and Part-Time Regulator Member. - Acting Chairperson from 03 May 2022 to 29 August 2022. - Member of the Finance Committee. - Chairperson of the Human Resources & Remuneration Committee.
Adv. N Sithole	Appointed 25 August 2021	- Full-Time Regulator Member: Chief Executive Officer. - Member of the Finance Committee. - Member of the Human Resources & Remuneration Committee.
Ms N Maseti	Re-appointed 1 March 2019	- Full-Time Regulator Member: Piped-Gas Regulation. - Member of the Finance Committee
Mr M Mkhize	Re-appointed 16 January 2023	- Full-Time Regulator Member: Piped-Gas Regulation. - Member of the Finance Committee
Mr N Gumede	Appointed 01 April 2020	- Full-Time Regulator Member: Electricity Regulation. - Member of the Information Technology and Governance Committee.
Mr F Sibanda	Re-appointed 19 March 2018 Extended to 19 June 2022 Re-appointed 30 August 2022	- Part-Time Regulator Member. - Chairperson of the Information Technology and Governance Committee. - Member of the Audit and Risk Committee.
Ms T Semane	Appointed 30 August 2022	- Part-Time Regulator Member. - Chairperson of the Finance Committee. - Member of the Human Resources & Remuneration Committee
Ms P Sibiya	Appointed 30 August 2022	- Part-Time Regulator Member. - Chairperson of the Audit and Risk Committee.

In addition to the Regulator Members the Energy Regulator appointed the following external members to its Governance committees:

Name	Date of Appointment	Committee
Mr P Slack	Appointed on 01 February 2022	Finance Committee
Ms P Kekana-Sungubele	Appointed on 01 February 2022	Human Resources and Remuneration Committee
Dr V Mello	Appointed on 01 February 2022	Information Technology and Governance Committee
Mr M Zakwe	Appointed on 01 February 2022	Information Technology and Governance Committee
Mr M Nkhabu	Appointed on 01 October 2022	Audit and Risk Committee
Ms Z Tshabalala	Appointed on 01 October 2022	Audit and Risk Committee
Ms T Mashanda*	Re-appointed on 01 May 2017 Extended to 31 August 2022	Audit and Risk Committee
Ms N Jiyane*	Re-appointed on 01 May 2017 Extended to 31 August 2022	Finance Committee and Audit and Risk Committee

* Contract ended 31 August 2022.

3. Principal Regulatory Activities

In terms of the Functions of Energy Regulator as set out in the National Energy Regulator Act 2004 (No.40 of 2004), The Energy Regulator must:

a) undertake the functions of the Gas Regulator as set out in section 4 of the Gas Act, 2001 (Act No. 48 of 2001);
b) undertake the functions of the Petroleum Pipelines Regulator as set out in section 4 of the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003; and
c) undertake the functions of the National Electricity Regulator as set out in section 4 of the Electricity Regulation of Act, 2006 (Act No. 4 of 2006).

4. Achievement of Performance Objectives

The annual report section on Performance Information covers NERSA's achievements against its strategic objectives in the annual performance plan.

5. Financial Performance

Revenue Performance

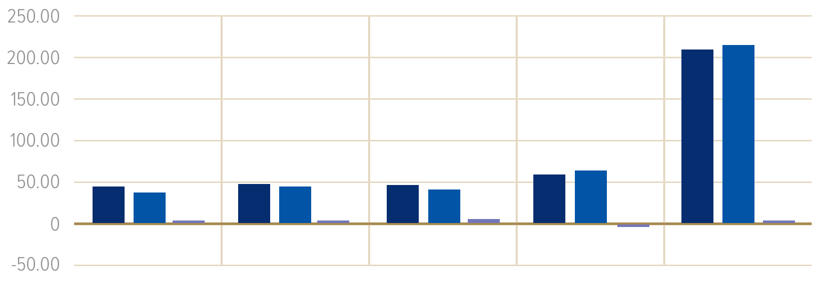
NERSA is funded through levies and licence fees charged to the industries it regulates as follows:

Industry Regulated	Source of Funds	Levy Rate/Licence Fee – 1 April 2022 to 31 March
Electricity	Licence fees are payable in respect of electricity generated for supply in terms of section 5B of the Electricity Act, 1987 (Act No. 41 of 1987). This licence fee is based on kilowatt hours of electricity generated for supply.	The licence fee rate for the year is 0.09837 c/KWh.
	Section 10(2) of the Electricity Regulation Act, 2006 (No. 4 of 2006) mandates NERSA to charge registration fees.	A charge of R 200 is payable per registration.
Piped Gas	A levy is imposed on the holders of the title to gas as it enters the system licenced by NERSA in terms of section 2 of the Gas Regulator Levies Act, 2002 (Act No. 75 of 2002).	The rate levied for the year is 42.995 c/Gj.
Petroleum Pipelines	The levy is based on Giga Joules of gas as it enters the inlet flanges of transmission or distribution pipelines.	The rate levied for the year is 0.39734 c/l.

Figure 1 on the next page depicts quarterly and year to date volumes per industry for the financial year ending 31 March 2023. Volumes reported for the year in all three energy industries regulated came in above estimates. Electricity volumes were 2.6% above estimates, Piped-gas volumes were 2.8% above estimates and Petroleum pipelines volumes were at 5.5% above estimates. The improvement in volumes contributed to an over recovery in revenue from levies and licence fees by 3.2%.

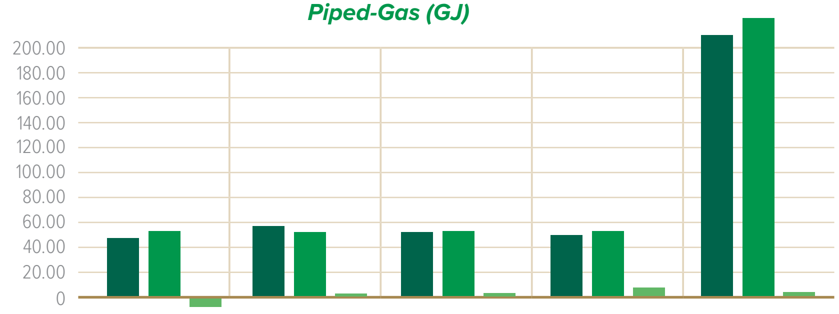
Figure 1: Quarterly and annual Volumes per industry and total annual revenue performance

Electricity (MWh)



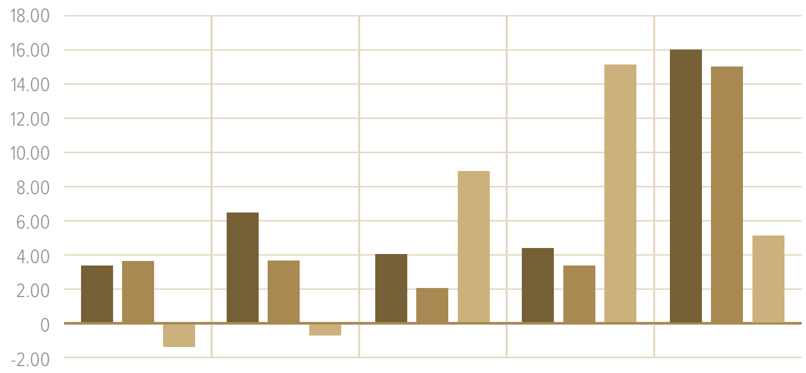
	Q1	Q2	Q3	Q4	Total
Actual	47.7	49.4	49	62.9	209
Budget	45.3	47.9	45.7	64.78	204
% Variance	5.2%	3.2%	7.2%	(2.9%)	2.6%

Piped-Gas (GJ)



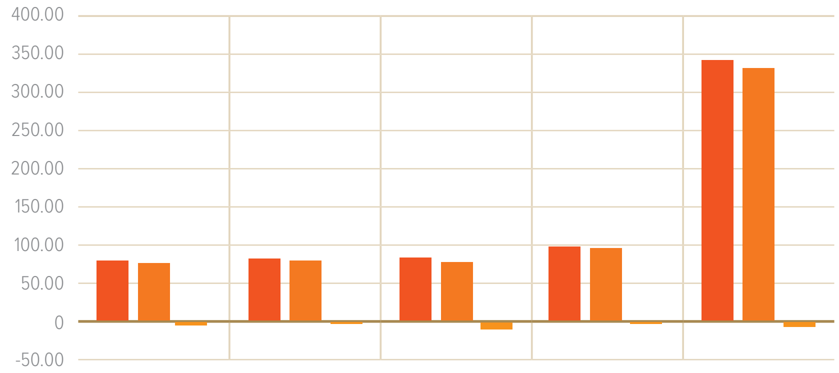
	Q1	Q2	Q3	Q4	Total
Actual	43.2	42.1	48.8	44	172
Budget	41.8	41.8	41.8	41.8	167
% Variance	3.3%	0.6%	2.3%	5.1%	2.8%

Petroleum Pipelines (Kilo litres)



	Q1	Q2	Q3	Q4	Total
Actual	3.6	6.65	4.00	4.24	16
Budget	3.7	3.7	3.7	3.7	15
% Variance	(1.6%)	(0,7%)	8.9%	15.3%	5.5%

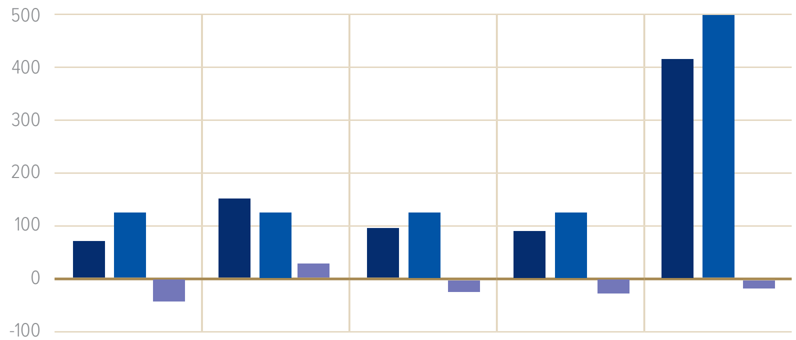
Total Revenue



	Q1	Q2	Q3	Q4	Total
Actual	80	81	83	98	341
Budget	77	80	78	96	331
% Variance	3.5%	1.9%	6.4%	1.4%	3.2%

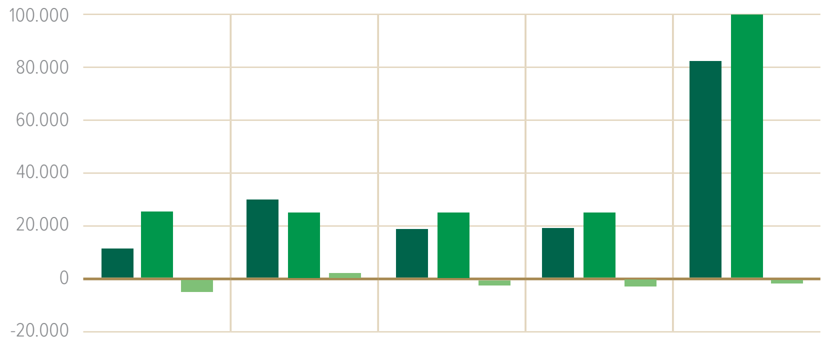
Figure 2: Quarterly and annual Number of registrations and Quarterly and annual registration fees.

Number of SSEG Registrations



	Q1	Q2	Q3	Q4	Total
Actual	71	152	98	95	416
Budget	125	125	125	125	500
% Variance	(43.2%)	21.6%	(21.6%)	(24.0)%	(16.8%)

Registration Fees

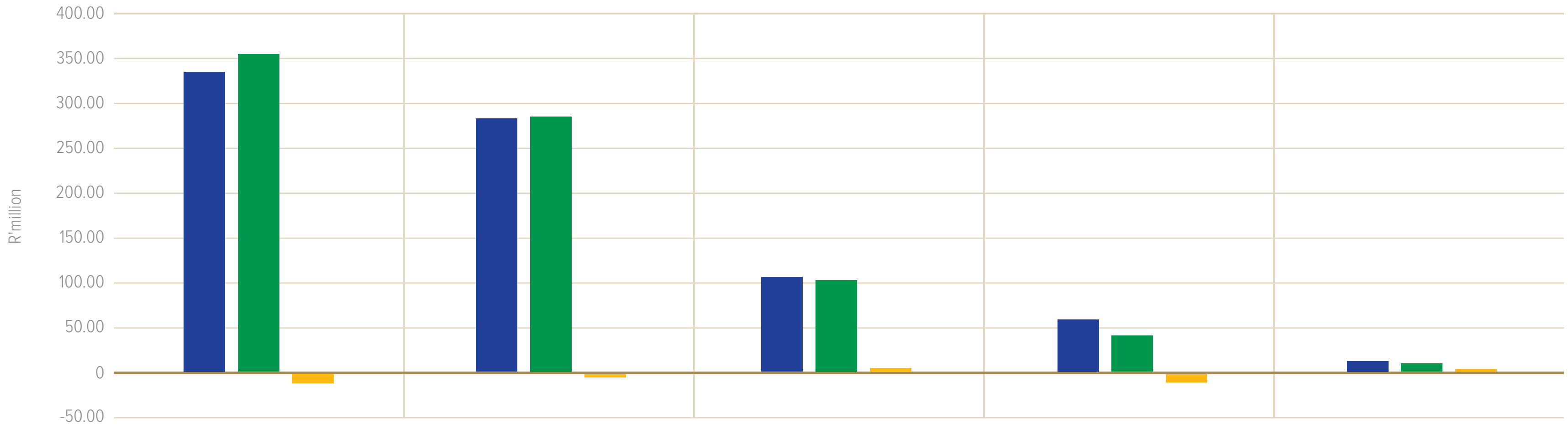


	Q1	Q2	Q3	Q4	Total
Actual	14.200	30.400	19.600	19.000	83.00
Budget	25.000	25.000	25.000	25.000	100.000
% Variance	(43.2%)	21.6%	(21.6%)	(24.0%)	(16.8%)

Financial Performance Analysis

Due to the use of previously accumulated surpluses to reduce the revenue to be collected, NERSA budgeted for a deficit of R59.80 million. The Actual deficit amounted to R 40.06 million, which is an improvement by R 19.74 million. The improvement is a result of the over-recovery of revenue as compared to budget and under-expenditure.

Figure 3: NERSA Financial Performance 31 March 2023



	Revenue – Licence fees and levies	Employment costs	Other operating costs	Net deficit	Capital expenditure
BUDGET 2022/23	337.02	284.01	112.81	59.80	13.63
ACTUAL 2022/23	353.84	286.52	107.37	40.06	10.09
VARIANCE 2022/23	16.82	(2.51)	5.44	(19.74)	3.55
% VARIANCE 2022/23	5.0%	(0.9%)	4.8%	33.0%	26.0%

Administration of levies and licence fees

The funds collected from licence fees and levies are administered in terms of section 13 (2) and (3) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), which state that the Energy Regulator should 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.

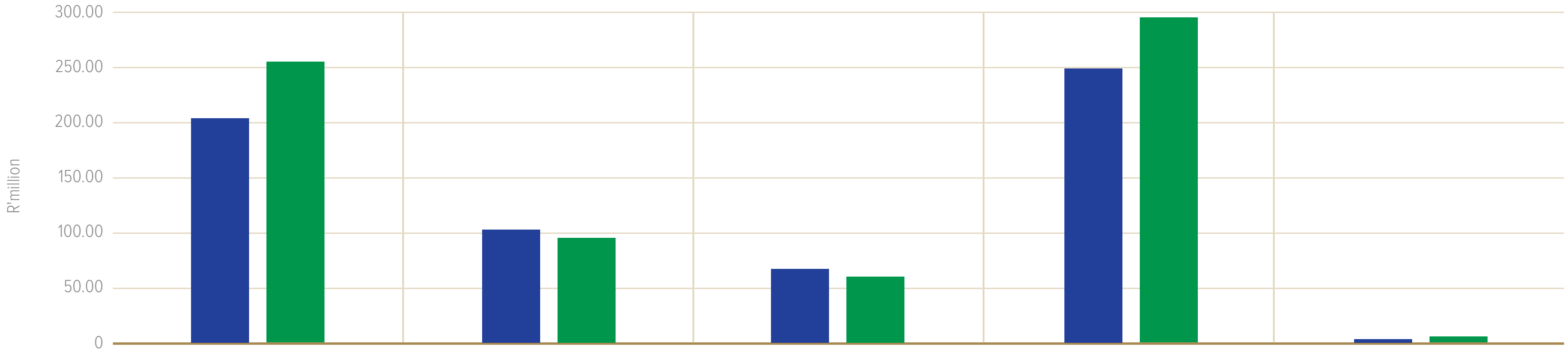
The primary accounting principles on which the ring-fencing methodology is based, are the following:

- 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 distribution of common costs for the 2022/23 financial year was maintained at: Electricity (58%); Piped-Gas (21%); Petroleum Pipelines (21%). 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.

6. Financial Position

Figure 4: *Financial Position 31 March 2023*



	Current Assets	NON - CURRENT ASSETS	CURRENT LIABILITIES	NET ASSETS (ACCUMULATED SURPLUS)	CURRENT RATIO
31 March 2023	212	102	64	250	3.3
31 March 2022	251	98	59	290	4.2

Figure 4 above shows that NERSA is in a stable financial position at 31 March 2023, with a positive net asset value of R250 million. This is mainly due to cash reserves of R169 million included in current assets and a significant portion of it is placed with the Corporation for Public Deposits at the South African Reserve Bank.

7. Analysis Of Accumulated Surpluses

Accumulated surplus at 31 March 2023 amounts to R250 million. The planned utilisation of this surplus is as follows:

Figures in Rand	2023	2022
Accumulated Surplus	249 964 928	290 020 134
Less: Approved Commitments	150 062	2 037 891
Less: Cash Flow Mitigating Reserve	74 325 836	66 806 283
Funds Available for Refunds to Industries	**175 489 030**	**221 175 960**
Planned refunds as follows:	72 064 837	93 089 321
Electricity Regulation	37 881 168	45 673 459
Piped-Gas Regulation	65 543 027	82 413 179
Petroleum Pipelines Regulation	**175 489 030**	**221 175 960**

To comply with section 13(3)(c) of the National Energy Regulator Act, 2004, NERSA makes use of the previous year's accumulated surplus to reduce the future funding requirements per industry.

The amounts to be refunded to industries will be determined in the next budgeting cycle for the financial year 2024/25. The reconciliation for the available refunds is as follows:

Regulated Industry	Opening Balance	Net Surplus or (Deficit) 2022/23 per Industry	Changes In Commitment, Cash Flow Mitigation Reserve	Refunds Available
	R	R	R	R
Electricity Regulation	93 089 321	(17 758 087)	(3 266 400)	72 064 837
Piped-Gas Regulation	45 673 459	(6 609 629)	(1 182 662)	37 881 168
Petroleum Pipelines Regulation	82 413 179	(15 687 490)	(1 182 662)	65 543 027
	221 175 960	**(40 055 206)**	**(5 631 724)**	**175 489 030**

8. Materiality and Significance Framework

A materiality and significance framework has been developed and approved for reporting 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 that occurred subsequent to the financial year end and the compilation of the annual financial statements that may significantly affect the position of the organisation or the results of its operations.

10. Regulator Secretary of Nersa

Mr. Sandile Ntanzi

11. Registered Address

NERSA's business and postal addresses are as follows:

Business Address:	Postal Address:
Kulawula House 526 Madiba Street Arcadia Pretoria 0007	P O Box 40343 Arcadia Pretoria 0001

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2023	2022
ASSETS			
Current Assets			
Inventories	3	232 746	204 074
Receivables from exchange transactions	4	5 298 141	3 526 856
Statutory receivables	5	38 020 384	39 119 141
Cash and cash equivalents	6	168 530 333	208 199 988
		212 081 604	251 050 059
Non-Current Assets			
Property, plant and equipment	7	99 765 606	96 827 024
Intangible assets	8	2 459 896	1 293 932
		102 225 502	98 120 956
Total Assets		**314 307 106**	349 171 015
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	9	24 182 605	22 457 207
Provisions	10	39 907 573	36 693 674
		64 090 178	59 150 881
Total Liabilities		**64 090 178**	59 150 881
Net Assets		**250 216 928**	290 020 134
Reserves			
Revaluation reserve	11	252 000	-
Accumulated surplus		249 964 928	290 020 134
Total net Assets		**250 216 928**	290 020 134

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Rental income	12	31 581	48 680
Interest income	13	11 700 512	7 879 280
Total revenue from exchange transactions		**11 732 093**	7 927 960
Revenue from non-exchange transactions			
Licence fees and levies	14	341 258 753	336 206 176
Registration fees: SSEG	15	83 200	62 400
Interest - non exchange revenue	16	18 015	1 094
Total revenue from non-exchange transactions		**341 359 968**	336 269 670
Total revenue		**353 092 061**	344 197 630
Expenditure			
Employee related costs	17	(286 522 309)	(264 847 312)
General expenses	18	(38 859 812)	(31 120 984)
Legal fees		(20 190 046)	(16 830 882)
Consulting fees		(15 549 317)	(10 359 111)
Advertising		(8 450 301)	(7 069 995)
Software licenses		(7 901 154)	(5 834 454)
Travel and accommodation		(10 186 736)	(4 909 784)
Depreciation and amortisation	19	(5 995 523)	(5 452 107)
Debt impairment	20	-	(50 564)
Total expenditure		**(393 655 198)**	(346 475 193)
Loss on disposal of assets	21	(R355 804)	(1 657 092)
Other income	22	222 681	684 717
Reversal of impairments	23	641 054	-
		507 931	(972 375)
Deficit for the year		**(40 055 206)**	(3 249 938)

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus/deficit	Total net assets
Balance at 01 April 2021	**-**	**293 270 072**	**293 270 072**
Deficit for the year	-	(3 249 938)	(3 249 938)
Balance at 01 April 2022	**-**	**290 020 134**	**290 020 134**
Revaluation Land	252 000	-	252 000
Net income (losses) recognised directly in net assets	252 000	-	252 000
Deficit for the year	-	(40 055 206)	(40 055 206)
Total recognised income and expenses for the year	**252 000**	**(40 055 206)**	**(40 055 206)**
Balance at 31 March 2023	**252 000**	**249 964 928**	**250 216 928**

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Licence fees, levies and other income		342 640 625	331 772 197
Interest Income		11 679 022	7 891 530
		354 319 647	339 663 727
Payments			
Employee costs			
Payment for goods and services		(282 772 064)	(267 808 187)
		(101 739 561)	(78 609 142)
Net cash flows from operating activities		(384 511 625)	(346 417 329)
	25	**(30 191 978)**	(6 753 602)
Cash flows from investing activities			
Purchase of Property, Plant and equipment	7	(8 201 919)	(1 917 044)
Proceeds from disposal of property, plant and equipment		608 143	48 610
Purchase of other intangible assets	8	(1 883 901)	(170 800)
Net cash flows from investing activities		(9 477 677)	(2 039 234)
Net increase/(decrease) in cash and cash equivalents		**(39 669 655)**	(8 792 836)
Cash and cash equivalents at the beginning of the year		208 199 988	216 992 824
Cash and cash equivalents at the end of the year	6	**168 530 333**	208 199 988

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
Revenue from exchange transactions						
Rental of facilities and equipment	61 304	-	**61 304**	41 231	**(20 073)**	35.1
Other income	-	-	**-**	766 827	**766 827**	35.2
Interest income	6 050 378	-	**6 050 378**	11 661 007	**5 610 629**	35.3
Total revenue from exchange transactions	**6 111 682**	-	**6 111 682**	**12 469 065**	**6 357 383**	
Revenue from non-exchange transactions						
Licence fees and levies	330 807 953	-	**330 807 953**	342 357 510	**11 549 557**	35.4
Registration fees: SSEG	100 000	-	**100 000**	83 200	**(16 800)**	35.5
Interest - non exchange revenue	-	-	**-**	18 015	**18 015**	35.6
Total revenue from non-exchange transactions	**330 907 953**	-	**330 907 953**	**342 458 725**	**11 550 772**	
Total revenue	**337 019 635**	-	**337 019 635**	**354 927 790**	**17 908 155**	
Expenditure						
Employee related costs	(284 008 113)	-	**(284 008 113)**	(282 772 063)	**1 236 050**	35.7
General expenses	(112 809 103)	-	**(112 809 103)**	(101 739 563)	**11 069 540**	35.8
Total expenditure	**(396 817 216)**	-	**(396 817 216)**	**(384 511 626)**	**12 305 590**	
Operating deficit	**(59 797 581)**	-	**(59 797 581)**	**(29 583 836)**	**30 213 745**	
Computer software	(6 000 000)	4 100 000	**(1 900 000)**	(1 883 901)	**16 099**	
Buildings	(1 549 353)	850 000	**(699 353)**	-	**699 353**	35.9
Computer hardware	(3 000 000)	(4 100 000)	**(7 100 000)**	(6 202 422)	**897 578**	35.10
Office equipment	(2 083 000)	-	**(2 083 000)**	(116 823)	**1 966 177**	35.11
Motor vehicles	(1 000 000)	(850 000)	**(1 850 000)**	(1 882 673)	**(32 673)**	
	(13 632 353)	-	**(13 632 353)**	**(10 085 819)**	**3 546 534**	
Deficit after capital expenditure	**(73 429 934)**	-	**(73 429 934)**	**(39 669 655)**	**33 760 279**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(73 429 934)**	-	**(73 429 934)**	**(39 669 655)**	**33 760 279**	

Statement of Comparison of Budget and Actual Amounts continued

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
RECONCILIATION						
Basis difference						
Total capital expenditure				10 085 820		
Depreciation and amortisation				(5 995 523)		
Debt impairment				641 054		
Timing difference						
Changes in working capital				(1 024 200)		
Movement in provisions				(3 213 898)		
Disposed assets				(878 804)		
Actual Amount in the Statement of Financial Performance				**(40 055 206)**		

3. Accounting Policies

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in the South African Rand which is also the functional currency of NERSA. The amounts presented in the annual financial statements are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with the previous period.

1.2 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.

1.3 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 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:

Impairment testing

NERSA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

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 debtors 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 (undiscounted).

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, NERSA measures an impairment loss. The impairment loss is measured as the difference between the estimated future cash flows (undiscounted) and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised.

Materiality

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
    - Developing accounting policies
    - Deciding what information to disclose
    - Deciding how to present information
    - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

Review of residual values and useful lives

Management reviews the residual values and useful lives on property, plant and equipment and intangible assets at the end of each reporting date. The useful lives are determined based on NERSA's replacement practices for each of the various assets and factors such as technological innovations.

When the estimated residual value or the useful life of an asset differs from the previous estimate, the change is accounted as a change in estimate.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Building which 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 are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

Accounting Policies

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 reserves 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.

Land is not depreciated. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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 NERSA. 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.

NERSA assesses at each reporting date whether there is any indication that NERSA's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, NERSA revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The residual values of the catergories of property, plant and equipment are determined as follows:

- Computer hardware 08.00%
- Office Equipment 10.00%
- Motor vehicle 52.00%

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 7).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

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

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

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

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

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.

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.

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.

Classification

NERSA has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Accounting Policies

NERSA has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

NERSA recognises a financial asset or a financial liability in its statement of financial position when the NERSA becomes a party to the contractual provisions of the instrument.

NERSA recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

NERSA measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

NERSA measures all financial assets and financial liabilities after initial recognition using the amortised cost model. All financial assets measured at amortised cost and are subject to an impairment review.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

NERSA assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

NERSA derecognises financial assets using trade date accounting.

NERSA derecognises a financial asset only when the contractual rights to the cash flow from the financial asset expire, are settled or waived.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

NERSA removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.8 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

NERSA recognises statutory receivables using the NERSA Debtors Management Policy.

Initial measurement

NERSA initially measures statutory receivables at their transaction amount.

Subsequent measurement

NERSA measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

NERSA levies interest on the outstanding balance of statutory receivables. The transaction amount after initial recognition is adjusted to reflect any accrued interest. The interest rate is determined as per section (80)1(a) and section (80)(1)(b) of the Public Finance Management Act (Act No.1 of 1999).

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from non-exchange transactions.

Impairment losses

NERSA assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, NERSA considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth and an increase in debt levels and unemployment.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, NERSA measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory

Accounting Policies

receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, NERSA considers the amount and not the timing of the cash flows that it will receive in future (undiscounted).

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

NERSA derecognises a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expired or are waived.

1.9 Tax

Tax expenses

NERSA is exempted from paying income tax, in terms section 10(1)(cA)(1) of the Income Tax Act, 1962 (Act No. 58 of 1962).

1.10 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 straight-line basis over the lease term.

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

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost.

Inventories are measured at the lower of cost and 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.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

The amount of any write-down of inventories to the current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in the current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand and deposits held at call with banks.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Designation

At initial recognition, NERSA designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of an entity's objective of using the asset.

NERSA designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

NERSA designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The NERSA assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, NERSA estimates the recoverable service amount of the asset.

When the carrying amount of a non-cash generating assets exceeds its recoverable amount, it is impaired. The recoverable amount is the higher of the an assets's fair value less the cost to sell and its value in use.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its

Accounting Policies

used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

NERSA assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 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 twelve months after the end of the period in which the employees render the related service.

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, NERSA recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. NERSA measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

NERSA recognises the expected performance bonus, when NERSA 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.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which NERSA pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to NERSA during a reporting period, NERSA recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

NERSA is part of an Umbrella Fund which is administered by SANLAM Umbrella Fund. The plan is funded by the payments of employer and employees. The Umbrella Fund is managed by the Board of Trustees consisting of a Principal Officer and Professional Trustees who are usually practioners in the retirement fund industry.

Payments to the defined contributions retirement benefit plan's Umbrella Fund are charged as an expense in the period such contributions become payable.

1.15 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 used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.16 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 that are required by other standards of GRAP ie. GRAP 17 Property, Plant and Equipment and GRAP 13: Leases.

Accounting Policies

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to NERSA, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.18 Revenue from non-exchange transactions

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

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

Recognition

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

The following Acts have been reference in this regard.

- Section 5B of the Electricity Act, 1987 (Act No. 41 of 1987.)
- Section 2 of the Gas Regulator Levies Act, 2002 (Act No 75 of 2002).
- Section 2 of the Petroleum Pipelines Levies, 2004 (Act No. 28 of 2004).
- Section 9 of the Electricity Regulation Act, (Act No. 4 of 2006).

Measurement

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.19 Comparative figures

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

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

In terms if practice note 4 of 2022/23 issued by National Treasury, fruitless and wasteful expenditure for previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

- fruitless and wasteful expenditure incurred and confirmed in the previous financial year
- fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

1.21 Irregular expenditure

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

National Treasury practice note no 4 of 2022/23 which was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA requires the following

- Irregular expenditure when incurred and confirmed is recorded in the annual financial statements disclosure. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis .
- Irregular expenditure for the previous financial year (comparative amounts) must be recognised in the period in which they occurred as follows:

a. Irregular expenditure incurred and confirmed in the previous financial year.
b. Irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year.
c. Irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
d. Irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

1.22 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

Information relating to segmental assets and liabilities have not been disclosed as it is not regularly provided to management for review.

Refer to note 34.

1.23 Budget information

General purpose financial reporting by NERSA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 35.

Comparative information is not required.

1.24 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of NERSA, including those charged with the governance of NERSA in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with NERSA.

NERSA is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect NERSA to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where NERSA is exempt from the disclosures in accordance with the above, NERSA discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 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).

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

NERSA 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.

Notes to the annual financial statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	No date determined	The objective of this standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. NERSA does not have Heritage Assets therefore the will be no impact.
• GRAP 25 (as revised): Employee Benefits	1 April 2023	The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The proposed revision may have an impact on the measurement and disclosure of employee benefits which are proposed to include termination of employment and related benefits. NERSA does not have post-employment benefits therefore the will be no impact on the required disclosures for these.
• GRAP 104 (as revised): Financial Instruments	1 April 2025	The objective of this standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The proposed revision on the standard will impact on the measurement of NERSA financial instruments with the proposed option to designate to fair value vs amortised cost. The impact could be material based on nature and amount of financial instrument at occurrence.
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	The improvements are on various standards. The impact is still to be determined.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The amendment deals with disclosure on going concern and requires disclosure of material uncertainties related to events or conditions that may cast significant doubt upon entity's ability to continue as a going concern. Impact still to be determined.

Notes to the annual financial statements

Figures in Rand	2023	2022

3. Inventories

Stationery consumables	232 746	204 074

4. Receivables from exchange transactions

Sundry debtors	188 660	219 456
Accrued bank interest	82 402	42 897
Prepaid expenses	5 027 079	3 264 503
	5 298 141	**3 526 856**

Prepaid expenses are mainly subscriptions and software licenses that are paid annually.

Sundry debtors include staff debtors, deposits and other debtors (for office rental).

Sundry debtors impaired

The Ageing of Sundry Debtors.

As of 31 March 2023, trade and other receivables of R 50 564 (2020: R 50 564) were impaired and provided for.

The ageing of sundry debtors is as follows:

Ageing

1 to 90 days	188 660	219 456

Reconciliation of provision for impairment of sundry debtors

Opening balance	50 564	6 037 364
Provision for impairment	-	- 50 564
	50 564	**50 564**

Figures in Rand	2023	2022
5. Statutory receivables		
Licence fees: Electricity	14 580 161	16 171 823
Levies: Piped Gas	12 134 133	12 257 193
Levies: Petroleum Pipelines	11 306 090	10 690 125
	38 020 384	39 119 141

Statutory receivables are non-exchange receivables as they arise from legislation.

Statutory receivables general information

Transaction(s) arising from statute

NERSA's statutory receivables arises from billing with levies and licence fees as provided from the following legislation:

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

Determination of transaction amount

Statutory receivables are carried at cost which normally approximates their value due to their short-term maturity.

Interest or other charges levied/charged

The calculation of interest due and payable on statutory receivables is based on the uniformed interest rate contemplated in section 80(1)(b) of the Public Finance management Act

Basis used to assess and test whether a statutory receivable is impaired

Statutory receivables that are more than 120 days due are considered to be impaired

Notes to the annual financial statements

5. Statutory receivables (continued)

Figures in Rand	2023	2022
Statutory receivables impaired		
As of 31 March 2023 and 31 March 2022, there were no statutory receivable that were impaired and provided for.		
Ageing of Statutory Receivables.		
The ageing of these receivables is as follows:		
Licence fees: Electricity Regulation - 1 to 30 days	14 580 161	16 171 823
Levies: Piped-Gas - 1 to 30 days	12 134 133	12 257 193
Levies: Petroleum Pipelines - 1 to 30 days	11 306 090	10 690 125
	38 020 384	39 119 141

6. Cash and cash equivalents

Figures in Rand	2023	2022
Cash and cash equivalents consist of		
Cash on hand	5	-
Current account	6 540 010	6 993 110
Corporation for public deposits	161 990 318	201 206 878
	168 530 333	**208 199 988**

7. Property, plant and equipment

	2023			2022		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation *Restated	Accumulated depreciation and accumulated impairment *Restated	Carrying value
Land	9 187 000	-	9 187 000	8 935 000	-	8 935 000
Buildings	63 313 000	-	63 313 000	68 565 000	(3 929 022)	64 635 978
Motor vehicles	1 882 673	(44 550)	1 838 123	1 318 415	(1 049 367)	269 048
Office furniture and equipment	20 208 723	(7 179 786)	13 028 937	20 096 697	(5 813 534)	14 283 163
Computer hardware	22 766 856	(10 368 310)	12 398 546	17 728 282	(9 024 447)	8 703 835
Total	**117 358 252**	**(17 592 646)**	**99 765 606**	**116 643 394**	**(19 816 370)**	**96 827 024**

* Refer to Note 36 Change on Accounting Policy

	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Impairment reversal	Total
Reconciliation of property, plant and equipment - 2023							
Land	8 935 000	-	-	252 000	-	-	9 187 000
Buildings	64 635 978	-	-	-	(1 964 032)	641 054	63 313 000
Motor vehicles	269 048	1 882 673	(209 445)	-	(104 153)	-	1 838 123
Office furniture and equipment	14 283 163	116 823	(1 921)	-	(1 369 128)	-	13 028 937
Computer hardware	8 703 835	6 202 423	(400 969)	-	(2 106 743)	-	12 398 546
	96 827 024	**8 201 919**	**(612 335)**	**252 000**	**(5 544 056)**	**641 054**	**99 765 606**

7. Property, plant and equipment (continued)

	Opening Balance	Additions	Disposals	Depreciation	Total
Reconciliation of property, plant and equipment - 2022					
Land	8 935 000	-	-	-	8 935 000
Buildings	66 600 633	-	-	(1 964 655)	64 635 978
Motor vehicles	334 058	-	-	(65 010)	269 048
Office furniture and equipment	15 385 717	270 893	(49 273)	(1 324 174)	14 283 163
Computer hardware	8 883 791	1 646 151	(109 322)	(1 716 785)	8 703 835
	100 139 199	**1 917 044**	**(158 595)**	**(5 070 624)**	**96 827 024**

Figures in Rand	2023	2022
Compensation received for losses and sale on property, plant and equipment – included in other income.		
Computer hardware	85 143	48 610
Motor vehicle	523 000	-
	608 143	**48 610**

Revaluations of land and buildings

Land and buildings are carried at revaluation. Revaluation is done every three years.

The latest revaluation was done on 31 March 2023 and effective date of the revaluations was Friday, 31 March 2023. Revaluations was performed by independent valuer.

The valuation was performed using the income capitalization method. This method entails the identification, analysis and application of recent comparable sales involving physically and legally similar properties in the general proximity of the subject property, to enable the Valuer to arrive at a norm which will serve as a guide in estimating the Market Value of the subject property.

These assumptions were based on current market conditions.

7. Property, plant and equipment (continued)

Other information

Details of properties

Figures in Rand	2023	2022
ERF 1163 Arcadia, 526 Madiba, Kulawula House		
Terms and conditions		
- Purchase price: 1 July 2001	7 000 000	7 000 000
- Additions and accumulated depreciation since purchase and valuations	65 500 000	65 500 000
	72 500 000	**73 570 978**
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	**2 003 743**	558 211

8. Intangible assets

	2023			2022		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 401 580	(2 941 684)	2 459 896	4 181 403	(2 887 471)	1 293 932

	Opening balance	Additions	Disposals	Amortisation	Total
Reconciliation of intangible assets - 2023					
Computer software, other	1 293 932	1 883 901	(266 470)	(451 467)	2 459 896
Reconciliation of intangible assets - 2022					
Computer software, other	3 003 111	170 800	(1 498 496)	(381 483)	1 293 932

Notes to the annual financial statements

9. Payables from exchange transactions

Figures in Rand	2023	2022
Trade payables	691 709	1 545 032
Other payables - employees	1 432 269	1 168 734
Accrued leave pay	12 976 221	12 703 408
Accruals (Trade Payables)	9 082 406	7 040 033
	24 182 605	**22 457 207**

10. Provisions

	Opening balance	Additions	Utilised during the year	Reversed during the year	Closing balance
Reconciliation of provisions - 2023					
Performance bonuses	36 693 674	39 907 573	(36 693 674)	-	39 907 573
Reconciliation of provisions - 2022					
Performance bonuses	35 852 037	36 693 754	(33 188 574)	(2 663 543)	36 693 674

The performance bonus provision relates to the amount payable to qualifying NERSA employees for services rendered from 1 April 2022 to 31 March 2023.

* The performance bonus represents management best estimate of the bonus potentially payable to qualifying NERSA employees who signed the performance agreements with NERSA for the financial year ending 31 March 2023. The performance assessment for the 2022/23 financial year are yet to be completed after year end to determine actual bonus payable to employees.

Figures in Rand	2023	2022

11. Revaluation reserve

Opening balance	-	-
Change during the year	252 000	-
	252 000	-

The amount relates to the revaluation of land.

12. Rental of facilities

Premises		
Premises	31 581	48 680

The above rentals are operating lease rentals. The lease agreements does not have an end of term.

13. Interest income

Current account and short-term investment	11 700 512	7 879 280

14. Levies

Licence fees for Electricity	205 648 339	199 969 007
Levies for Piped Gas	73 996 486	75 417 974
Levies for Petroleum Pipelines	61 613 928	60 819 195
	341 258 753	336 206 176

Figures in Rand	2023	2022

15. Registration fees

Small scale embedded generators of electricity (SSEG)	83 200	62 400

16. Interest from non-exchange receivables

Interest - Statutory receivables	18 015	1 094

17. Employee related costs

Basic salaries	203 357 979	191 695 804
Pension fund contributions	25 071 212	23 106 021
Performance Bonus	40 605 375	34 030 235
Medical aid	10 819 209	10 390 364
Cellphone and data allowances	4 229 817	4 187 958
Unemployment Insurance fund	517 937	528 291
Leave pay provision charge	830 721	314 159
Long-service awards	637 547	294 251
Overtime payments	452 512	255 229
Staff publication incentives	-	45 000
	286 522 309	264 847 312

Cellphone and data allowances are disclosed separately. They were previously used to be included in basic salaries.

Notes to the annual financial statements

Figures in Rand	2023	2022
18. General expenses		
Information technology operations	4 476 627	1 154 891
Training and development	5 164 768	2 397 790
Knowledge centre	4 485 773	3 578 504
Facility management operations	2 049 834	4 365 907
Publication and communication	2 430 450	1 773 263
Part time and external board members fees	2 446 476	1 934 639
Repairs and maintenance	2 003 743	558 211
External auditors fees	2 301 394	3 099 446
Study fees	1 618 436	850 007
Subscriptions and membership fees	1 559 062	1 345 531
Municipal rates and water consumption	1 533 406	1 412 264
Operating lease payments	1 531 947	1 876 456
Health and safety and employee wellness	1 121 184	1 141 145
Electricity consumption	1 165 789	702 089
Insurance	992 109	861 964
Stakeholder Meetings and venue hire	662 068	-
Motor vehicle expenses	459 445	348 736
Recruitment	487 344	339 907
Catering for meetings and functions	431 180	164 150
Telephone	596 351	481 535
External bursaries	423 555	315 551
Learnership programme	338 500	1 192 120
Printing and stationery	218 379	199 769
Public hearings	214 112	602 768
Protective clothing	-	237 796
Bank charges	72 320	66 564
Postage and courier	52 211	46 570
Sponsorship	23 349	73 411
	38 859 812	**31 120 984**

In the prior year travel and accomodation was included on the note for General expenses. For the current year travel and accomodation is disclosed on the Statement of Financial Performance.

Figures in Rand	2023	2022

19. Building

Property, plant and equipment	1 964 032	1 964 655
Computer hardware	2 106 743	1 716 785
Motor vehicles	104 153	65 011
Office equipment and furniture	1 369 128	1 324 173
Intangible assets	451 467	381 483
	5 995 523	5 452 107

20. Debt impairment

Debt impairment provision	-	50 564

21. Loss on disposal of assets

Computer hardware	400 968	109 322
Office furniture and equipment	1 921	49 273
Computer software	266 470	1 498 497
Motor vehicles	(313 554)	-
	355 805	1 657 092

22. Other income

Recoveries	**222 681**	684 717

Notes to the annual financial statements

Figures in Rand	2023	2022

23. Impairment loss

Reversal of impairments		
Property, plant and equipment	641 054	-

The reversal of impairment is related to the impairment loss recognised in the previous financial year relating to the revaluation of the building.

24. Auditors' remuneration

Current year audit	514 644	820 768
Prior year audit	1 786 750	2 278 678
	2 301 394	3 099 446

25. Cash used in operations

Deficit	(40 055 206)	(3 249 938)
Adjustments for:		
Depreciation and amortisation	5 995 523	5 452 107
Loss on sale of assets	270 662	1 608 482
Impairment deficit	(641 054)	-
Movements in provisions	3 213 899	841 637
Changes in working capital:		
Inventories	(28 672)	12 822
Receivables from exchange transactions	(1 771 285)	(442 478)
Receivables from non-exchange transactions	1 098 757	(5 165 008)
Payables from exchange transactions	1 725 398	(5 811 226)
	(30 191 978)	(6 753 602)

Figures in Rand	2023	2022
26. Commitments		
Capital expenditure		
Already contracted for but not provided for		
• Computer hardware	150 062	1 599 906
• Office furniture and equipment	-	143 022
• Computer software	-	294 963
	150 062	2 037 891

NERSA only discloses commitments that are required by standards of GRAP.

Operating lease (expense) parking bays		
Minimum lease payments due		
- within one year	464 842	600 592
- in second to fifth year inclusive	221 375	-
	686 217	600 592

The lease obligation relates to the rental of parking space for NERSA employees as NERSA building does not have sufficient space. There are two separated leases and in the previous financial year the leases were for twelve months and expired at the end of August 2022 and January 2023. The lease expiring at the end of August 2022 was renewed for twelve month expiring at the end of August 2023. The lease expiring at the end of January 2023 was renewed for 24 months expiring at the end of January 2025.

These leases were previously not disclosed as operating leases due to the lease term not being clear, regarding the lease being month to month lease or/and the lease being cancellable without penalties.The amount of R 600 592 was not disclosed in the prior year

Notes to the annual financial statements

26. Commitments (continued)

Figures in Rand	2023	2022
Operating lease expense Multifuctional printing machines		
Minimum lease payments due		
- within one year	-	608 112

The lease obligation relates to the rental agreement for the use of multifunctional printing machines for the period of 36 months from 01 December 2019 to 30 November 2022. The lease amount is fixed and there is no escalation clause. The lease was extended to 30 September 2023 at no cost to NERSA. NERSA is only paying for the printing cost per page.

Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	33 160	31 581
- in second to fifth year inclusive	150 071	142 924
	183 231	174 505

The minimum future lease is in respect of the use of the NERSA premises. The lease agreement does not have an end of term. There are no contingent rents payable.

27. Lease rentals on operating lease

Multifuctional Printing Machines		
Expenditure for the year	608 111	912 168
Parking Bays		
Expenditure for the year	923 836	964 288
	1 531 947	1 876 456

28. Contingencies

28.1 Accumulated surpluses

A request to retain accumulated cash surpluses as at the end of 31 March 2023 will be submitted to the National Treasury when the audited annual financial statements for the year ended 31 March 2023 have been approved by the Energy Regulator. If approved the accumulated cash surpluses will not be surrendered to National Treasury. Historically the NationalTreasury has approved the retention of cash surpluses by NERSA.

28.2 Court Cases were NERSA's decisions are being challenged

There are various legal matters where NERSA's decisions are being challenged. No relief is being sought in the form of financial compensation except when a cost order can be made against or for NERSA in an instance of NERSA losing or winning such a matter.

As at 31 March 2023 there were 23 court cases that were active. The assessment from lawyers confirm that there are no claims sought in compensation against NERSA. Out of the 23 cases, there are three cases where NERSA is filing an explanatory affidavit and one case is for own application for rescission. These court cases are not contingencies there will never be a cost order against NERSA. NERSA considers the prospect of the matters favourable.

Court Cases were cost orders have been awarded As at 31 March 2023, there is one court case were there is a cost order awarded against NERSA and one where there is a cost order awarded in favour of NERSA. As at 31 March 2023 no information is available for NERSA to reliably estimate the cost relating to cost orders as there was no submission to/from other party. There is taxation process that has to be undertaken before amounts can be confirmed.

28.3 Matters before the CCMA

There are legal matters before the Commission for Conciliation for Commission, Mediation and Arbitration and labour Courts.NERSA considers the prospect of these matters favourable.

28.4 Others

For the prior year of the financial year ending 31 March 2022, an amount of R 188 000 is payable to a former employee relating to leave liability, in the event that claim for Compensation for Occupational Injuries and Diseases (CIOD) is approved by the Compensation Fund. By 31 March 2023 the claim is not yet approved

Notes to the annual financial statements

29. Related parties

Relationships

Executive Authority	Department of Mineral Resources and Energy
Regulators	Details provided below
Members of key management	Details provided below
Entities under common control	All entities under The Department of Mineral Resources and Energy

	Salary	Car allowances	Reimburse and other allowances	Medical aid	Pension contributions and UIF	Performance bonus *	Leave provision	Total
Remuneration of management								
Full Time Regulator Members - 2023								
N Sithole	2 445 155	42 000	82 150	82 317	258 928	353 178	195 818	3 459 546
N Maseti	2 014 428	60 000	23 031	97 722	255 971	284 747	296 300	3 032 199
M Mkhize **	2 172 150	-	25 983	-	252 225	266 950	341 122	3 058 430
N Gumede	2 085 006	-	10 505	87 144	247 904	261 018	239 819	2 931 396
	8 716 739	**102 000**	**141 669**	**267 183**	**1 015 028**	**1 165 893**	**1 073 059**	**12 481 571**

* Performance bonus were paid in 2022/23 financial year with regard to the performance of the 2021/22 financial year.

** Contract renewed 16 January 2023.

	Salary	Car allowances	Reimburse and other allowances	Medical aid	Pension contributions and UIF	Performance bonus *	Leave provision	Total
Remuneration of management (continued)								
Full-Time Regulator Members - 2022								
N Sithole **	1 470 722	24 500	-	46 175	144 703	-	77 532	1 763 632
N Maseti	1 908 277	60 000	-	91 053	233 432	504 239	177 858	2 974 859
M Mkhize	2 059 330	-	15 340	-	233 432	286 018	316 364	2 910 484
N Gumede ***	1 961 337	-	-	97 993	228 563	144 916	203 685	2 636 494
	7 399 666	**84 500**	**15 340**	**235 221**	**840 130**	**935 173**	**775 439**	**10 285 469**

* Performance bonus were paid in 2021/22 financial year with regard to the performance of the financial year 2019/20 ad 2020/21.

** Appointed Full Time Regulator Member (Chief Executive Officer) on 25 August 2021.

*** Appointed 01 April 2020 and the performance bonus relates to the performance for the financial year 2020/21.

Notes to the annual financial statements

29. Related parties (continued)

	Scheduled Meetings	Special Assignments	Reimbursive and Other Allowances	Total
Part-Time Regulator Members - 2023				
T Bukula (Chairperson) *	346 392	8 568	10 216	365 176
Z Mpungose (Deputy Chairperson) **	572 748	10 574	12 825	596 147
T Semane ***	320 682	-	13 310	333 992
P Sibiya ***	283 039	-	7 669	290 708
F Sibanda ****	438 886	24 988	10 520	474 394
	1 961 747	**44 130**	**54 540**	**2 060 417**

* Appointed Part Time Regulator and Chairperson on 30 August 2022.
** Appointed Deputy Chairperson on 30 August 2022. Acting Chairperson 03 May 2022 to 29 August 2022.
*** Appointed on 31 August 2022.
**** Re-appointed 01 October 2022.

	Scheduled Meetings	Special Assignments	Reimbursive and Other Allowances	Total
Part-Time Regulator Members - 2022				
S Mokoena (Chairperson) *	551 130	55 300	13 210	619 640
M Nkomo (Deputy Chairperson) **	91 534	22 286	3 279	117 099
F Sibanda ***	511 334	20 591	12 150	544 075
Z Mpungose	419 200	19 980	12 150	451 330
	1 573 198	118 157	40 789	1 732 144

* Appointed Chairperson on 20 October 2021 and deceased 18 March 2022.
** Appointed Acting Chairperson since 06 January 2021 and deceased 05 July 2021.
*** Appointed Acting Chairperson from 22 June 2021 to 19 October 2021.

29. Related parties

	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
External Members - 2023				
T Mashanda *	61 874	-	1 013	62 887
G Jiyane *	73 834	5 560	1 013	80 407
M Zakwe	39 368	-	4 050	43 418
V Mello	44 764	-	4 050	48 814
P Kekana-Sungubele	75 240	-	4 050	79 290
P Slack	62 548	556	4 050	67 154
M Nkhabu **	35 872	-	2 025	37 897
Z Tshabalala **	30 476	-	2 025	32 501
	423 976	**6 116**	**22 276**	**452 368**

* Contract ended 31 August 2022.
** Appointed 01 October 2022.

External Members - 2022				
T Mashanda	48 696	540	4 050	53 286
G Jiyane	145 512	2 700	4 050	152 262
M Zakwe *	-	-	1 013	1 013
V Mello *	-	-	1 013	1 013
P Kekana-Sungubele *	-	-	1 013	1 013
P Slack *	-	-	1 013	1 013
	194 208	3 240	12 152	209 600

* Appointed 01 February 2022.

Notes to the annual financial statements

29. Related parties (continued)

	Salary	Performance bonus *	Car Allowances	Acting Allowance	Medical aid	Pension contributions and UIF	Leave provision	Reimburse and other allowances	Total
Executive Management - 2023									
T Nxumalo	1 962 957	296 545	-	-	-	240 925	167 461	4 444	2 672 332
X Mtwa	1 612 477	234 922	-	-	60 912	194 873	50 034	38 300	2 191 518
B Pono	2 159 949	412 139	-	-	-	251 937	103 405	493	2 927 923
L Nematswerani	2 106 193	410 459	72 000	13 907	78 608	277 208	145 254	8 772	3 112 401
Z Mavuso	2 014 087	227 591	-	-	38 031	239 701	159 834	986	2 680 230
F Harrison **	1 713 001	390 110	-	350 636	88 699	220 607	89 130	47 502	2 899 685
	11 568 664	**1 971 766**	**72 000**	**364 543**	**266 250**	**1 425 251**	**715 118**	**100 479**	**16 484 089**

* Performance bonuses were paid in the 2022/23 financial year with regard to the performance of the 2021/22 financial year.

** Appointed Acting Executive Manager Corporate services since 01 April 2020.

	Salary	Performance bonus *	Car Allowances	Acting Allowance	Reimburse and other allowance	Medical aid	Pension contributions and UIF	Leave provision	Total
Executive Management - 2022									
N Sithole *	933 309	467 705	17 500	154 112	31 903	109 045	-	-	1 713 574
T Nxumalo	1 910 271	283 720	-	-	-	225 982	158 391	-	2 578 364
X Mtwa	1 641 016	192 654	-	16 364	57 762	181 169	34 421	-	2 123 386
B Pono	2 076 637	194 668	-	27 114	-	230 756	97 321	-	2 626 496
L Nematswerani	2 084 377	-	66 000	-	61 612	248 599	163 694	-	2 624 282
Z Mavuso	1 918 695	-	-	-	18 668	218 118	79 569	-	2 235 050
F Harrison **	1 908 846	337 621	-	283 537	109 395	203 211	97 763	2 712	2 943 085
	12 473 151	1 476 368	83 500	481 127	279 340	1 416 880	631 159	2 712	16 844 237

* Performance bonuses were paid in 2021/22 financial year with regard to the performance of the 2020/21 financial year.

** Appointed Acting Chief Executive Officer for the period 26 March to 24 August 2021 and Appointed Full Time Regulator Member: Chief Executive Officer from 25 August 2021.

** Appointed Acting Executive Manager Corporate Services since 01 April 2020.

30. Risk management

Financial risk management

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

Liquidity risk

NERSA's risk to liquidity is limited to the ability to have funds available to cover future commitments. NERSA manages liquidity risk through an ongoing review of future commitments.

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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2023				
Trade and payables	691 710	-	-	-
Other accruals	9 082 406	-	-	-
At 31 March 2022				
Trade payables	1 545 032	-	-	-
Other accruals	7 040 033	-	-	-

Notes to the annual financial statements

30. Risk management (continued)

Figures in Rand	2023	2022
Credit risk		
Credit risk consists mainly of sundry debtors.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument		
Receivables from exchange transactions (excluding prepayments)	**271 062**	262 353

Interest rate risk

NERSA is exposed to interest rate changes in respect of returns on its call deposit invested 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 with the South African Reserve Bank.

	Current interest rate	Due in less than a year	Due in less than a year	Due in two to three years	Due in three to four years	Due after five years
Cash flow interest rate risk						
At 31 March 2023						
Cash on hand Current account	- %	5	-	-	-	-
Short term investment	4,57 %	6 540 010	-	-	-	-
Short term investment	6,04 %	161 990 318	-	-	-	-
At 31 March 2022						
Current account	1,89 %	6 993 110	-	-	-	-
Short term investment	3,78 %	201 206 878	-	-	-	-

31. Financial instruments disclosure

Figures in Rand	At amortised cost	Total
Categories of financial instruments		
Financial assets 2023		
Sundry debtors	188 660	188 660
Accrued bank interest	82 402	82 402
Cash and cash equivalents	168 530 333	168 530 333
	168 801 395	168 801 395
Financial liabilities		
Trade and other payables	691 710	691 710
Other accruals	9 082 406	9 082 406
	9 774 116	9 774 116
Financial assets 2022		
Sundry debtors	219 456	219 456
Accrued bank interest	42 897	42 897
Cash and cash equivalents	208 199 988	208 199 988
	208 462 341	208 462 341
Financial liabilities		
Trade and other payables	1 545 032	1 545 032
Other accruals	7 040 033	7 040 033
	8 585 065	8 585 065

Notes to the annual financial statements

32. Going concern

Property, plant and equipment

We draw attention to the fact that at 31 March 2023, NERSA had an accumulated surplus of R249 964 928 and that the NERSA's total assets exceed its liabilities by R250 216 928.

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.

33. Irregular expenditure

Figures in Rand	2023	2022
Irregular Expenditure - current	-	-

There were no cases reported as Irregular expenditure in the current and prior year.

34. Segment information

General information

Identification of segments

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'.

The major revenue of NERSA is derived by imposing prescribed levies and licence fees on the regulated industries, following a prescribed transparent procedure. In this regard, the following Act govern the imposition of such levies.

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

Information reported about these regulatory functions is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

NERSA's support services departments do not generate economic benefits. Their costs are allocated to regulatory functions as per section 13(3)(a) of the National Energy Regulator Act, 2004 (Act No.4 of 2004).

Section 13(3)(a) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) state that "The cost of the Energy Regulator must be shared between the electricity, piped-gas and petroleum pipelines regulatory functions in proportions to the cost incurred by the Energy Regulator in respect of each of those regulatory functions .

Cost that can be directly attributable to an industry-specific regulatory function are charged directly to that function.

Costs that are not directly attributable to an industry-specific regulatory function, but are incurred as common cost in order to support the three industry functions, are allocated to the three industry-specific regulator function using the ratio proportionate to the approved staff complement attributable to the industry-specific function.

The current ratio used for the allocation is 58% for the electricity industry regulation; 21% for the piped-gas industry regulation; and 21% for the petroleum pipelines regulation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Services
Electricity regulation	Regulation of the Electricity as mandated by Electricity Regulation Act, 2006 (Act No. 4 of 2006)
Piped-gas regulation	Regulation of Piped-Gas as mandated by the Gas Act, 2001 (Act No. 48 of 2001)
Petroleum pipelines regulation	Regulation of Petroleum Pipelines as mandated by Petroleum Pipelines Act, 2003 (Act No. 60 of 2003)

Notes to the annual financial statements

34. Segment information (continued)

2023	Electricity Regulation	Piped-Gas Regulation	Petroleum Pipelines Regulation	Total
Segment surplus or deficit, assets and liabilities				
Revenue				
Licence fees and levies (non-exchange revenue)	205 648 339	73 996 486	61 613 928	341 258 753
Other revenue non (exchange)	83 200	-	-	83 200
Interest income non exchange	18 015	-	-	18 015
Interest income	6 786 297	2 457 108	2 457 108	11 700 513
Other income	143 687	71 082	39 493	254 262
Total segment revenue	**212 679 538**	**76 525 676**	**64 110 529**	**353 314 743**
Entity's revenue				**353 314 743**
Expenditure	166 334 236	62 215 307	57 972 766	286 522 309
Employment costs	21 982 292	8 482 046	8 395 474	38 859 812
General expenses	15 850 582	2 530 309	1 809 154	20 190 045
Legal fees	6 805 142	2 998 358	5 745 818	15 549 318
Consulting fees	3 573 265	2 964 569	1 912 467	8 450 301
Advertising	5 436 779	1 232 188	1 232 188	7 901 155
Software licenses	7 143 369	1 512 359	1 531 008	10 186 736
Travel and accommodation	7 143 369	1 512 359	1 531 008	10 186 736
Depreciation and amortisation	3 477 406	1 259 071	1 259 046	5 995 523
Reversal of impairment	(371 812)	(134 621)	(134 621)	(641 054)
Loss from sale of assets	206 366	74 719	74 719	355 804
Total segment expenditure	**230 437 625**	**83 134 305**	**79 798 019**	**393 369 949**
Total segmental (deficit)	**(17 758 087)**	**(6 609 629)**	**(15 687 490)**	**(40 055 206)**

34. Segment information

2022	Electricity Regulation	Piped-Gas Regulation	Petroleum Pipelines Regulation	Total
Revenue				
Licence fees and levies (non-exchange revenue)	199 969 007	75 417 974	60 819 195	336 206 176
Other revenue non (exchange)	63 494	-	-	63 494
Interest income	4 569 982	1 654 649	1 654 649	7 879 280
Other income	424 902	154 248	154 247	733 397
Total segment revenue	**205 027 385**	**77 226 871**	**62 628 091**	**344 882 347**
Entity's revenue				**344 882 347**
Expenditure				
Employment costs	154 129 883	58 930 919	51 786 512	264 847 314
General expenses	18 337 498	6 516 305	6 267 179	31 120 982
Legal fees	14 338 121	1 186 926	1 305 835	16 830 882
Consulting fees	6 108 439	2 070 711	2 179 961	10 359 111
Advertising	3 480 413	2 027 398	1 562 184	7 069 995
Software licenses	3 383 984	1 225 235	1 225 235	5 834 454
Travel and accommodation	3 883 853	463 534	562 398	4 909 785
Depreciation and amortisation	3 162 235	1 144 941	1 144 931	5 452 107
Reversal of impairment	29 327	21 237	-	50 564
Loss from sale of assets	961 113	347 989	347 989	1 657 091
Total segment expenditure	**207 814 866**	**73 935 195**	**66 382 224**	**348 132 285**
Total segmental (deficit)	**(2 787 481)**	**3 291 676**	**(3 754 133)**	**(3 249 938)**

Notes to the annual financial statements

34. Segment information (continued)

Information relating to the segment of assets and liabilities have not been disclosed as this is not regularly provided by management for review.

Information about geographical areas

Geographical areas are not used by NERSA for decision making purpose and information is not reported or collected in such a manner.

35. Budget differences

Material differences between budget and actual amounts

35.1 There was reduction in the size of the rented office space post the budget preparation.

35.2 Other income is not budgeted for. The actual amount mainly relates to proceeds on the sale of assets and recoveries from insurance.

35.3 There has been an increase in the interest rate, post the height of the COVID-19 pandemic. The increase in the interest rate was not budgeted for.

35.4 There was an improvement on the actual volumes as compared to budgeted volumes across all regulated industries. The budgeted volumes are reduced due to uncertainties relating to loadshedding and the improvement on the economy post the COVID-19 pandemic.

35.5 The under-recovery is due to less than budgeted applications received. The increase in the registration threshold from 1MW to 100MW was expected to result in more applications.

35.6 Interest on non-exchange revenue is not budgeted for. The actual interest is for the interest charged for late payment.

35.7 The under-expenditure is due to vacancies during the year. There was on average 6.05% unfilled positions on gross salaries.

35.8 The under-expenditure is due to savings realised on office operations and facilities management as NERSA staff are still working from home. Some consulting projects were postponed or cancelled due to internal and external factors.

35. Budget differences

35.9 The under-expenditure is due to the delay in the appointment of the engineering consultants to assist with the project .

35.10 The under-expenditure due to the delay on some work relating to the rellocation of the ICT server room which is still in5 progress.

35.11 The under-expenditure due to the acquisition of furniture being put on hold, pending the finalisation of the new normal strategy.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. The changes were within general expenditure. The changes on capital expenditure are detailed on the statement of budget comparison.

36. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following in change in accounting policy.

Buildings

NERSA decided to change its accounting policy treatment of accumulated depreciation during revaluation from Restatement method to Elimination method. Management is of the opinion that changing to the Elimination method will provide information that is more reliable for the users of financial statements and more applicable for assets with long useful lives. The entity kept full history on the building and is able to determine the effect of the change in accounting policy on prior periods. The change was made at the end of the 2023 financial period (31 March 2023). This change affect the presentation in Note 7:

36. Changes in accounting policy (continued)

Figures in Rand	2023	2022
Building cost/Valuation		
Previously stated (Restatement method)	106 538 217	105 459 500
Adjustment	(43 225 217)	(36 894 500)
Elimination method	**63 313 000**	**68 565 000**
Building Accumulated Depreciation		
Previously stated (Restatement method)	43 225 217	40 823 522
Adjustment	(43 225 217)	(36 894 500)
Elimination method	**-**	**3 929 022**
Accumulated surplus		
Previously stated	251 884 543	290 020 134
Adjustment	-	-
	251 884 543	**290 020 134**

37. Comparative figures

Certain comparatives have been reclassified/restated. The reclassifications were within Operating expenditure and disclosures.

- Cellphone and data allowances are separately disclosed from Basic salaries. Refer to note 18.
- The payments for the rental of parking pays is now classified as operating lease with additional disclosures and restatement. Refer to Note 26.
- Cost and Accumulated depreciation for the building has been restated due to a change in accounting policy. Refer to Note 7.

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Kulawula House, 526 Madiba Street | PO Box 40343, Arcadia, 0007 South Africa
Tel: +27 (0) 12 401-4600 | Fax: +27 (0) 12 401-4700

www.nersa.org.za @NERSAZA @NERSA_ZA

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