



ANNUAL REPORT

2017/18





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 and orderly development

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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:	STANDARD BANK
REGULATOR SECRETARY:	SANDILE NTANZI

2. ABBREVIATIONS AND ACRONYMS

ACRONYM	FULL DESCRIPTION
AFS	ANNUAL FINANCIAL STATEMENTS
AFUR	AFRICAN FORUM FOR UTILITY REGULATORS
AGM	ANNUAL GENERAL MEETING
AMEU	ASSOCIATION OF MUNICIPAL ELECTRICITY UTILITIES
ARC	AUDIT AND RISK COMMITTEE
CAM	COST ALLOCATION MANUAL
CEO	CHIEF EXECUTIVE OFFICER
CNG	COMPRESSED NATURAL GAS
COSO	COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION
CPI	CONSUMER PRICE INDEX
CSIR	COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH
DOE	DEPARTMENT OF ENERGY
EAP	ECONOMICALLY ACTIVE POPULATION
EE¹	ENERGY EFFICIENCY
EE²	EMPLOYMENT EQUITY
ELS	ELECTRICITY SUBCOMMITTEE
EPP	ELECTRICITY PRICING POLICY
ER	ENERGY REGULATOR (THE ACCOUNTING AUTHORITY)
ERTSA	ESKOM'S RETAIL TARIFF STRUCTURAL ADJUSTMENTS
ESI	ELECTRICITY SUPPLY INDUSTRY
EWSETA	ENERGY AND WATER SECTOR EDUCATION AND TRAINING AUTHORITY
EXCO	EXECUTIVE COMMITTEE
FAQ	FREQUENTLY ASKED QUESTIONS
FBE	FREE BASIC ELECTRICITY
FIC	FINANCE COMMITTEE
FTRM	FULL-TIME REGULATOR MEMBER
GCAC	GRID CODE ADVISORY COMMITTEE
GE	GAS ENERGY PRICE
GJ/A	GIGAJoule PER ANNUM
GNP	GAUTENG NETWORK PIPELINE
GRAP	GENERALLY RECOGNISED ACCOUNTING PRACTICE
GTA	GAS TRANSPORTATION AGREEMENT
GW	GIGAWATT
HDSA	HISTORICALLY DISADVANTAGED SOUTH AFRICAN

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

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

3. STRATEGIC OVERVIEW

3.1 Vision

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

3.2 Mission

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

3.3 Values

Values are the expression of what we stand for and how we will conduct ourselves. We have adopted the following values:

- **Passion:** We conduct our business with a sense of urgency and commitment and are proud to be part of NERSA
- **Spirit of Partnership:** In working with all our stakeholders, we deliver on our promises for the purpose of sustainable development
- **Excellence:** In striving for the best results, we promote growth/development of our staff, and benchmark ourselves against the 'best-in-class' energy regulators across the globe
- **Innovation:** As a learning organisation, we strive to set trends and promote creativity by challenging the norm in order to continuously improve
- **Integrity:** Being honest, fair and sincere with all stakeholders and among ourselves
- **Responsibility:** We practice responsibility and take ownership of our actions and decisions
- **Professionalism:** We encourage maintenance of high standards of professional competence, and interdependence between our teams by means of effective communication channels to treat everybody as stakeholders
- **Pride:** We take pride in what we do

3.4 Regulatory Principles

In regulating the three industries, NERSA must adhere to sound principles and approaches to be able to deliver on its mandate and achieve its objectives. NERSA has given consideration both to international best practice and the key principles stated in the African Forum for Utility Regulators (AFUR) framework for utility regulation in Africa. Following the completion of the report Benchmarking the National Energy Regulator of South Africa against international good practice, NERSA reviewed the literature on good regulatory principles and identified those principles that emerge strongly and consistently as international good practice. Supported by its legal mandate, NERSA adopted the following internationally accepted regulatory principles to underpin its regulatory approach:

- **Transparency:** The Energy Regulator is required to explain its decisions and processes to regulated entities and other interested parties, which implies that the data or information on which the decision is based is readily available and the reasoning behind it is readily explained. This covers public consultation and accessibility.
- **Neutrality:** The Energy Regulator should be neutral to all market players without favouring any one group (non-discriminatory).
- **Consistency and Predictability:** Decisions must be consistent and should have a reasonable degree of predictability based on previous rulings in similar cases.
- **Independence:** The independence of the Energy Regulator from the regulated companies is a prerequisite for any sound regulatory system. Independence from political influence is also desirable to ensure the long-term stability of regulatory practices. Avoidance of regulatory capture by some customer groups is also necessary for successful regulation.
- **Accountability:** The Energy Regulator should be accountable for its actions and decisions. Independence must not be confused with the lack of accountability.
- **Integrity:** The Energy Regulator should exercise professionalism, honesty and objectivity in the management of the Energy Regulator's affairs and in all its dealings with stakeholders.

- **Efficiency:** The Energy Regulator should make the best use of resources to further the regulatory objectives by exercising objectivity and commitment to evidence-based strategies for improvement.
- **Public Interest:** The Energy Regulator should endeavour to make decisions in the best interest of the public as far as possible.

3.5 Strategic outcome-oriented goals

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

1. to facilitate security of supply in order to support sustainable socio-economic development in South Africa;
2. to facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa;
3. to promote competitive and efficient functioning as well as the orderly development of the energy industry in order to sustain socio-economic development in South Africa;
4. to facilitate affordability of and accessibility to the energy industry to balance the socio-economic interests of all stakeholders in support of economic development of South Africa and a better life for all; and
5. to position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

4. LEGISLATIVE AND OTHER MANDATES

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

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

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

NERSA derives its revenue by, among others, imposing prescribed levies on the regulated industries following a prescribed transparent procedure. In this regard, the following Acts govern the imposition of such levies:

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

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

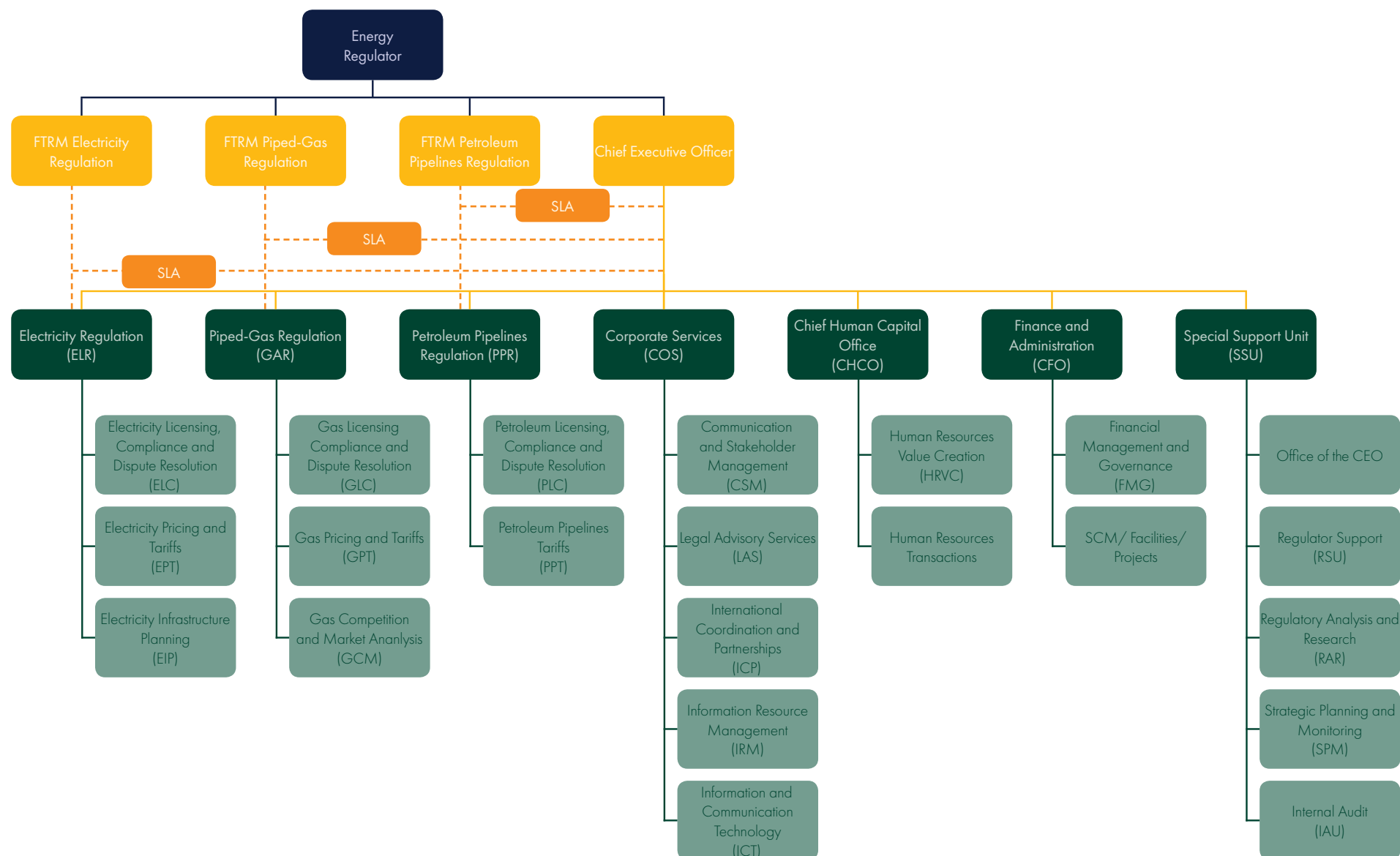
- the Constitution of the Republic of South Africa;
- the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), which specifies the accounting of NERSA as a Section 3 Public Entity;
- the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'), which determines the way that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

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

The relevant applicable policies are:

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

5. ORGANISATIONAL STRUCTURE



The organisational structure of NERSA is as outlined on page 13. The table below provides high-level details on the composition of the structure and depicts the Full-Time Regulator Members (FTRMs), Part-Time Regulator Members, the Chief Executive Officer (CEO) as well as the Executive Managers and Senior Managers reporting to the CEO with their link to the programmes being implemented by NERSA.

Name	Position	Programme Involvement
Jacob Modise	Chairperson (Part-Time Regulator Member – term ended 28 February 2018 and re-appointed 13 April 2018)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Maleho Nkomo	Deputy Chairperson (Part-Time Regulator Member – term ended 28 February 2018 and re-appointed 13 April 2018)	
Christopher Forlee	Full-Time Regulator Member & Chief Executive Officer	
Yusuf Adam	Part-Time Regulator Member	
Khomotso Mthimunye	Part-Time Regulator Member (until 31 March 2018)	
Fungai Sibanda	Part-Time Regulator Member (term ended 28 February 2018 and re-appointed 13 April 2018)	
Mbulelo Ncetezo	Full-Time Regulator Member responsible for Electricity Regulation (until end 8 January 2018)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nomfundo Maseti	Full-Time Regulator Member responsible for Piped-Gas (and Petroleum Pipelines Regulation until end December 2017)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Muzi Mkhize	Full-Time Regulator Member responsible for Petroleum Pipelines Regulation (from 16 January 2018)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)



Name	Position	Programme Involvement
Dr Bianka Belinska	Acting Executive Manager: Electricity Regulation (until 31 December 2017)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Thulebona Nxumalo	Executive Manager: Piped-Gas Regulation	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Priya Singh	Acting Executive Manager: Petroleum Pipelines Regulation	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nomalanga Sithole	Executive Manager: Corporate Services	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Willie Strauss	Chief Financial Officer (from 7 July 2017)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nthupheni Ragimana	Acting Chief Financial Officer (until 6 July 2017)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Paseka Nku	Chief Human Capital Officer	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Patrick Mabuza	Senior Manager: Regulatory Analysis and Research	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Sandile Ntanzu	Senior Manager: Regulator Support	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Masesi Malope	Chief Audit Executive	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Zethu Kapika	Senior Manager: CEO's Office Operations	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Gerda Gräbe	Senior Manager: Strategic Planning and Monitoring	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)

6. FOREWORD BY CHAIRPERSON

It is my privilege to present the Annual Report for the period 1 April 2017 to 31 March 2018 on behalf of the National Energy Regulator of South Africa (NERSA).



Since its establishment as a regulatory authority on 1 October 2005, NERSA has been performing its functions of electricity, piped-gas and petroleum pipelines regulation enthusiastically. This has resulted in significant levels of success and continuous improvement.

NERSA is therefore well on track to achieve its vision of being a recognised world-class leader in energy regulation. In performing its duties, NERSA adds value to the three industries and supports the economic and social objectives of the South African Government.

Meeting the challenges of 2017/18 with thoughtful and well-informed decision-making has enabled NERSA to maintain the critical balance between the interests of its stakeholders (producers, investors and South African citizens) across its primary activities of licensing, setting and approving prices and tariffs, monitoring and enforcing compliance, and resolving disputes in the electricity, piped-gas and petroleum pipelines industries.

2017/18 highlights

For NERSA, the 2017/18 period has been marked with achievements and successes as well as challenges that have been overcome.

In the electricity industry regulation, the Energy Regulator approved 184 tariff applications of licensed distributors, following the approval of the municipal tariff guideline increase.

On 15 December 2017, the Energy Regulator approved Eskom's allowable revenue of R190.348bn for the 2018/19 financial year. This resulted in an average percentage price increase of 5.23%. NERSA's decision was based on the analysis of Eskom's application, as well as the public hearings that it held in eight provinces from 30 October to 22 November 2017. A total of 96 presentations were made at the hearings, which gave affected stakeholders the opportunity to submit their views, facts and evidence.

On 16 August 2017, the Constitutional Court dismissed the leave to appeal application by Borbet SA (Pty) Ltd and Others against the Supreme Court of Appeal judgement delivered on 16 August 2016, regarding NERSA's decision to approve Eskom's third Multi-Year Price Determination (MYPD 3) Regulatory Clearing Account (RCA) for the 2013/14 financial year. This has opened the way for NERSA to consider the RCA applications that have been submitted by Eskom over the past few years.

In piped-gas industry regulation, NERSA approved four maximum price applications and one tariff application. NERSA approved the second maximum price application and a transmission tariff application by Sasol Gas, which is the vertically integrated and sole supplier of piped-gas in South Africa.

The maximum price and tariff approved for Sasol Gas on 26 March 2013 has been the subject of a court challenge by the Gas User Group (GUG) at the Supreme Court of Appeal (SCA). Subsequent to year end, the SCA has found in favour of the GUG. Although NERSA has taken a decision to appeal the SCA judgment, the regulator has also taken a decision to review the contentious aspects of the methodology with a view to addressing the shortcomings contained therein.

NERSA participated in the International Gas Cooperation Summit in Durban and the Mozambique Gas Summit in Maputo in support of efforts to foster cooperation in development of energy resources within the SADC region.

In the petroleum pipelines industry regulation, NERSA considered 16 tariff applications for pipeline, storage and loading facilities and finalised three applications to amend licence conditions.

The amendment of the licence conditions issued to BPSA and Sasol jointly to operate its Alrode storage facility and Chevron SA for operation of its Kroonstad storage facility were approved. This amendment increases the licensed design capacity (available ullage) at storage facilities connected to the Transnet pipeline system, which in turn should also improve the pipeline efficiency.

Version 4 of the Tariff Methodology for Storage and Loading facilities based on the Trended Original Cost approach, was approved.

Despite our achievements in the period under review, we are not oblivious to the complex challenges that must be addressed during the next financial year and beyond. We are also aware of the need to continuously review and improve the effectiveness and efficiency of our functions as Energy Regulator. I am therefore optimistic that we will rise to the occasion and ensure that there is orderly development and stability in the electricity, piped-gas and petroleum pipelines industries.

Dynamic energy environment

In pursuit of its vision of being recognised as a world-class leader in energy regulation, it is important for NERSA to understand and respond to the dynamics of the global energy environment. Because of the link between the South African energy sector and global energy developments, NERSA must incorporate these trends and energy-related developments into its strategy in order to respond to the latest shifts, changes and challenges.

The International Energy Agency (IEA) has been providing medium to long-term energy projections since 1993 by using the World Energy Model (WEM), which is a large-scale simulation model that replicates the functioning of the energy markets. The WEM, which is also the principal tool for generating detailed sector-by-sector and region-by-region projections for the World Energy Outlook (WEO) scenarios, broadly consists of the following three sections:

- final energy consumption: residential, services, agriculture, industry, transport and non-energy use;
- energy transformation: power generation and heat, refinery and other transformation; and
- fossil-fuel and bioenergy supply.

Over the past year, global conditions and changes have continued to challenge the energy sector. In its World Energy Outlook 2017, the IEA refers to the state of flux of the current global energy system, which results from large-scale shifts in the system. Apart from significant changes in energy prices and production, these shifts include the rapid implementation and declining costs of major renewable (clean) energy technologies, a growing shift towards electricity in global energy use, the shift to a more services-oriented economy and a cleaner energy mix in China, moving energy consumption away from coal, and the continuing surge in shale gas and tight oil production in the United States. These shifts are occurring in the context of the traditional distinctions between energy producers and consumers becoming increasingly indistinctive, and a new group of major developing countries, led by India, moving into the centre position of the energy scene.

Changes in global energy demand

Geopolitical change and the demographics of emerging economies have reshuffled energy supply and demand. The changing demands and work patterns of millennials – i.e. energy consumers born after 1980 – are also expected to change the energy demand.

Although the global energy needs are reported to rise more slowly than in the past, they are still expected to expand by 30% between 2017 and 2040. Almost 30% of the growth in demand originates in India, whose share of global energy use will have risen to 11% by 2040. Southeast Asia is another significant factor in global energy, in that the developing countries in Asia account for two-thirds of the global energy growth, with the rest mainly originating from the Middle East, Africa and Latin America.

Increase in renewable energies and energy efficiency

The way in which the world meets its growing energy demands has changed dramatically, with natural gas taking the lead and the rapid growth of renewables and energy efficiency becoming the key elements. As they are rapidly becoming the lowest cost option of new energy generation for many countries, renewable energies are expected to capture two-thirds of global investment in power plants to 2040.

The growth of renewables – particularly that of wind and solar energy – is exceeding almost all forecasts. Renewable sources of energy meet 40% of the increase in primary demand and their massive growth in the power sector marks the end of the booming years of coal. To a large extent, improvements in energy efficiency take the strain off the supply side – without these improvements, the projected rise in final energy use would more than double. In the European Union (EU), renewable energies account for 80% of new capacity, with wind power becoming the leading source of electricity soon after 2030.

Policies continue to support renewable electricity worldwide and the transformation of the power sector is amplified by millions of households, communities and businesses investing directly in distributed solar photovoltaics (PV). The rapid deployment of solar PV, led by China and India, contributes to solar becoming the largest source of low-carbon capacity by 2040, by which time the share of all renewables in total power generation is anticipated to reach 40%.

Growth in renewables is not confined to the power sector. The direct use of renewables to provide heat and mobility worldwide also doubles, albeit from a low base. In Brazil, the share of direct and indirect renewable use in final energy consumption is estimated to rise from 39% today to 45% in 2040, compared with a global progression from 9% to 16% over the same period.

Since they have become part of the energy portfolio, renewable energies have been bringing along benefits such as energy mix diversification and increased investments. As the energy generation portfolio changes and diversifies, new challenges are also emerging, which require changes in the electric utility business model and regulatory policies to ensure a secure and reliable supply of electricity.

Electricity and electrification

Electricity remains the rising force among global end-uses of energy. Practically all forecasts expect the demand for electricity to grow and for electricity to become a more important part of the energy mix. A strong consumer demand for electric vehicles, like the current Tesla Models, is also developing.

Electricity makes up 40% of the rise in the final consumption to 2040 – the same share of growth that oil took for the last 25 years. Apart from the growth in its traditional domains, electricity makes a significant contribution to the supply of heat and mobility, allowing its share of final consumption to rise to nearly a quarter. The industrial electric motor systems account for one-third of the increase in power demand, while the rising incomes of millions of households result in adding electrical appliances (with an increasing share of ‘smart’ connected devices) and installing cooling systems.

The scale of future electricity needs and the challenge of decarbonising power supply help to explain why global investment in electricity overtook that of oil and gas for the first time in 2016 and why electricity security is firmly moving up the policy agenda.

Although the increasing use of digital technologies across the economy improves efficiency and facilitates the flexible operation of power systems, it also creates potential new vulnerabilities that need to be addressed.

China as a rising force in the energy sector

Since the President of China’s call for an energy revolution, the fight against pollution and the transition towards a more services-based economic model, China has been involved in a new phase in its development. This is moving the energy sector in a new direction, with the emphasis on energy policy now firmly on electricity, natural gas and cleaner, high-efficiency and digital technologies.

The choices of China will play a significant role in determining global trends and may accelerate the clean energy transition. The scale of the Chinese clean energy deployment, technology exports and outward investment makes it a key determinant in the low-carbon transition: one-third of the world’s new wind power and solar PV is installed in China and China also accounts for more than 40% of global investment in electric vehicles (EVs). China provides a quarter of the projected rise in global gas demand and its projected imports of 280 billion cubic metres (BCM) in 2040 are second only to those of the European Union, making China a linchpin of the global gas trade.

China remains a prominent presence in coal markets, but the IEA projections suggest that coal use peaked in 2013 and is set to decline by almost 15% over the period to 2040.

Global gas markets

In the New Policies Scenario of the IEA, natural gas grows to account for a quarter of global energy demand, making natural gas the second-largest fuel in the global mix, after oil.

In resource-rich regions, such as the Middle East, the case for expanding gas use is relatively straightforward, particularly when it can substitute oil. In the United States, plentiful supplies maintain a strong share of gas-fired power in electricity generation through to 2040, even without national policies limiting the use of coal.

However, 80% of the projected growth in gas demand takes place in developing economies, led by China, India and other Asian countries, where much of the gas needs to be imported (resulting in high transportation costs) and infrastructure is often not yet in place. This reflects the fact that gas seems to be a good fit for policy priorities in this region, generating heat, power and mobility with fewer carbon-dioxide (CO₂) and pollutant emissions than other fossil fuels, helping to address widespread concerns over air quality.

It should be kept in mind that the competitive landscape is rather volatile – not only because of coal but also to renewables, which will have become a cheaper form of new power generation than gas by the mid-2020s in some countries. Efficiency policies also play a part in constraining gas use, while the electricity generated from gas will grow by more than half by 2040, related gas use is estimated to rise by only one-third, due to more reliance on highly efficient plants.

Gas supply also becomes more diverse: the amount of liquefaction sites worldwide is predicted to double by 2040, with the main additions coming from the United States and Australia, followed by Russia, Qatar, Mozambique and Canada. Price formation is increasingly based on competition between various sources of gas, rather than indexation to oil.

Over the longer term, a larger liquefied natural gas (LNG) market can compensate for reduced flexibility elsewhere in the energy system (e.g. lower fuel-switching capacity in some countries as coal-fired generation is retired). The IEA estimates that, in 2040, it would take around ten days for major importing regions to raise their import levels by 10%, a week less than it might take today in Europe, Japan and Korea.

Challenges in the energy sector

In spite of the progress and developments in the energy sector, numerous challenges remain that need to be addressed, including access to electricity, air quality and greenhouse gas (GHG) emissions.

Access to electricity and clean cooking

Universal access to electricity remains elusive and improving access to clean cooking facilities is even more challenging. There are some positive signs, for example, since 2012, over 100 million people per year have gained access to electricity, compared to around 60 million per year from 2000 to 2012. Progress in India and Indonesia has been particularly impressive, and in 2014, sub-Saharan Africa electrification efforts outpaced population growth for the first time.

In spite of the momentum of the progress, it is estimated that around 675 million people – 90% of them in sub-Saharan Africa – will remain without access to electricity in 2030 (down from 1.1 billion today) and 2.3 billion will continue to rely on biomass, coal or kerosene for cooking (from 2.8 billion today). Household air pollution from these sources is currently linked to 2.8 million premature deaths per year and the several billion hours that are spent collecting firewood for cooking could be put to more productive uses.

Air quality and GHG emissions

Policy attention to air quality is rising and the health impact of global emissions of all the major pollutants remains severe. In many industrialised societies, ageing populations become more

vulnerable to the effects of air pollution, while urbanisation may also increase the exposure to pollutants from traffic. Worldwide premature deaths from outdoor air pollution will rise from 3 million today to more than 4 million by 2040, even though pollution control technologies are applied more widely and energy services are provided more efficiently or without fuel combustion and other emissions (e.g. wind and solar energy).

Despite their recent flattening, global energy-related CO₂ emissions are expected to increase slightly by 2040, which is far from enough to avoid the severe impacts of climate change. However, there is a number of positive indications. Projected 2040 emissions in the New Policies Scenario are lower by 600 million tonnes than in the 2016 Outlook. In China, CO₂ emissions are projected to plateau at 9.2 gigatonnes (Gt) – i.e. only slightly above current levels – by 2030 before starting to fall back. Worldwide emissions from the power sector are limited to a 5% increase between now and 2040, even though electricity demand grows by 60%.

Sustainable development

Renewable energies and efficiency are the key mechanisms to drive the low-carbon transition and to reduce pollutant emissions. In order to ensure cost-effective outcomes, it is essential to link these mechanisms and to align policy and market frameworks – particularly in the residential sector. The provision of highly efficient appliances, combined with decentralised renewables, also play a major role in extending full access to electricity and clean cooking, particularly in rural communities and isolated settlements.

The consumption of natural gas is expected to rise by nearly 20% to 2030 and will remain broadly at this level in 2040. Gas does play an important role in energy systems that rely heavily on coal (e.g. those in China and India), where renewable alternatives are less readily available or where seasonal flexibility is required to integrate high shares of variable renewables. As the use of oil and coal fall back and renewable energies rise significantly, natural gas becomes the largest single fuel in the global mix. Securing clear climate benefits from gas use depends on minimising leaks of methane – a potent greenhouse gas – into the atmosphere.

In order for the world to meet its future energy needs in a sustainable way, the main challenge for the energy sector will be to achieve effective collaboration between all stakeholders involved.

Key trends in the African energy sector

The African power and energy sector is a critical driver of growth and development across the continent. In order to ensure that the industry reaches its full potential and addresses citizens' energy needs, businesses and producers need to stay up-to-date with a rapidly changing landscape.

Distributed generation

In the past, African countries have faced major challenges in providing their citizens with electricity: more than 600 million people across the continent are still without power, illustrating that much still needs to be done in this space. Trends such as decentralised distributed generation have the potential to close that gap.

Distributed generation has the ability to bring more citizens into the energy fold through the building of smaller power stations at specific load centres, rather than building bigger, centralised stations that need to transmit power long distance. The introduction of multiple, smaller grids can substantially assist in transmitting power to where it is needed, thereby lowering the number of people without electricity. There are also extensive opportunities in the decentralisation of renewable energy (RE) and African countries that invest in that return should yield good returns.

Expansion of renewable energies

In African countries such as Morocco, Senegal and South Africa, among others, there is a strong move from coal as a primary feedstock to energy sources such as gas-to-fuel power plants.

Renewable energy solutions such as solar and wind energy in particular, have increased significantly, mainly because the declining costs of these technologies making them competitive.

Also, with the low cost of gas more latterly compared to several years ago (e.g. through the shale gas revolution in the USA), gas power plants have increasingly become more competitive compared to clean coal technologies.

Because of Africa's abundant natural resources, such as great solar irradiation and the wind resource, connecting renewable energy onto the grid is becoming more affordable on the African continent. For example, the solar sites in the Northern Cape (South Africa) receive over 2 500 kWh/m² hours of sunshine every year, with average solar radiation levels of between 4.5 and 6.5kWh/m² (kilowatts per metre squared per hour) every day. This is over two and a half times what Germany – a world leader in solar energy – receives, which indicates the immense potential to tap the African natural resources.

Grid interaction

In developed markets, such as those in the United States and Europe, the grids of countries are often linked or integrated to evacuate power from a country with a surplus to one with a power deficit. This has not been the case in Africa, where there are very distinct regional power with very little overlap and integration between them.

Although investment in transmission projects to link grids is slowly increasing – with examples of transmission projects in countries such Ethiopia, Kenya and Mozambique – it is a gradual development and an expensive exercise. Therefore, growth in this area will continue to be slow and developments will only be visible over the next decade or even longer. However, as transmissions projects serve as a pre-cursor to power generation, investment in this space is a necessity and, as such, will continue to occur.

It should be mentioned that, although the energy sector in Africa faces massive challenges – e.g. Africa requires more than \$800 billion to develop its power infrastructure – it also offers massive opportunities. Due to the large power supply-demand gap on the African continent, there will continue to be a large number of power projects being developed in the region. The political and economic climate across the continent has steadily improved over the last two decades,

making Africa a strong investment case for international developers. African infrastructure projects are generally well structured, making the default rate on projects almost negligible. With its abundant natural resources for power (solar radiation, wind, hydro and biomass potential, among others), the energy landscape is changing and, in this way, Africa will continue to be a compelling investment case.

The energy sector in South Africa

Electricity still remains the most dominant source of energy used for cooking in South Africa, while most of the rural dwellers without access to electricity still make use of wood for heating and cooking.

Currently, electricity generation is dominated by state-owned power utility Eskom, which currently produces over 96.7% of the power used in the country. Eskom has a current capacity of 43 368 MW while Independent Power Producers (IPPs) – both general and renewable energy – have 5 946 MW and Municipalities have 728 MW.

The key challenges in the piped-gas sector remain to bring gas demand and supply on stream at the same time and spread geographically to stimulate broader localised demand. Without local demand, it would be difficult to develop distributed gas supply and without such distributed gas supply, it would be difficult to develop local gas demand. One way of overcoming this challenge is to develop a Gas-to-Power Programme. This would potentially anchor gas demand, while creating a long-term sustainable gas demand. In order to support the implementation of the Integrated Energy Plan, the Department of Energy (DoE) is currently finalising the Gas Utilisation Master Plan (GUMP) for South Africa. The GUMP would act as a roadmap for the development of the gas industry in the South African economy. It analyses the potential and opportunity for the development of South Africa's gas economy and sets out a path of how this could be achieved. One of the main objectives is to enable the development of indigenous gas resources and to create the opportunity to stimulate the introduction of a portfolio of gas supply options.

Inputs of petroleum products play an important role in transport and production activities of various other sectors of the South African economy. However, South Africa does not have its own economically extractable natural crude oil resources. Therefore, South Africa relies on imports of crude oil and refined fuels to meet its liquid fuels needs. South Africa has the second largest refining capacity in Africa after Egypt, with a total refining/liquid fuels capacity of 703 000 barrels per day (boe/d), with approximately 72% (503 000 boe/d) crude oil refining, with the balance synthetic fuel refining (Business Monitor International, 2016).

The majority of South Africa's refinery output is transported via pipeline, road or rail. Transnet operates three liquid petroleum pipelines between Durban and the inland region – the Durban–Johannesburg Pipeline (DJP) (in petrol service), the Multi-Product Pipeline (primarily in diesel service) and the crude oil pipeline to Sasolburg servicing the NATREF refinery. In an effort to alleviate the supply burden resulting from demand growth, there are plans to build a 300 000 boe/d refinery located in the Eastern Cape Province, called Project Mthombo. Current refinery operators are reluctant to expand present capacity due to the high cost involved and because of the surplus of liquid petroleum products available in the international market. Nonetheless, South Africa's refineries are well placed on a cash operating basis within its regional peer group (European and African countries that have more than one refinery), which indicates that their current competitive situation is relative to that of these other manufacturers.

Framework and governance

The Department of Energy acknowledges the following criteria used by the World Economic Forum (WEF) to measure energy system performance: (i) economic growth and development; (ii) environmental sustainability; and (iii) energy access and security. National government realises that the development plans to deliver secure, affordable and sustainable energy should account for the way in which the system delivers against the measurement of these three criteria. Having a low score on all three criteria – particularly environmental sustainability – South Africa is currently ranked 76th out of 126 countries on this trilemma index.

Through its policies and legislation, the South African government recognises the lack of access to energy and addresses the electricity component via the Integrated National Electrification Programme (INEP). Government has also been working towards the improvement of energy governance by developing legislation to guide governmental decisions on electricity, nuclear, liquid fuels and gas. NERSA regulates the energy sector, while state-owned entities (SOEs) were put in place to contribute to energy security and enable development.

Although it functions only as a guideline and is, therefore, not enforceable, the Integrated Energy Plan (IEP) is the strategic master plan for the entire South African energy system. The Integrated Resource Plan (IRP) focuses on electricity and articulates a planning framework for the management of electricity supply in South Africa. The IRP is key to shaping the electricity sector in the country, as it dictates the electricity generation mix over time, as well as the type of new generation capacity that will be built. The current IRP was formalised in 2010. The update of the IRP that was done in 2013, which had a more critical view on nuclear energy, was never promulgated.

Regulations on new generation capacity under the Electricity Regulation Act enable the Minister of Energy, in consultation with NERSA, to make determinations on which new generation capacities will be procured, as long as they are in agreement with the IRP. These determinations can cover the whole IPP programme, including renewables, coal and co-generation. By 2030, it is expected that 17 800 MW of the electricity will be provided by RE sources, with 7 000 MW operational by 2020.

Other planning documents include the National Energy Efficiency Strategy (NEES), which was reviewed in May 2017, and the Biofuels Industrial Strategy (BIS), which set a target of 2% biofuels in the national fuel mix. This strategy was followed by a biofuels mandatory blending regulation to require the blending of biofuels with petrol and diesel, which had not been brought into effect by May 2017.

Access to energy supply

Project 90 by 2030 reports that approximately 91% of South African households had access to electricity in 2017. When compared to 1994, when this figure was about 50%, it becomes evident that the national electrification programme has significantly improved access to electricity supply. However, there are still approximately 1.5 million South African households (i.e. approximately 4.75 million people) with no access to the electricity grid. Those who do not have affordable access to electricity use solid fuels – wood, animal dung, coal, paraffin, candles and gas – to fulfil basic functions.

Although most households using electricity are connected directly to the electricity grid, about 3.6% of the population access electricity via alternative means, such as connections to other sources (e.g. a neighbour, who is then paying for the electricity usage). It is estimated that 0.4% of households make use of illegal connections without payment. A very small proportion of households produce their own electricity by means of solar systems. Diesel generators are used in some agricultural areas, and high-income households, industries and hospitals use diesel generators as backup supply.

The greatest variation in electricity access is based on dwelling type, with electrification rates in informal settlements as low as 53%. Consumers purchase electricity directly from Eskom or via municipalities, depending on the distribution authority in the area. The split between Eskom and the municipalities is approximately equal. Municipalities often purchase electricity from Eskom and then add charges before selling it on to consumers. These additional charges are not standardised, although final electricity tariffs are subject to regulation by NERSA.

Gas – particularly liquefied petroleum gas (LPG) – is an attractive form of energy. There are only a few residential gas grids in South Africa, therefore LPG is largely consumed from gas bottles. For communities without access to affordable electricity, LPG would be a safer and healthier form of energy than paraffin (kerosene), charcoal and fuelwood. However, it is generally too expensive for low-income households.

Energy use

At this point, the national energy system is still inefficient. Final energy use (2 657 PJ) is only 45% of total primary energy supply (5 826 PJ), which indicates that over 50% is lost through the transformation processes (electricity generation) and via transmission/distribution loss.

The main users of energy are the industrial, transport and residential sector. With 59%, industry takes more than all other sectors combined in the final electricity use. Transport only uses 2% of final electricity, although it uses 79% of final petroleum product.

Approximately 80% of the total electricity is generated from coal, which means that $\pm 75\%$ of energy use is based on fossil fuel sources, resulting in high emissions of carbon dioxide (CO₂) and other greenhouse gases (GHGs).

Electric vehicles (EVs) have to feature in medium and long-term transport planning, but from an environmental standpoint, the current coal-dominated electricity sector reduces the advantage of EVs. Although steps are being taken to decarbonise the electricity sector and EVs are still expensive, South Africa should focus on improved and affordable public transport and increased fuel efficiency to reduce transport fuel use without affecting productivity.

Because of limited public transport and growing mobility needs, it is estimated that the energy demand for transport will grow to approximately 44% of the total energy demand by 2050. These assumptions almost exclusively focus on the use of liquid fuels, despite growing global uptake of EVs.

It should be pointed out that the energy usage trends of impoverished and marginalised communities differ from those of higher income groups. For example, their mobility involves a higher proportion of walking, cycling and public transport compared to higher-income groups. Despite the costs, low-income urban households do use electricity, if they are able to access it and if they can afford it, because cheap and/or free alternatives, such as wood, are not as readily available as they are in rural areas. As a result, a quarter of this group spend more than

20% of their household income on electricity. If they cannot afford it, they go without it or use other sources of energy.

Over the last two decades, the proportion of the population using any energy source for space heating has decreased significantly – mainly because of the rising costs of all energy sources, resulting in the least essential or most energy-intensive functions being discontinued first.

Environmental considerations

An analysis of the social and environmental impacts of energy production, supply and use in South Africa should be sensitive to the overall energy landscape. The country relies heavily on coal and for a period Eskom generated some of the lowest cost electricity in the world. The industrial sector in particular has benefited from cheap coal-based power, but the long-term negative impacts on society (human health), the environment and even the economy have been substantial.

A key issue involved in the intensive use of coal in South Africa is the country's contribution to GHGs: South Africa is the 13th highest total carbon emitter in the world. In addition, the burning of coal produces large quantities of toxic coal-ash (1 tonne of coal-ash for every 4.8 tonnes of coal burned), sulphur dioxide (SO₂), nitrogen oxides and particulate matter. This has been linked to a number of respiratory diseases, such as black lung, and is also a major contributor to the bio-accumulation of neurotoxins such as mercury.

South Africa's international obligations to combat climate change include honouring its commitment to cut carbon emissions by 34% by 2020 and 42% by 2025. Energy planning should select options with the lowest impact on land and soil systems, freshwater sources, ocean health and biodiversity, and the least pollution.

By 2017, a national energy plan based on RE was shown to be the cheapest, to have the lowest carbon emissions, the lowest water use and the lowest overall environmental and social externalities. Future low-cost options can now also be low-carbon options, which are the most

appropriate and that will enable the country to meet its international climate change effectively.

Transformation in the energy sector

Universal access to energy is an underlying premise for a transformed energy system, with the desired sources of energy guiding the changes that are needed to achieve this vision. By 2017, South Africa has reached a point where large-scale energy systems, based on renewable energy, are technically possible. Therefore, the country requires a development model that serves the public interest and positively affects all stakeholders in the long-term.

A transition to renewable energy (RE) can be a catalyst for development that seeks synergies between business interests and social/environmental imperatives. To this end, government and business decisions should be directed at achieving the most resource-efficient systems and sustainable practices, while recognising the need to mitigate short-term social and detrimental economic effects where necessary.

A critical part of the uptake of renewable energy is the use of an auction tariff regime, as opposed to a feed-in tariff. After studying the best practices in other global markets, South Africa has put the auction tariff system in place, which involves a flexible support mechanism for renewable energy technologies in which renewable energy project developers submit bids to an auction, which are evaluated by government, after which the best candidates are selected.

Project 90 by 2030 identifies the following fundamental components of energy transformation in South Africa:

- making a fundamental shift in the energy mix to low-carbon sources at the lowest cost;
- adapting infrastructure that allows renewable energy as the major contributor to energy supply;
- expanding the energy supply system (particularly off-grid solutions) to achieve universal access;
- developing pricing models that allow for the equitable use of energy;

- moving from centralised, monopoly/oligopoly ownership of energy generators to decentralised, community-owned models;
- avoiding complicated mega-projects with a small number of direct beneficiaries;
- maximising overall energy system efficiency by reducing the conversion of non-renewable resources and minimising wastage of all energy carriers through the value chain; and
- moving towards electricity as the primary energy carrier in the long-term.

It should be emphasised that, with the exception of oil and natural gas, South Africa has ample renewable and non-renewable energy resources. There are more energy development opportunities than required for sustainable development, even if South Africa greatly increases its energy exports. The key constraints on energy options and transformation are mainly the existing infrastructure and projects under construction, vested interests and inaccurate and/or non-viable alternatives to the existing energy system.

Conclusion

In regulating 'energy' as we do, it is clear that 'energy' suffuses each individual at NERSA as well as the organisation in its entirety, which resonates throughout the energy sector in this country.

The successes of the past year can be ascribed to the sound relationship and excellent mutual cooperation that exists between the Energy Regulator, the Management and Staff. I wish to record my appreciation to my fellow Regulator Members and the Staff for their tireless support, which made it easy for us to serve the Energy Regulator. Your passion, dedication and enthusiasm have driven significant change within NERSA as a regulator. Through your work, the profile of NERSA has been elevated within the energy industry as a whole. Through your effort, NERSA has earned a reputation as a credible regulator and is seen as a sound contributor to Government policy decision-making – thank you for your commitment.

During the year under review, we welcomed the former Minister of Energy, Mr David Mahlobo, who replaced the previous Minister of Energy, Ms Mmamaloko Kubayi in October 2017. We

are grateful for the leadership of both Ministers Kubayi and Mahlobo during their tenure as well as the support received from the Deputy Minister of Energy, Ambassador Thembisile Majola, the Director General of the Department of Energy and his staff.

We would like to welcome the recently appointed Minister of Energy, Mr Jeff Radebe and pledge our continuing full support. We look forward to his guidance and leadership.

Finally, we are grateful for our relationship with all our stakeholders, who play a significant role in the life of NERSA. I believe our collaboration is instrumental in building the energy industry, not only for the sake of our country and the Southern African region, but also, more importantly, for the future of our people.

A handwritten signature in black ink, appearing to be 'JRM', with a long horizontal stroke extending to the right.

Jacob RD Modise

Chairperson

Date: 31 July 2018

7. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Introduction

The 2017/18 financial year has presented us with challenges as well as great achievements, which would not have been possible without the enthusiasm and professionalism that the Regulator Members, Management and Staff have shown in dealing with the regulation of the electricity, piped-gas and petroleum pipelines industries.

While we pat ourselves on the back for these achievements, we are conscious of the complex challenges that must be addressed during the next financial year and beyond. We are also aware of the need to continuously review and improve the effectiveness and efficiency of our functions as the Energy Regulator. I am therefore optimistic that we will rise to the occasion and ensure that there is orderly development and stability in the three industries.

The period under review once again presented the Energy Regulator with challenges that required it to proactively take the necessary regulatory decisions in anticipation of and in response to the changing circumstances in the energy industry.

NERSA's achievements during the period under review were driven by a renewed sense of urgency to deliver on its mandate, particularly within the context of its Strategic Plan, which is focused on improving the planning, monitoring and evaluation of the Energy Regulator by ensuring that its strategic objectives are specific, measurable, agreed upon, realistic and time-based (SMART). The implementation plans that have been developed to achieve these objectives are not only realistic, but also robust.

Aspects within NERSA's performance environment that impact on its ability to deliver on its mandate include the security of the country's energy supply, investment in infrastructure, the

competitive functioning of the industry, and affordability and access. NERSA's response to these challenges is reflected in the summary of its organisational performance in this report.

In accordance with its mission of regulating the energy industry together with Government laws and policies, standards and best practices in support of sustainable and orderly development, the Energy Regulator will continue to ensure that the regulation of the country's electricity, piped-gas and petroleum pipelines industries takes place in a manner that contributes to economic growth and social development.

Summary of Organisational Performance

I am pleased to announce that NERSA is once again the recipient of the Public Management Finance Act (PFMA) Clean Audit Award for 2016/17, awarded by the Auditor-General of South Africa, which makes it the fourth consecutive year in which the organisation has won this award. This is a clear indication of our strong adherence to accountability and responsible corporate governance principles throughout the organisation.

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 transversal regulatory and organisational functions as well. All of these, in turn, are measured against six programmes, namely setting and/or approval of tariffs and prices; licensing and registration; compliance monitoring and enforcement; dispute resolution, including mediation, arbitration and handling of complaints; setting of rules, guidelines and codes for the regulation of the three energy industries; and finally, establishing NERSA as an efficient and effective regulator.

It is therefore noteworthy that during the review period, NERSA achieved 97% of its annual performance targets. In terms of the six programmes mentioned above, the percentage of achieved targets for the electricity industry was 88% due to two targets not being met (2016/17: 100%); for piped-gas 100% (2016/17: 100%); for petroleum pipelines 100% (2016/17: 100%),

for transversal regulatory 100% (2016/17: 100%) and for organisational 100% (2016/17: 83%). Our ability to maintain such a high standard of performance over a number of years reflects not only the soundness of our systems and the prudence of our decisions, but also the exceptional culture of the organisation, which nurtures and rewards its people, thus motivating them to consistently give their best.

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

Corporate Matters

Financial management

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

NERSA's guiding documents are its Strategic Plan for 2015/16–2019/20 and the Annual Performance Plan for 2017/18 – 2019/20, both of which have been approved by the Minister of Energy and tabled in Parliament.

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

Cash flow risk mitigation reserve

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

Supply chain management

NERSA's supply chain management processes, which have been refined over recent years, enables the organisation to meet both the relevant legislative requirements and its obligations to creditors, which were all are paid (100%) within 30 days of receipt of all relevant documentation in this reporting period. Recent initiatives, such as the electronic goods and services procurement system and service level agreements, continued to prove their worth and NERSA adhered to its annual procurement plan, which is monitored by the Executive Committee (EXCO).

Externally focused responsibilities and initiatives

In keeping with NERSA's strategic outcome-oriented goals, inter alia to position and establish it as a credible regulator, the Energy Regulator continuously engages with its stakeholders. Besides communicating through the NERSA website, the use of social media for announcements and updates, as well as the publication of NERSA's quarterly newsletter, NERSA News, it participates in stakeholder meetings, public hearings, exhibitions and conferences. In addition, it is required to meet with legislative bodies such as the Parliamentary Portfolio Committee on Energy.

Public awareness

NERSA News is published quarterly to keep stakeholders informed of the latest developments and decisions. Engagement with stakeholders at a number of forums is another integral part of the NERSA strategy and is crucial in creating public awareness of the roles and responsibilities

of the Energy Regulator.

During the year under review, NERSA hosted 68 customer education workshops and stakeholder engagement activities, including exhibitions and various Ministerial Public Participation Programmes, such as:

- Africa Utility Week in Cape Town;
- Department of Energy Budget Vote in Cape Town;
- Oil and Gas Africa in Cape Town;
- Women in Energy Dialogue and Energy Imbizo in Durban;
- Department of Energy Learners Focus Week in Kimberley;
- The International Gas Cooperation Summit in Durban;
- Association of Municipal Electricity Utilities (AMEU) Convention in Port Elizabeth;
- Southern African Association for Energy Efficiency (SAEEEC) Convention in Kempton Park;
- South African Energy Indaba in Midrand;
- Africa Energy Indaba in Sandton; and
- Power and Electricity World Africa in Sandton.

Media coverage

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

International coordination and partnerships

At regional and continental levels, NERSA continues to be an active member of the Regional Electricity Regulators Association (RERA) and the African Forum for Utility Regulators (AFUR), and has contributed immensely to the strategic objectives and projects of the two structures

through its international coordination department. This contribution has continually had an impact on NERSA being recognised as a world-class regulator, which is evident from a number of exchange programmes and information sharing visits that has been hosted by NERSA.

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

- The Africa Energy Forum held in Copenhagen, Denmark from 7 to 9 June 2017;
- The 22nd World Petroleum Congress held in Istanbul, Turkey from 9 to 13 July 2017;
- The African Forum of Utility Regulators Annual Conference and General Meeting held in Kigali, Rwanda from 19 to 23 November 2017;
- The Regional Electricity Regulators Association of Southern Africa Annual Conference and General Meeting held in Livingstone, Zambia from 26 November to 2 December 2017; and
- The VII World Forum on Energy Regulation (WFER) held in Cancun, Mexico from 20 to 23 March 2018.

NERSA also successfully partnered with the Centre for Competition Regulation and Economic Development (CCRED) of the University of Johannesburg on the 3rd Annual Competition and Economic Regulation (ACER) Week held in Dar es Salaam, Tanzania in July 2017. Other collaborators included the Fair Competition Commission (FCC) of Tanzania, the Energy and Water Utilities Regulatory Authority of Tanzania (EWURA), and REPOA of Tanzania. This event was aimed at fostering dialogue on competition and economic regulation issues, as a means of capacity building and contribution towards regional integration and socio economic development in the region.

In line with NERSA's commitment to information sharing and capability building among African regulatory authorities, the organisation hosted a number of delegations during the period under review. This included the following:

- Consultants commissioned by the Energy Regulatory Commission of Kenya (ERC) visited NERSA on 7 June 2017 to perform a cost of service study for the petroleum sub-sector in Kenya.

- The visit by the recently established Botswana Energy Regulatory Authority (BERA) on 23 June 2017 focused on an exchange of information and experiences to assist the BERA Board Members and executives to fully operationalise the newly created regulator.
- The Energy Regulatory Authority of Mozambique (ARENE) engaged with NERSA from 15 to 18 August 2017 for an exchange of information to assist them in operationalising their newly established regulator.

Core Regulatory Functions

Detailed information on the performance in the different core regulatory functions can be found in the Overview of key outputs/achievements for the 2017/18 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:

- One transfer of a generation licence was approved;
- Ten generation licence applications from ten DoE Small Scale Renewable IPPs were approved;
- The amendment of five generation licences and nine distribution licences was approved;
- The amendment of licence conditions for PowerX (Pty) Ltd was approved; and
- One transfer of a generation licence was approved.

The Energy Regulator also approved the following:

- The update of the Cost of Unserved Energy (COUE) of Eskom for 2017;

- The methodology for the COUE for licensed electricity distributors other than Eskom; and
- The performance targets for Eskom Transmission and Distribution in terms of Service Incentive Schemes (SQI).

(b) Compliance monitoring and enforcement

- The Energy Regulator considered:
 - One consolidated distribution audit report on the state of compliance of 14 municipalities with licence conditions;
 - One consolidated generation audit report on the state of compliance of 14 renewable energy power stations with licence conditions;
 - One consolidated transmission audit report on the state of compliance with licence conditions;
 - Three progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees;
 - One audit report on the review of the annual performance of the Integrated Demand Management (IDM);
 - One audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code;
 - Two monitoring reports on the performance and progress of Renewable Energy projects 2017/18; and
 - One report on the status of the GC exemptions and IPP compliance with the Grid Code.
- Thirty-five applications for exemption from the South African distribution and transmission grid code were approved.
- Seven applications for the amendment of the South African distribution and transmission grid code were approved.
- The consultation paper for the COUE for electricity distributors was published for public comments.
- The methodology and values for the COUE for electricity distributors have been approved by the Energy Regulator.

- The Transmission Planning Audit for 2016/17 has been completed.
- An update of the Eskom COUE methodology has been completed.
- The annual update of the Medium-Term System Adequacy Outlook (MTSAO) of Eskom has been considered by the Energy Regulator and published on the NERSA website.
- Six distribution corrective action plans were monitored and the progress report was noted by the Electricity Subcommittee in February 2018.
- Fourteen compliance monitoring audits were conducted on Eskom's Main Transmission Substations (MTS) and the consolidated report was noted by the Energy Regulator in February 2018.
- Monitoring of Corrective Action Plans for 2016/17 audits was done and the progress report was noted by the Electricity Subcommittee.

(c) Tariffs or tariff structures set or approved

- NERSA's mandate includes the approval of tariffs for all municipalities and other electricity distributors in South Africa. For the review period, a total of 184 municipal tariff applications and seven tariff review applications were approved.
- The Constitutional Court dismissed the leave to appeal application by Borbet SA (Pty) Ltd and Others against the Supreme Court of Appeal judgement delivered on 16 August 2016 regarding NERSA's decision to approve Eskom's third Multi-Year Price Determination (MYPD 3) Regulatory Clearing Account (RCA) for the 2013/14 financial year.
- The Energy Regulator granted permission for Eskom to submit a one-year application instead of a multi-year application on 23 February 2017.
- The Energy Regulator approved Eskom's allowable revenue of R190.348bn for the 2018/19 financial year, which resulted in an average percentage price increase of 5.23%.
- The Energy Regulator approved Eskom's Retail Tariff and Structural Adjustment (ERTSA) Application on 28 February 2018.

(d) Complaints Resolution and Proactive Investigations

NERSA received 447 electricity-related complaints/disputes, excluding enquiries received via the website, emails, telephonically, fax and walk-ins. Customers used various communication channels such as email, telephone and fax to submit their complaints to NERSA. Other customers and licensees preferred coming in personally to lodge their complaints at NERSA offices during the period under review. Of these 447 cases, 92% were successfully resolved. The disputes received ranged from tariff and billing complaints to complex technical cases.

In pursuit of resolving the disputes received, dispute resolution methods used included: conciliation and mediation.

Piped-gas industry regulation

(a) Licences issued, amended, renewed or revoked

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

The Energy Regulator approved:

- One application to operate a gas transmission facility;
- One application to operate a gas distribution facility;
- One application to convert a gas distribution facility to a gas transmission facility;
- One application for the operation of a compressed natural gas storage facility;
- Five applications for the amendment of licence conditions related to the licence to trade in gas;
- Four applications for amendment of licence conditions related to the licence to operate a gas transmission facility; and
- Two applications to revoke a licence to construct a gas distribution facility.

The Energy Regulator also approved:

- Eleven applications for registration of a biogas production operation; and
- Two applications for registration of transmission of gas for own use.

(b) Maximum prices and trading margins approved

The Energy Regulator approved:

- Eight maximum price applications;
- One application to extend the period to implement the maximum price of gas;
- Six trading margin applications; and
- One transmission tariff application.

(c) Tariffs

- The application from Sasol Gas (Pty) Ltd for transmission tariffs for the periods 1 July 2017 to 30 June 2018 and 1 July 2018 to 30 June 2019, was approved on 23 November 2017.
- Four ROMPCO GTA1 quarterly tariffs were considered.

(d) Reports on monitoring of maximum prices

The following reports were considered by the Regulator:

- Quarterly monitoring of Sasol Gas Ltd's implementation of the GE price in the period 1 April 2017 to 31 March 2018.
- Quarterly monitoring of SLG (Pty) Ltd's implementation of the GE price in the period 1 April 2017 to 31 March 2018.
- Sasol Gas' implementation of the transitional mechanism for the increases above 45%.
- Monitoring of NOVO Energy (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.

- Monitoring of Tetra4 (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.
- Monitoring of VGN (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.
- Monitoring of NGV (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.
- Monitoring of Reatile Gastrade (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.
- Monitoring of Columbus (Pty) Ltd's implementation of the maximum price in the period 1 May 2017 to 31 June 2018.
- The streamlining of process regarding the treatment of confidential information in maximum price, tariff and licence applications.

(e) Reports on monitoring of compliance with approved tariffs

- Monitoring of Sasol Gas (Pty) Ltd's implementation of the approved tariffs in the period 1 April 2017 to 31 March 2018.
- Monitoring of ROMPCO (Pty) Ltd's implementation of the approved tariffs in the period 1 April 2017 to 31 March 2018.
- Monitoring of Transnet SOC's implementation of the approved tariffs in the period 1 April 2017 to 31 March 2018.

(f) Compliance monitoring and enforcement

- An audit report on the ROMPCO pipeline was considered.
- Forty inspections, against the planned 35 inspections, were conducted on licensed gas facilities to check for compliance with licence conditions. Five notices of non-compliance were issued.

Assessment of monthly volume balance reports

The Regulator considered 12 reports on the assessment and analysis of Sasol Gas' variance volume balance.

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

Investigations initiated in terms of section 4(d) of the Gas Act:

- Six investigations into incidents of gas supply interruptions were initiated and completed in Gauteng and Mpumalanga.
- Two notices of non-compliance were issued.

Investigation of complaints considered in terms of section 31 of the Gas Act:

- preliminary findings on the Ferro Group's complaint against Sasol Gas; and
- preliminary findings on Novo Energy (Pty) Ltd's complaint against Sasol Gas.

(h) Reports on developments in the gas industry

- The report on the comparative analysis of international gas prices against the South African gas energy price (Benchmark study) was considered.
- The discussion document on the Review of the Methodology to Approve Maximum Price of Gas was concluded.
- Three reports on the 'Developments in New Gas Sources in South Africa and Neighbouring Countries' were considered.
- A benchmark study concerning the application of 'Load Profile' and 'Interruptible Supply Factors' used within the gas industry was considered.

(i) Customer education workshops

- Workshops were conducted in Durban and Pretoria on Phase 1 of the Review of the Methodology to Approve Maximum Prices of Piped-Gas.

- Eleven focused group discussions were held on the Review of the Methodology to Approve the Maximum Prices of Piped-Gas.
- The Regulator participated in the seminars Sasol Gas conducted on utility threat prevention seminars in Germiston, Durban and Nelspruit.

(j) *Other activities*

- Four reports on the update of the Maximum Gas price, the Market Return and Risk Free Rate (Rf) in the period 1 April 2017 to 31 March 2018 was approved and published on the NERSA website.
- The aggregate results for the calendar year 2016 was approved and published on the NERSA website.
- The report on the assessment and verification of the assets for Tetra4 (Pty) Ltd was considered.
- The discussion document on the replacement of Piedmont Natural Gas Company as one of the six companies to be used as proxy in the determination of equity beta was considered.
- The report on the assessment of Sasol Gas' revenue neutrality in the period 1 April 2014 to 31 March 2017 was approved.
- Guidelines to streamline the application process with specific reference to applying for certain information to be treated as confidential was approved and published on the NERSA website.
- The report on the II Session of the Binational Commission between RSA and Mozambique in August 2017 was considered.
- The report on the Economic Impact of the Methodology to Approve Maximum Prices of Piped-Gas in South Africa on the Gas Industry was considered. This report included a review of the developments in the competitive landscape of the gas sector since the introduction of the Methodology.
- The report on Sasol Gas Ltd Gas Volumes Reconciliation between the Annual Contracted Quantities (ACQ) and Actual Volumes Consumed (AVC) for the period 01 April 2014 to 30 September 2017 was considered.

Petroleum pipelines industry regulation

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

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

The Energy Regulator granted eight licences and finalised eight applications to amend licence conditions. The majority of these amendments were to change the facility details – some to increase the storage capacity following completion of newly constructed tanks, while others were to remove tanks from the licensed capacity due to tanks being decommissioned. The increase in storage capacity at facilities connected to the Transnet pipeline system should also improve the pipeline operational efficiency. In two instances, the licensees requested extension of the duration to commence or complete construction activities.

The Energy Regulator decided not to approve:

- The first application by Avedia Energy to amend its storage construction licence conditions seeking to extend the construction completion period (it was subsequently approved following a revised application); and
- The application by Total South Africa to revoke its storage operation licence in Ohrigstad.

The Energy Regulator also considered:

- Four reports on investigations done into suspected unlicensed activities; and
- One report on the analysis of volume reports to identify potential facilities with uncommitted capacity for third-party access to petroleum storage and the analysis of the contracts submitted by the licensees regarding access to petroleum storage.

Monitoring and enforcement of compliance with licence conditions

Compliance site visits were conducted to several licensed activities to confirm the status of construction activities, and confirm the facility details of a number of operational facilities. In addition, NERSA met with a few licensees to assist them with compliance requirements. Third-party access to uncommitted capacity remains at very low levels, but year to date, no formal complaints were lodged with the Energy Regulator to investigate.

(b) Tariffs set or approved

The Energy Regulator:

- Approved tariff applications for 33 storage and three loading facilities; and
- Considered the Transnet Pipelines System tariffs for the 2018/19 Financial Year.

(c) Other activities

The Energy Regulator considered the following matters during the course of the year:

- The Competition Commission LPG Market Inquiry Final Report – the findings and recommendations in the report have resulted in further engagements with the Commission and the Department of Energy on the implementation of the findings impacting on the NERSA mandate.
- Three quarterly reports on investigations undertaken into suspected unlicensed petroleum activities.
- Three quarterly progress reports on the construction of new facilities and compliance with licence conditions by the licensees.
- Three quarterly reports on operation licensees' compliance with the regulatory reporting requirements.
- NERSA actively participated in the development of a new Liquid Fuels Charter facilitated by the Department of Energy.

- Version 4 of the Tariff Methodology for Storage and Loading facilities based on the Trended Original Cost approach was approved.
- The Prudency Assessment Criteria Discussion Document for public consultation was published on the NERSA website.
- The Energy Regulator submitted comments to the Competition Commission on the South African Petroleum Industry Association (SAPIA) request for exemption in terms of section 10 (6) (2) of the Competition Act.
- The Energy Regulator noted the report on the analysis of volume reports to identify potential facilities with uncommitted capacity for third-party access to petroleum storage and the analysis of the contracts submitted by the licensees regarding access to petroleum storage. It also published a list of facilities having potential uncommitted storage capacity based on historic utilisation data.

Transversal Regulatory Matters

(a) Regulatory Reporting Manuals (RRM)

NERSA is continuing with the implementation of the regulatory reporting manuals. The implementation of the pilot phase of the non-financial information (NFI) is still in progress. NERSA conducted 14 workshops with licensees on the NFI during the 2017/18 financial year and 49 licensees participated in these workshops. Input provided by licensees during the workshops has been incorporated into the final NFI template, which will be used to collect data from licensees. NERSA aims to expand the implementation of the NFI to all licensees during the 2018/19 financial year.

(b) Research

NERSA conducted benchmark research on assessing the gas prices in South Africa with prices prevailing in the international gas market. It was found that the average gas price in South Africa of about R80/GJ or USD 6.60/GJ is comparable to prices prevailing in developed and more competitive markets, such as the UK, and is cheaper than prices prevailing in Japan.

NERSA also conducted research on the best practices of regulating cross-border issues. The research established that communication and cooperation are the key success factors as these lead to the development of agreements and regulatory frameworks that would govern the operation of such cross-border assets.

In the regulatory impact assessment framework reviewed by NERSA during the 2016/17 financial year, NERSA identified 14 indicators that can be used to track the impact of its decisions on its stakeholders and the energy sector. During the 2017/18 financial year, NERSA produced a regulatory impact assessment report based on these indicators. Going forward, NERSA will identify additional indicators to improve the quality of the assessment.

(c) Customer Education

A total of 68 customer education workshops and stakeholder engagement activities were conducted in various communities to create awareness among customers and consumers about NERSA's role and mandate. Most of the customer education workshops conducted during the review period were done in collaboration and cooperation with consumer focused forums, consumer organisations and the Provincial Consumer Affairs Departments.

(d) Other

The following papers were presented at the AFUR Conference on 21 November 2017:

- 'An Evaluation of the Challenges Faced in Regulating Cross-Border Assets – A Case Study of the South African Experience'; and
- 'The Potential Trade-Offs between the User Pay Principle and the Developmental State'.

Acknowledgements

The milestones for the financial year under review could not have been achieved without the continued support and guidance of the Chairperson and my fellow Regulator Members. My thanks and appreciation are also due to the Management and Staff, without whose loyalty, dedication and service NERSA would not have been able to meet its objectives and fulfil its mandate. Their tireless efforts have made the difficult task of regulating this important industry much easier. I am extremely grateful to you all for your unwavering support and your on-going commitment to good governance within the energy sector.

I would also like to express my deep gratitude to the former Minister of Energy, Mr David Mahlobo, the Deputy Minister of Energy, Ambassador Thembisile Majola, and the Acting Director-General in the Department of Energy, Mr Tseliso Maqubela, for their ongoing support and encouragement. Furthermore, it is an honour to welcome Mr Jeff Radebe as our recently appointed Minister of Energy. I am looking forward to his leadership and guidance.

Finally, I wish to pay tribute to our stakeholders for their continued support and interaction with NERSA. This relationship is one that has an impact on all South Africans and one that is bound to grow in the future. NERSA was established to ensure a fair dispensation for the South African energy industry, while stimulating the growth of new business and protecting ordinary people's livelihoods. I believe that NERSA will continue to play an important role in transforming ordinary people's lives, stimulating the creation of new businesses, creating jobs and making the South African industry more competitive internationally.



Christopher Forlee

Chief Executive Officer

Date: 31 July 2018







PART B

PERFORMANCE INFORMATION

1. STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

for the year ended 31 March 2018

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

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

In our opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the approved Strategic Plan (2015/16 – 2019/20) and approved Annual Performance Plan (2017/18– 2019/20) of NERSA for the financial year ended 31 March 2018.

NERSA's performance information for the year ended 31 March 2018 has been examined by the external auditors and their report is presented on page 141.

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



Christopher Forlee

Chief Executive Officer

Date: 31 July 2018



Jacob RD Modise

Chairperson

Date: 31 July 2018

2. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 141 of the Report on the Auditor's Report, published as Part E: Financial Information.

3. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

3.1. Service Delivery Environment

3.1.1. CONTEXT

- a) The National Energy Regulator (NERSA) is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003). The structure of the Energy Regulator consists of nine members, five of whom are part-time, and four full-time, one being the Chief Executive Officer (CEO).
- b) The role of NERSA is to ensure the development and sustainability of the electricity, piped-gas and petroleum pipelines industries, while facilitating the affordability of and accessibility to these industries to balance the economic interests of all stakeholders to ensure sustainable socio-economic development of South Africa and a better life for all.

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

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

3.1.2. CONTRIBUTION TOWARDS GOVERNMENT PRIORITIES AND PROGRAMMES

- a) NERSA is expected to contribute to Government's fourteen outcomes, which is based on Government's Medium-Term Strategic Framework (MTSF) that clearly articulates the agenda of the Government. NERSA contributes to the following six outcomes that the Minister of Energy has committed to:

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

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

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

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals –
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa
 - To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Promote accessible and affordable energy for all citizens

Outcome 4: Decent employment through inclusive economic growth

By facilitating investment in the energy industry and thereby contributing to economic growth, leading to decent employment, NERSA contributes through:

- Licensing and the setting and/or approving of tariffs and prices. In this manner NERSA creates pre-conditions towards the achievement of this outcome;
- Approving renewable energy licensees to ensure that the socio-economic development commitments specified in the DoE bidding process are met;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulating in a manner which facilitates security of supply.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals –
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Create a regulatory environment that facilitates investment in energy infrastructure
 - Promote competition and competitiveness within the energy industry

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

NERSA contributes through:

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

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal
 - To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa
- NERSA Strategic Objective –
 - Promote competition and competitiveness within the energy industry

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

NERSA contributes through:

- Facilitating access to energy services;
- Facilitating reliability of supply;
- Monitoring maintenance of infrastructure;
- Compliance monitoring with licence conditions;
- Taking affordability into consideration when setting and/or approving tariffs and prices;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Promoting energy efficiency in licencees and in the NERSA building; and

- Dispute resolution, including mediation, arbitration and handling of complaints.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals –
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Promote accessible and affordable energy for all citizens

Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced

NERSA has a mandate for environmental protection and remediation through the industry specific Acts that it administers. NERSA contributes through:

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

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa.
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Establish and position NERSA as a credible and reliable regulator

Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship

NERSA contributes through:

- Transparent Processes;
- All decisions and reasons thereof are made public through being published on the website;
- The public is invited to make comments prior to decisions being made (written or in public hearing);
- Customer education;
- Training and development of staff and stakeholders, including training to electricity distributors on the completion of the forms requesting information from them;
- Participating in the Clean Energy Education and Empowerment Programme;
- Corporate Social Investment activities; and
- Techno Girls programme where ten girls from grade 9 to grade 12 are exposed to NERSA's activities through visits to the organisation during school holidays.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
 - NERSA Strategic Objective –
 - Establish and position NERSA as a credible and reliable regulator
- b) The National Development Plan (NDP) is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems. Even though NERSA contributes directly to most of the enabling milestones, NERSA contributes specifically to the following pertinent enabling milestones.

Enabling milestones 1: Increase employment from 13 million in 2010 to 24 million in 2030

NERSA contributes through:

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

The above-mentioned are linked to the following –

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

Enabling Milestone 4: Establish a competitive base of infrastructure, human resources and regulatory frameworks

NERSA contributes through:

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

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals -
 - To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty
- NERSA Strategic Objectives –
 - Promote regulatory certainty within the energy industry
 - Promote competition and competitiveness within the energy industry
 - Establish and position NERSA as a credible and reliable regulator

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

NERSA contributes through:

- Development and implementation of an Employment Equity Plan;
- Implementation of the recruitment policy

The above-mentioned are linked to the following –

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

Enabling Milestone 6: Broaden ownership of assets to historically disadvantaged groups

NERSA contributes through:

- Licensing and the setting and/or approving of tariffs and prices. In this manner NERSA creates pre-conditions towards the achievement of this milestone;
- Issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
- Facilitating and enforcing 3rd party access to facilities;
- Promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- Regulatory advocacy for strengthening the powers of the Regulator.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals -
 - To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa.

- To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
- NERSA Strategic Objectives –
 - Promote competition and competitiveness within the energy industry
 - Promote accessible and affordable energy for all citizens

Enabling Milestone 10: Produce sufficient energy to support industry at competitive prices, ensuring access for poor households, while reducing carbon emissions per unit of power by about one-third

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

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

- Facilitating the transition to a low carbon economy;
- Regulatory advocacy with regards to cleaner fuels policy; and
- Monitor the implementation of the Gas Utilisation Master Plan (once promulgated).

The above-mentioned are linked to the –

- NERSA Outcome-oriented goals -
 - To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa
 - To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
 - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Create a regulatory environment that facilitates investment in energy infrastructure
 - Promote competition and competitiveness within the energy industry
 - Promote regulatory certainty within the energy industry
 - Promote accessible and affordable energy for all citizens
 - Establish and position NERSA as a credible and reliable regulator

- c) The South African Government adopted a National Infrastructure Plan in 2012 that intends to transform our economic landscape while simultaneously creating significant numbers of new jobs, as well as to strengthen the delivery of basic services. The plan also supports the integration of African economies. Even though NERSA contributes indirectly to more than just the energy Strategic Integrated Projects (SIPs), NERSA contributes specifically to the energy SIPs as follows:

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

NERSA contributes through:

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

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goal -
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
- NERSA Strategic Objective –
 - Promote energy supply that is certain and secure for current and future user needs

SIP 9: Electricity generation to support socio-economic development

NERSA contributes through:

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

in quality of supply.

The above-mentioned are linked to the following –

- NERSA Outcome-oriented goals -
 - To facilitate security of supply in order to support sustainable socio-economic development in South Africa.
 - To facilitate investment in and access to infrastructure in the energy industry in support of sustainable socio-economic development in South Africa.
 - To facilitate affordability of and accessibility to the energy industry to balance the economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all.
- NERSA Strategic Objectives –
 - Promote energy supply that is certain and secure for current and future user needs
 - Create a regulatory environment that facilitates investment in energy infrastructure
 - Promote competition and competitiveness within the energy industry
 - Promote regulatory certainty within the energy industry
 - Promote accessible and affordable energy for all citizens

SIP 10: Electricity transmission and distribution for all

NERSA contributes through:

- Facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- Taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- Determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- Facilitating reliability of supply;
- Determining benchmarks and monitoring maintenance of infrastructure;
- Auditing of the implementation of the Transmission Development Plan;
- Monitoring compliance with licence conditions; and

- Dispute resolution, including mediation, arbitration and handling of complaints.

The above-mentioned are linked to the following –

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

3.1.3. ANALYSIS OF NERSA'S PERFORMANCE IN 2017/18

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

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

The Framework requires all entities to develop a revised Strategic Plan in the first planning cycle after an election. NERSA's Strategic Plan (2015/16 – 2019/20) and the Annual Performance Plans for the periods 2015/16 – 2017/18 and 2016/17 – 2018/19, 2017/18 – 2019/20, developed in line with the Framework, were all approved by the Minister of Energy.

In line with the Framework, National Treasury has developed guidelines for quarterly performance reporting. These guidelines are applicable as from 2015/16. These guidelines however only pertain to the electronic submission of information to National Treasury directly linked with programme performance, while the reporting format as prescribed by the Department of Energy on 29 June 2012 also needs to be adhered to for the submission of the reports to the Minister of Energy. Apart from these quarterly performance reports, this report on the summary of the performance against predetermined objectives for 2017/18 is in compliance with Section 55(2) (a) of the PFMA.

- b) The following table provides an analysis of NERSA's performance with regard to the implementation of its annual targets linked to the key performance indicators during the 2017/18 reporting period. Only two targets could not be met due to internal constraints.

	PLANNED ANNUAL TARGETS		ANNUAL TARGETS MET		ANNUAL TARGETS NOT MET			
	2016/17	2017/18	2016/17	2017/18	External Dependencies		Internal factors	
					2016/17	2017/18	2016/17	2017/18
Electricity Industry Regulation	17	17	17 (100%)	15 (88%)	0 (0%)	0 (0%)	0 (0%)	2 (12%)
Piped-Gas Industry Regulation	18	18	18 (100%)	18 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Petroleum Pipelines Industry Regulation	10	10	10 (100%)	10 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Transversal Regulatory	5	7	5 (100)	7 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Organisational	6	9	5 (83%)	9 (100%)	0 (0%)	0 (0%)	1 (17%)	0 (0%)
Total	56	61	55 (98%)	59 (97%)	0 (0%)	0 (0%)	1 (2%)	2 (3%)

From the above table it is evident that 15 (88%) of the 17 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18 – 2019/20 relating to the regulation of the electricity industry, were met. This signifies a decrease of 12% in the performance when compared to 2016/17, where 100% of the planned targets were met. The two targets that were not met were due to internal constraints.

From the above table it is also evident that all 18 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18 – 2019/20 relating to the regulation of the piped-gas industry, were met. This signifies the same level of performance when compared to 2016/17 where 100% of the planned targets were also met.

It can also be seen that all 10 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18

– 2019/20 relating to the regulation of the petroleum pipelines industry, were met. This also signifies the same level of performance if compared to 2016/17 where 100% of the planned targets were also met.

Moreover, from the table above it is evident that all 7 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18 – 2019/20 relating to transversal regulatory matters, were also met. This signifies the same level of performance when compared to 2016/17 where 100% of the planned targets were also met.

Lastly, from the table above it is evident that all 9 (100%) of the planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18 – 2019/20 relating to the organisational environment, were met. This signifies an improvement of 17% in performance levels when compared to 2016/17 where 83% of the planned targets were met.

In summary, on total 59 (97%) of the 61 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2017/18 – 2019/20, were met. This signifies an overall decrease of 1% in the performance when compared to 2016/17, where 98% of the targets were met. The one (3%) target that was not met was due to internal constraints.

- c) The following table provides a comparison between NERSA's performance on its planned activities for 2009/10, 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18.

	Target met	Target not met	
		External Dependencies	Internal Constraints
2009/10	66%	15%	19%
2010/11	68%	14%	18%
2011/12	66%	9%	25%
2012/13	87%	8%	5%
2013/14	90%	2%	7%
2014/15	96%	1%	3%
2015/16	92%	5%	3%
2016/17	98%	0%	2%
2017/18	97%	0%	3%

NERSA remains committed to continued improvement in our performance.

3.1.4. OVERVIEW OF KEY OUTPUTS / ACHIEVEMENTS FOR THE 2017/18 FINANCIAL YEAR

Some of the main achievements for NERSA during the 2017/18 financial year are listed below.

a) Electricity Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator approved -
 - 184 applications received from licensed distributors for a tariff review;
 - 7 tariff review applications received from licensed distributors; and
 - a two-year incentive pricing package for Silicon smelters.
- The Energy Regulator concluded its consideration of Eskom SOC Ltd.'s revenue application for the 2018/19 financial year and approved Eskom's allowable revenue for the 2018/19 financial year.
- The Energy Regulator considered reports on -
 - the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs);
 - the review of Eskom's submission on ERTSA for the 2018/19 financial year; and
 - the FBE Rate for the compensation of Eskom for implementation on 1 July 2017

Programme 2: Licensing and Registration

- The Energy Regulator granted 10 generation licence applications from 10 DoE Small Scale Renewable IPPs.
- The Energy Regulator approved -
 - the amendment of 5 generation licences and 9 distribution licences;
 - the amendment of licence conditions for PowerX (Pty) Ltd; and
 - the transfer of 1 generation licence.
- The Energy Regulator also approved the following:
 - The Update of the Cost of Unserved Energy (COUE) of Eskom for 2017;
 - The methodology for the COUE for licensed electricity distributors other than

Eskom distributor; and

- The performance targets for Eskom Transmission and Distribution in terms of Service Incentive Schemes (SQI).
- The Constitutional Court dismissed the leave to appeal application by Borbet SA (Pty) Ltd and Others against the Supreme Court of Appeal judgement delivered on 16 August 2016, regarding NERSA's decision to approve Eskom's third Multi-Year Price Determination (MYPD 3) Regulatory Clearing Account (RCA) for the 2013/14 financial year.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered -
 - 1 consolidated distribution audit report on the state of compliance of 14 municipalities with licence conditions;
 - 1 consolidated generation audit report on the state of compliance of 14 renewable energy power stations with licence conditions;
 - 1 consolidated transmission audit report on the state of compliance with licence conditions;
 - 3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees;
 - 1 audit report on the review of the annual performance of the Integrated Demand Management (IDM);
 - 1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code;
 - 2 monitoring reports on the performance and progress of Renewable Energy projects 2017/18; and
 - 1 report on the status of the GC exemptions and IPP compliance with the Grid Code.

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

- The Energy Regulator closed 92% (407 of 447) disputes/complaints received in the reporting period.
- The Energy Regulator considered 1 report on the trends regarding to the status of disputes

and complaints in the electricity industry.

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

- The Energy Regulator approved -
 - 35 applications for exemption to the South African distribution and transmission grid code; and
 - 7 amendments to the South African distribution and transmission grid code.

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered a System Adequacy Report.

b) Piped-Gas Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator approved –
 - 8 maximum price applications;
 - 1 application to extend the period to implement the maximum price of gas;
 - 6 trading margin applications; and
 - 1 transmission tariff application.
- The Energy Regulator considered –
 - 4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule;
 - a report on comparative analysis of international gas prices against the South African gas energy price (Benchmark study); and
 - a report on the streamlining of the process regarding the treatment of confidential information in maximum price, tariff and licence applications.

Programme 2: Licensing and Registration

- The Energy Regulator approved -
 - 1 application to operate a gas transmission facility;
 - 1 application to operate a gas distribution facility;

- 1 application to convert a gas distribution facility to a gas transmission facility;
- 1 application for the operation of a compressed natural gas storage facility;
- 5 applications for the amendment of licence conditions related to the licence to trade in gas;
- 2 applications to revoke a licence to construct a gas distribution facility;
- 1 application for the operation of a compressed natural gas storage facility;
- 5 applications for amendment of licence conditions related to the licence to operate a gas transmission facility;
- 11 applications for registration of a biogas production operation; and
- 2 applications for registration of transmission of gas for own use.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered -
 - 12 monthly reports on the assessment and analysis of Sasol's volume balance reports;
 - report on 1 audit conducted on the ROMPCO pipeline according to the compliance framework
 - reports on 40 inspections conducted to determine the level of compliance with licence conditions;
 - 3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas);
 - 4 reports on the Implementation of the RRM for the preceding financial year by Transnet SOC, ROMPCO, SLG (Pty) Ltd and Sasol Gas (Pty) Ltd;
 - 1 monitoring report on the implementation of Maximum Prices per 10 licensees (after one year following the approval of the Maximum Price); and
 - 1 report on Sasol Gas' revenue neutrality.

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

- The Energy Regulator considered -
 - reports on findings from 2 complaints investigations;
 - reports on 10 initiated investigations into gas supply interruptions at Sasol Gas (Pty) Ltd's gas facilities in Meyerton (2), Nigel, Kliprivier, Sasolburg, Richardsbay, Brakpan, Vanderbijlpark, Vereeniging and Chloorkop.

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

- The Energy Regulator considered a report on a set of guidelines to streamline application processes.

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered the following reports:
 - The unintended consequences of the premature deregulation of the gas energy price;
 - Stakeholder workshops and meetings conducted on the Review of the Methodology to Approve Maximum Price of Gas;
 - New developments in the gas industry;
 - Updates of the Maximum Gas price, the Market Return and Risk Free Rate (Rf) in the period 1 April 2017 to 31 March 2018;
 - The aggregate results for the calendar year 2016;
 - Assessment and verification of the assets for Tetra4 (Pty) Ltd;
 - Discussion document on the replacement of Piedmont Natural Gas Company as one of the six companies to be used as proxy in the determination of equity beta;
 - Assessment of Sasol Gas' revenue neutrality in the period 1 April 2014 to 31 March 2017;
 - Guidelines to streamlines application process with specific reference to applying for certain information to be treated as confidential;
 - The II Session of the Binational Commission between RSA and Mozambique in August 2017;
 - The Economic Impact of the Methodology to Approve Maximum Prices of

Piped-Gas in South Africa on the Gas Industry (which included a review of the developments in the competitive landscape of the gas sector since the introduction of the Methodology); and

- Sasol Gas Ltd's Gas Volumes Reconciliation between the Annual Contracted Quantities (ACQ) and Actual Volumes Consumed (AVC) for the period 01 April 2014 to 30 September 2017.
- Workshops were conducted in Durban and Pretoria on Phase 1 of the Review of the Methodology to Approve Maximum Prices of Piped-Gas.
- Eleven focused group discussions were held on the Review of the Methodology to Approve the Maximum Prices of Piped-Gas.
- The Regulator participated in the seminars Sasol Gas conducted on utility threat prevention seminars in Germiston, Durban and Nelspruit.

c) Petroleum Pipelines Industry Regulation

Programme 1: Pricing and Tariffs

- The Energy Regulator –
 - approved tariff applications for 33 storage and 3 loading facilities; and
 - considered the Transnet Pipelines System tariffs for the 2018/19 Financial Year.

Programme 2: Licensing and Registration

- The Energy Regulator granted 8 licences.
- The Energy Regulator considered –
 - 4 reports on investigations done into suspected unlicensed activities; and
 - A report on the analysis of volume reports to identify potential facilities with uncommitted capacity for third-party access to petroleum storage and the analysis of the contracts submitted by the licensees regarding access to petroleum storage.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered –

- 2 reports on trends regarding utilisation of storage facilities and 3rd party access;
- 5 reports on the construction of new facilities; and
- 5 reports on licencees' compliance with statutory reporting requirements.

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

- The Energy Regulator received no complaint in this reporting period.

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

- The Energy Regulator resolved to revert to the old Tariff Methodology for storage and loading facilities.
- The Energy Regulator considered –
 - a discussion document for the Prudency Assessment Criteria; and
 - 2 reports on Regulatory Alignment with Transnet National Ports Authority and the Department of Energy.

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered 2 reports on the inland supply forecast.

d) Transversal Regulatory

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered –
 - 1 report on regulatory impact assessment the NERSA Research agenda;
 - 2 progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information;
 - 1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities;
 - 1 report on the impact of global, regional and local energy trends on NERSA's business; and
 - a research Paper on Regulatory challenges associated with cross-border energy

infrastructure.

- The NERSA Annual Report for 2016/17 was submitted to the Minister of Energy, Auditor-General and National Treasury and tabled in Parliament.
- NERSA's Annual Performance Plan 2017/18 – 2019/20 was approved by the Minister of Energy and was tabled in Parliament on 15 March 2017, together with the NERSA Strategic Plan 2015/16 – 2019/20.
- NERSA undertook 68 stakeholder engagement and education programmes aimed at empowering stakeholders with relevant energy industry as well as economic regulatory knowledge and information.

e) Organisational

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered –
 - 2 reports on the implementation of the Employment Equity Plan;
 - 4 reports on the implementation of the Youth Employment Accord;
 - 1 report on the implementation of the Learnership and Internship Programme
 - 4 reports on the implementation of the recommendations from the comprehensive ICT systems review; and
 - 5 reports on regulatory and policy advocacy engagements.
- NERSA received the Public Management Finance Act (PFMA) Clean Audit Reward from the Auditor-General for the 2016/17 financial year.
- A customer and stakeholder perception and satisfaction level of 86,6% was achieved (target was 84,5%).
- The refurbishment of the NERSA building commenced.

3.1.5. MAIN CHALLENGES FOR THE 2017/18 FINANCIAL YEAR AND CORRECTIVE STEPS BEING TAKEN

Some of the main challenges/lowlights for NERSA during the 2017/18 financial year, with action plans to address these challenges are outlined below.

Electricity Industry Regulation

- NERSA continues to receive a substantial number of disputes relating to resale of electricity. The resolution of these disputes is challenging because of lack of registration rules for resale of electricity.
- A database for registration of embedded generation should be created because of the high volume of applications for registration.
- Eskom has served Municipalities with disconnection notices. Subsequently NERSA received a large number of complaints from customers who are duly paying their accounts to the municipalities.
- Licensees continue to either not send the Corrective Action Plans or send ones that are incomplete and not well thought through. The Terms of Reference for the Tribunal (TOR) and Tribunal Rules were approved on 30 March 2017 to deal effectively with cases of non-compliances. The Tribunal TOR and Rules paves way to issue notices of non-compliance to those licensees that do not comply with the reporting requirements.
- The issuing of Integrated National Electrification Programme (INEP) funding by Department of Energy (DoE) to licensed municipalities and Eskom is not aligned with NERSA's distribution licensing procedure. This creating disputes over electricity asset created or areas of supply. NERSA is finding it challenging to resolve such disputes.
- Eskom in Limpopo is having a challenge of funding the existing end user forums citing the National Treasury cost containment restrictions on catering for such meetings. This has a negative impact on the participation and the sustainability of the Six (6) active End user forums in the Vhembe district.
- Some of the disputes that have been resolved by NERSA were escalated to the Public Protector through lawyers as some of the complainants were not happy with the outcome of the dispute resolution process. This resulted in the redoing of some of the disputes that were initially closed.

Piped-Gas Industry Regulation

- Gaps in the current legislation pose a challenge as they impact on NERSA's ability to

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

- Gas supply interruptions continued to be a challenge in the industry and several customers were affected. This resulted in an increased number of inspections and investigations targeted at identifying and resolving the cause of the gas supply interruptions.
- ROMPCO filed papers in court to review an element of the decision of the Energy Regulator on the ROMPCO GTA3 tariff.

Petroleum Pipelines Industry Regulation

- NERSA is unable to provide clear guidance on the licensing of non-bulk storage facilities due to the fact that the implementation of the Bulk Storage Determination was placed on hold. The enforcement of compliance to licensed non-bulk storage facilities remains a challenge following NERSA requests for licensees' consents for the revocation, of the licences issued for the operation of non-bulk storage facilities, via the High Court.
- The Implementation Plan of the Bulk Determination was placed on hold pending the outcome of a fourth external legal opinion on this matter, following concerns raised by the State Legal Advisor. This resulted in challenges to deal with inquiries requiring written confirmation on the licensing of such storage facilities or to provide guidance to new applicants on applications. In addition, the level of compliance by such licensees post them providing consent to revoke, also decreased.
- The changing of the tariff methodology has impacted on at least three applications to operate and or to amend licence conditions, since the applicants had to revise their applications where it included tariff applications.
- Providing proof of funding of projects (as required by the Act) by new entrants at the time of the licence application, is problematic. Many applicants claim that they need the licence from NERSA first, but based on statements by others, the project funders also require signed off-take agreements.
- Disputes on interconnection and Sunrise tariffs between Sunrise Energy and Avedia

Energy in Saldanha Bay continues (including objections by Sunrise to Avedia's storage construction amendment application and in turn Avedia's request to amend/delete the Sunrise tariff considered to be "prohibitively" high.)

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

- The Licensing Exemption and Registration Notice was gazette in November 2017, with the aim to amend Schedule 2 of the Electricity Regulation Act, 2006 (Act No 4 of 2006) (which deals with the exemption from obligation to apply for and hold a licence); and the regulatory treatment of the activities stated in the Notice. The implication of this Notice is that NERSA must register:
 - all new generation facilities within the specified threshold and in line with the Notice;
 - resellers who are charging tariffs that are similar to that of distributors;
 - all previously exempted generation facilities under the repealed Schedule II;
 - distribution facilities used for wheeling power to a customer or to a connection point; and
 - generation facilities which are for providing standby or back-up electricity.
- In order to ensure regulatory implementation of the Notice, a process commenced to develop and update the following regulatory instruments which will be taken through public participation and regulatory approval:
 - Trading (resellers) rules to address principles around their establishment, regulatory conditions and obligations;
 - Updating the use-of-systems regulatory mechanism;
 - Development of registration framework;
 - Updating the Grid Code where necessary to incorporate technical requirements for the registered facilities;
 - Establishment of IT platform for seamless online registration and data analysis; and
 - Small Scale Embedded Generator Rules.

3.2. Organisational environment

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

Challenges	Priorities
Legislative amendment <ul style="list-style-type: none"> National Energy Regulator Amendment Bill Electricity Regulation Amendment Bill Gas Amendment Bill Independent System and Market Operator Bill Gas Utilisation Master Plan 	<ul style="list-style-type: none"> Organisational Review Alignment towards regulatory methodology harmonisation
Attraction and retention of requisite skills	<ul style="list-style-type: none"> Integrated Human Resources Strategy Improved Human Resource Policies, Procedures and Systems Culture recalibration Conditions of Service
Enabling technology	<ul style="list-style-type: none"> Business Process Review ICT Systems Review Records Management enhancement
Conducive working environment	<ul style="list-style-type: none"> Refurbishment of the NERSA building Health, safety and environmental improvements Culture recalibration
Image of NERSA	<ul style="list-style-type: none"> Repositioning of NERSA's image (brand positioning) Repositioning with stakeholders

3.3. Key policy developments and legislative changes

There have been no major changes to relevant policies or legislation that affected NERSA's operations during the 2017/18 financial year.

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

- National Energy Regulator Amendment Bill;
- Electricity Regulation Amendment Bill;
- Gas Amendment Bill;
- Minerals and Petroleum Resources Development Amendment Bill (MPRDA); and
- Petroleum Pipelines Regulation Amendment Bill.

3.4. Strategic Outcome-Oriented Goals

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

- To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa;
- to facilitate investment in and access to infrastructure in the energy industry to support sustainable socio-economic development in South Africa;
- to promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa;
- to facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all; and
- to position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

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

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

Strategic Outcome-Oriented Goal	Programme
To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator

Details of progress made with regard to the implementation of the strategic outcome-oriented goals can be found in the section on key outputs/achievements for the 2017/18 financial year, as well as in the sections on the strategic objectives and programmes below.

4. PERFORMANCE INFORMATION BY PROGRAMME

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

The programme's purpose is to set and/or approve tariffs, prices and charges in order to ensure a fair balance between the needs of the customer and the regulated entity. While the customer needs to be protected against misuse of monopolistic powers and unnecessary price hikes, the regulated entities need to have sufficient income to ensure that they can continue operating as a going concern and have enough revenue for the maintenance and refurbishment of infrastructure.

The following table provides the strategic objectives for this programme:

Programme 1: Setting and/or approval of tariffs and prices	
	Strategic Objectives
Electricity Industry Regulation	<p>To ensure financially sustainable supply of electricity by municipalities and private distributors</p> <p>To facilitate the sustainability of electricity supply by Eskom</p>
Piped-Gas Industry Regulation	<p>To provide piped-gas price certainty</p> <p>To provide piped-gas tariff certainty through the approval and monitoring of piped-gas transmission tariffs</p> <p>To provide tariff certainty through the calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule</p>
Petroleum Pipelines Industry Regulation	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry

4.2. Programme 2: Licensing and registration

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

The following table provides the strategic objectives for the programme:

Programme 2: Licensing and registration	
	Strategic Objectives
Electricity Industry Regulation	To control entry and ensure orderly development of the electricity industry
Piped-Gas Industry Regulation	<p>To ensure orderly development of the piped-gas industry by efficient licensing</p> <p>To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production</p>
Petroleum Pipelines Industry Regulation	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure

4.3. Programme 3: Compliance monitoring and enforcement

The programme's purpose is to ensure that all licensees in the three regulated industries fully comply with their licence conditions, including those related to health, safety, security, environmental standards and requirements as well as any other standards and requirements prescribed by the relevant industry-specific legislation. The programme will also ensure compliance with directives to govern relations between a licensee and its end users. Compliance monitoring will be done in such a way that a fair balance between the interests of all stakeholders is encouraged and maintained.

The following table provides the strategic objectives for the programme:

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

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

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

The following table provides the strategic objectives for the programme:

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints	
	Strategic Objectives
Electricity Industry Regulation	To create a fair balance between the needs of all stakeholders
Piped-Gas Industry Regulation	To ensure fairness and equity in the piped-gas market
Petroleum Pipelines Industry Regulation	To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure

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

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

receive the expected returns for their investment.

The following table provides the strategic objectives for the programme:

Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries	
	Strategic Objectives
Electricity Industry Regulation	To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure
Piped-Gas Industry Regulation	To enhance regulatory certainty in the piped-gas market
Petroleum Pipelines Industry Regulation	To enhance regulatory certainty
	Enhancing the regulatory dispensation

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

The programme's purpose is to ensure that systems, processes, procedures and resources are in place that will put NERSA in the position to appropriately advise policy makers on any matter relating to the effective and efficient regulation of the electricity, piped-gas and petroleum pipelines industries, thereby contributing towards the broader government objectives aimed at the economic development of the country. The purpose includes the development of skills, both internally and externally, in energy regulation.

The following table provides the strategic objectives for the programme:

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

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic objectives with planned targets and actual achievements

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

Electricity Industry Regulation

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
To ensure financially sustainable supply of electricity by municipalities and private distributors	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application.	None	N/A
	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	¹ No target planned for 2017/18	N/A	None	N/A
To facilitate the sustainability of electricity supply by Eskom	No target planned for 2016/17	1 report on the proposed municipal guidelines and benchmarks for 2018/19 considered by the ELS/REC by 31 March 2018	1 report on the municipal guidelines and benchmarks for 2018/19 considered by the ER on 28 February 2018	None	N/A
	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the ELS/REC by 31 December 2017	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) was noted by the REC on 25 October 2017.	None	N/A

¹ The Energy Regulator approved that the annual target be decreased to a three-yearly target as it became clear that not much changed on an annual basis.

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year considered by the ELS/REC by 31 March 2018 in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year approved by the ELS on 28 February 2018 in line with statutory requirements	None	N/A
	FBE Rate for 2016/17 approved by the relevant Subcommittee	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 considered by the ELS/REC by 30 June 2017	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 was considered by the ELS on 19 June 2017 and approved by the ER on 29 June 2017	None	N/A
	Revised MYPD mechanism approved by the relevant Subcommittee	² No target planned for 2017/18	N/A	None	N/A
Programme 2: Licensing and Registration					
To control entry and ensure orderly development of the electricity industry	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days from receipt of all required information	None	N/A
Programme 3: Compliance monitoring and enforcement					
To promote the quality and reliability level of electricity supply	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions noted by the ELS on 5 February 2018	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 5 February 2018	None	N/A

² Year three of the MYPD did not foresee an application from Eskom as it is in the middle of MYPD of five years.



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by ELS on 5 February 2018	None	N/A
	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS/REC by 31 March 2018, one each for transmission, generation and distribution licensees	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 5 February 2018, one each for transmission, generation and distribution licensees	None	N/A
	1 audit report on the review the annual performance of IDM for 2015/16 considered by the relevant Subcommittee	1 audit report on the review the annual performance of IDM for 2016/17 considered by the ELS/REC by 31 March 2018	1 audit report on the review the annual performance of IDM for 2016/17 considered by the ELS on 15 March 2018	None	N/A
	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the ELS/REC (subject to all information available) by 31 March 2018	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the ELS on 15 March 2018	None	N/A
	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2017/18, considered by the ELS/REC by 30 September 2017 and by 31 March 2018 respectively	2 monitoring reports on the performance and progress of Renewable Energy projects 2017/18 was considered by the ELS on 28 September 2017 and 15 March 2018 respectively	None	N/A

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the ELS/REC by 31 March 2018	1 report on the status of the GC exemptions and IPP compliance with the Grid Code was considered by the ELS on 24 October 2017	None	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
To create a fair balance between the needs of all stakeholders	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	92% of disputes/complaints received were closed within 180 days from receipt.	Target exceeded by 12%	Most complaints / disputes received were from Eskom customers and Eskom was very cooperative in resolving them. Matters where Municipalities and resellers of electricity are involved tend to take longer to resolve.
	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the ELS/REC by 31 March 2018	1 report on the trends regarding the status of disputes and complaints in the electricity industry was considered by ELS on 5 February 2018.	None	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry					
To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of application	74% of applications received from the ESI requiring exemptions to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application	Target not met – 26% of applications were considered by the ELS within more than 60 days from receipt of application.	The scheduled ELS meetings for December 2017 and January 2018 had to be exclusively allocated to finalise the Eskom RCA decision following the conclusion of the public hearings in November 2018 in order to meet the approved the timelines. Management will ensure that key matters to be considered by relevant committees of the Energy Regulator within a specified time, are tabled timeously, using the approved schedule of meetings.



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of application	14% of applications received from the ESI requiring amendment to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application	Target not met – 86% of applications were considered by the ELS within more than 60 days from receipt of application.	The scheduled ELS meetings for December 2017 and January 2018 had to be exclusively allocated to finalise the Eskom RCA decision following the conclusion of the public hearings in November 2018 in order to meet the approved the timelines. Management will ensure that key matters to be considered by relevant committees of the Energy Regulator within a specified time, are tabled timeously, using the approved schedule of meetings.
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)					
To promote Security of Supply	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the ELC/REC by 31 March 2018	1 System Adequacy Report was considered by ELS on 8 August 2017	None	N/A

Piped-Gas Industry Regulation

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
To provide piped-gas price certainty	100% of maximum price applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	None	N/A
	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	None	N/A
To provide tariff certainty through the approval and monitoring of piped-gas transmission tariffs	100% of transmission tariff applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	None	N/A
To provide piped-gas tariff certainty (to calculate and publish the ROMPCO tariff for volumes below 120 Gigajoule)	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS/REC	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS	None	N/A



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 2: Licensing and Registration					
To ensure orderly development of the piped-gas industry by efficient licensing	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the PGS/REC within <ul style="list-style-type: none"> 60 days from date of receipt of complete application, not requiring publication OR <ul style="list-style-type: none"> 120 days from date of receipt of complete application which need to be published 	100% of registration applications of gas imports and production are processed and considered by the PGS within <ul style="list-style-type: none"> 60 days from date of receipt of complete application, not requiring publication OR <ul style="list-style-type: none"> 120 days from date of receipt of complete application which need to be published 	None	N/A

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly reports on the assessment and analysis of Sasol's volume balance reports considered by the PGS/REC, within 60 days from date of receipt of information from Sasol.	12 monthly volume balance reports were assessed and considered by the PGS within 60 days from date of receipt of information from Sasol Gas.	None	N/A
	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	³ 1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS/REC by 31 March 2018	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS on 7 March 2018	None	N/A
To create a reputable, sustainable and safe industry by enforcing compliance with licence conditions	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	35 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS/REC by 31 March 2018	40 inspections conducted, non-compliance notices issued (where necessary) and an inspection report was considered by the PGS	Target exceeded by 5 inspections	During the planned inspections in the third quarter, the inspectors became aware of de-commissioned assets of Sasol which needed to be inspected

³ Only one audit is done on the ROMPCO pipeline, but it is divided into two phases – one for the South African section of the pipeline and one for the Mozambique section.



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
To monitor licencees' compliance with approved transmission tariffs	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas) considered by the PGS/REC by 31 March 2018	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas) considered by the PGS	None	N/A
	New target	1 report on the Implementation of the RRM for the preceding financial year considered by the PGS/REC by 31 March 2018	4 reports (1 per licensee) on the Implementation of the RRM for the preceding financial year were considered by REC	Target exceeded by 3 reports	It was decided to do one report per licensee instead of the planned consolidated report. The reason being that the audit reports are done by external auditors and the reports are submitted at different times
To monitor licencees' compliance with approved Maximum Prices	1 monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	1 monitoring report on the implementation of Maximum Prices per licensee (after one year following the approval of the Maximum Price) considered by the PGS/REC by 31 March 2018	1 monitoring report on the implementation of Maximum Prices per 10 licensees (after one year following the approval of the Maximum Price) were considered by the PGS	None	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
To ensure fairness and equity in the piped-gas market	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS/REC	50% complaint investigations completed within 12 months and a report on findings considered by the PGS	None	N/A
	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS/REC	100% of initiated investigations were completed within 12 months and a report on findings considered by the PGS	Target exceeded by 50%	It is difficult to predict the complexity of the investigations initiated, which impacts on the estimated time it will take to complete the investigations

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry					
To enhance regulatory certainty in the piped-gas market	Tariff Guidelines reviewed (if deemed necessary)	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licencees of what type of information was considered as confidential by the Regulator in the past considered by the PGS/REC by 31 March 2018 and published on the website	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licencees of what type of information was considered as confidential by the Regulator in the past considered by the PGS on 19 February 2018 and published on the website	None	N/A
Programme 6: Establishing NERSA as an efficient and effective regulator					
To engage in the debate on gas policy and legislation	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report on gas regulatory advocacy considered by the PGS/REC by 31 March 2018	1 report on gas regulatory advocacy considered by the considered by the PGS on 7 November 2018, and the ER on 13 December 2018	None	N/A
To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report on stakeholder workshops / meetings considered by the PGS/REC by 31 March 2018	1 report on stakeholder workshops / meetings considered by the PGS on 19 February 2018	None	N/A
To ensure an understanding of and monitor new developments in the gas industry	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the PGS/REC by 30 September 2017 and 31 March 2018 respectively	3 reports on new developments in the gas industry considered by the PGS at its meetings on 21 July 2017, 26 January 2018 and 16 March 2018 respectively	Target exceeded by 1 report	A follow up report was needed to capture the important developments which were reported in the preceding report to avoid being overtaken by events.

Petroleum Pipelines Industry Regulation

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	65% of pipeline, storage and loading facility tariff applications considered by the PPS/REC within 7 months of receipt of complete application	100% of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application.	Target exceeded by 35%	The applications were expedited due to the strategic importance of the facilities. Special meetings were also set to ensure that it would have approved tariffs by the time the facilities started operating.
Programme 2: Licensing and Registration					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within 60 days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications were approved within 60 days as prescribed in section 19(1) of the Petroleum Pipelines Act.	None	N/A
	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 quarterly reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities were considered by the REC.	None	N/A
Programme 3: Compliance monitoring and enforcement					
To monitor infrastructure utilisation and 3rd party access	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the PPS/REC by 30 September 2017 and 31 March 2018 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the PPS on 13 September 2017 and 6 March 2018 respectively	None	N/A

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
To monitor the development of infrastructure	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 quarterly progress reports on the construction of new facilities (if any), considered by the PPS/REC	5 progress reports on the construction of new facilities was considered by the PPS 14 June 2017, 21 July 2017, 6 December 2017 and 6 March 2018 respectively	Target exceeded by 1 report	At its meeting on 14 June 2017 the PPS requested a report into the prospects of pre-construction projects commencing
To monitor licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 quarterly reports considered by the PPS/REC on licencees' compliance with statutory reporting requirements	4 reports on licencees' compliance with statutory reporting requirements considered by the PPS on 14 June 2017, 13 September 2017, 6 December 2017 and 6 March 2018 respectively	None	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	Within 60 days of receipt, all complaints are investigated and considered	100% of complaints are investigated and considered by the PPS/REC within 12 months of receipt	No complaints were received during the reporting period	None	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
To enhance regulatory certainty	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary	No methodology needed to be reviewed. However, on 24 August 2017 the PPS resolved to revert to the Old Tariff Methodology for storage and loading facilities. In a discussion, a discussion document for the Prudency Assessment Criteria was approved by the PPS on 09 November 2017	None	N/A



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2018	2 reports on Regulatory Alignment with Transnet National Ports Authority and the Department of Energy submitted to the PPS meetings of 13 September 2017 and 6 March 2018 for noting.	Target exceeded by 1 report	The project on the BBBEE sector code of the DOE was suspended and the PPS had to be appraised of this development.
Programme 6: Establishing NERSA as an efficient and effective regulator					
To promote Security of Supply	2 reports on the inland supply forecast	2 reports on the inland supply forecast considered by the PPS/REC by 30 September 2017 and 31 March 2018 respectively	2 reports on the inland supply forecast considered by the PPS on 13 September 2017 and 6 March 2018 respectively	None	N/A

Transversal Regulatory

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
To determine the impact of regulatory decisions	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	1 report on regulatory impact assessment considered by the REC by 31 March 2018	Report on regulatory impact assessment approved by REC on 12 March 2018	None	N/A
To benchmark NERSA against recognised world-class regulators	Reviewed benchmarking framework considered by the relevant Subcommittee	No target planned for 2017/18	N/A	N/A	N/A
	New target	2 progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the REC by 30 September 2017 and 31 March 2018 respectively	2 progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the REC on 24 October 2017 and 12 March 2018 respectively	None	N/A
	New target	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2018	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 26 February 2018	None	N/A
To complete the research agenda for the organisation	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	1 report on research conducted in line with the approved research agenda considered by the REC by 31 March 2018	1 Research Paper on Regulatory challenges associated with cross-border energy infrastructure was approved by REC through a Round Robin Process on 16 November 2017.	None	N/A



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	Quarterly newsletters published	4 quarterly newsletters published	4 quarterly newsletters published	None	N/A
	Undertake 40 stakeholder engagement and education programmes	45 stakeholder engagement and education programmes undertaken by 31 March 2018	68 stakeholder engagement and education programmes undertaken	Target exceeded by 23	Invitations were received to conduct additional workshops in Limpopo, Western Cape, KZN, Gauteng and the Eastern Cape. Invitations were also received from the Gauteng Office of Consumer Affairs to conduct customer education workshops. NERSA was also invited to participate the Department of Energy's public participation event
	New target	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 March 2018	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC on 29 May 2017	None	N/A

Organisational

Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
To create an efficient and effective world-class organisation	New target	⁴ 2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September and 31 March respectively	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC on 17 July 2017 and 13 October 2017 respectively	None	N/A
	New target	⁵ 4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC	None	N/A
	New target	⁶ Annual report on the implementation of the Learnership and Internship Programmes by 31 March 2018	2 reports on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 17 July 2017 and 16 January 2018 respectively – as part of the quarterly reports on Human Resources	None	N/A
	New target	⁷ NERSA bursary programme for qualifying external applicants considered by the HRRC/REC by 31 March 2018	The proposed NERSA External Bursaries Scheme Procedure for qualifying external applicants was considered by the HRRC on 16 January 2018.	None	N/A
	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A

⁴ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's employment equity targets.

⁵ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.

⁶ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.

⁷ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.



Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
To create an efficient and effective world-class organisation	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	None	N/A
To position and promote the good image of NERSA	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level (baseline is 84.5%)	2,3% improvement on the customer and stakeholder perception and satisfaction level.	Target exceeded by 0,3%	It should be noted that an individual's perception and satisfaction level is emotive
To improve the effectiveness of the financial processes, systems and procedures	Unqualified audit	Unqualified audit	NERSA received a clean audit.	Target exceeded	Consistent application of controls and approved processes.
	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	None	N/A
To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 quarterly reports on regulatory and policy advocacy considered by the REC	5 reports on regulatory and policy advocacy considered by the REC and ELS	Target exceeded by 1 report	Two pieces of legislation applicable or relevant to NERSA were published

Key performance indicators with planned targets and actual achievements

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

Electricity Industry Regulation

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% of tariff applications of licensed distributors, considered by the relevant Subcommittee, within 60 days of receipt of complete application	100% of tariff applications of licensed distributors approved by the relevant Subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors considered by the ELS/REC within 60 days of receipt of complete application.	None	N/A
Number of monitoring reports of the implementation of Inclining Block Tariffs (IBTs) by licensed distributors in South Africa, considered by the relevant Subcommittee	1 report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant Subcommittee	⁸ No target planned for 2017/18	N/A	None	N/A
Number of reports on the proposed municipal guidelines and benchmarks for the forthcoming financial year considered by the relevant subcommittee	No target planned for 2016/17	1 report on the proposed municipal guidelines and benchmarks for 2018/19 considered by the ELS/REC by 31 March 2018	1 report on the municipal guidelines and benchmarks for 2018/19 considered by the ER on 28 February 2018	None	N/A

⁸ The Energy Regulator approved that the annual target be decreased to a three-yearly target as it became clear that not much changed on an annual basis.



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of reports on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the relevant Subcommittee	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) considered by the ELS/REC by 31 December 2017	1 report on the analysis of Eskom's performance based on submitted Regulatory Financial Reports (RFRs) was noted by the REC on 25 October 2017.	None	N/A
Number of reports on the review of Eskom's submission on ERTSA considered by the relevant subcommittee in line with statutory requirements	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year considered by the ELS/REC by 31 March 2018 in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2018/19 financial year approved by the ELS on 28 February 2018 in line with statutory requirements	None	N/A
Number of reports on the FBE Rate for the compensation of Eskom for implementation on 1 July annually considered by the relevant Subcommittee	FBE Rate for 2016/17 approved by the relevant Subcommittee	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 considered by the ELS/REC by 30 June 2017	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2017 was considered by the ELS on 19 June 2017 and approved by the ER on 29 June 2017	None	N/A
N/A	Revised MYPD mechanism approved by the relevant Subcommittee	⁹ No target planned for 2017/18	N/A	None	N/A
Programme 2: Licensing and Registration					
% of licence applications, considered by the relevant Subcommittee within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days from receipt of all required information	None	N/A

⁹ Year three of the MYPD did not foresee an application from Eskom as it is in the middle of MYPD of five years.

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 3: Compliance monitoring and enforcement					
Number of consolidated audit reports on the state of compliance of licencees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licencees with licence conditions considered by the relevant Subcommittee	1 consolidated distribution audit report on the state of compliance of licencees with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated distribution audit report on the state of compliance of licencees with licence conditions noted by the ELS on 5 February 2018	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the relevant Subcommittee	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 5 February 2018	None	N/A
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant Subcommittee	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS/REC by 31 March 2018	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by ELS on 5 February 2018	None	N/A
Number of progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the relevant subcommittee	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the ELS/REC by 31 March 2018, one each for transmission, generation and distribution licencees	3 progress reports on the monitoring of the implementation of the corrective action plans by non-complying licencees considered by the ELS on 5 February 2018, one each for transmission, generation and distribution licencees	None	N/A
Number of audit reports on the review of the annual performance of the Integrated Demand Management (IDM) considered by the relevant Subcommittee	1 audit report on the review the annual performance of IDM for 2015/16 considered by the relevant Subcommittee	1 audit report on the review the annual performance of IDM for 2016/17 considered by the ELS/REC by 31 March 2018	1 audit report on the review the annual performance of IDM for 2016/17 considered by the ELS on 15 March 2018	None	N/A



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of audit reports on Eskom's Transmission Network Development projects for compliance with the South African Grid Code, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2015/16 projects for compliance with the South African Grid, considered by the relevant Subcommittee (subject to all information available)	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the ELS/REC (subject to all information available) by 31 March 2018	1 audit report on Eskom's Transmission Network Development 2016/17 projects for compliance with the South African Grid Code, considered by the ELS on 15 March 2018	None	N/A
Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2016/17, considered by the relevant Subcommittee	2 monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2017/18, considered by the ELS/REC by 30 September 2017 and by 31 March 2018 respectively	2 monitoring reports on the performance and progress of Renewable Energy projects 2017/18 was considered by the ELS on 28 September 2017 and 15 March 2018 respectively	None	N/A
Number of reports on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the relevant Subcommittee	1 report on the level of compliance of Independent Power Producers (IPPs) with the grid code on integration requirements for renewable energy projects in South Africa, considered by the ELS/REC by 31 March 2018	1 report on the status of the GC exemptions and IPP compliance with the Grid Code was considered by the ELS on 24 October 2017	None	N/A

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
% of disputes/ complaints closed within stated timelines	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	92% of disputes/complaints received were closed within 180 days from receipt.	Target exceeded by 12%	Most complaints / disputes received were from Eskom customers and Eskom was very cooperative in resolving them. Matters where Municipalities and resellers of electricity are involved tend to take longer to resolve.
Number of reports on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant Subcommittee	1 report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the ELS/REC by 31 March 2018	1 report on the trends regarding the status of disputes and complaints in the electricity industry was considered by ELS on 5 February 2018.	None	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry					
% of decisions regarding applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, made by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring exemptions to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of application	74% of applications received from the ESI requiring exemptions to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application	Target not met – 26% of applications were considered by the ELS within more than 60 days from receipt of application.	The scheduled ELS meetings for December 2017 and January 2018 had to be exclusively allocated to finalise the Eskom RCA decision following the conclusion of the public hearings in November 2018 in order to meet the approved the timelines. Management will ensure that key matters to be considered by relevant committees of the Energy Regulator within a specified time, are tabled timeously, using the approved schedule of meetings.



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
% of decisions regarding applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, made by the relevant Subcommittee within 60 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of application	14% of applications received from the ESI requiring amendment to the South African distribution and transmission grid code, were considered by the ELS within 60 days from receipt of application	Target not met – 86% of applications were considered by the ELS within more than 60 days from receipt of application.	The scheduled ELS meetings for December 2017 and January 2018 had to be exclusively allocated to finalise the Eskom RCA decision following the conclusion of the public hearings in November 2018 in order to meet the approved the timelines. Management will ensure that key matters to be considered by relevant committees of the Energy Regulator within a specified time, are tabled timeously, using the approved schedule of meetings.
Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)					
Number of reports on System Adequacy considered by the relevant Subcommittee	1 System Adequacy Report considered by the relevant Subcommittee	1 System Adequacy Report considered by the ELC/REC by 31 March 2018	1 System Adequacy Report was considered by ELS on 8 August 2017	None	N/A

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

Programme 1: Pricing and Tariffs

- For the review period, a total of 184 municipal distribution tariff applications were approved.

Programme 2: Licensing and Registration

- Generation licences were granted to the following ten Small Scale Renewable Energy Independent Power Producers:
 - Scuidrift Solar Project (Pty) Ltd;
 - Khoi-Sun Development (Pty) Ltd;
 - Augrabies Solar PV1 (Pty) Ltd;
 - Keren Energy Dieselfontein (Pty) Ltd;
 - Roma Energy Danielskuil (Pty) Ltd;
 - Keren Energy Keimoes (Pty) Ltd;
 - Roma Energy Mount Roper (Pty) Ltd;
 - Keren Energy Kakamas (Pty) Ltd;
 - Capella Solar PV Project (Pty) Ltd; and
 - Castor Solar PV Project (Pty) Ltd.
- Amendments to the following generation licences were approved:
 - Schedule 2 of the generation licence of Umfolozi Sugar Mills;
 - PE Solar PV1 (Pty) Ltd generation licence;
 - Mondi Ltd's generation licence;
 - Aurora-Rietvlei Solar Power (Pty); and
 - Darling Wind Power (Pty) Ltd.
- Amendments to the following distribution licences were approved:
 - Ephraim Mogale Local Municipality;
 - Eskom Holdings SOC Ltd Distribution Licence;

- City of Cape Town Metropolitan Municipality;
- King Sabata Dalindyebo Local Municipality;
- Kamiesberg Local Municipality
- Kopanong Local Municipality;
- Letsemeng Local Municipality;
- Mohokare Local Municipality; and
- Metsimaholo Local Municipality.
- The transfer of a generation licence from Busby Renewables (Pty) Ltd to Busby Power (Pty) Ltd was approved.
- The amendment of licence conditions for PowerX (Pty) Ltd was approved.

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

- NERSA received 447 electricity-related complaints/disputes, excluding enquiries received via the website, email, telephone, fax as well as walk-ins. Of these cases, 92% were successfully resolved.
- Customers used various communication channels such as email, telephone, website and fax to submit their complaints to NERSA.
- Other customers and licensees preferred coming in personally to lodge their complaints during the period under review.

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

- A total of 35 applications for exemption from the South African distribution and transmission grid code and the Network Code were granted and 7 applications for the amendment of the Grid Code were approved.

Piped-Gas Industry Regulation

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% of decisions regarding maximum price applications, made by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price applications	100% of maximum price applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of maximum price application	None	N/A
% of decisions regarding trading margin applications, made by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment of trading margin applications	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the PGS/REC within 120 days after the date of the publication of preliminary assessment	None	N/A
% of decisions regarding transmission tariff applications, made by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment of the tariff applications	100% of transmission tariff applications considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the PGS/REC within 120 days after date of publication of preliminary assessment of tariff application	None	N/A
Number of calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the relevant Subcommittee	4 calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the relevant Subcommittee	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS/REC	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules considered by the PGS	None	N/A

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 2: Licensing and Registration					
% of decisions regarding licence applications, made by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
% of decisions regarding registration applications of gas imports and production, made by the relevant subcommittee within <ul style="list-style-type: none"> 60 days from date of receipt of complete application, not requiring publication OR <ul style="list-style-type: none"> 120 days from date of receipt of complete application which need to be published 	100% of registration applications of gas imports and production are processed and considered by the relevant Subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the PGS/REC within <ul style="list-style-type: none"> 60 days from date of receipt of complete application, not requiring publication OR <ul style="list-style-type: none"> 120 days from date of receipt of complete application which need to be published 	100% of registration applications of gas imports and production are processed and considered by the PGS within <ul style="list-style-type: none"> 60 days from date of receipt of complete application, not requiring publication OR <ul style="list-style-type: none"> 120 days from date of receipt of complete application which need to be published 	None	N/A
Programme 3: Compliance monitoring and enforcement					
Number of reports on the assessment and analysis of Sasol's volume balance reports considered by the relevant Subcommittee, within 60 days from date of receipt of information from Sasol.	12 monthly volume balance reports assessed and analysis reports considered by the relevant Subcommittee	12 monthly reports on the assessment and analysis of Sasol's volume balance reports considered by the PGS/REC, within 60 days from date of receipt of information from Sasol.	12 monthly volume balance reports were assessed and considered by the PGS within 60 days from date of receipt of information from Sasol Gas.	None	N/A



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	2 audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant Subcommittee	¹⁰ 1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS/REC by 31 March 2018	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit report considered by the PGS on 7 March 2018	None	N/A
Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	20 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant Subcommittee	35 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS/REC by 31 March 2018	40 inspections conducted, non-compliance notices issued (where necessary) and an inspection report was considered by the PGS	Target exceeded by 5 inspections	During the planned inspections in the third quarter, the inspectors became aware of de-commissioned assets of Sasol which needed to be inspected
Number of monitoring reports on the implementation of transmission tariffs considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the relevant Subcommittee	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas) considered by the PGS/REC by 31 March 2018	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Transnet and Sasol Gas) considered by the PGS	None	N/A
Number of reports on the Implementation of the RRM considered by the relevant Subcommittee	New target	1 report on the Implementation of the RRM for the preceding financial year considered by the PGS/REC by 31 March 2018	4 reports (1 per licensee) on the Implementation of the RRM for the preceding financial year were considered by REC	Target exceeded by 3 reports	It was decided to do one report per licensee instead of the planned consolidated report. The reason being that the audit reports are done by external auditors and the reports are submitted at different times

¹⁰ Only one audit is done on the ROMPCO pipeline, but it is divided into two phases – one for the South African section of the pipeline and one for the Mozambique section.

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of monitoring reports on the implementation of Maximum Prices per licensee (within one year after the approval of the Maximum Price) considered by the relevant Subcommittee	1 monitoring report on the implementation of Maximum Prices considered by the relevant Subcommittee	1 monitoring report on the implementation of Maximum Prices per licensee (after one year following the approval of the Maximum Price) considered by the PGS/REC by 31 March 2018	1 monitoring report on the implementation of Maximum Prices per 10 licensees (after one year following the approval of the Maximum Price) were considered by the PGS	None	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS/REC	50% complaint investigations completed within 12 months and a report on findings considered by the PGS	None	N/A
% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant Subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS/REC	100% of initiated investigations were completed within 12 months and a report on findings considered by the PGS	Target exceeded by 50%	It is difficult to predict the complexity of the investigations initiated, which impacts on the estimated time it will take to complete the investigations
Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry					
Number of reports on the review of identified rules, guidelines or codes for the regulation of The piped-gas industry (if deemed necessary) considered by the relevant Subcommittee	Tariff Guidelines reviewed (if deemed necessary)	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licencees of what type of information was considered as confidential by the Regulator in the past considered by the PGS/REC by 31 March 2018 and published on the website	1 report on a set of guidelines to streamline application processes, with specific reference to applying for certain information to be treated as confidential and to inform licencees of what type of information was considered as confidential by the Regulator in the past considered by the PGS on 19 February 2018 and published on the website	None	N/A



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
Number of reports on gas regulatory advocacy considered by the relevant Subcommittee	1 report considered by the relevant Subcommittee on gas regulatory advocacy	1 report on gas regulatory advocacy considered by the PGS/REC by 31 March 2018	1 report on gas regulatory advocacy considered by the PGS on 7 November 2018, and the ER on 13 December 2018	None	N/A
Number of reports on stakeholder workshops / meetings considered by the relevant Subcommittee	1 report considered by the relevant Subcommittee on stakeholder workshops / meetings	1 report on stakeholder workshops / meetings considered by the PGS/REC by 31 March 2018	1 report on stakeholder workshops / meetings considered by the PGS on 19 February 2018	None	N/A
Number of reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the relevant Subcommittee	2 reports on new developments in the gas industry considered by the PGS/REC by 30 September 2017 and 31 March 2018 respectively	3 reports on new developments in the gas industry considered by the PGS at its meetings on 21 July 2017, 26 January 2018 and 16 March 2018 respectively	Target exceeded by 1 report	A follow up report was needed to capture the important developments which were reported in the preceding report to avoid being overtaken by events.

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

Programme 1: Pricing and Tariffs

- The maximum price and trading margin applications of the following licensees were approved:
 - Sasol Gas (Pty) Ltd;
 - EVRAZ (Pty) Ltd;
 - SLG (Pty) Ltd; and
 - SL CNG (Pty) Ltd.
- The applications from Reatile Gastrade (Pty) Ltd and NOVO Energy (Pty) Ltd to extend the period to implement the maximum price of gas, were approved.
- The application from Sasol Gas (Pty) Ltd for transmission tariffs was approved.
- Four calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules were considered.

Programme 2: Licensing and Registration

- Applications from the Energy Joburg (RF) (Pty) Ltd for registration of a biogas production operation in Goudkoppies – Lenasia, Marie Louis – Roodepoort, Robinson Deep – Turffontein were approved.
- Applications for registration of gas production operations were approved for –
 - Nampak Glass Pty Ltd; and
 - Elgin Fruit Juices Pty Ltd.
- Novo Kew (Pty) Ltd's application for operation of a compressed natural gas storage facility (Alexandra) was approved.
- Licence applications to operate gas transmission facilities were approved for -
 - South African Breweries (Rosslyn); and
 - Sasol Gas (Springs-Sasolburg).

- Sasol Gas' application for a licence to operate a gas distribution facility (Roodekop) was approved.
- Sasol Gas' application for a licence to convert a gas distribution facility to a gas transmission (Umgeni) was approved.
- Sasol Gas' applications for the amendment of licence conditions related to the licence to operate a gas transmission facility in Rosslyn and Umbongintwini were approved.
- Applications for the amendment of licence conditions related to the licence to trade in gas were approved for -
 - Novo Energy (Gauteng, Northwest, Free State, Mpumalanga)
 - Sasol Gas (Rosslyn transmission, Springs Babalegi)
 - Tetra 4 (Virginia, Free State)
- Novo Energy's application for revocation of a licence to operate a gas storage facility (Sebenza) was approved.
- Sasol Gas' applications to revoke a licence to construct gas distribution facilities (Phoenix and Prospecton) were approved.
- The following applications for the South African Breweries (Pty) Ltd's were approved:
 - Registration of transmission of gas for own use (Rosslyn); and
 - Registration of a biogas production operations in Newlands, iBhayi, Prospecton and Alrode.
- New Horizons Waste to Energy (Pty) Ltd's (Athlone) application for registration of a biogas production operation was approved.

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

- NERSA investigated and reported on the following:
 - Novo Energy (Pty) Ltd complaint against Sasol Gas; and
 - Ferro SA (Pty) Ltd complaint against Sasol Gas

Petroleum Pipelines Industry Regulation

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 1: Setting and/or approval of tariffs and prices					
% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 8 months of receipt of complete application	65% of pipeline, storage and loading facility tariff applications considered by the PPS/REC within 7 months of receipt of complete application	100% of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application.	Target exceeded by 35%	The applications were expedited due to the strategic importance of the facilities. Special meetings were also set to ensure that it would have approved tariffs by the time the facilities started operating.
Programme 2: Licensing and Registration					
% of licence applications (in the FY) decided upon will be within the timelines prescribed in section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within 60 days under the conditions as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications were approved within 60 days as prescribed in section 19(1) of the Petroleum Pipelines Act.	None	N/A
Number of reports on investigations done into suspected unlicensed activities considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 quarterly reports on investigations done into suspected unlicensed activities, considered by the relevant Subcommittee	4 reports on investigations done into suspected unlicensed activities were considered by the REC.	None	N/A
Programme 3: Compliance monitoring and enforcement					
Number of reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the relevant Subcommittee	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the PPS/REC by 30 September 2017 and 31 March 2018 respectively	2 reports on trends regarding utilisation of storage facilities and 3rd party access, considered by the PPS on 13 September 2017 and 6 March 2018 respectively	None	N/A

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of progress reports on the construction of new facilities (if any), considered by the relevant Subcommittee	4 reports on the construction of new facilities, considered by the relevant Subcommittee	4 quarterly progress reports on the construction of new facilities (if any), considered by the PPS/REC	5 progress reports on the construction of new facilities was considered by the PPS 14 June 2017, 21 July 2017, 6 December 2017 and 6 March 2018 respectively	Target exceeded by 1 report	At its meeting on 14 June 2017 the PPS requested a report into the prospects of pre-construction projects commencing
Number of reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 reports considered by the relevant Subcommittee on licencees' compliance with statutory reporting requirements	4 quarterly reports considered by the PPS/REC on licencees' compliance with statutory reporting requirements	4 reports on licencees' compliance with statutory reporting requirements considered by the PPS on 14 June 2017, 13 September 2017, 6 December 2017 and 6 March 2018 respectively	None	N/A
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
% of complaints are investigated and considered by the relevant subcommittee within 60 days of receipt	Within 60 days of receipt, all complaints are investigated and considered	100% of complaints are investigated and considered by the PPS/REC within 12 months of receipt	No complaints were received during the reporting period	None	N/A
Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary	Tariff methodologies reviewed when necessary	No methodology needed to be reviewed. However, on 24 August 2017 the PPS resolved to revert to the Old Tariff Methodology for storage and loading facilities. In a discussion, a discussion document for the Prudency Assessment Criteria was approved by the PPS on 09 November 2017	None	N/A



Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2018	2 reports on Regulatory Alignment with Transnet National Ports Authority and the Department of Energy submitted to the PPS meetings of 13 September 2017 and 6 March 2018 for noting.	Target exceeded by 1 report	The project on the BBBEE sector code of the DOE was suspended and the PPS had to be appraised of this development.
Programme 6: Establishing NERSA as an efficient and effective regulator					
Number of reports on the inland supply forecast considered by the relevant subcommittee	2 reports on the inland supply forecast	2 reports on the inland supply forecast considered by the PPS/ REC by 30 September 2017 and 31 March 2018 respectively	2 reports on the inland supply forecast considered by the PPS on 13 September 2017 and 6 March 2018 respectively	None	N/A

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

Programme 1: Pricing and Tariffs

- The following pipeline tariff applications were approved:
 - Avedia Energy (Pty) Ltd's tariff application for the mobile loading facility.
 - Engen, Chevron, Total, BP & Shell JV (Pty) Ltd's storage tariff application for the East London loading facility.
 - Burgan Cape Terminals (Pty) Ltd's tariff application,
 - Transnet SOC Limited's tariff application for the Transnet's Petroleum Pipelines System
- The following storage tariff applications were approved:
 - Avedia Energy (Pty) Ltd's tariff application for the storage facility.
 - Sasol Oil and Total SA - NATCOS (Pty) Ltd's tariff application for the storage facility.
 - Royale Energy (Pty) Ltd's tariff application for the following storage facilities:
 - Klerksdorp; and
 - Langlaagte.
 - Total SA (Pty) Ltd's tariff application for the following storage facilities:
 - Alrode;
 - Bethlehem;
 - East London;
 - Island View;
 - Ladysmith;
 - Nelspruit;
 - Orighstad;
 - Polokwane;
 - Waltloo;
 - Pietermaritzburg;
 - Parden Eiland
 - Engen, Total and Chevron JV (Pty) Ltd tariff application
 - Witbank Engen, Chevron and BPSA JV (Pty) Ltd tariff application (Rustenburg)
 - Total SA's tariff application for the following petroleum storage facilities:
 - Alrode

- Bethlehem
- East London
- Island View
- Ladysmith
- Nelspruit
- Orighstad
- Polokwane
- Waltloo
- Pietermaritzburg
- Parden Eiland.
- Shell Downstream South Africa (Pty) Ltd tariff application was considered within 128 days, from the day the application was declared adequate (14 February 2017) to the date the application was considered by the REC (22 June 2017). The application was for the following petroleum storage facilities:
 - Polokwane
 - Port Elizabeth
 - Rockydrift
 - Witbank
 - Mossel Bay

Programme 2: Licensing and Registration

- The following applications for construction licences were approved:
 - Chevron - construction loading facilities in Durban;
 - Airports Company South Africa – construction of additional storage tank in Cape Town; and
 - Island View Storage – construction of additional storage tanks in Richards Bay.
- The following applications for operation licences were issued:
 - Royale Energy Terminals – operation of storage facility in Klerksdorp;
 - Royale Energy Terminals – operation of storage facility in Langlaagte;
 - Chevron -operation loading facilities in Durban;
 - Island View Storage – operation of loading and storage facilities in Richards Bay;
 - Chevron – operation storage facility in Durban; and
 - Auto Commodities – operation storage facility in Krugersdorp.

Transversal Regulatory

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
Number of reports on regulatory impact assessment considered by the relevant subcommittee	Revised regulatory impact assessment framework based on lessons learnt approved by the relevant Subcommittee	1 report on regulatory impact assessment considered by the REC by 31 March 2018	Report on regulatory impact assessment approved by REC on 12 March 2018	None	N/A
Number of reports on the outcomes of the benchmarking of NERSA, considered by the REC	Reviewed benchmarking framework considered by the relevant Subcommittee	No target planned for 2017/18	N/A	N/A	N/A
Number of progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the relevant subcommittee	No target planned for 2016/17	2 progress reports on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the REC by 30 September 2017 and 31 March 2018 respectively	2 progress report on the implementation of the Regulatory Reporting Manuals for Non-financial and financial information, considered by the REC on 24 October 2017 and 12 March 2018 respectively	None	N/A
Number of progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the relevant subcommittee	No target planned for 2016/17	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2018	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 26 February 2018	None	N/A

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of reports on research conducted in line with the approved research agenda considered by the relevant Subcommittee	One report on research conducted in line with the approved research agenda considered by the relevant Subcommittee	1 report on research conducted in line with the approved research agenda considered by the REC by 31 March 2018	1 Research Paper on Regulatory challenges associated with cross-border energy infrastructure was approved by REC through a Round Robin Process on 16 November 2017.	None	N/A
Number of published quarterly newsletters	Quarterly newsletters published	4 quarterly newsletters published	4 quarterly newsletters published	None	N/A
Number of stakeholder engagement and education programmes conducted	Undertake 40 stakeholder engagement and education programmes	45 stakeholder engagement and education programmes undertaken by 31 March 2018	68 stakeholder engagement and education programmes undertaken	Target exceeded by 23	Invitations were received to conduct additional workshops in Limpopo, Western Cape, KZN, Gauteng and the Eastern Cape. Invitations were also received from the Gauteng Office of Consumer Affairs to conduct customer education workshops. NERSA was also invited to participate the Department of Energy's public participation event
Number of reports on the impact of global, regional and local energy trends on NERSA's business considered by the relevant subcommittee	No target planned for 2016/17	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 March 2018	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC on 29 May 2017	None	N/A

Organisational

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Programme 6: Establishing NERSA as an efficient and effective regulator					
Number of progress reports on the implementation of the Employment Equity Plan considered by the relevant subcommittee by 30 September and 31 March respectively	No target planned for 2016/17	¹¹ 2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September and 31 March respectively	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC on 17 July 2017 and 13 October 2017 respectively	None	N/A
Number of progress reports on the implementation of the Youth Employment Accord considered by the relevant subcommittee	No target planned for 2016/17	¹² 4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC	None	N/A
Number of reports on the implementation of the Learnership and Internship Programmes by 31 March	No target planned for 2016/17	¹³ Annual report on the implementation of the Learnership and Internship Programmes by 31 March 2018	2 reports on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 17 July 2017 and 16 January 2018 respectively – as part of the quarterly reports on Human Resources	None	N/A
Bursary programme for qualifying external applicants considered by the relevant subcommittee	No target planned for 2016/17	¹⁴ NERSA bursary programme for qualifying external applicants considered by the HRRC/REC by 31 March 2018	The proposed NERSA External Bursaries Scheme Procedure for qualifying external applicants was considered by the HRRC on 16 January 2018.	None	N/A

¹¹ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's employment equity targets.

¹² In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.

¹³ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.

¹⁴ In alignment with the relevant milestone of the National Development Plan in respect of NERSA's contribution towards Government's priority to increase employment.

Performance Indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive Information and Communication Technology (ICT) systems review	4 progress reports considered by the relevant Subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A
Number of progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 progress reports considered by the relevant Subcommittee on the progress made regarding obtaining ISO certification	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	None	N/A
% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level	2% improvement on the customer and stakeholder perception and satisfaction level (baseline is 84.5%)	2,3% improvement on the customer and stakeholder perception and satisfaction level.	Target exceeded by 0,3%	It should be noted that an individual's perception and satisfaction level is emotive
Result of annual audit	Unqualified audit	Unqualified audit	NERSA received a clean audit.	Target exceeded	Consistent application of controls and approved processes.
% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	None	N/A
Number of reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 reports considered by the relevant Subcommittee on regulatory and policy advocacy	4 quarterly reports on regulatory and policy advocacy considered by the REC	5 reports on regulatory and policy advocacy considered by the REC and ELS	Target exceeded by 1 report	Two pieces of legislation applicable or relevant to NERSA were published



Strategy to overcome areas of under performance

The two targets that were not met was because 9 applications for the exemption from and 6 applications for the amendment of the South African distribution and transmission grid code were completed in more than the targeted 60 days after receipt from the Grid Code Advisory Committee. The reason was because the applications could not be considered in time by the ELS as no meetings were held in December 2017 and January 2018. Attention will be given to ensuring the subcommittees will meet timeously. Management will ensure that key matters to be considered by relevant committees of the Energy Regulator within a specified time, are tabled timeously, using the approved schedule of meetings.

Changes to planned targets

No changes were made to the planned targets.

Linking performance with budgets

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

Electricity Industry Regulation

Programme	2017/ 18			2016/ 17		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	30 471 128	25 692 628	4 778 501	16 975 032	16 428 359	546 673
Programme 2: Licensing and Registration	12 257 266	12 389 185	(131 919)	10 637 620	10 564 274	73 346
Programme 3: Compliance monitoring and enforcement	9 588 008	9 519 716	68 292	8 305 752	8 160 782	144 970
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	9 588 008	9 519 716	68 292	8 305 752	8 160 782	144 970
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	14 198 382	15 633 404	(1 435 022)	19 904 997	16 760 174	3 144 823
Programme 6: Establishing NERSA as an efficient and effective regulator	99 440 027	95 585 884	3 854 143	98 476 316	95 092 810	3 383 506
Total Electricity	175 542 820	168 340 533	7 202 287	162 605 469	155 167 181	7 438 288

Piped-Gas Industry Regulation

Programmes	2017/ 18			2016/ 17		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	13 861 648	9 706 415	4 155 232	9 771 099	9 882 074	(110 975)
Programme 2: Licensing and Registration	5 297 367	4 841 444	455 923	4 894 606	4 536 240	358 366
Programme 3: Compliance monitoring and enforcement	5 297 367	4 841 444	455 923	4 894 606	4 536 240	358 366
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 822 843	4 369 931	452 913	4 390 213	4 075 027	315 186
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	1 975 700	1 540 849	434 852	1 363 849	1 307 746	56 102
Programme 6: Establishing NERSA as an efficient and effective regulator	36 004 148	36 117 929	(113 781)	35 655 219	34 364 803	1 290 416
Total Piped-Gas	67 259 074	61 418 012	5 841 062	60 969 592	58 702 130	2 267 461

Petroleum Pipelines Industry Regulation

Programmes	2017/18			2016/17		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	11 367 693	10 091 223	1 276 470	12 445 960	9 765 229	2 680 731
Programme 2: Licensing and Registration	4 700 065	2 444 762	2 255 303	4 362 312	3 446 707	915 606
Programme 3: Compliance monitoring and enforcement	4 700 065	2 444 762	2 255 303	4 362 312	3 446 707	915 606
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 700 065	2 444 762	2 255 303	4 362 312	3 446 707	915 606
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	1 500 262	763 332	736 930	1 505 881	1 240 741	265 140
Programme 6: Establishing NERSA as an efficient and effective regulator	36 004 148	31 804 157	4 199 991	35 655 213	31 708 567	3 946 646
Total Petroleum Pipelines	62 972 297	49 992 998	12 979 300	62 693 992	53 054 657	9 639 335

Total NERSA

Programmes	2017/18			2016/17		
	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)	Budget (R)	Actual Expenditure (R)	(Over)/Under Expenditure (R)
Programme 1: Setting and/or approval of tariffs and prices	55 700 469	45 490 266	10 210 203	39 192 091	36 075 662	3 116 429
Programme 2: Licensing and Registration	22 254 698	19 675 391	2 579 307	19 894 539	18 547 221	1 347 318
Programme 3: Compliance monitoring and enforcement	19 585 440	16 805 922	2 779 518	17 562 671	16 143 729	1 418 942
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	19 110 916	16 334 408	2 776 508	17 058 277	15 682 515	1 375 762
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	17 674 344	17 937 585	(263 241)	22 774 727	19 308 661	3 466 066
Programme 6: Establishing NERSA as an efficient and effective regulator	171 448 324	163 507 971	7 940 358	169 786 748	161 166 180	8 620 568
Total NERSA	305 774 191	279 751 543	26 022 649	286 269 053	266 923 968	19 345 085

5. SUMMARY OF FINANCIAL INFORMATION

5.1. Revenue Collection

Sources of Revenue	2017/18			2016/17		
	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)	Budget (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)
Licence fees from Electricity	177 563 453	181 987 841	4 424 388	166 210 126	154 012 303	(12 197 823)
Levies from Piped-Gas	57 878 841	56 530 360	(1 348 481)	55 945 854	55 425 537	(520 317)
Levies from Petroleum Pipelines	67 062 657	64 112 731	(2 949 926)	66 781 465	66 743 172	(38 293)
Total	302 504 951	302 630 932	125 981	288 973 445	276 124 999	(12 812 446)

Licence fees from the Electricity Industry

The license fees for the electricity industry were invoiced based on actual volumes of 224 150 561 MWh against total budgeted volumes of 218 701 137 MWh. The difference in volumes is 5 449 424 MWh, which translates to under-recovery of levies by R4 424 388 (2.5 %).

Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 180 668 997 GJ against budgeted volumes of 184 999 172 GJ. The variation in volumes is 4 310 175 GJ, which translates to an under-recovery of levies by R1 348 481 (2.3%).

Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 16 706 028 292 Lt against budgeted volumes of 16 683 900 799 Lt. The variation in volumes is 777 872 507 Lt, which translates to an under-recovery of levies by R2 949 926 (4.4%).

5.2. Programme Expenditure

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

5.3. Capital investment, maintenance and asset management plan

NERSA owns the following types of assets, being Land and Buildings, Machinery and Equipment, Furniture and Equipment, Computer Hardware and Motor Vehicles. In terms of NERSA's Asset Management Policy, a budget has been set aside for the ongoing maintenance of the building. In 2011 the Energy Regulator decided to refurbish the building. During 2013/14 some improvements were done on the NERSA building. These improvements were capitalised into the value of the property. In 2014/15 a decision was made to investigate the need for a full refurbishment of the NERSA building. In 2015/16 an analysis was undertaken on whether NERSA should relocate to another premises or stay at its current location. The report submitted to the Energy Regulator recommended that it would be more cost effective to stay in the current building on condition that some major upgrades are conducted to restore the condition of the

building as well as to restructure the office lay-out for future growth of the organisation. Based on that report a final decision was taken to plan for a total refurbishment of the building. The refurbishment commenced in March 2017 and will be completed in phases by the end of the 2018/19 financial year.

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

Capital Investment, maintenance and asset management plan

Infrastructure projects	2017/18			2016/17		
	Budget (R'000)	Actual Expenditure (R'000)	(Over)/ Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/ Under Expenditure (R'000)
Land	-	-	-	-	-	-
Building improvements	40 000 000	29 668 612	10 331 388	20 000 000	3 646 418	16 353 582
Office furniture and Equipment	4 000 000	1 738 951	2 261 049	9 500 000	1 621 017	7 878 983
Computer Hardware	2 500 000	825 033	1 674 967	2 750 000	1 740 287	1 009 713
Motor Vehicle	600 000	-	600 000	-	-	-
Computer Software	15 496 534	405 293	15 091 241	600 000	800 133	(200 133)
Total	61 596 534	32 637 889	28 958 645	38 850 000	7 807 855	25 042 145





PART C

CORPORATE GOVERNANCE

1. INTRODUCTION

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

More specifically, the provisions of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), the PFMA and the principles contained in the King IV Report on Corporate Governance are included in the Corporate Governance Handbook to which NERSA adheres.

In complying with the National Energy Regulator Act, read with the PFMA, all Regulator Members are required to declare their interests, if any, before the start of each Energy Regulator meeting. In addition, on their appointment, Regulator Members are required to declare to the Minister of Energy any interest they might have in the three regulated industries. Moreover, they are required to declare gifts, shares and hospitality that they may receive from the regulated energy industry.

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

2. PORTFOLIO COMMITTEES

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

3. EXECUTIVE AUTHORITY

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

- The Annual Performance Plan (2018/19 – 2020/21) – in line with the Framework for the development of Strategic Plans and Annual Performance Plans as published by National Treasury, it was submitted on 31 January 2017. It was approved by the Minister of Energy and tabled in Parliament on 15 March 2017.
- First Quarter Performance Report for the period 1 April to 30 June 2017 – submitted on 30 July 2017.

- Second Quarter Performance Report for the period 1 July to 30 September 2017 – submitted on 31 October 2017.
- Third Quarter Performance Report for the period 1 October to 31 December 2017 – submitted on 31 January 2018.
- Fourth Quarter Performance Report for the period 1 January to 31 March 2018 – submitted on 30 April 2018.
- The Annual Report (2016/17) was submitted to the Minister of Energy, the Minister of Finance and the Auditor-General on 25 August 2017.

4. THE ACCOUNTING AUTHORITY/ENERGY REGULATOR

Introduction

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

The role of the Energy Regulator

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

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

Energy Regulator Charter

The Energy Regulator adopted the Corporate Governance Handbook as part of its commitment to implement an approach to internationally accepted standards and best practices for corporate

governance towards ensuring proper levels of accountability, transparency and responsibility. It sets out policies to guide the Energy Regulator Members and staff towards effective discharge of their functions and provides a comprehensive framework to protect the interests of NERSA.

The Corporate Governance Handbook contains:

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

5. THE ENERGY REGULATOR AND ITS MEMBERS

The Minister of Energy appoints the Members of the Energy Regulator, comprising part-time (non-executive) and full-time (executive) Regulator Members, including the CEO. The Energy Regulator is supported by staff under the direction of the CEO. The Energy Regulator consisted of the following Regulator Members for the period 1 April 2017 to 31 March 2018:



MR JACOB MODISE

CHAIRPERSON

Part-Time Regulator Member
(Term expired on 28 February 2018 and
re-appointed on 13 April 2018)



MS MALEHO NKOMO

DEPUTY CHAIRPERSON

Part-Time Regulator Member
(Term expired on 28 February 2018 and
re-appointed on 13 April 2018)



MR CHRISTOPHER FORLEE

CHIEF EXECUTIVE OFFICER

Full-Time Regulator Member



MR YUSUF ADAM
PART-TIME REGULATOR MEMBER



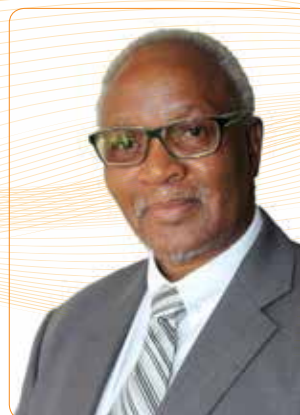
MS NOMFUNDO MASETI
FULL-TIME REGULATOR MEMBER
Piped-Gas



MR MUZI MKHIZE
FULL-TIME REGULATOR MEMBER
Petroleum Pipelines
(Appointed on 16 January 2018)



MS KHOMOTSO MTHIMUNYE
PART-TIME REGULATOR MEMBER



MR MBULELO NCETEZO
FULL-TIME REGULATOR MEMBER
Electricity
(Until 8 January 2018)



MR FUNGAI SIBANDA
PART-TIME REGULATOR MEMBER
(Term expired on 28 February 2018 and
re-appointed on 13 April 2018)

Composition of the Energy Regulator

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ End of term	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Mr JRD Modise	Chairperson (Part-Time Regulator Member)	1 April 2014	28 February 2018	B Com B Acc CA (SA) MBA AMP	Finance	Allied Electronics Corporated Ltd Arcelormittal South Africa Ltd Batsomi Investment Holdings (Pty) Ltd Nelson Mandela Children's Fund Thales SA	Electricity Subcommittee, Piped-Gas Subcommittee and Petroleum Pipelines Subcommittee	45
Ms M Nkomo	Deputy Chairperson (Part-Time Regulator Member)	1 April 2014	28 February 2018	B Comm B Comm Hons M Comm Senior Executive Programme	Finance	National Urban Reconstruction and Housing Agency, National Library of South Africa, Part time member of the National Consumer Tribunal	Piped-Gas Subcommittee, Finance Committee, and Human Resources and Remuneration Committee.	60
Mr C Forlee	Chief Executive Officer and Full-Time Regulator Member	1 January 2017	n/a	Master of Business Administration BSc (Electrical and Electronic Engineering)	Engineering	None	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Human Resources and Remuneration Committee, Finance Committee and Regulator Executive Committee	95
Mr Y Adam	Part-Time Regulator Member	1 August 2016	n/a	B Com B Com Hons Master in Public Administration PG Diploma Education PG Diploma Advanced Banking PG Diploma Maritime Studies	Economic Development, Oceans Economy, Policy Implementation, Monitoring & Evaluation, Project Management	None	Petroleum Pipelines Subcommittee and Audit and Risk Committee	52

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ End of term	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Ms N Maseti	Full-Time Regulator Member: Piped-Gas Regulation	1 March 2014	n/a	BA Ed (Vista University), BA Hons (Economics) at UNISA, Post Graduate Diploma in Economics for Competition Law (Kings College University of London)	Economics	ICASA Complaints and Compliance Committee (until April 2017) Part-Time Member of the National Consumer Tribunal	Piped-Gas Subcommittee, Petroleum Pipelines Subcommittee, Electricity Subcommittee, Human Resources and Remuneration Committee and Regulator Executive Committee	124
Mr M Mkhize	Full-Time Regulator Member: Petroleum Pipelines	16 January 2018	n/a	MBL (Master of Business Leadership BCom BSc (Chemical Engineering)	Executive Management Strategy and Policy Formulation Economic Development	None	Petroleum Pipelines Subcommittee, Piped Gas Subcommittee, Electricity Subcommittee, Finance Committee Regulator Executive Committee	8
Ms KR Mthimunye	Part-Time Regulator Member	Re-appointed on 01 April 2014	31 March 2018	BComm; BCompt (Hons); CA (SA); Higher Diploma in Tax Law	Finance	Hatfield Group, Council for Geoscience, Mintek, Cecil Nurse (Pty) Ltd; Bidvest Develop (Pty) Ltd Bidvest Medical (Pty) Ltd Nozala Investments (Pty) Ltd	Audit and Risk Committee, Electricity Subcommittee	52
Mr M Ncetezo	Full-Time Regulator Member: Electricity Regulation	9 January 2017	8 January 2018	BSc Physics BSc Engineering BSc in electrical engineering Master of Science in electrical engineering	Engineering	None	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Finance Committee and Regulator Executive Committee	70
Mr F Sibanda	Part-Time Regulator Member	1 April 2014	28 March 2018	MSc (Economics), B Comm, B Comm Hons, Certificate in Competition Law	Economics	Hekima Advisory, Tshwane Economic Development Agency (TEDA) National Consumer Tribunal	Petroleum Pipelines Subcommittee, Finance Committee and Human Resources and Remuneration Committee	69

External Members of Committees

Name	Designation	Date appointed	Date resigned	Area of expertise	Other Committees	No. of meetings held	No. of meetings attended
Ms J Meissner	External Member	1 April 2015	n/a	Auditing	Audit and Risk Committee	12*	9
Ms G Jiyane	External Member	1 May 2017#	n/a	Finance	Finance Committee	11*	10
Ms T Mashanda	External Member	1 May 2017#	n/a	Auditing	Audit and Risk Committee	11*	11
Mr N Chonco	External Member	1 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	14	14
Dr MJ Ndlovu	External Member	1 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	14	10

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

Re-appointment

*Energy Regulator Meetings

MEMBER	STATUS	TOTAL (2017/18)	ATTENDED (2017/18)
Mr JRD Modise	Chairperson	22	21
Ms M Nkomo	Deputy Chairperson	22	17
Mr C Forlee	Chief Executive Officer and Regulator Member (appointed 1 January 2017).	22	19
Mr M Mkhize	Regulator Member (appointed 16 January 2018)	22	4
Mr M Ncetezo	Regulator Member (term ended 8 January 2018)	22	16
Ms N Maseti	Regulator Member	22	18
Ms KR Mthimunya	Regulator Member	22	22
Mr F Sibanda	Regulator Member	22	20
Mr Y Adam	Regulator Member	22	21

* In some instances attendance includes In-Committee and Bid Adjudication meetings

Subcommittees

Subcommittee	No. of meetings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	19	5	1 April 2017 – 31 December 2017 1. Mr M Ncetezo – Chairperson (term ended 8 January 2018) 2. Mr C Forlee - Chief Executive Officer and Regulator Member 3. Ms N Maseti 4. Mr JRD Modise (term ended 28 February 2018) 5. Ms K Mthimunya (term ended 31 March 2018)
			1 January 2018 – 31 March 2018 1. Mr M Mkhize – Chairperson (Chairperson from 14 February – 28 March 2018) 2. Ms N Maseti – Chairperson (appointed 28 March 2018) 3. Mr C Forlee - Chief Executive Officer and Regulator Member 4. Ms N Maseti 5. Mr JRD Modise (term ended 28 February 2018) 6. Ms K Mthimunya (term ended 31 March 2018)
2. Piped-Gas Subcommittee (PGS)	16	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee - Chief Executive Officer and Regulator Member 3. Mr JRD Modise 4. Ms M Nkomo 5. Mr M Ncetezo (term ended 8 January 2018) 6. Mr M Mkhize (appointed 16 January 2018)
3. Petroleum Pipelines Subcommittee (PPS)	13	6	1 April 2017 – 31 January 2018 1. Ms N Maseti – Chairperson (January 2017 to 31 January 2018) 2. Mr C Forlee - Chief Executive Officer and Regulator Member 3. Mr JRD Modise 4. Mr F Sibanda 5. Mr M Ncetezo (term ended 8 January 2018) 6. Mr Y Adam
			1 January 2018 – 31 March 2018 1. Mr M Mkhize – Chairperson (appointed 16 January 2018) 2. Mr C Forlee - Chief Executive Officer and Regulator Member 3. Ms N Maseti 4. Mr JRD Modise 5. Mr F Sibanda 6. Mr Y Adam

Committees

Committee	No. of meetings held	No. of members	Name of members
1. Regulator Executive Committee (REC) and Bid Adjudication Committee (BAC)	23	3	1. Mr C Forlee – Chairperson - Chief Executive Officer and Regulator Member 2. Ms N Maseti 3. Mr M Ncetezo (term ended 8 January 2018) 4. Mr M Mkhize (appointed 16 January 2018)
2. Audit and Risk Committee (ARC)	12	4	1. Ms K Mthimunye – Chairperson 2. Ms T Mashanda (External Member) 3. Ms J Meissner (External Member) 4. Mr Y Adam
3. Finance Committee (FIC) and BAC	12	5	1. Ms M Nkomo – Chairperson (term ended 28 February 2018) 2. Mr C Forlee - Chief Executive Officer and Regulator Member 3. Mr F Sibanda (term ended 28 February 2018) 4. Ms G Jiyane (External Member) 5. Mr M Ncetezo (term ended 8 January 2018) 6. Mr M Mkhize (appointed 16 January 2018)
4. Human Resources & Remuneration Committee (HRRC)	14	6	1. Mr F Sibanda – Chairperson (term ended 28 February 2018) 2. Ms M Nkomo (term ended 28 February 2018) 3. Ms N Maseti 4. Mr C Forlee - Chief Executive Officer and Regulator Member 5. Mr N Chonco (External Member) 6. Dr MJ Ndlovu (External Member)
5. Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)	1	9	1. Ms K Mthimunye – Chairperson (ARC) 2. Ms T Mashanda (External Member) (ARC) 3. Ms J Meissner (External Member) (ARC) 4. Ms M Nkomo – Chairperson (FIC) (term ended 28 February 2018) 5. Mr C Forlee (FIC) - CEO and Regulator Member 6. Mr F Sibanda (FIC) (term ended 28 February 2018) 7. Ms G Jiyane (External Member) (FIC) 8. Mr M Ncetezo (FIC) (term ended 8 January 2018) 9. Mr Y Adam (ARC) 10. Mr M Mkhize (appointed 16 January 2018)

Subcommittee's public hearings

Subcommittee	No. of public hearings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	19	5	1. Ms N Maseti – Chairperson (appointed 28 March 2018) 2. Mr M Ncetezo – Chairperson (term ended 8 January 2018) 3. Mr C Forlee - Regulator Member 4. Mr JRD Modise (term ended 28 February 2018) 5. Ms K Mthimunye 6. Mr M Mkhize (appointed 16 January 2018)
2. Piped-Gas Subcommittee (PGS)	7	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee - CEO and Regulator Member 3. Mr JRD Modise (term ended 28 February 2018) 4. Ms M Nkomo (term ended 28 February 2018) 5. Mr M Ncetezo (term ended 8 January 2018) 6. Mr M Mkhize (appointed 16 January 2018)
3. Petroleum Pipelines Subcommittee (PPS)	12	6	1. Mr Mkhize – Chairperson (appointed 16 January 2018) 2. Ms N Maseti (Chairperson from 1 January 2017 to 8 January 2018) 3. Mr C Forlee - CEO and Regulator Member 4. Mr JRD Modise (term ended 28 February 2018) 5. Mr F Sibanda (term ended 28 February 2018) 6. Mr M Ncetezo (term ended 8 January 2018) 7. Mr Y Adam
4. Regulator Executive Committee (REC)	4	3	1. Mr C Forlee - Chairperson - Chief Executive Officer and Regulator Member 2. Ms N Maseti 3. Mr M Ncetezo (term ended 8 January 2018) 4. Mr M Mkhize (appointed 16 January 2018)

Energy Regulator's workshops

Subcommittee	No. of workshops held	No. of members	Name of members
1. Energy Regulator (ER)	5	8	<ol style="list-style-type: none"> 1. Mr JRD Modise – Chairperson (term ended 28 February 2018) 2. Ms M Nkomo – Deputy Chairperson (term ended 28 February 2018) 3. Mr C Forlee - Chief Executive Officer and Regulator Member 4. Ms N Maseti 5. Ms KR Mthimunye 6. Mr F Sibanda (term ended 28 February 2018) 7. Mr M Ncetezo (term ended 8 January 2018) 8. Mr Y Adam 9. Mr M Mkhize (appointed 16 January 2018)
2. Piped-Gas Subcommittee (PGS)	1	5	<ol style="list-style-type: none"> 1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr JRD Modise (term ended 28 February 2018) 4. Ms M Nkomo (term ended 28 February 2018) 5. Mr M Ncetezo term ended 8 January 2018) 6. Mr M Mkhize (appointed 16 January 2018)
3. Petroleum Pipelines Subcommittee (PPS)	1	5	<ol style="list-style-type: none"> 1. Mr Mkhize – Chairperson (appointed 16 January 2018) 2. Ms N Maseti (Chairperson from 9 January 2017 – 8 January 2018) 3. Mr C Forlee - CEO and Regulator Member 4. Mr JRD Modise (term ended 28 February 2018) 5. Mr F Sibanda (term ended 28 February 2018) 6. Mr M Ncetezo term ended 8 January 2018) 7. Mr Y Adam
4. Regulator Executive Committee (REC)	1	3	<ol style="list-style-type: none"> 1. Mr C Forlee – Chairperson – CEO and Regulator Member 2. Ms N Maseti 3. Mr M Ncetezo (term ended 8 January 2018) 4. Mr M Mkhize (appointed 16 January 2018)

Subcommittee	No. of workshops held	No. of members	Name of members
5. Human Resources & Remuneration Committee (HRRC)	1	6	1. Mr F Sibanda – Chairperson (term ended 28 February 2018) 2. Ms N Maseti 3. Ms M Nkomo (term ended 28 February 2018) 4. Mr C Forlee - CEO and Regulator Member 5. Mr N Chonco (External Member) 6. Dr MJ Ndlovu (External Member)
6. Electricity Subcommittee (ELS)	8	5	1. Ms N Maseti – Chairperson (appointed 28 March 2018) 2. Mr M Mkhize (Chairperson from 14 February to 28 March 2018) 3. Mr M Ncetezo – Chairperson (term ended 8 January 2018) 4. Mr C Forlee - CEO and Regulator Member 5. Mr JRD Modise (term ended 28 February 2018) 6. Ms K Mthimunye
7. Finance Committee (FIC) and BAC	-	5	1. Ms M Nkomo – Chairperson (term ended 28 February 2018) 2. Mr C Forlee - CEO and Regulator Member 3. Mr F Sibanda (term ended 28 February 2018) 4. Ms G Jiyane (External Member) 5. Mr M Ncetezo (term ended 8 January 2018) 6. Mr M Mkhize (appointed 16 January 2018)
8. Audit and Risk Committee (ARC)	2	4	1. Ms K Mthimunye – Chairperson 2. Ms T Mashanda (External Member) 3. Ms J Meissner (External Member) 4. Mr Y Adam

Remuneration of Energy Regulator Members

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

External Members of governance committees of the Energy Regulator are similarly remunerated at a daily rate in accordance with the Fees Policy for External Members.

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

Energy Regulator Members' Remuneration

Remuneration for the year ended 31 March 2018

	Salary	Performance bonus	Car allowance	Reimbursive and other allowances	Medical	Pension Contribution and UIF	Total
	R	R	R	R	R	R	R
NERSA Full-Time Regulator Members							
Mr C Forlee	1 912 268	337 347	0	14 586	133 089	78 444	2 475 734
Ms N Maseti*	2 129 683	266 491	60 000	80 182	69 087	331 004	2 936 447
Mr M Ncetezo**	1 523 686	0	90 000	50 761	0	240 151	1 904 598
Mr M Mkhize***	406 764	0	0	3 853	0	55 070	465 687
	5 972 401	603 838	150 000	149 382	202 176	704 669	7 782 466

* Appointed FTRM: Petroleum Pipelines for the period 1 April 2017 (from 9 January 2017) to 8 January 2018

** Appointed FTRM: Electricity for the period 1 April 2017 (from 9 January 2017) to 8 January 2018

*** Appointed FTRM: Petroleum Pipelines on 16 January 2018

The above bonuses were paid in the 2017/18 financial year with regard to performance of the 2016/17 financial year.

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R	R	R	R	R
NERSA Part-Time Regulator Members							
Mr J Modise (Chairperson)*	297 172,00	116 637,00	92 156,00				505 965,00
Ms M Nkomo (Deputy Chair)*	323 178,00	94 056,00	35 753,00				452 987,00
Ms KR Mthimunya (Member)**	331 870,00	122 729,00	76 647,00				531 246,00
Mr F Sibanda (Member)*	380 016,00	18 438,00	44 691,00				443 145,00
Mr Y Adam (Member)	296 084,00	52 950,00	42 983,00				392 017,00
	1 628 320,00	404 810,00	292 230,00				2 325 360,00

* Term ended 28 February 2018

** Term ended 31 March 2018

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R	R	R	R	R
NERSA Part-Time External Regulator Members							
Ms TN Mashanda *	64 309,00	-	2 889,00				67 198,00
Ms J Meissner	46 912,00	-	3 331,00				50 243,00
Ms N Jiyane *	66 618,00	-	6 150,00				72 768,00
Dr MJ Ndlovu	46 912,00	23 290,00	21 195,00				91 397,00
Mr NG Chonco	73 912,00	42 305,00	3 513,00				119 730,00
TOTAL:	298 663,00	65 595,00	37 078,00				401 336,00

*Term ended on 30 April 2017 and re-appointed on 1 May 2017

6. RISK MANAGEMENT

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

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

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

The ranking of the risks, based on the impact that the occurrence of the risk would have on the organisation as well as the likelihood of the risk happening, is done, taking into account all current strategies to mitigate against the occurrence of the identified risks.

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

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

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

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

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

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

7. INTERNAL CONTROLS

During the review period, the Committee of Sponsoring Organisations of the Treadway Commission's Internal Control – Integrated Framework ('COSO Framework') was used to provide assurance on the adequacy and effectiveness of internal control, risk management and governance processes. Detailed internal audit reviews and testing was undertaken in order to assess the adequacy and effectiveness of controls relating to the specific audit activities. The objective was to ensure that management's control strategies are consistent with the organisation's activities and objectives. Recommendations relating to the adequacy and effectiveness of

controls were made where required. All significant findings were reported to the Audit and Risk Committee for monitoring.

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

8. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE

8.1 Internal Audit

Key activities and objectives of Internal Audit

In accordance with the definition of internal auditing and the authority to establish and maintain an internal audit function as contained in the PFMA and its Treasury Regulations, the objective of the NERSA internal audit function is to:

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

The key activities of Internal Audit are:

- to develop and implement a rolling three-year annual audit plan based on NERSA's

key areas of risk, including any risks or control concerns identified by management, and submit the plan to the Audit and Risk Committee for review and approval, as well as periodic updates;

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

The Internal Audit Unit has completed all 43 audits planned for the period under review.

8.2 Audit and Risk Committee

Key activities and objectives of the Audit and Risk Committee

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

The key activities of the Audit and Risk Committee are:

- to obtain and review the annual financial statements;
- to ensure that the annual financial statements are prepared in accordance with the reporting requirements as set out in the PFMA and related Treasury Regulations or

applicable accounting framework;

- to review the Risk Management Policy and ensure it complies with Best Practice;
- to review the risk management process to ensure it is effective and efficient and identifies priority risks;
- to review the Institution's compliance with all relevant legislation as well as the performance management and reporting systems;
- to review and approve the Internal Audit Plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate coordination with the External Auditor (the Auditor-General of South Africa); and
- to review and approve the External Auditors' proposed audit scope, approach and audit fees for the year.

9. COMPLIANCE WITH LAWS AND REGULATIONS

NERSA reports on compliance with the PFMA and Treasury Regulations in its quarterly reports submitted to the Department of Energy. All policies and procedures approved by the Energy Regulator are maintained in the Corporate Governance Handbook and are complied with.

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

Compliance with the Promotion of Access to Information Act

A total of 16 requests for information were received in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'). Thirteen have been dealt with and three are currently pending. The report on the requests was compiled and submitted to the South African Human Rights Commission (SAHRC), as required in terms of Section 32 of PAIA.

10. FRAUD AND CORRUPTION

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

A fraud hotline is in place, which is operated by an external service provider and guarantees

the anonymity of any person calling in to report suspected fraud, corruption or misuse of public resources. No cases of fraud were reported during the financial year.

11. MINIMISING CONFLICT OF INTEREST

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

NERSA has implemented the supply chain management framework required by the PFMA. The Supply Chain Management Policy has also been approved by the Energy Regulator. Bid Adjudication Committees have been duly appointed in line with the delegation of authority matrix approved by the Energy Regulator as the Accounting Authority. All individuals who are

involved in the bidding processes (evaluation and adjudication of bids) declare their interests prior to proceeding with the process as required by the PFMA. Any individual who is a member of the Bid Evaluation Committee is not allowed to adjudicate on the same bid if they happen to be a member of the Bid Adjudication Committee.

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

12. CODE OF CONDUCT

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

The Code of Conduct requires Regulator Members and employees to act in the best interest of NERSA and provides them with standards of conduct in exercising their respective functions and

duties. It requires disclosure of financial interests and requires Regulator Members to withdraw from proceedings of the Energy Regulator when a matter in which a member may have an interest is considered.

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

13. HEALTH AND SAFETY ISSUES

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

NERSA is committed to the fulfilment of the requirements stipulated in the Occupational Health

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

14. REGULATOR SECRETARY

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

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

15. SOCIAL RESPONSIBILITY

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

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

Internal

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

External

On Friday, 21 July 2017, NERSA celebrated Mandela Day 2017 with the residents of the Vuyiswa Home for the Disabled in Orange Farm, south of Johannesburg. The Home is a registered non-profit organisation and was established solely to cater for handicapped adults from disadvantaged families within the community. NERSA donated blankets, promotional material (caps, water bottles and pens), non-perishable food, food parcels as well as paint to the Home.

16. ENVIRONMENTAL ISSUES

Internal

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

External

NERSA is committed to the protection of the environment and the growth of cleaner, more resource-efficient production. The introduction of renewable energy and the licensing of a number of independent power producers into the electricity supply industry to facilitate the

diversification of the country's energy sources is a notable advancement of NERSA's commitment to a greener and cleaner environment.

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

17. ECONOMIC ISSUES

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

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

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

18. REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2018.

Audit and Risk Committee Members and Attendance of meetings

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

MEMBER	STATUS	MEETINGS HELD	MEETINGS ATTENDED
Ms K Mthimunye	Chairperson	12	12
Mr Y Adam	Member	12	12
Ms J Meissner	External Member	12	9
Ms T Mashanda	External Member	12	12

Audit and Risk Committee Responsibilities

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

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

Corporate Governance

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

Compliance

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

Effectiveness of Internal Controls

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

identification of corrective actions and suggested enhancement to the internal controls and processes.

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

Risk Management

In fulfilling its oversight responsibilities, in relation to risk management, the Committee reviewed the risk management framework, monitored the implementation of risk mitigation strategies and reviewed the adequacy of the insurance cover.

In our opinion NERSA's approach to the risk management processes is adequate and effective.

Performance Management

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

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

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

Evaluation of Financial Statements

The Committee has:

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

The 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.



Maleho Nkomo

Chairperson of the Audit and Risk Committee

Date: 31 July 2018





PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

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

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

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

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

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

NERSA's performance management system provides standards by which the performance of individual employees are monitored and measured to allow for performance management, employee reward and improvement of poor performance to enhance efficiency and effectiveness and achieve improved service delivery.

NERSA continues to be a caring organisation, focusing constant attention on the health and wellbeing of its employees. It further recognises that a variety of problems (personal, family, social and work-

related) can disrupt employees' personal and work lives, negatively impacting on job performance and subsequently organisational performance. NERSA provides a comprehensive, integrated employee wellness programme through NBC Holdings, which focuses on the promotion of healthy living and provides psychological assistance.

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

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

NERSA's remuneration policy aims to:

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

The shortage of skills, especially scarce and critical skills, is a major challenge that is being addressed through internships and learnerships, among other programmes. In line with the Skills Development Act, NERSA views the internship and learnership programmes as an ideal opportunity to develop and mould NERSA-specific skills, with a view to preparing future regulators. Furthermore, NERSA offers a job-shadowing programme to expose grade 9 to 11 learners to the work environment and to generate interest in careers in the energy sector. The Annual Training Report, which is part of the Workplace Skills Plan (WSP), is the monitoring tool used to undertake skills development initiatives.

A total of 46% of staff underwent training the percentage includes further studies, local and international training.

Challenges

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

HR plans/goals

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

Skills development programme

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

The programme prepares young graduates from further education and training institutions and universities for development of skills within the regulatory environment by providing theoretical and on-the-job training in order to create a pool of potential candidates for employment by the Energy Regulator.

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

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

Employee representative body

The National Education, Health and Allied Workers Union (NEHAWU) is the only union recognised by NERSA, with 53% of staff in the bargaining unit being members.

Youth Employment Accord

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

The Learnership programme for 2017/18 commenced in September 2017. The report covers seven months of the period under review, i.e. September 2017 to March 2018. There were twelve learners in the programme, but one learner acquired employment outside NERSA.

NERSA's internship programme commenced in September 2017. The report covers seven months of the period under review, i.e. September 2017 to March 2018. The Internship programme has 12 interns who will complete the cycle for 2017/18 on 1 June 2018. Two interns from the previous financial year were appointed on fixed-term employment. One intern was appointed permanently.

Employment Equity

The current Employment Equity (EE²) Plan for 1 October 2017 to 30 September 2020 is being enforced and barriers to EE² are being attended to. There is a need for the appointment of people representative of the economically active population (EAP) from various race groups across all occupational levels. A concerted effort to appoint people representative of the EAP will be pursued through targeted selection methodologies and a specific effort is directed to employing people living with disabilities. The NERSA EE² Plan is aligned with Broad-Based Black Economic Empowerment in terms of Human Resources-related initiatives.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

Table 1: Personnel Cost by programme 2017/18

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Setting and/or approval of tariffs and prices	R 45 490 266	R 36 640 963	80,55	52	R 773 016
Licensing and Registration	R 19 675 391	R 16 376 680	83,23	29	R 722 501
Compliance monitoring and enforcement	R 16 805 922	R 14 046 584	83,58	23	R 740 593
Dispute resolution including mediation, arbitration and the resolution of complaints	R 16 334 408	R 13 643 626	83,58	22	R 734 845
Setting of rules, guides and codes for regulation	R 17 937 585	R 15 345 094	85,55	10	R 1 475 490
Establishing NERSA as an efficient and effective organisation	R 163 507 971	R 99 865 781	61,08	101	R 1 097 426
TOTAL	R 279 751 543	R 195 918 729	70.03	237	R 937 410

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

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	R 5 763 967	2.94%	3	R 1 921 322
Senior Management	R 10 874 189	5.55%	5	R 2 174 838
Professional Qualified	R 104 427 028	53.30%	80	R 1 305 338
Skilled	R 60 895 111	31.08%	95	R 641 001
Semi-skilled	R 13 495 543	6.89%	52	R 259 530
Unskilled	R 462 892	0.24%	2	R 231 446
TOTAL	R 195 918 729.00	100.00%	237	R 826 661

Table 3: Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost (R'000)
Top Management	R 603 838.00	R 5 135 409.36	11.76%
Senior Management	R 871 449.21	R 9 688 516.95	8.99%
Professional Qualified	R 11 922 590.92	R 93 040 771.26	12.81%
Skilled	R 5 332 809.23	R 54 255 330.88	9.83%
Semi-skilled	R 1 113 599.58	R 12 024 049.90	9.26%
Unskilled	R 52 850.54	R 412 420.38	12.81%
TOTAL	R 19 897 137.48	R 174 556 498.73	11.40%

Table 4: Training Costs

Directorate/Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Specialised Support Unit	R 38 769 421	R 1 178 111	3,04	14	R 84 151
Chief Finance Office	R 15 047 675	R 123 905	0,82	3	R 41 302
Chief Human Capital Office	R 14 149 140	R 1 717 011	12,14	18	R 95 389
Corporate Services Division	R 31 899 545	R 585 168	1,83	11	R 53 197
Electricity Regulation Division	R 58 832 330	R 548 717	0,93	9	R 60 969
Petroleum Pipelines Division	R 21 397 696	R 336 174	1,57	7	R 48 025
Piped-Gas Regulation Division	R 15 822 922	R 125 544	0,79	5	R 25 109
TOTAL	R 195 918 729	R 4 614 629	2,36	67	R 68 875

Table 5: Employment and vacancies

Programme	2017/2018 Approved Posts	2016/2017 No. of Employees	2017/2018 No. of Employees	2017/2018 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	31	29	29	2	6%
Licensing and registration	29	29	29	0	-
Compliance monitoring and enforcement	38	11	25	13	34%
Dispute resolution, including mediation, arbitration and handling of complaints	7	6	6	1	14%
Setting of rules, guidelines and codes for the regulation industry	9	7	8	1	11%
Establishing NERSA as an efficient and effective regulator	139	84	112	27	27%
TOTAL	253	166	209	44	17%

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

Level	2017/2018 Approved Posts	2016/2017 No. of Employees	2017/2018 No. of Employees	2017/2018 Vacancies	% of vacancies
Top Management	4	2	3	1	25%
Senior Management	6	4	5	1	17%
Professional qualified	90	67	75	15	17%
Skilled	115	66	98	17	15%
Semi-skilled	36	25	26	10	28%
Unskilled	2	2	2	0	0%
TOTAL	253	166	209	44	17%

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

Table 6: Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	0	3
Senior Management	4	1	0	5
Professional qualified	66	6	2	75
Skilled	67	44	4	98
Semi-skilled	25	9	3	26
Unskilled	2	0	0	2
TOTAL	166	61	18	209

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

Table 7: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resignations (permanent)	8	%
Resignations (learners & interns)	4	0%
Dismissal	0	%
Retirement	1	%
Expiry of contract	4	0%
Other	0	
TOTAL	17	%

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

Table 8: Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
written warning	2
Final Written Warning	2
Dismissal	0
Grievances	5
CCMA Cases	7
Labour Court Referral	1
Total	17

Table 9: Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0		0		0
Senior Management	3	3	0	0	0	0	1	1
Professional qualified	36	37	0	8	1	2	4	4
Skilled technical	35	31	0	3	0	1	2	3
Semi-skilled and discretionary decision making	5	16	0	1	0	1	0	0
Unskilled and defined decision making		0	0	0		0		0
TOTAL PERMANENT	81	88	0	12	1	4	7	8

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

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

**The Employment Equity status is reported against the approved Employment Equity Plan (01 October 2017 -30 September 2018). The targets set are for the third year of the Employment Equity Plan.





PART E

FINANCIAL INFORMATION

1. STATEMENT OF RESPONSIBILITY

The Energy Regulator is responsible for the maintenance of adequate records as well as the preparation and integrity of the financial statements and related information as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). The Annual Financial Statements present the state of affairs of the National Energy Regulator of South Africa (NERSA), its financial results and its financial position at the end of the financial year. The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practices. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

NERSA maintains internal financial controls to provide assurance regarding:

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



C Forlee

Chief Executive Officer (CEO)

Date: 31 July 2018



JRD Modise

Chairperson

Date: 31 July 2018

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

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

The Energy Regulator has reviewed NERSA's systems of internal control and risk management for the period from 01 April 2017 to 31 March 2018. The Energy Regulator believes that NERSA's systems of internal control and risk management were effective for the period under review.

The annual financial statements were approved by the Energy Regulator in terms of section 51(1) (f) of the PFMA on 30 May 2018 and are signed on its behalf by:

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 155 to 185, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of NERSA as at 31 March 2018, and financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

6. The Energy Regulator, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting

authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the NERSA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Introduction and scope

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in annual performance report
Programme 1 – Setting and/or approval of tariffs and prices	61 – 94
Programme 2 – Licensing and registration	61 – 94
Programme 3 – Compliance monitoring and enforcement	61 – 94
Programme 4 – Dispute resolution, including mediation, arbitration and handling of complaints	61 – 94
Programme 5 – Setting of rules, guidelines and codes for the regulation of the three energy industries	61 – 94

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

Other matters

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 50 to 56 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Setting and/ or approval of tariffs and prices. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting authority's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I have nothing to report in this regard.

Internal control deficiencies

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

Auditor-General

Pretoria

31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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



Communication with those charged with governance

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

3. ACCOUNTING AUTHORITY'S REPORT

1. Introduction

The Energy Regulator presents its annual financial statements that form part of the Annual Report for the year ended 31 March 2018.

The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum pipelines Act, 2003 (Act No. 60 of 2003). It is listed as a

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

2. Regulator Members and Secretary of NERSA

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

The Regulator Members during the year ending 31 March 2018:

Member	Date of appointment	Position
Mr J Modise	Term ended 28 February 2018 and re-appointed 13 April 2018	Chairperson
Ms M Nkomo	Term ended 28 February 2018 and re-appointed 13 April 2018	Deputy Chairperson
Mr F Sibanda	Term ended 28 February 2018 and re-appointed 13 April 2018	Part-Time Member
Ms N Maseti *	Appointed 1 March 2014	Full-Time Member: Piped-Gas Regulation
Mr C Forlee	Appointed 1 July 2016	Chief Executive Officer (From 1 January 2017)
Mr M Mkhize	Appointed 16 January 2018	Full-Time Member: Petroleum Pipelines Regulation
Mr M Ncetezo	Appointment from 09 January 2017 to 08 January 2018	Full-Time Member: Electricity Regulation
Ms K Mthimunye	Term ended 31 March 2018	Part-Time Member
Mr Y Adam	Appointed 1 August 2016	Part-Time Member

* Appointed Full-Time Regulator Member: Petroleum Pipelines for the period 09 January 2017 to 08 January 2018.

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

Member	Date of appointment	Position
Ms T Mashanda	Term ended on 30 April 2017 and re-appointed on 1 May 2017	External Member: Audit and Risk Committee
Ms N Jiyane	Term ended on 30 April 2017 and re-appointed on 1 May 2017	External Member: Finance Committee
Ms J Meissner	Appointed 1 April 2015	External Member: Audit and Risk Committee
Dr MJ Ndlovu	Appointed 1 April 2015	External Member: Human Resources & Remuneration Committee
Mr NG Chonco	Appointed 1 April 2015	External Member: Human Resources & Remuneration Committee

The Regulator Secretary of NERSA is Mr. Sandile Ntanzu and his business and postal addresses are as follows:

Business Address:

Kulawula House
526 Madiba Street
Arcadia
Pretoria
0007

Postal Address:

P.O. Box 40343
Arcadia
Pretoria
0007

3. Organisational structure

The Minister of Energy appoints both Part-Time and Full-Time Regulator members. The Energy Regulator acts independently and reports administratively to the Minister of Energy. The Energy Regulator performs its functions in terms of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) and the Public Finance Management Act, 1999 (Act no. 1 of 1999). The Full-Time Regulator Members consist of the Chief Executive Officer, the member primarily responsible for Electricity Regulation, the member primarily responsible for Piped-Gas Regulation and the member primarily responsible for Petroleum Pipelines Regulation.

4. Principal Activities

The Energy Regulator is the regulatory authority over the energy industry, and currently regulates the electricity, piped-gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003) respectively. Section 13 (2) and (3) of the National Energy Regulator Act, 2004 (Act No.40 2004) requires that the Energy Regulator keep separate accounts for the electricity, piped-gas and petroleum pipelines regulatory functions and that the costs of the Energy Regulator must be shared between the electricity, piped-gas and petroleum pipeline regulatory industries in proportion to the costs incurred by the Energy Regulator in respect of each of those regulatory functions.

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

- Costs that can be directly attributable to regulation of a specific industry will be charged directly to the regulation of that industry.
- Costs that are not directly attributable to the regulation of a specific industry, but are incurred as common costs in order to support the regulation of the industries, will be

allocated between the three industries using a basis of allocation that fairly distributes the costs. The allocation is based on the number of employees directly employed by NERSA to regulate each industry. The basis for allocation is reviewed annually during the budget process and adjusted if there are significant changes to the structure. No changes were effected to the ring fencing methodology during the year under review as there was no significant impact on the methodology as a result of the changes to the structure. The distribution of these costs for 2017/18 was as follows:

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

5. Operating results and review of operations

The surplus for NERSA for the year amounted to R 31 million. The summary of the relevant financial results is detailed below.

	Actual	Budget	Variance
	R	R	R
Licence fees and levies	302 630 932	302 504 951	125 981
Interest received	14 021 222	6 013 234	8 007 988
Other income	65 305	76 426	(11 121)
Expenditure	(285 056 182)	(313 861 628)	28 805 446
Surplus /(Deficit)	31 661 277	(5 267 017)	36 928 294
Capital Expenditure	(32 637 891)	(62 596 534)	29 958 643

6. NERSA Accumulated Surplus

	2018	2017
	R	R
Accumulated Surplus	253 520 867	221 859 590
The Accumulated surplus reported as at 31 March 2018 consists of the following:		
	253 520 867	221 859 590
Approved Commitments	40 874 737	33 215 524
Cash Flow Mitigating Reserve	53 284 520	49 578 229
AVAILABLE REFUNDS FOR INDUSTRIES	159 361 609	139 065 836
Portion of surplus to be refunded in respect of the period ending 2011/12 to 2012/13	6 867 196	6 867 196
Portion of surplus to be refunded in respect of the period ending 2013/14	22 394 814	22 394 814
Portion of surplus to be refunded in respect of the period ending 2014/15	44 753 128	44 753 128
Portion of surplus to be refunded in respect of the period ending 2015/16	51 752 646	51 752 646
Portion of surplus to be refunded in respect of the period ending 2016/17	13 298 052	13 298 052
Portion of surplus to be refunded in respect of the period ending 2017/18	20 295 773	-

The accumulated surplus reflected above relates to the under spending by the Energy Regulator in previous financial periods. The under spending was mainly due to the implementation of cost containment measures, staff vacancies, travel expenses and professional fees. The surplus will be refunded to the relevant industries through a reduction of the levy rates for the period 2018/2019 to 2021/2022.

SURPLUS TO BE REFUNDED PER INDUSTRY							
INDUSTRY	YEAR OF SURPLUS	2017/2018	2018/2019	2019/2020	2020/21	2021/2022	Total
Electricity Piped-Gas Petroleum Pipeline	2011/12 to 2012/13	1 586 283	5 280 913				6 867 196
Electricity Piped-Gas Petroleum Pipeline	2013/14	5 053 788	11 063 734 5 053 788 1 223 504				22 394 814
Electricity Piped-Gas Petroleum Pipeline	2014/15	10 942 700 14 606 605 7 776 086	2 190 991	1 460 660 3 888 044	3 888 044		44 753 128
Electricity Piped-Gas Petroleum Pipeline	2015/16	19 810 652	4 811 158 2 552 134 6 115 815	1 839 560 1 531 280 6 115 815	1 839 560 1 020 854 6 115 815		51 752 642
Electricity Piped-Gas Petroleum Pipeline	2016/17		1 016 467 (949 999)	609 880 (949 999) 7 057 557	406 587 (949 999) 7 057 557		13 298 052
Electricity Piped-Gas Petroleum Pipeline	2017/18			6 074 405 (2 715 106) 6 788 587	3 644 643 (1 629 064) 4 073 152	2 429 762 (1 086 042) 2 715 435	20 295 773
		59 776 114	38 358 505	31 700 683	25 467 150	4 059 155	159 361 609

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

The negative amounts for Piped-Gas industries in 2016/17 and 2017/18 are due to the industry reporting a deficit. These amounts will be used to reduce the total refunds available to this industry during the budget process for 2019/20 to 2021/22

7. Revenue

NERSA is funded as follows to cover its expenditure:

Electricity

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

Piped-Gas

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

Petroleum Pipelines

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

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

8. Materiality and significance framework

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

9. Events after balance sheet date

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

4. ANNUAL FINANCIAL STATEMENTS

4.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current assets			
Inventories	5	283 759	186 337
Receivables from exchange transactions	6	2 771 235	3 401 002
Receivables from non-exchange transactions	7	22 649 823	28 137 564
Cash and cash equivalents	8	209 262 995	191 494 702
		234 967 812	223 219 605
Non-current assets			
Property, plant and equipment	3	83 621 755	55 706 520
Intangible assets	4	4 799 226	5 496 714
		88 420 981	61 203 234
Total Assets		323 388 793	284 422 839
Liabilities			
Current liabilities			
Payables from exchange transactions	11	14 632 185	12 396 453
Payables from non-exchange transactions	12	368	9 090
Provisions	10	27 092 649	22 014 981
		41 725 202	34 420 524
Total Liabilities		41 725 202	34 420 524
Net Assets		281 663 591	250 002 315
Reserves			
Revaluation reserve	9	28 142 725	28 142 725
Accumulated surplus		253 520 866	221 859 590
Net Assets		281 663 591	250 002 315

4.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Other income	13	65 305	326 939
Interest income	14	14 021 222	12 189 709
Total revenue from exchange transactions		14 086 527	12 516 648
Revenue from non-exchange transactions			
Licence fees and levies	15	302 630 932	276 181 012
Total revenue		316 717 459	288 697 660
Expenditure			
Employee related costs	16	(195 918 729)	(179 652 246)
Depreciation and amortisation	3&4	(5 304 640)	(4 485 928)
Debt Impairment	17	-	166 420
Loss on disposal of assets		-	(181 854)
General expenses	18	(83 832 813)	(87 089 866)
Total expenditure		(285 056 182)	(271 243 474)
Surplus for the year		31 661 277	17 454 186

4.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 April 2016	28 142 725	204 405 404	232 548 129
Changes in net assets			
Surplus for the year	-	17 454 186	17 454 186
Total changes	-	17 454 186	17 454 186
Balance at 01 April 2017	28 142 725	221 859 590	250 002 315
Changes in net assets			
Surplus for the year	-	31 661 277	31 661 277
Total changes	-	31 661 277	31 661 277
Balance at 31 March 2018	28 142 725	253 520 867	281 663 591

4.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Licence fees, levies and sale of goods and services		308 813 745	285 352 378
Interest income		14 021 222	12 189 709
		322 834 967	297 542 087
Payments			
Employees and suppliers		(272 544 286)	(274 919 372)
Net cash flows from operating activities	20	50 290 681	22 622 715
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(32 232 596)	(7 007 722)
Proceeds from sale of property, plant and equipment	3	115 500	-
Purchase of other intangible assets	4	(405 292)	(800 133)
Net cash flows from investing activities		(32 522 388)	(7 807 855)
Net increase/(decrease) in cash and cash equivalents		17 768 293	14 814 862
Cash and cash equivalents at the beginning of the year		191 494 702	176 679 840
Cash and cash equivalents at the end of the year	8	209 262 995	191 494 702

4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2018

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to notes
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	76 426	-	76 426	-	(76 426)	
Other income	-	-	-	65 305	65 305	
Interest received	6 013 234	-	6 013 234	14 021 222	8 007 988	31.1
Total revenue from exchange transactions	6 089 660	-	6 089 660	14 086 527	7 996 867	
Revenue from non-exchange transactions						
Transfer revenue		-				
Licence fees and levies	302 504 951		302 504 951	302 630 932	125 981	
Total revenue	308 594 611	-	308 594 611	316 717 459	8 122 848	
Expenditure						
Personnel	(210 606 252)	-	(210 606 252)	(195 918 729)	14 687 523	31.2
Depreciation and amortisation	(8 087 437)	-	(8 087 437)	(5 304 640)	2 782 797	31.3
General expenses	(95 167 939)	-	(95 167 939)	(83 832 813)	11 335 126	31.4
Total expenditure	(313 861 628)	-	(313 861 628)	(285 056 182)	28 805 446	
Net (Deficit)/Surplus for the year	(5 267 017)	-	(5 267 017)	31 661 277	36 928 294	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(5 267 017)	-	(5 267 017)	31 661 277	36 928 294	

4.6 ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2018

1. Presentation of Annual Financial Statements

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

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

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

1.1 Property, plant and equipment

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

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

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

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

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

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

Revaluations on land and buildings are completed every three years except for where there have been material improvement in which case a revaluation exercise will be conducted at the end of the year in which those improvements have been affected such that the carrying amount does not differ materially from that which would be determined using the fair value at year end.

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

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

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

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

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

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

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

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

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

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

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when

there are no further economic benefits or service potential expected from the use of the asset.

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

1.2 Intangible assets

An intangible asset is recognised when:

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

1.3 Financial instruments and financial risk management

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

A financial asset is:

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

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

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

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

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

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

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

1.4 Taxation

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

1.5 Leases

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

Operating leases - lessor

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

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.

1.6 Inventories

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

Inventories are measured at the lower of cost or current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge. Current replacement cost is the cost NERSA incurs to acquire the asset on the reporting date.

1.7 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

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

Defined contribution plans

NERSA is part of an Umbrella Fund which is administered by Sanlam Umbrella Fund. The plan is funded by payment from the employer and employees. The Umbrella Fund is managed by the Board of Trustees consisting of professional trustees and a Principal Officer who are usually

practitioners in the retirement fund industry.

Payments to defined contributions retirement benefit plans (Umbrella Fund) are charged as an expense as they fall due.

1.8 Provisions and contingencies

Provisions are recognised when:

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

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

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

A provision is utilised only for expenditures for which the provision was originally recognised. Contingent assets and contingent liabilities are not recognised.

1.9 Revenue recognition

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

Revenue from exchange transactions

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

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

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

Revenue from exchange transactions is measured at fair value of the consideration received or receivable

Revenue from non-exchange transactions

In a non-exchange transaction, NERSA either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

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

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

The following Acts have been reference in this regard:

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

1.10 Interest Income

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

1.11 Comparative figures

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

1.12 Fruitless and wasteful expenditure

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

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

1.13 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been

condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.14 Budget information

NERSA's budget, which covers the fiscal period from 1 April to 31 March, is reviewed and approved annually by the Minister of Energy.

The approved budget is prepared on an accrual basis and presented by economic classification linked to the different programmes.

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

1.15 Related parties

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

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

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

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

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 2019 or later periods:

Standard/ Interpretation	Effective date	Expected impact
GRAP 20: Related parties	No date determined	The statement prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/deficit may have been affected by existence of related parties. It is expected that this standard will impact future disclosures.
GRAP 32: Service Concession Arrangements: Grantor	No date determined	The standard prescribes the accounting for services concession arrangement by the grantor, a public sector entity. It is not expected that this statement will impact future disclosures.
GRAP 108: Statutory Receivables	No date determined	The standard prescribes the accounting requirement for recognition, measurement, presentation and disclosure of statutory receivables. It is expected that this statement will impact future disclosures.
GRAP 109: Accounting by Principals and Agents	No date determined	The standard outlines principles to be used by an entity to assess whether it is a party to a principal agent arrangement, whether it is a principal or an agent arrangement, whether it is a principal or an agent in undertaking transactions in terms of such agreement. It is not expected that this standard will impact future disclosures.
IGRAP 17: Service Concession Arrangement where a grantor controls a significant residual interest in an asset	No date determined	This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. It is not expected that this standard will impact future disclosures.
IGRAP 18: Interpretation of the standard of GRAP on the recognition and derecognition of land.	01 April 2019	This Interpretation provides guidance on when an entity should recognise and derecognition land as an asset in its financial statements. It is not expected that this standard will impact future disclosures.
IGRAP 19: Liabilities of pay levies	01 April 2019	This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. It is not expected that this standard will impact future disclosures.

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
3. Property, plant and equipment						
Land	9 200 000	-	9 200 000	9 200 000	-	9 200 000
Buildings	67 106 321	(14 024 358)	53 081 963	43 897 511	(12 202 308)	31 695 203
Motor vehicles	2 106 631	(1 529 088)	577 543	2 106 631	(1 315 359)	791 272
Office equipment	11 213 782	(5 818 665)	5 395 117	9 695 695	(5 463 885)	4 231 810
IT equipment	12 898 300	(6 391 402)	6 506 898	12 197 382	(4 809 580)	7 387 802
Refurbishment project	8 860 234	-	8 860 234	2 400 433	-	2 400 433
Total	111 385 268	(27 763 513)	83 621 755	79 497 652	(23 791 132)	55 706 520

	Opening balance	Additions	Disposals	Depreciation	Total
Reconciliation of property, plant and equipment - 2018					
Land	9 200 000	-	-	-	9 200 000
Buildings	31 695 203	23 208 811	-	(1 822 050)	53 081 963
Motor vehicles	791 272	-	-	(213 729)	577 543
Office equipment	4 231 810	1 738 951	(28 013)	(547 631)	5 395 117
IT equipment	7 387 802	825 033	(87 487)	(1 618 450)	6 506 898
Refurbishment project	2 400 433	6 459 801	-	-	8 860 234
Total	55 706 520	32 232 596	(115 500)	(4 937 976)	83 621 755

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

Revaluations

The land and buildings are situated at 526 Madiba Street, Arcadia, Pretoria and are stated at the revalued amount. The revaluation is performed every three years except for where there have been material improvement in which case a revaluation exercise will be performed at the end of the year in which case the improvement have been affected. The last revaluation was performed by an independent Professional Valuer on 31 March 2014. The Revaluation of the building has been postponed due to the completion of the building refurbishment project which is expected to be completed during the 2018/19 financial year.

Based on the market conditions, market rental, office space and condition of improvements the value of land and buildings amounted to R 43 415 000 as at 31 March 2014.

Property, plant and equipment includes fully depreciated assets that are still in use with historical costs of R 3 948 154. These assets will be systematically replaced during the refurbishment project.



	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
4. Intangible assets						
Computer software, other	20 565 483	(15 766 257)	4 799 226	20 160 191	(14 663 477)	5 496 714

	Opening balance	Additions	Amortisation	Total
Reconciliation of property, plant and equipment - 2018				
Computer software, other	5 496 714	405 292	(1 102 781)	4 799 227

The addition for the year relates to acquisition of anti-virus software

	Opening balance	Additions	Amortisation	Total
Reconciliation of property, plant and equipment - 2017				
Computer software, other	5 715 928	800 133	(1 019 347)	5 496 714

Figures in Rand	2018	2017
5. Inventories		
Stationery	283 759	186 337
6. Receivables from exchange transactions		
Sundry debtors	54 419	448 401
Accrued bank interest	147 692	275 868
Prepaid expenses	2 569 124	2 676 733
	2 771 235	3 401 002
7. Receivables from non-exchange transactions		
Licence fees and levies	22 649 823	28 137 564
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	9 772	3 070
Bank balances	29 700 971	25 665 070
Short - term investment	179 552 252	165 826 562
	209 262 995	191 494 702
9. Revaluation reserve		
Balance at year end	28 142 725	28 142 725

Figures in Rand		2018		2017	
	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
10. Provisions					
Reconciliation of provisions - 2018					
Performance bonuses	22 014 981	26 725 971	(19 831 163)	(1 817 140)	27 092 649
Reconciliation of provisions - 2017					
Performance bonuses	19 913 079	22 014 981	(19 890 682)	(22 397)	22 014 981

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

11. Payables from exchange transactions		
Trade payables	126 295	111 060
Nominated bonus	136 700	130 450
Accrued leave pay	6 905 910	6 164 577
Other accruals	7 463 280	5 990 366
	14 632 185	12 396 453
12. Payable from non-exchange transactions		
Trade debtor with credit balance	368	9 090
13. Other income		
Sundry Income	60 680	191 188
Profit on disposal of assets	4 625	135 751
	65 305	326 939

Sundry Income for 2018 relates to receipts from the paper recycling company.

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

Figures in Rand	2018	2017
14. Interest income		
Interest received	14 018 773	12 189 709
Interest charged on trade and other receivables	2 449	-
	14 021 222	12 189 709
Interest received has been earned from NERSA's current bank account and the Corporation for Public Deposits account.		
15. Levies		
Licencee fees from Electricity	181 987 841	154 012 303
Levies from Piped-Gas	56 530 360	55 425 537
Levies from Petroleum Pipelines	64 112 731	66 743 172
	302 630 932	276 181 012
16. Employee related costs		
Basic salaries	146 856 051	135 829 867
Performance bonuses	24 908 831	21 992 583
Medical aid	6 778 674	5 746 413
Unemployment insurance fund	391 981	401 118
Leave pay provision charge	1 321 520	1 998 042
Pension fund contributions	15 461 527	13 228 475
Overtime payments	150 145	378 748
Long-service awards	50 000	32 000
Staff Publication incentives	-	45 000
	195 918 729	179 652 246
17. Debt impairment		
Reversal of provision for bad debt	-	(166 420)

Figures in Rand

18. General expenses

	2018	2017
Advertising	11 665 067	10 963 245
Assessment rates & municipal charges	1 012 574	861 876
Auditors remuneration	2 158 838	2 201 211
Bank charges	89 132	130 176
Consulting and professional fees	19 989 966	22 269 278
Catering for meetings	1 576 296	1 533 340
Insurance	622 922	490 329
Stakeholder meetings	414 965	604 532
Lease rentals on operating lease	1 166 642	1 458 302
Information Technology expenses	1 292 232	-
Motor vehicle expenses	221 757	177 814
Postage and courier	221 028	198 519
Printing and stationery	1 477 989	1 420 199
Software expenses	2 949 439	2 446 964
Health and safety and Employee wellness	828 604	961 492
Subscriptions and membership fees	1 486 057	1 201 109
Telephone and fax	601 139	815 757
Training	3 895 981	6 629 615
Travel - costs	15 293 719	17 960 166
Municipal Charges	2 555 239	2 860 669
Learnership programme	718 648	718 491
National/International Initiatives	142 937	-
Knowledge Centre	2 978 894	2 918 215
Public Hearings	2 143 069	-
Study fees	1 184 959	912 373
Office Operations	1 198 975	1 411 676
Repairs and maintenance	5 945 745	5 944 518
	83 832 813	87 089 866

Figures in Rand	2018	2017
19. Auditors' remuneration		
External auditors	2 158 838	2 201 211
20. Cash generated from operations		
Surplus for the year	31 661 277	17 454 186
Adjustments for:		
Depreciation and amortisation	5 304 640	4 485 928
Loss on sale of assets	-	181 854
Movements in provisions	5 077 668	2 101 902
Changes in working capital:		
Inventories	(97 422)	1 284
Receivables from exchange transactions	629 767	(481 008)
Receivables from non-exchange transactions	5 487 741	8 776 408
Payables from exchange transactions	2 235 732	(9 906 929)
Payable from non exchange transactions	(8 722)	9 090
	50 290 681	22 622 715

Figures in Rand	2018	2017
21. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Computer hardware and software	586 887	154 047
• Buildings	1 029 124	4 206 351
• Office furniture	4 233 397	-
	5 849 408	4 360 398
Authorised operational expenditure		
Goods and services	35 090 078	26 855 126
Operating leases - as lessee (expense)		
Minimum lease payments due		
• within one year	680 541	1 166 642
• in second to fifth year inclusive	-	680 541
	680 541	1 847 183
The lease obligation relates to a rental agreement for the use of multifunctional printers for the period of 36 months beginning 01 November 2015 to 31 October 2018.		
Operating leases - as lessor (income)		
Minimum lease payments due		
• within one year	46 354	58 997
• in second to fifth year inclusive	209 781	267 001
	256 135	325 998

The minimum future lease receipts are in respect of the use of NERSA premises. The contract was amended in November 2017 due to the reduction in the office space that the lessee is occupying.

22. Contingent liabilities

There is a contingent liability that comprises the accumulated surpluses as at 31 March 2018. A request for the retention of the previous year's accumulated surplus of R 221 859 590 has been approved by National Treasury. A request to retain the accumulated surplus as at 31 March 2018 will be submitted to National Treasury when the annual financial statements for the year ended 31 March 2018 have been approved by the Energy Regulator.

23. Related parties

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

24. Remuneration of Regulators and Executive Management

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

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

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

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

**** Appointed 16 January 2018.

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

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

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

*** Resigned 31 December 2016.

**** Term ended 30 June 2016.

***** Appointed FTRM: Petroleum Pipelines from 09 January 2017.

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

24. Remuneration of Regulators and Executive Management (continued)

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

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

** Term ended 31 March 2018.

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
Part time regulator members - 2017				
J Modise	256 166	32 941	109 556	398 663
M Nkomo	293 706	16 307	78 691	388 704
K Mthimunya	250 934	12 915	79 383	343 232
F Sibanda	294 906	33 738	76 755	405 399
Y Adam *	67 844	7 274	53 070	128 188
	1 163 556	103 175	397 455	1 664 186

* Appointed 01 August 2016.

24. Remuneration of Regulators and Executive Management (*continued*)

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

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

Figures in Rand	Scheduled meetings	Special assignments	Reimbursive and other allowances	Total
External members - 2017				
T Mashanda	28 236	2 352	3 220	33 808
J Meissner	23 530	-	3 068	26 598
G Jiyane	37 648	-	2 700	40 348
M Ndlovu	51 988	12 196	2 700	66 884
N Chonco	52 048	12 669	2 700	67 417
	193 450	27 217	14 388	235 055

24. Remuneration of Regulators and Executive Management (continued)

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

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

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

*** Appointed 07 July 2017.

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

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

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

** Appointed FTRM Petroleum Pipelines on 01 July 2016.

*** Appointed FTRM Electricity on 09 January 2016.

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

***** Resigned 02 November 2016.

25. Prior period error

Certain comparative figures have been reclassified. The restatements are with regard to an amount of R 448 401 owed by employee, office rent debtor and regulator members previously classified as receivables from non-exchange transaction to receivables from exchange transaction as well as an amount of R 6 164 577 for leave balances due at year end previously classified as provision to accrual.

26. Risk management

Financial risk management

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

Liquidity risk

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

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

Figures in Rand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2018				
Payables from exchange transactions	14 632 185	-	-	-
Payables from non-exchange transactions	368	-	-	-
Provisions	27 092 649	-	-	-
At 31 March 2017				
Payables from exchange transactions	12 396 453	-	-	-
Payables from non-exchange transactions	9 090	-	-	-
Provisions	22 014 981	-	-	-

Credit risk

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

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

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

Figures in Rand	2018	2017
Financial instrument		
Receivables from exchange transactions	2 771 235	3 401 002
Receivables from non-exchange transaction	22 649 823	28 137 564

Interest rate risk

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

Figures in Rand	Weighted average rate of interest %	One year or less	Non-interest
2018			
Cash	- %	-	9 772
Short-term investment	7,33 %	179 552 252	-
Current account	5,06 %	29 700 971	-
2017			
Cash	- %	-	3 070
Short-term investment	7,36 %	165 826 562	-
Current account	5,25 %	25 665 070	-

Figures in Rand

2018

2017

27. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. Events after the reporting date

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

29. Fruitless and wasteful expenditure

Opening Balance	-	-
Add: Fruitless and wasteful expenditure - Current year	10 293	27 230
Less: Amount written off	(10 293)	(27 230)
	-	-

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

The amount for 2017 relates to the cancellation of international trips due to the implementation of cost containment measure for on international conferences.

Figures in Rand

2018

2017

30. Irregular expenditure

Opening balance	4 795 003	4 610 398
Add: Irregular Expenditure - current year	140 106	184 605
	4 935 109	4 795 003

Analysis of expenditure awaiting condonation per age classification

Awarding of a quotation to a supplier whose tax clearance had expired	-	184 605
Services rendered by a consultant without prior approval	23 612	-
Procurement of promotional material not on existing contract	84 004	-
Procurement of a staff competency assessment report without prior approval	32 490	-
	140 106	184 605

Details of irregular expenditure

- Non-compliance with delegation of authority
- Non-compliance with delegation of authority
- Non-compliance with delegation of authority
- Awarding of quotation to a supplier whose tax clearance had expired
- FTRM remuneration should be approved by the Minister of Energy in concurrence with the Minister of Finance.
- The Minister of Energy re-appointed three FTRM and delegated the Energy Regulator to negotiate the remuneration of FTRM.
- The Minister also appointed a new FTRM CEO on 01 May 2011.
- The Energy Regulator implemented the salary increase effective from 01 April 2011 without the approval of the Minister of Energy.

Condoning authority/Disciplinary steps

- Under investigation.
- Under investigation.
- Under investigation.
- Condonation application was submitted to National Treasury on 11 December 2017.
- The Energy Regulator requested condonation from the Minister of Energy of 25 March 2013.
- On 19 March 2014 the Minister of Energy approved the condonation subject to the concurrence of the Minister of Finance.
- On 30 July 2014 the Minister of Finance did not support the condonation. From 01 April 2015 FTRM salaries were frozen. All affected FTRM are no longer employed by NERSA.
- NERSA has submitted a second request for condonation in terms of the Treasury Regulations to the Minister of Energy on 15 February 2017.

23 612
84 004
32 490
184 605
4 610 398
4 935 109



31. Budget differences

Material differences between budget and actual amounts

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

Changes from the approved budget to the final budget

There are no changes between the approved and final budget.





Kulawula House, 526 Madiba Street | P.O. 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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