



The Presidency
Department of Performance Monitoring and Evaluation

**OVERVIEW OF PROGRESS MADE BY THE
DEPARTMENT OF ENERGY WITH RESPECT TO
COMMITMENTS TO OUTCOMES**

Presentation to Energy Portfolio Committee

National Assembly

12 October 2011

Introduction

- The President created the Department of Performance Monitoring and Evaluation in the Presidency to:
 - Facilitate the development of plans for the cross cutting priorities or outcomes of government and monitor and evaluate the implementation of these plans
 - Monitor the management performance of individual national and provincial government departments and municipalities, in partnership with the Offices of the Premier, which will be starting in November 2011
 - Monitor frontline service delivery in partnership with the Offices of the Premier
 - Carry out evaluations
 - Promote good M&E practices in government
 - Implement interventions to address blockages in delivery, in partnership with delivery institutions
- DPME has not yet been given a function of assessing Department's Annual Reports, which are submitted to Parliament
- Presentation will therefore focus on performance of Department of Energy w.r.t. the relevant outcomes



The outcomes are the government's main initiative to achieve effective spending on the right priorities.

- Aim is to improve service delivery by:
 1. Introducing whole-of-government planning linked to key outcomes, clearly linking inputs and activities to outputs and the outcomes
 2. Implementing the constitutional imperative for cooperative governance by negotiating inter-departmental and inter-governmental delivery agreements for the outcomes
 3. Increasing strategic focus of government
 4. Making more efficient and effective use of limited resources through introducing more systematic monitoring and evaluation



The 12 outcomes

1. **BASIC EDUCATION:** Quality basic education
2. **HEALTH:** A long and healthy life for all South Africans
3. **SAFETY:** All people in South Africa are and feel safe
4. **EMPLOYMENT:** Decent employment through inclusive economic growth
5. **SKILLS:** Skilled and capable workforce to support an inclusive growth path
6. **ECONOMIC INFRASTRUCTURE:** An efficient, competitive and responsive economic infrastructure network
7. **RURAL DEVELOPMENT:** Vibrant, equitable, sustainable rural communities contributing towards food security for all
8. **INTEGRATED HUMAN SETTLEMENTS:** Sustainable human settlements and improved quality of household life
9. **LOCAL GOVERNMENT:** Responsive, accountable, effective and efficient Local Government system
10. **ENVIRONMENT:** Protect and enhance our environmental assets and natural resources
11. **INTERNAL AND EXTERNAL RELATIONS:** Create a better South Africa, a better Africa and a better world
12. **PUBLIC SERVICE:** An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship



Delivery Agreements

A Delivery Agreement is a charter between all the key stakeholders who need to work together to achieve the outcome.

- Performance Agreements between President and outcome coordinating Ministers requested them to work with other key stakeholders to develop detailed Delivery Agreements for each outcome
 - Delivery Agreements describe key activities, sub-outputs, outputs, indicators, and targets , identify required inputs and clarify roles and responsibilities of each key body which contributes to the achievement of the outcome
- Performance Agreements between President and other Ministers also requested them to work with the coordinating Ministers on relevant delivery agreements
- New National Treasury guidelines for strategic plans indicate that departments' strategic plans and APPs must reflect their commitments to delivery agreements – will be monitored by the Auditor General and should also be monitored by Parliament



Department of Energy's role in relation to the outcomes

Outcome 6: An Efficient, Competitive and Responsive Economic Infrastructure Network

- **Output 1:** Improving competition and regulation
- **Output 2: Ensure reliable generation, distribution and transmission of electricity**
- **Output 3:** To ensure the maintenance and strategic expansion of our road and rail network, and the operational efficiency, capacity and competitiveness of our sea ports
- **Output 4:** Maintenance and supply availability of our bulk water infrastructure
- **Output 5:** Communication and information technology
- **Output 6:** Develop a set of operational indicators for each segment



Outcome 9: Responsive, accountable, effective and efficient Local Government system

- **Output 1:** Implement a differentiated approach to municipal financing, planning and support
- **Output 2: Improving Access to Basic Services**
- **Output 3:** Implementation of the Community Work Programme
- **Output 4:** Actions supportive of the human settlement outcomes
- **Output 5:** Deepen democracy through a refined Ward Committee model
- **Output 6:** Administrative and financial capability
- **Output 7:** Single Window of Coordination



Outcome 10: Protect and enhance our environmental assets and natural resources

- **Output 1:** Quality and quantity of water resources enhanced
- **Output 2:** Greenhouse gas emissions reduced, climate change impacts mitigated & air/atmospheric quality improved
- **Output 3:** Sustainable environment management
- **Output 4:** Biodiversity protected



Overall progress against the outcomes

OUTPUT 2 OF OUTCOME 6	Colour Code
2.1 Create regulatory and institutional structures for the introduction of viable Independent Power Producers (IPP) and start process for the participation of IPPs in 2010	Yellow
2.2 Develop a funding and implementation plan and reduce the electricity distribution infrastructure maintenance backlogs of R27.4bn to R15bn by 2014	Yellow
2.3 Household access to electricity should be 92% by 2014	Green
2.4 Develop a funding model for Electricity Generation/build programme to ensure security of supply	Green
2.5 Long-term energy mix diversification to address the security of energy supply and requirements for renewable energy	Yellow
2.6 Coal Haulage Logistics	Green
2.7 Electricity Distribution Industry (EDI) restructured	Yellow
2.8 Setting cost reflective tariffs while cushioning the poor from increasing electricity costs	Green
Suboutputs which are on track and require no interventions.	Green
Suboutputs which are either proceeding slower than targeted or which face impediments requiring intervention	Yellow
Suboutputs which are either substantially behind timelines or which face impediments which will require urgent intervention at the Ministerial or Cabinet level	Red



OUTPUT 2 OF OUTCOME 9	Colour Code
2.4 Increased access to basic electricity	Green

OUTPUT 2 OF OUTCOME 10	Colour Code
2.2 Renewable energy deployed	Green
2.5 Efficient energy use	Yellow



Progress on Outcome 6 Output 2: Ensuring reliable generation, distribution and transmission of energy

Sub-output	Targets	Progress reported in June 2011	DPME comments
2.1 Create regulatory and institutional structures for the introduction of viable Independent Power Producers (IPPs) and start process for the participation of IPPs in 2010	<p>Legislation for the introduction of ISMO introduced by 2011</p> <p>Ring-fenced ISMO functions within Eskom with approved appropriate governance structures established by 2010</p>	<p>The Independent System and Market Operator (ISMO) Bill has been taken through Cabinet and has been gazetted, and is now being considered by Parliament</p> <p>Risk Allocation Matrix for power purchase agreements finalised</p>	Eskom to provide implementation plan for ring-fencing of ISMO
2.2 Develop a funding and implementation plan and reduce the electricity distribution infrastructure maintenance backlog of R27.4bn to R15bn by 2014	Funding and implementation plan in place by March 2011	Cabinet memorandum on the approach to distribution asset management (ADAM) to be submitted in October 2011	Actual funding of maintenance of municipal electricity distribution infrastructure remains a challenge. Resolution of this issue requires the collaboration of municipalities, NERSA, National Treasury and development finance institutions.



Sub-output	Targets	Progress reported in June 2011	DPME comments
2.3 Household access to electricity should be 92% by 2014	Targets for 11/12: (1) 180 000 households electrified (2) 500 schools electrified (3) 10 000 solar electricity home systems installed	A total of 17 480 households were electrified by municipalities and a total of 29 767 households were electrified by Eskom in the period from April to June 2011 1680 schools were electrified in the same period 4 655 solar electricity home systems have been installed during the period DoE has put in place an electrification strategy for informal settlements	
2.4 Develop a funding model for electricity generation build programme to ensure security of supply	Funding model in place December 2011	Funding model developed and submitted to Cabinet	Good progress has been made for securing funding for the new coal fire power stations and the return to service of the moth-balled power stations, but funding model for the nuclear build programme still to be finalised
2.5 Long-term energy mix diversification to address the security of energy supply and requirements for renewable energy	(1) Extend IRP, covering 25 year window by December 2010 (2) Accelerated 1 million Solar Water Heaters roll-out by 2013 (DoE, DPE, NT) (3) Demand Side Management (6 TWH saving in 11/12)	The Integrated Resource Plan was approved by Cabinet in March 2011. Various aspects of the IRP are being implemented (co-generation, renewable energy procurement programme). Other aspects e.g. nuclear will be presented to Cabinet for consideration in the period July-September. For the 10/11 financial year, 115 000 solar water heaters were installed, against a target of 200 000 for the year. Progress has been made in introducing a policy for Energy Efficiency Demand Side Management.	The solar water heating installation programme is a little behind schedule. More attention needs to be paid to reporting on, and increasing actual demand-side savings.



Sub-output	Targets	Progress reported in June 2011	DPME comments
2.6 Rehabilitate coal haulage roads (joint responsibility with DPE and DoT)	128.4 km coal haulage roads rehabilitated by 2011	<p>40% of coal haulage roads rehabilitated between April and June 2011.</p> <p>MOU between Eskom, Mpumalanga DPWRT and Gauteng DRT signed.</p> <p>Service Level Agreement (SLA) between SANRAL, the Mpumalanga (DPWRT), Gauteng DRT signed.</p> <p>Eskom has started migrating coal haulage from road to rail in Mpumalanga</p>	
2.7 Restructuring of the electricity distribution industry	Decision on the end state of EDI Holdings by 2011	The decision on EDI Holdings has been finalised by Cabinet, which was the first step in addressing uncertainties relating to the maintenance of electricity distribution infrastructure	Despite the progress reported, the problem of the backlog of maintenance of electricity distribution infrastructure at municipal level still needs to be addressed
2.8 Setting cost reflective tariffs while cushioning the poor from increasing electricity costs	Develop targeting framework for qualifying beneficiaries in collaboration with municipalities by 2011	<p>Indigent customers have been cushioned from increasing electricity tariffs. Prepaid meters within Eskom areas have been reconfigured in line with the Inclining Block Tariff framework.</p> <p>This is being extended to municipalities starting with the Metros.</p>	Government programme of installation of free solar geysers and free replacement of incandescent lightbulbs with CFL's in poor households helps to reduce consumption of electricity of the poor and therefore allows FBE (free basic electricity) of 50KWH to go a longer way in covering the monthly electricity costs of poor households.



Progress on Outcome 9: Output 2: Improve access to basic services

Sub-output	Targets	Progress reported in June 2011	DPME comments
2.4 Increased access to basic electricity	Support the delivery of electricity bulk infrastructure through the provision of grant funding for the upgrading of electricity reticulation by 2014 Provide grant funding to build and upgrade 40 substations by 2014 (10 per annum)	Of the 10 substations planned for 2010/11 (5 upgrades and 5 new), 4 of the new substations and 3 of the upgrades are complete. The other 3 (1 new and 2 upgrades) are still under construction. Of the 10 substations planned for 2011/12 (2 upgrades and 8 new): 1 new is completed, 1 new substation is at 95% completion, 2 at 70% and 3 at 50%. 1 has not yet started. The 2 upgrades are completed but yet to be energised.	
	Provide grant funding to build 1560 km MV lines by 2014	Of the 375 km MV lines planned for 2010/11, 300 km was completed. DoE reported that it was in the initial stages in the process to commence with the building of another 300 km MV lines for the 2011/12 period .	The achievements are a little behind the targets.



Progress on Outcome 10: Output 2: Reduce greenhouse gas emissions reduced, climate change impacts mitigated & air/atmospheric quality improved

Sub-output	Targets	Progress as reported to date	DPME comments
2.2 Renewable energy deployed	Percentage of power generated that is renewable (10 000 G/W per hours by 2014)	<p>The Integrated Resource Plan was approved by Cabinet in March 2011 that addresses in detail the country's energy generation targets for 2010-2030. The IRP contains a significant percentage of renewable energy as part of the national energy mix.</p> <p>The Departments of Energy, Trade and Industry and Public Enterprises are cooperating in establishing the South African Renewables Initiative, the aim of which is facilitate the delivery of the envisaged renewable energy generation capacity with optimal involvement and development of local industries, and job creation. An institution has been established to commercialise South African renewable energy technology.</p> <p>The Department has made good progress in finalising processes to enable wide participation in renewable energy generation. Over 500 suppliers attended the Renewable Energy conference in September and bids on are closing on 4 November and bids for over 1800 MW are expected.</p>	
2.5 Efficient energy use	12% energy efficiency improvement by 2015	<p>The review of the National Energy Efficiency Strategy (NEES) is in process.</p> <p>Work on finalisation of the Energy Conservation Scheme (ECS) is underway.</p> <p>The energy efficiency regulations have been drafted in respect of energy efficiency savings which provide for a tax allowance.</p>	Despite the progress listed, more attention needs to be paid to reducing electricity demand and increasing the efficiency of electricity use, and reporting on the actual reductions

