

# ANNUAL REPORT

2019/2020

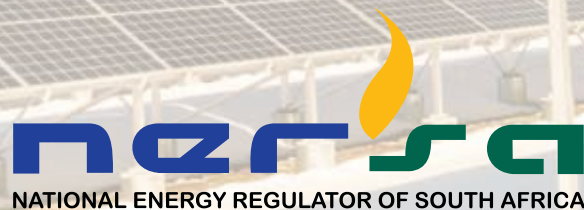


## VISION

To be a recognised world-class leader in energy regulation

## MISSION

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



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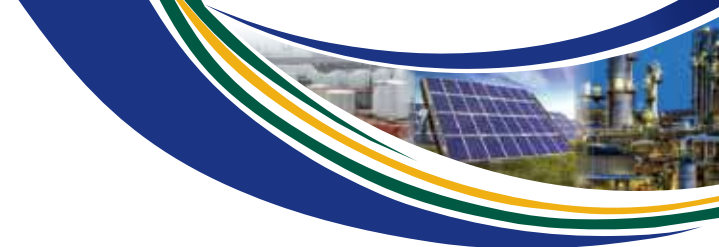
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# **PART A**

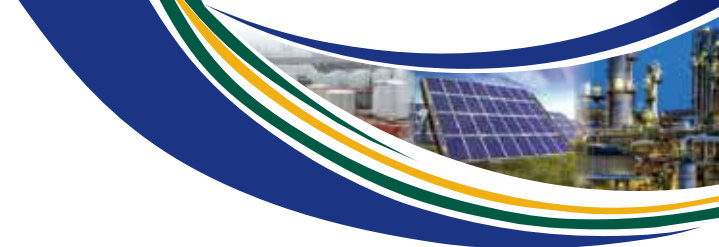
## **GENERAL INFORMATION**



## 1. GENERAL INFORMATION

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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

<b>AFS</b>	ANNUAL FINANCIAL STATEMENTS	<b>EPP</b>	ELECTRICITY PRICING POLICY
<b>AFUDC</b>	ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	<b>ER</b>	ENERGY REGULATOR (THE ACCOUNTING AUTHORITY)
<b>AFUR</b>	AFRICAN FORUM FOR UTILITY REGULATORS	<b>EWSETA</b>	ENERGY AND WATER SECTOR EDUCATION AND TRAINING AUTHORITY
<b>AGM</b>	ANNUAL GENERAL MEETING	<b>EXCO</b>	EXECUTIVE COMMITTEE
<b>AMEU</b>	ASSOCIATION OF MUNICIPAL ELECTRICITY UTILITIES	<b>FAQ</b>	FREQUENTLY ASKED QUESTIONS
<b>ARC</b>	AUDIT AND RISK COMMITTEE	<b>FIC</b>	FINANCE COMMITTEE
<b>B-BBEE</b>	BROAD-BASED BLACK ECONOMIC EMPOWERMENT	<b>FTRM</b>	FULL-TIME REGULATOR MEMBER
<b>CAM</b>	COST ALLOCATION MANUAL	<b>GIS</b>	GEOGRAPHIC INFORMATION SYSTEM
<b>CEO</b>	CHIEF EXECUTIVE OFFICER	<b>GJ/a</b>	GIGAJoule PER ANNUM
<b>CNG</b>	COMPRESSED NATURAL GAS	<b>GRAP</b>	GENERALLY RECOGNISED ACCOUNTING PRACTICE
<b>COSO</b>	COMMITTEE OF SPONSORING ORGANISATIONS OF THE TREADWAY COMMISSION	<b>GW</b>	GIGAWATT
<b>COUE</b>	COST OF UNSERVED ENERGY	<b>HR</b>	HUMAN RESOURCES
<b>CPI</b>	CONSUMER PRICE INDEX	<b>HRRC</b>	HUMAN RESOURCES AND REMUNERATION COMMITTEE
<b>CSIR</b>	COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH	<b>IEA</b>	INTERNATIONAL ENERGY AGENCY
<b>CWIP</b>	CONSTRUCTION WORK IN PROGRESS	<b>INEP</b>	INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME
<b>DMRE</b>	DEPARTMENT OF MINERAL RESOURCES AND ENERGY	<b>IPP</b>	INDEPENDENT POWER PRODUCER
<b>DoE</b>	DEPARTMENT OF ENERGY	<b>IRP</b>	INTEGRATED RESOURCE PLAN
<b>EAP</b>	ECONOMICALLY ACTIVE POPULATION	<b>LNG</b>	LIQUEFIED NATURAL GAS
<b>EE<sup>1</sup></b>	EMPLOYMENT EQUITY	<b>LPG</b>	LIQUEFIED PETROLEUM GAS
<b>EE<sup>2</sup></b>	ENERGY EFFICIENCY	<b>MIRTA</b>	MINIMUM INFORMATION REQUIREMENTS FOR TARIFF APPLICATIONS
<b>ELS</b>	ELECTRICITY SUBCOMMITTEE		

<b>MSCOA</b>	MUNICIPAL STANDARD CHART OF ACCOUNTS	<b>REIPP</b>	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER
<b>MW</b>	MEGAWATT	<b>REIPPP</b>	RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME
<b>MYPD</b>	MULTI-YEAR PRICE DETERMINATION	<b>RERA</b>	REGIONAL ELECTRICITY REGULATORS ASSOCIATION OF SOUTHERN AFRICA
<b>NDP</b>	NATIONAL DEVELOPMENT PLAN	<b>RIA</b>	REGULATORY IMPACT ANALYSIS
<b>NEHAWU</b>	NATIONAL EDUCATION, HEALTH AND ALLIED WORKERS UNION	<b>ROMPCO</b>	REPUBLIC OF MOZAMBIQUE PIPELINE INVESTMENT COMPANY (PTY) LIMITED
<b>NERSA</b>	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (THE ORGANISATION)	<b>RPP</b>	RENEWABLE ENERGY POWER PLANT
<b>NFI</b>	NON-FINANCIAL INFORMATION	<b>RRM</b>	REGULATORY REPORTING MANUALS
<b>NMPP</b>	NEW MULTI-PRODUCT PIPELINE	<b>SA</b>	SOUTH AFRICA
<b>OECD</b>	ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT	<b>SADC</b>	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
<b>OHSA</b>	OCCUPATIONAL HEALTH AND SAFETY ACT	<b>SAHRC</b>	SOUTH AFRICAN HUMAN RIGHTS COMMISSION
<b>PAIA</b>	PROMOTION OF ACCESS TO INFORMATION ACT	<b>SALGA</b>	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
<b>PAJA</b>	PROMOTION OF ADMINISTRATIVE JUSTICE ACT	<b>SAQA</b>	SOUTH AFRICAN QUALIFICATIONS AUTHORITY
<b>PFMA</b>	PUBLIC FINANCE MANAGEMENT ACT	<b>SCOA</b>	STANDARD CHART OF ACCOUNTS
<b>PGS</b>	PIPED-GAS SUBCOMMITTEE	<b>SMART</b>	SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC AND TIME-BOUND
<b>PPA</b>	POWER PURCHASE AGREEMENT	<b>SSEGS</b>	SMALL-SCALE EMBEDDED GENERATORS
<b>PPC</b>	PARLIAMENTARY PORTFOLIO COMMITTEE	<b>SSLING</b>	SMALL-SCALE LIQUEFIED NATURAL GAS
<b>PPI</b>	PRODUCER PRICE INDEX	<b>TNPA</b>	TRANSNET NATIONAL PORTS AUTHORITY
<b>PPS</b>	PETROLEUM PIPELINES SUBCOMMITTEE	<b>USA</b>	UNITED STATES OF AMERICA
<b>PV</b>	PHOTOVOLTAIC	<b>WEO</b>	WORLD ENERGY OUTLOOK
<b>RCA</b>	REGULATORY CLEARING ACCOUNT	<b>WSP</b>	WORK PLACE SKILLS PLAN
<b>RE</b>	RENEWABLE ENERGY		
<b>REC</b>	REGULATOR EXECUTIVE COMMITTEE		

## 3. STRATEGIC OVERVIEW

### 3.1 Vision

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

### 3.2 Mission

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

### 3.3 Values

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

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

### 3.4 Regulatory Principles

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

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

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

### 3.5 Strategic outcome-oriented goals

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

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



## 4. LEGISLATIVE AND OTHER MANDATES

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

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

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

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

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

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

- the Constitution of the Republic of South Africa;
- the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'), which

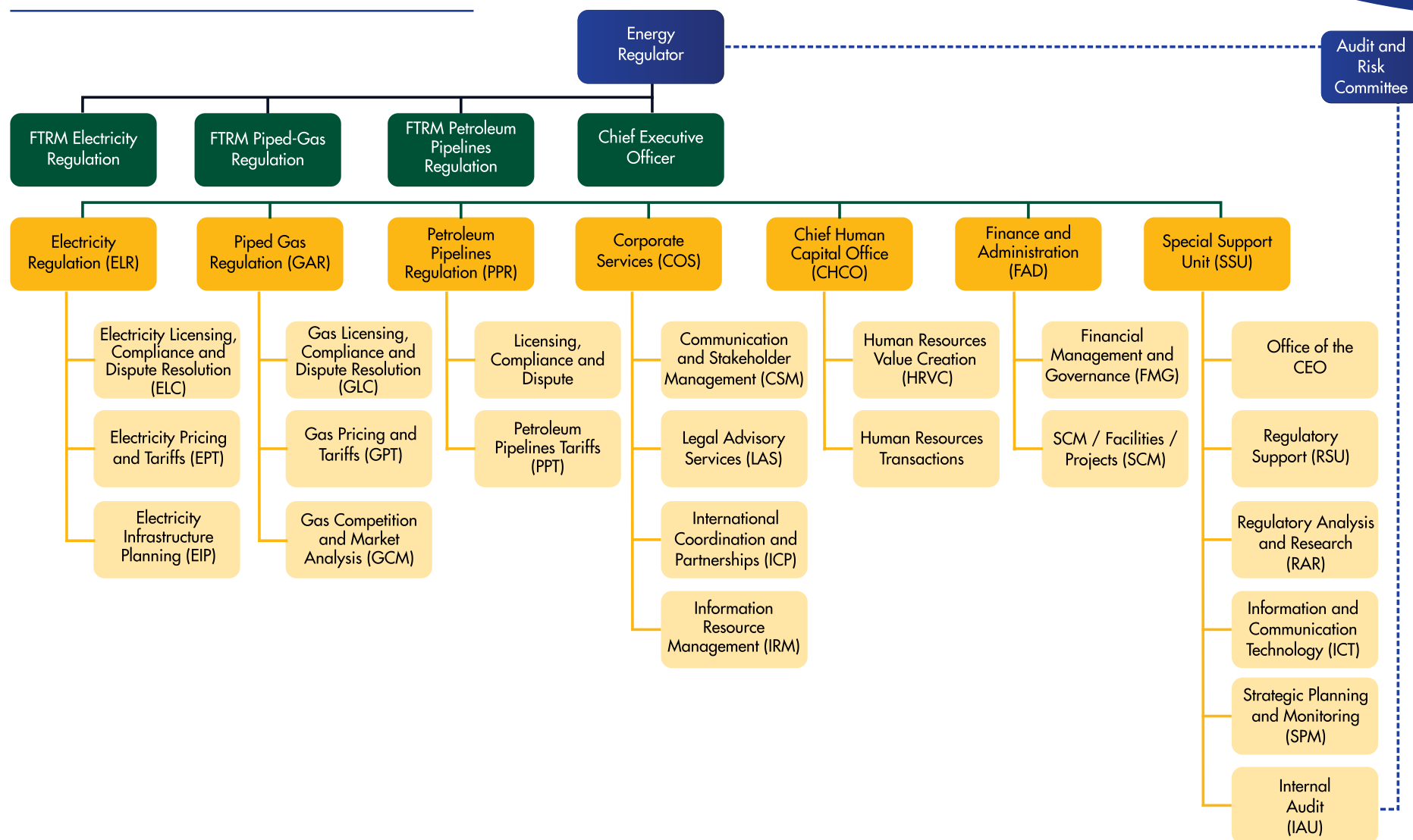
- specifies the accounting of NERSA as a Section 3 Public Entity;
- the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'), which determines the way that NERSA has to treat access to information; and
- the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ('PAJA'), 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 Mineral Resources and 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:

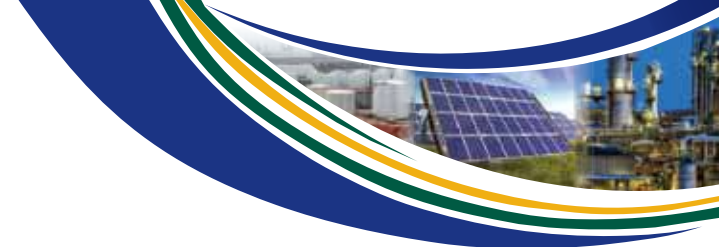
- White Paper on Energy Policy for South Africa of 1998;
- Electricity Pricing Policy (EPP) of the South African Electricity Supply Industry;
- Free Basic Electricity Policy;
- White Paper on Renewable Energy Policy for South Africa of 2003;
- Energy Security Master Plan: Liquid Fuels published by the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

## 5. ORGANISATIONAL STRUCTURE



The organisational structure of NERSA is as outlined on page 14. The table below provides high-level details on the composition of the structure and depicts the Full-Time Regulator Members (FTRMs), Part-Time Regulator Members (PTRMs), 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. It also reflects the dual reporting of the Internal Audit Unit (IAU) to the CEO and to the Audit and Risk Committee (ARC), as well as the ARC reporting to the Energy Regulator.

Name	Position	Programme Involvement
Jacob Modise	Chairperson (Part-Time Regulator Member)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Maleho Nkomo	Deputy Chairperson (Part-Time Regulator Member)	
Christopher Forlee	Full-Time Regulator Member & Chief Executive Officer	
Yusuf Adam	Part-Time Regulator Member	
Fungai Sibanda	Part-Time Regulator Member	
Nomfundo Maseti	Full-Time Regulator Member responsible for Piped-Gas and Electricity	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Muzi Mkhize	Full-Time Regulator Member responsible for Petroleum Pipelines Regulation	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
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)



Name	Position	Programme Involvement
Xolile Mtwa	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)
Brian Sechotlho	Acting Executive Manager: Electricity (from 1 April to 31 October 2019)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Dennis Seemela	Acting Executive Manager: Electricity (from 1 November 2019)	Programme 1: Setting and/or approval of tariffs and prices Programme 2: Licensing and registration Programme 3: Compliance monitoring and enforcement Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints Programme 5: Setting of rules, guidelines and codes for the regulation of the three energy industries Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nomalanga Sithole	Executive Manager: Corporate Services	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Paseka Nku	Chief Human Capital Officer (resigned 31 January 2020)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Sello Hlobelo	Acting Chief Human Capital Officer (from 1 February 2020)	Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)
Nthupheni Ragimana	Acting Chief Financial Officer (from 1 March 2019)	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 Sikhosana	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 latest Annual Report (1 April 2019 to 31 March 2020) on behalf of the National Energy Regulator of South Africa (NERSA).



Looking back on another successful – albeit challenging – year, I would like to express my appreciation to all members and staff of the Energy Regulator for their hard work throughout this period, especially when our country and the rest of the world grappled with the impact of COVID-19 at the end of the financial year. It took a huge collective effort to help government and society cope with this situation. It was vital that we all applied discipline and adhered to the government's guidance of social distancing, cutting-out non-essential travel and adopting strict hygiene practices.

Following President Cyril Ramaphosa's announcements of the National State of Disaster on 15 March 2020 as well as the nationwide lockdown from midnight on 26 March 2020, we ensured that certain protocols were put in place and in pursuance of ensuring the safety of NERSA staff, it was decided to allow staff to work from home. However, processes were put in place to ensure that the organisation's operational requirements were never compromised in any way. Also, supported by technology, NERSA entered the virtual realm by conducting meetings online.

The availability of reliable, affordable and clean energy plays a central and crucial role in sustainable economic and social development. As usual, the NERSA Annual Report reflects the positive impact of the organisation on economic growth, job creation and social development in South Africa. In all of its primary activities – licensing, setting and approving prices and tariffs; monitoring and enforcing compliance; and resolving disputes in the electricity, piped-gas and petroleum pipelines industries – NERSA adheres to the regulatory principles of transparency, neutrality, consistency and predictability, independence, accountability, integrity, efficiency and public interest in all the energy industries that it regulates.

In view of the above, allow me to reflect on some of NERSA's main achievements for the period under review.

As far as electricity industry regulation is concerned, NERSA received Eskom's 2018/19 Regulatory Clearing Account (RCA) application on 8 August 2019. On receipt of the application, it was screened for compliance with both the Fourth Multi-Year Price Determination (MYPD4) Methodology and the Minimum Information Requirements for Tariff Applications (MIRTA) requirements. On 13 November 2019, Eskom submitted a revised application after several interactions with NERSA. On 19 November 2019, full compliance with the MYPD4 and MIRTA requirements was confirmed, after all outstanding information was submitted by Eskom.

The RCA is a correction mechanism of the MYPD, where excess or inadequate returns are managed. It consists of the variance between the actuals for the full financial year and what was allowed in the MYPD decision of the Energy Regulator. By design, the RCA is backward-looking and deals with actuals and facts.

In line with NERSA's commitment to being transparent and broadening public participation in its decision-making process, public hearings were held countrywide. Written stakeholder comments were also received from individuals, small users, intensive users, government departments, trade unions and other stakeholders.

A highly informative and successful stakeholder education workshop was held to discuss the procedure, legal requirements and regulatory processes for the licensing and registration of small-scale embedded generators (SSEGs). The workshop was aimed at clarifying NERSA's regulatory processes and requirements for the licensing and registration of SSEGs in line with the published Licensing Exemption and Registration notice that was gazetted in 2017 by the Minister of Mineral Resources and Energy, in accordance with section 9(1) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), as well as the approved deviation from the Integrated Resource

Plan (IRP) 2010–2030 for the licensing of operation for generation facilities ranging from above 1MW to 10MW, which was issued by the Minister in May 2019.

The **piped-gas industry** continued to witness growth and progress in specific areas, including the licensing of the first Small-Scale Liquefied Natural Gas (SSLNG) project in the country. Located in the Western Cape province, the project is well placed to serve as a catalyst for gas supply to an area that has had no access to natural gas in the recent past. It is also poised to stimulate the development of further SSLNG infrastructure in the country with significant opportunities for diversification of the energy mix.

The Energy Regulator also completed the review of the Methodology for Approval of Maximum Prices of gas, paving the way for NERSA to resume its key regulatory function of approving maximum prices of gas in line with section 21(1)(p) of the Gas Act, 2001 (Act No 48 of 2001). For a time, NERSA was unable to approve maximum prices of gas, following the Constitutional Court judgement that criticised the use of the price indicators approach in the previous Methodology. The completion of the new Methodology also marked an important milestone where NERSA will be using a Methodology that is in line with international best practices, while also adhering to the guidance provided by the Constitutional Court in relation to how maximum prices ought to be regulated in a market characterised by a monopolist supplier.

The Energy Regulator also considered and approved tariffs for the Republic of Mozambique Pipeline Investment Company (Pty) Limited (ROMPCO) and Sasol Gas. As part of its compliance monitoring efforts, the Energy Regulator continued to monitor compliance with all approved maximum prices and tariffs. Regular compliance inspections and audits were also conducted on various licensed facilities to ensure compliance with licence conditions.

The Energy Regulator further completed, on behalf of the Regional Electricity Regulators' Association (RERA), a report on the status of gas and petroleum regulation within the Southern Africa Development Community (SADC) region. The

report focused mainly on the regulatory environment for gas and petroleum in nine participating states within the SADC region. Engagements were also held with Mozambican authorities in order to foster relations and facilitate the harmonisation of cross-border regulatory processes between South Africa and Mozambique.

The year under review also saw increased volumes of gas supplied from Mozambique in line with the increased capacity that came with the addition of Loopline 2, which delivers gas from Mozambique to South Africa, onto the ROMPCO pipeline.

In the **petroleum pipelines industry regulation**, the Energy Regulator considered and finalised 23 licence applications. These included construction licences applications, as well as applications to amend licence conditions and to revoke licences issued previously. The approval of two construction licences for new petroleum facilities will assist in alleviating storage capacity constraints in the country.

As part of monitoring and enforcing the conditions of licences, the Energy Regulator has ensured that the licensees' level of compliance is closely monitored.

The licensees' compliance with their respective construction licence conditions were also closely monitored. This allows NERSA to identify the reason for delays in commencement of actual construction activities for licensed projects, and note challenges faced by licensees as a result of other authorisations and regulatory approvals needed. This close monitoring resulted in only one active project achieving commissioning.

It is worth noting that although no formal complaints were lodged for NERSA to investigate, NERSA continued to closely monitor uncommitted storage capacity and universal access to loading facilities and pipelines to facilitate third-party access by new entrant players to the licensed petroleum infrastructure. In an effort to facilitate transformation and third-party access, NERSA hosted an Awareness Workshop in Durban, which was well attended by Broad-Based Black Economic Empowerment (B BBEE) companies and new entrants. NERSA also participated in the awareness

campaigns organised by the Department of Mineral Resources and Energy (DMRE) in Giyani and Johannesburg, held on 12 September 2019 and 4 October 2019 respectively.

NERSA also engaged with the Ports Regulator of South Africa on regulatory matters related to co-jurisdiction and signed a Memorandum of Understanding with the authority.

Furthermore, a new Tariff Methodology for the Approval of Tariffs for Petroleum Storage and Loading Facilities ('Version 4.1') was approved. This version will be piloted internally for 12 months, as outstanding contemporary issues around efficient beta estimation, efforts to establish volume rules and possible inclusion of an efficiency adjustment factor in the allowable revenue formula must be considered.

NERSA believes that its services add value to the electricity, piped-gas and petroleum pipelines industries in support of the economic and social objectives of government, which are encompassed in key policies. The Energy Regulator has been able to add value in each of the following five strategic outcome-oriented goals, within the limits of NERSA's mandate, which guided its programmes from the 2015/16 to 2019/20 financial years:

- 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; and
- Establish and position NERSA as a credible and reliable regulator.

## Trends in the global energy environment

Over the last 25 years, the global energy landscape has experienced significant changes, with even larger changes being anticipated for the future. Most energy projections are in agreement that global energy consumption, which will still mainly be dominated by fossil fuels, will grow 20 to 30% or more until 2040 and beyond.

In its *International Energy 2019 with projections to 2050*, the United States Energy Information Administration anticipates an increase of nearly 50% in world energy consumption between 2018 and 2050, with the most significant increases in energy consumption coming from non-OECD (Organisation for Economic Cooperation and Development) countries. Strong economic growth, increased access to marketed energy and rapid population growth are responsible for the rising energy consumption in these countries.

An increase in energy consumption of 70% is projected in non-OECD countries, compared to the 15% increase in OECD countries. More than half of the projected increase in global energy consumption occurs in non-OECD Asian countries, which include China and India. China and India have been among the world's fastest-growing economies during the past decade and they remain primary contributors to future growth in world energy demand. The energy demand in non-OECD Asia is larger than in any other region of the world and it is projected to almost double between 2018 and 2050, making it both the largest and fastest-growing region in the world in terms of energy consumption.

It is safe to say that the main feature of the energy sector in 2019 was the growing concern for and diversity of clean energy visions and the focus on the role of innovation in energy transition. Renewable energy – mainly wind and solar power – has been growing rapidly.

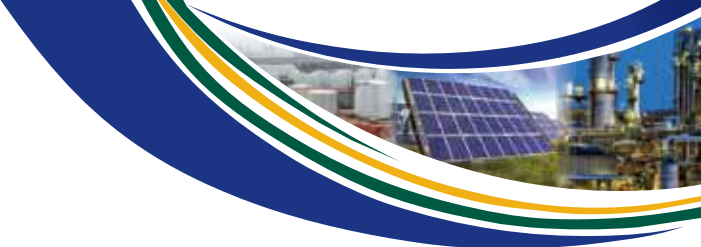
However, unless more ambitious climate policies are implemented, renewable energy still primarily adds to, rather than displaces, fossil fuels.

The trends involved in the accelerating global energy transition include rapid shifts in societal norms, e.g. a decline in ownership and the rise of a sharing economy; an increasing awareness of climate change; an acceleration of decentralised electrification; and the convergence of new technologies and exponential data accumulation. Digitalisation is impacting the entire energy value chain and enabling significant improvements in energy efficiency within existing production and delivery, as well as in wider and new energy uses.

The rate of diffusion of new technologies in energy systems is accelerated by institutional innovation and social changes, which are resulting in unexpected disruptions in global value chains and national energy systems and are challenging business models, government policies and international institutions to keep up. For example, in several countries, the dramatic decline in the costs of solar energy, coupled with a new abundance of natural gas and liquefied natural gas (LNG), is challenging the economics of coal and the role of oil in energy security. In turn, the speed of decarbonisation is challenging the pace of economic and social reforms in major resource-holding countries.

The rising demand for heat and cooling and the rapid penetration of intermittent renewable energy supply are also raising questions about grid reliability. Storage has become a new game changer and alternative pathways for zero carbon ('green') and net-zero carbon ('blue') energy – heat, electrical and chemical energy – are emerging, offering multiple technology options.

Despite the continued decrease in the price of renewables and the promise of zero-marginal-cost clean energy, the general public's acceptance of renewables cannot be taken for granted. Concerns about the affordability, social justice and technical limits of faster and deeper decarbonisation of entire economies through all electrification pathways are more widely appreciated and assessed in political agendas.





## Global trends in energy regulation

In the digital world, new threats are emerging, resulting in new laws and energy industry regulations to help protect consumers, the markets and the infrastructure. At the same time, globalisation and digitalisation are leading to increased connection and collaboration among regulators across the globe. Against this backdrop, energy companies should continue to modernise and rationalise their regulatory, legal and compliance functions and practices.

While energy companies are adapting their business models to fit the fast-paced market environment, their legal and compliance functions have to adapt as well. Digitising regulatory compliance processes and leveraging enterprise data to monitor compliance allow the legal and compliance functions to support new business models that can help companies to remain competitive in the marketplace.

Digitisation offers a set of adaptable capabilities with the potential to help solve real problems and to improve functional and process efficiency by means of technology. By simplifying and automating regulatory compliance processes, digital technologies can help reduce the administrative burdens of compliance functions and enable managers and staff to focus their time and efforts on more effective risk navigation.

## Key energy trends in Africa

The African population is among the fastest growing in the world. In the *Africa Energy Outlook 2019*, the International Energy Agency (IEA) projects that more than half a billion people should be added to the urban population in Africa by 2040. The rapid economic growth and urban population expansion have significant implications for the energy sector: growing urban populations mean rapid growth in energy demand for industrial production and mobility. The way in which Africa meets its growing energy needs is crucial for the economic and energy future of the continent.

One of the policy makers' most critical tasks is to address the persistent lack of access to electricity and clean cooking, and the unreliability of electricity supply, which have had severe negative impacts on the development of the continent. Despite the progress being made in several countries, there are still approximately 600 million people in Africa who do not have access to electricity, and around 900 million people, who lack access to clean cooking.

Electricity demand in Africa today is 700 terawatt-hours (TWh), with the North African economies and South Africa accounting for over 70% of the total. The electricity demand is anticipated to more than double to over 1,600 TWh in 2040, with most of the additional demand stemming from productive uses and emerging middle and higher-income households. Renewables can play a leading role in meeting this demand. The vast renewable resources and decreasing technology costs in Africa drive the deployment of utility-scale and distributed solar photovoltaics (PV) and other renewables across the continent.

*The African energy sector is characterised by the following five trends:*

1. Increasingly difficult funding for coal power projects, with the world cutting back on power projects;
2. New gas power plants being built: three of the largest power plants in the world, with a total capacity of 14,400 MW, are being built in Egypt, and South Africa has plans to add 3,000 MW of capacity from gas-fired power generation by 2030;
3. Growing market for solar energy;
4. Growing market for wind energy, with South Africa having wind turbine capacity of 5.6 GW in 2020; and
5. An increasing interest in battery storage: energy storage deployments in emerging markets are expected to grow over 40% annually in the coming decade, adding approximately 80 GW of new storage capacity to the estimated 2 GW existing today.

Because of resource endowments and technology improvements, Africa has a greater opportunity to pursue a less carbon-intensive model of development than many other parts of the world. Renewables, together with natural gas in many areas, should lead the energy consumption growth in Africa, as the continent moves away from the traditional use of biomass that currently accounts for almost half of final energy consumption. With the appropriate policies in support of an expansion of clean technologies and sufficient emphasis on energy efficiency improvements, Africa could be the first continent to achieve a significant level of economic and industrial growth, with cleaner energy sources playing a more prominent role than other economies in the past.

### Key trends in the South African energy sector

With the release of the updated Integrated Resource Plan (IRP 2019) and the Roadmap for Eskom in a Reformed Electricity Supply Industry (Roadmap for Eskom), the South African energy sector has taken a significant step forward. Although it is challenging, the transition to open up the sector to purchasing electricity generated from multiple

energy sources and suppliers in future is highly pragmatic. This will be supported by the functional and legal unbundling of Eskom into three operating units.

The IRP 2019 supports a decreased reliance on coal-fired energy; decentralisation of the vertically integrated monopoly; and increased competition from various energy suppliers, in an effort to drive maximum cost efficiencies.

The IRP 2019 embraces a diversified energy mix that accommodates flexibility, in order to take advantage of rapidly evolving energy technology. Energy storage is noted by the IRP 2019 as a game-changing initiative for renewables, and the recent discovery of gas resources off the South African and Mozambican coastlines also presents enormous opportunity and potential.

The more significant contribution of renewables – namely onshore wind, solar photovoltaics (PV) and concentrated solar power (CSP) – from around 5% of the current energy mix to almost 25% in 2030, has displaced gas as the previously dominant source of new energy supply. Current infrastructure constraints, such as inadequate ports and overland gas transportation facilities, have extended the timeline for its roll-out. In the meantime, the IRP 2019 plans to utilise the gas for the conversion of expensive diesel-fired power plants ('peakers') located around the coast of South Africa to gas-fired power.

Nuclear energy only features in the IRP 2019 in terms of a further investment in Koeberg Power Station, in order to extend its life for a further 20 years from its scheduled decommissioning in 2024. This is regarded as a well-advised and economically viable initiative, given the high operating efficiencies of Koeberg and the low cost of its planned refurbishment. Any new nuclear capacity will be considered after 2030, depending on technology developments and updated assumptions to the energy mix over the next ten years.

South Africa is home to Africa's biggest independent power producer (IPP) market,

which is envisioned to contribute 30% of the future generation capacity in the country by 2030. Electricity generation is currently dominated by coal power, although this dominance is expected to decline in anticipation of increased investments in gas, renewables and nuclear power. Being an integral part of the South African Power Pool (SAPP), South Africa both imports and exports power from and to its neighbouring countries.

In the South African Energy Risk Report 2019, the risks of price volatility and uncertainty are identified as some of the top risks at both a national and an industry level. These risks are identified as significant, because they have an impact on several other sectors. The energy sector in South Africa is still characterised by high uncertainty and change. It is important to ensure that the country is ready for the energy transition and the new approaches to policy and business models. It is possible to steer the energy sector to a more sustainable future by: (i) proactively focusing on the interdependencies of the energy sector with other sectors; (ii) embracing the ambiguity over an over-resilience on prediction; and (iii) regularly implementing course corrections.

## Significant Events after Year End

The following significant events occurred after the financial year end:

- The Minister of Mineral Resources and Energy, Mr Gwede Mantashe appointed new Regulator Members at NERSA:
  - Mr Nhlanhla Gumede, Full-Time Regulator Member primarily responsible for electricity industry regulation with effect from 1 April 2020 for a period of five years;
  - Mr Smunda Mokoena, Part-Time Regulator Member with effect from 14 September 2020 for a period of four years; and

- Ms Zandile Mpungose, Part-Time Regulator Member with effect from 14 September 2020 for a period of four years.
- On 14 May 2020, the Energy Regulator approved the *NERSA COVID-19 Business Continuity Response Plan* that provides high-level guidelines on the continuation of NERSA's operations during the five coronavirus alert levels and beyond, based on the relevant restrictions stated for each level.

## Conclusion

The success of NERSA and its reputation as a reliable energy regulator can mainly be assigned to the continuous efforts and performance of its loyal staff, as well as the exceptional cooperation between management and staff. Through their hard work, commitment and enthusiasm, NERSA has earned the reputation of being a trustworthy regulator and a significant contributor to government policy design and implementation and decision-making. The appointment of new Regulator Members will further strengthen NERSA's adherence to best practice and sound corporate governance principles.

NERSA recognises the fact that the global energy system is undergoing substantial and significant changes, which are driven by, among others, technological innovation, changes in consumption patterns, supply dynamics and policy shifts. The following trends, which have emerged during the last decade, informed the determination of NERSA's strategic direction for the 2019/20–2021/22 planning period:

- Technological developments that enable new forms of producing, storing, transforming and consuming energy;
- Significant changes in energy consumption patterns, with the resultant outcome of new dynamics in the demand for energy; and
- Adaptation of energy policies to effectively deal with the challenges and opportunities that are associated with the foregoing developments.

In view of the requirements in the National Development Plan, 2030 the priorities of NERSA remain: (i) security of energy supply; (ii) investment in infrastructure through predictable and transparent regulation; (iii) competitive functioning of the energy sector/industries; and (iv) affordable and accessible energy services.

This is also an opportune time to express my gratitude to the Minister of Mineral Resources and Energy, Mr Gwede Mantashe, as well as the other officials in the Department, for their leadership and guidance during the past year. We would like to assure you of NERSA's ongoing support in striving to achieve government policies and objectives.



Jacob RD Modise

Chairperson

Date: 31 October 2020



## 7. CHIEF EXECUTIVE OFFICER'S OVERVIEW

### Introduction

The 2019/20 reporting period was a successful year for NERSA. We consolidated our plans, reallocated our resources accordingly and geared ourselves up to prepare for the challenges ahead. We entered the reporting period under no illusions and knew that the year would be a challenging one. Indeed, the ability to balance the interests of consumers with the rigours of load shedding and the regulation of the electricity, piped-gas and petroleum pipelines industries have caused us, at times, to have to pause and take stock.

However, this balance is taking place within a policy environment provided by our normative stakeholder, the South African Government, with the aim to provide a conducive environment for investment. While events in the energy arena in the review period have in no way changed NERSA's mandate – nor steered us away from our firm commitment to ensure that Government policy objectives are achieved, customer objectives are met and energy industries are sustainable – they have certainly extended the scope of our involvement and in many ways put us to the test.

We remain committed to clean governance and will not hesitate to act should breaches of such governance occur. NERSA prides itself on its policy of openness, and public accountability. Our overall organisational performance showed measurable improvement against previous years and NERSA's prestige and recognition as a leading regulatory authority was enhanced.

This report showcases the organisation's performance in terms of implementing all planned activities relating to the core functions of regulating the electricity, piped-gas and petroleum pipelines industries, as well as all governance and administrative functions for the 2019/20 financial year.

### Summary of organisational performance

During the year, NERSA upheld its record of unqualified audit reports for the fourteenth time – a reflection of the strength and integrity of its corporate governance structure.

I am immensely proud to announce that we have again received a Clean Audit Report from the Auditor-General of South Africa for the 2018/2019 financial year.

To gain a perspective on NERSA's progress, one has to bear in mind its annual performance targets with regard to the three energy industries, namely electricity, piped-gas and petroleum pipelines. Furthermore, these targets apply to cross-cutting regulatory and organisational functions as well. All of these, in turn, are measured against six programmes, namely setting and/or approval of tariffs and prices; licensing and registration; compliance monitoring and enforcement; dispute resolution, including mediation, arbitration and handling of complaints; setting of rules, guidelines and codes for the regulation of the three energy industries; and finally, establishing NERSA as an efficient and effective regulator.

During the review period, NERSA achieved 79% of its annual performance targets. This signifies an overall decrease of 15% in the performance when compared to our overall performance in 2018/19. In terms of the six programmes mentioned above, the percentage of achieved targets was 81% for the electricity industry due to five targets not being met (2018/19: 83%), 90% for piped-gas due to one target not being met (2018/19: 94%), 100% for petroleum pipelines (2018/19: 100%), 67% for transversal regulatory (2018/19: 100%) and 53% for organisational (2018/19: 100%). Our annual performance was affected by the COVID-19 pandemic when it was declared a national disaster as a number of our fourth quarter targets could not be completed by the end of March 2020. This was due to the postponement of meetings where reports on those targets were to be considered during the nation-wide lockdown.

In today's frenzied, modern business environment, the work that was achieved in one week ten years ago is often achieved in one day. It would be impossible therefore even to touch on the myriads of matters that have been dealt with by NERSA in the reporting period. The aim of the report, therefore, is to highlight the key achievements of NERSA in respect of its strategic objectives for the period 1 April 2019 to 31 March 2020.

## 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 2019/20 to 2021/22, both of which have been approved by the Minister of Mineral Resources and Energy and tabled in Parliament.

NERSA maintains a healthy financial management system. The main source of funding is the levies/license fees from licensees in the three regulated industries. The levies/license fees are proposed by the Energy Regulator and approved annually by the Minister of Mineral Resources and Energy for the Electricity Industry and in the case of the Piped-Gas and Petroleum Pipelines Industries it is also done in consultation with the Minister of Finance.

NERSA maintains a robust financial management system. The system enables the organisation to meet both the relevant legislative requirements and its obligations

to creditors, which were all paid (100%) within 30 days of receipt of all relevant documentation in this reporting period.

### *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. NERSA has also managed to collect amounts owing by its debtors in an average of 24 days.

### *Supply chain management*

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 Finance Committee.

In an effort to improve its BBBEE rating, NERSA has for the first time developed an Enterprise and Supplier Development Strategy which seeks to develop new and existing Exempt Micro Enterprises (EME's) and Qualifying Small Enterprises in the areas where NERSA procures goods and services. The implementation of the strategy was monitored by the Energy Regulator through quarterly reports submitted to it by Management. In 2019/20 NERSA procured 98% of goods and services from suppliers with a BBBEE level of 3 or better.

### *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, using social media for announcements and updates, as well as publishing NERSA's quarterly newsletter, NERSA News, NERSA also participates in stakeholder meetings, public hearings, exhibitions and conferences. In addition, it is required to meet with legislative bodies such as the Parliamentary Portfolio Committee on Energy.

### *Public awareness*

NERSA News is published quarterly to 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 a crucial part of creating public awareness of the roles and responsibilities of the Energy Regulator.

During the year under review, NERSA hosted 53 customer education workshops and 12 stakeholder engagement activities, including exhibitions and various Ministerial Public Participation Programmes, such as:

- DMRE's School Energy Days at the Sundays River Valley Municipality and the Buffalo City Metropolitan;
- DMRE's Joint Oil Data Initiative Workshop and Symposium in Cape Town
- Africa Utility Week in Cape Town;
- Sustainability Week 2019 in Pretoria;
- DMRE's Learners Focus Week at the University of Pretoria;
- DMRE's Budget Vote in Cape Town;
- Africa Oil & Power in Cape Town;
- Southern African Association for Energy Efficiency (SAEEC) Convention in Pretoria;

- NDP 2030 Vision Summit in Ekurhuleni;
- Gas to Power & Alternative Sources 2019 in Umhlanga; and
- Africa Energy Indaba 2020 in Cape Town.

### *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 has contributed to NERSA being recognised as a world-class regulator, which is evident from a number of exchange programmes and information sharing visits that have been hosted by NERSA.

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

Notably, NERSA participated in the Special Annual General Meeting of RERA held in Swakopmund, Namibia in April 2019, during which the Constitution of RERA was revised and adopted to reflect the broadening of RERA's mandate from only

considering electricity related regulatory matters to including gas, petroleum and biofuels related regulatory issues. NERSA was re-elected to serve as a member of the RERA Executive Committee and Chair of the Portfolio Committee on Facilitation of Energy Sector Policy, Legislation and Trade.

Similarly, during the 16th Annual General Assembly, which took place on 26 November 2019 in Cairo, Egypt, NERSA was re-elected to serve as a member of the AFUR EXCO for a term of two years, effective from 1 January 2020 to 31 December 2021. The re-election of NERSA into the leadership structure of this important form underscores the vital role that NERSA plays within AFUR. It also emphasises NERSA's commitment to establishing co operation among utility regulators to drive the harmonisation of regulatory frameworks that will facilitate cross-border initiatives in the energy, water and sanitation, transport and communication sectors in support of Africa's growth and socio-economic development.

On 3 to 4 October 2019, NERSA hosted a workshop to validate the outcome of a study by the RERA Secretariat on the development of a framework and roadmap for transformation of RERA into a Regional Energy Regulatory Authority with the assistance of the European Union funded Project on the Enhancement of a Sustainable Regional Energy Market (ESREM).

NERSA also attended the RERA Executive Committee meetings, the Annual Conference and the Annual General Meeting of RERA Member Regulators from 15 to 21 February 2020 in Zimbabwe.

Nationally, NERSA successfully partnered with the Centre for Competition Regulation and Economic Development (CCRED) of the University of Johannesburg on the 5th Annual Competition and Economic Regulation (ACER) Week held in Botswana. Other collaborators included the Competition Authority of Botswana. This event was aimed at fostering dialogue on competition and economic regulation issues, as a means of capacity building and contributing towards regional integration and socio-economic development in the region.

In the spirit of information sharing and capacity building, NERSA also hosted delegations from the Zimbabwe Energy Regulatory Authority and the Malawi Energy Regulatory Authority.

## Core Regulatory Functions

Detailed information on NERSA's performance in terms of the different core regulatory functions can be found in the overview of the key outputs/achievements for the 2019/20 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:

- Two distribution licences were issued and two were amended.
- Three amendments of PowerX (Pty) Ltd's trading licence were approved.
- Thirteen generation licences were amended during the year.

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

- NERSA approved the adoption NRS 048-9 Electricity supply — quality of supply: CODE OF PRACTICE – Load reduction practices, system restoration practices and critical load and essential load requirements under power system emergencies as a licence condition. The specification sets out the national code of practice for load shedding in the country that requires full compliance by all licensees.

- Regarding quality of supply, NERSA also approved the Service Quality Incentive (SQI) for Eskom for the first year of the MYPD4 control period.
- The Energy Regulator considered the following:
  - Two monitoring reports on the performance and progress of Renewable Energy projects for 2019/20.
  - Two audit reports for the evaluation of the City of Ekurhuleni and City of Mangaung, respectively, for compliance with distribution network planning requirements for 2018/19.
  - One audit report for the evaluation of Eskom for compliance with transmission network planning requirements for 2018/19.

#### *Generation*

- Eighteen electricity generation compliance audits were conducted, with 18 individual audit reports and one consolidated report being written, which stipulate the state of compliance of the 18 licensees.
- Compliance monitoring and enforcement was conducted on 10 licensees that NERSA found to be non-compliant during the 2018/19 financial year.

#### *Transmission*

- Seventeen main transmission substations compliance audits were conducted.
- Six previously audited main transmission substations were monitored for implementation of Corrective Action Plans.

#### *Distribution*

- Eighteen electricity distribution compliance audits were conducted during the 2019/20 financial year.
- Compliance monitoring and enforcement was conducted on nine licensees.

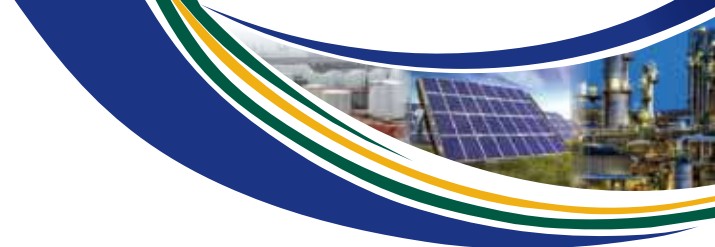
#### *(c) Tariffs or tariff structures set or approved*

- 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 177 municipal tariff applications and six tariff review applications were approved.
- NERSA approved Eskom's Retail Tariff Structural Adjustments (ERTSA) for 2020/21.
- The Energy Regulator approved the following reasons for decisions for publication on the NERSA website:
  - Eskom's Multi-Year Price Determination Year 5 (MYPD5), Regulatory Clearing Account (RCA) for 2017/18; and
  - Allowable Revenues for Eskom's Fourth Multi-Year Price Determination (MYPD4) for 2019/20 to 2021/22.

#### *(d) Complaints Resolution and Proactive Investigations*

- NERSA received 351 electricity-related complaints/disputes, excluding enquiries received via the website, emails, telephonically, fax and walk-ins. Customers used various communication channels such as email, telephone and fax to submit their complaints to NERSA. Other customers and licensees preferred coming in personally to lodge their complaints at NERSA offices during the period under review. Out of the 351 complaints/disputes received, 340 were successfully resolved. This translates to a success rate of 97%. A total of 11 cases are still pending. The disputes received ranged from tariff and billing complaints to complex technical cases.
- The target for disputes/complaints were exceeded by 12% as 97% was closed within 180 days from receipt. The Energy Regulator continues to receive overwhelming number of disputes over areas of supply due to Schedule 1 that are not updated or because of the overlap between municipal TLC/TRC and Eskom's area of supply. The Project Plan for the Review and Update Schedule 1 (List of Supply Areas) of Electricity Distribution Licenses continues. This Project Plan also outlines how NERSA will map out the areas of supply within all 165 licensed





municipalities and four unlicensed municipalities.

*(e) Other activities*

- The Energy Regulator considered a report on the status of Eskom's coal stockpiles for the last quarter of the 2018/19 financial year (January/March), based on the recovery plan submitted to NERSA. Section 18 of the Grid Code requires each coal-fired power station to maintain coal stock levels at 20 days. This section also requires the System Operator to inform NERSA of coal supply risks that may affect the security of supply.
- NERSA published the Draft NERSA Rules for licensable areas of supply for comments by interested and affected stakeholders.
- NERSA mapped 50% of the electricity supply areas within South Africa's 213 local municipalities, as planned.
- NERSA also participated in two stakeholder engagements.
- The Energy Regulator considered Eskom's Medium-Term System Adequacy Outlook (MTSAO).
- The Energy Regulator approved:
  - Eskom's fourth annual review of the input data of the Cost of Unserved Energy (COUE) model and COUE levels (COUE 2019 Update).
  - 2019 update of the COUE values on the Framework for the determination of the COUE for Licensed Electricity Distributors.
  - Forty-three applications for exemption and amendments to the South African Grid Code.
  - NERSA held a stakeholder education workshop to explain the registration requirements for Small-Scale Embedded Generators (SSEGs), as per the Licensing Exemption and Registration notice that was gazetted on 10 November 2017 by the Minister of Energy, in accordance with section 9(1) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006).

## Piped-gas industry regulation

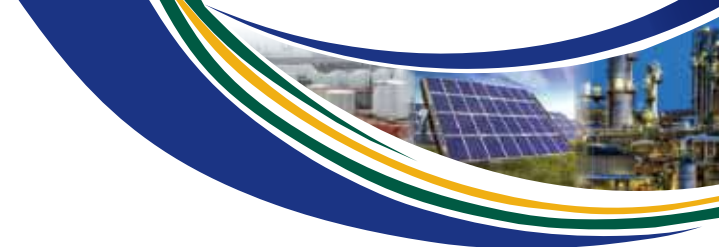
*(a) Licences issued, amended, renewed or revoked*

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

The Energy Regulator considered and approved the following licence applications:

Licences for construction of gas infrastructure:

- Phambili (Pty) Ltd's application for a licence to construct a gas transmission facility (Wadeville)
- Zemvelo (Pty) Ltd's application for a licence to construct a gas transmission facility (Clayville)
- Ceramic Industries (Pty) Ltd's application for a licence to construct a gas transmission facility (Babelegi)
- Ceramic Industries (Pty) Ltd's application for a licence to construct a gas transmission facility (Vereeniging)
- Sasol Gas (Pty) Ltd's application for a licence to construct a gas distribution facility (Nigel)
- Sasol Gas (Pty) Ltd's application for a licence to construct a gas distribution facility (Kempton Park)
- Iliza Gas (Pty) Ltd's application for a licence to construct a gas transmission facility (Nigel)



#### Licences for the operation of gas infrastructure

- Novo Highveld (Pty) Ltd's application for a licence to operate a gas storage facility (Witbank)
- Phambili (Pty) Ltd's application for a licence to operate a gas transmission facility (Babelegi)
- Zemvelo (Pty) Ltd's application for a licence to operate a gas transmission facility (Vereeniging)
- Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Koekenaap)
- Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Brand-se-Baai)
- Volco Alfa (Pty) Ltd's application for a licence to operate a regasification facility (Koekenaap)
- Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Brand-se-Baai)

#### Licences for trading in gas

- Kwande Gas (Pty) Ltd's application for a licence to trade in gas in the Mpumalanga Province
- Volco Power (Pty) Ltd's application for a licence to trade in gas (Western Cape)

#### Amendment of licences

- Sasol Gas (Pty) Ltd's application for the 1st amendment of a licence to operate a gas distribution facility (Benoni)
- Sasol Gas (Pty) Ltd's application for the 1st amendment of a licence to trade in gas in the Gauteng Province (Benoni)
- Sasol Gas (Pty) Ltd's application for the 1st amendment of a licence to operate a gas distribution facility (Nigel)

- Sasol Gas' application for the 1st amendment of a licence to trade in gas in the Gauteng province (Nigel)
- Reatile Gastrade (Pty) Ltd's 3rd amendment application for a licence to trade in gas in the Gauteng Province
- Sasol Gas (Pty) Ltd's amendment application for a licence to operate a gas distribution facility in Germiston East
- Sasol Gas (Pty) Ltd's 8th amendment application for a licence to operate a gas distribution facility in Nigel
- Sasol Gas (Pty) Ltd's 8th amendment application for a licence to trade in gas in Nigel
- NOVO Energy (Pty) Ltd's application for the amendment of a licence to trade in gas in the KwaZulu-Natal Province

#### Registration of gas production activities

- The Greenhouse Project's (Joubert Park) application for the registration of biogas production operation activities; and
- Kwande Gas (Pty) Ltd's registration application for the registration of gas importation activities.

#### Revocation of licences

- Reatile Gastrade (Pty) Ltd's application to revoke a licence to trade in gas in the Gauteng Province; and
- Reatile Gastrade (Pty) Ltd's application for the revocation of a licence to trade in gas in the KwaZulu-Natal Province.

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

No maximum price applications were considered by the Energy Regulator.

*(c) Tariffs*

- The final assessment of Sasol Gas' multi-year transmission tariff application for the period July 2019 to June 2021 was considered.
- Four quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule were considered.
- NERSA completed a report on accumulated depreciation, maintenance costs, volume analysis and clawback for Sasol Gas' three tariff zones.

*(d) Reports on monitoring of maximum prices*

Nine monitoring reports on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price were considered by NERSA's Piped-Gas Subcommittee (PGS) of 10 September 2019:

- VGN Pty Ltd;
- NOVO Energy Pty Ltd;
- SLG Pty Ltd;
- Reatile Gastrade Pty Ltd;
- SL CNG Pty Ltd;
- EVRAZ Pty Ltd
- NGV Pty Ltd; and
- Sasol Gas Pty Ltd.
- Columbus Stainless Pty Ltd

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

Three monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) were considered.

*(f) Compliance monitoring and enforcement*

- Fifty-five inspections were conducted on licensed facilities and notices of non-compliance were issued where necessary and four inspection reports were considered by the Piped-Gas Subcommittee.
- Audits and inspections were conducted on the ROMPCO pipeline on both the Mozambican and South African sides of the border, as the pipeline is a cross-border asset between the two countries.

*Assessment of monthly volume balance reports*

Twelve monthly volume balance reports were assessed and the analysis reports were considered by the Energy Regulator.

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

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

- The Energy Regulator completed the following investigations, in terms of section 4(d) of the Gas Act:
  - Investigation into a gas leak at Sasol Gas' facility in Krugersdorp; and
  - Investigation into Sasol Gas' supply interruption that occurred in Vulcania.

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

- Three reports on developments in the gas industry locally, regionally and internationally, including the latest developments regarding LNG projects and other potential new sources of gas, were completed as well as the Integrated Resource Plan (IRP 2019) issued by the DMRE.

*(i) Customer education workshops*

NERSA held workshops with industry stakeholders in Kempton Park and Durban to engage customers and stakeholders on the following:

- The requirements for licensing of LNG infrastructure and projects; requirements and benefits of qualification as eligible customers in terms of regulations 2 and 3 of the Piped-Gas Regulations;
- assessment of the adequacy of competition; and
- the review of the Methodology to approve Maximum Prices of Piped-Gas in South Africa, as well as the outcome of the Constitutional Court judgement regarding the price indicator's approach.

The workshops were well attended by key industry stakeholders, including the DMRE. It provided an essential opportunity for stakeholders to engage with NERSA on the abovementioned matters.

*(j) Other activities*

The Energy Regulator noted the following:

- Report on how to implement the 'pass through of costs' approach contained in the Maximum Price Methodology;
- Report on substitute-based pricing simulations and experiments for the purposes of a gas pricing strategy for South Africa;

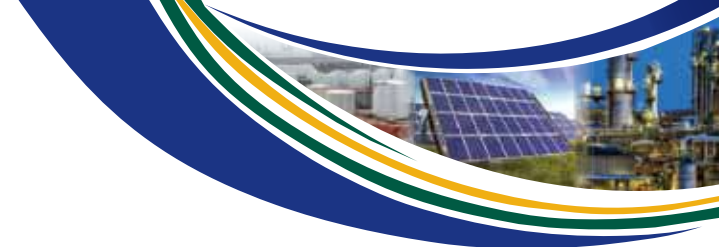
- Progress report on Sasol Gas' compliance with the provisions of the Piped-Gas Regulations and Gas Act pertaining to 'Eligible Customers'; and
- Progress report on the investigation into the two gas supply interruptions that occurred at Sasol Gas' transmission facility in the Middelburg area of the Steve Tshwete Local Municipality in the Mpumalanga province.

## Petroleum pipelines industry regulation

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

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

- During the course of the reporting period, 23 new applications were considered and finalised. These applications comprised four licence applications, nine amendment applications and ten revocation applications.
- The Energy Regulator approved the following applications:
  - Q4 Depot for a licence for the construction of storage tanks at an existing storage facility in Delmas, Mpumalanga Province; and
  - Bidvest Tank Terminals to construct a Liquefied Petroleum Gas (LPG) storage facility in Isando, Gauteng Province.
- The Energy Regulator did not approve the issuing of the following licences to NOOA Ambrose Park Oil Terminal (Pty) Ltd:
  - to construct a petroleum storage facility in Ambrose Park, Durban, KwaZulu-Natal Province; and
  - a licence to operate the abovementioned petroleum facility once constructed.
- The following three licence applications are still being processed and will be finalised in the 2020/21 financial year:
  - Lanele Group to construct a new storage facility in Ambrose Park, Durban, KwaZulu-Natal Province;



- Q4 Depot to operate an existing storage facility in Delmas, Mpumalanga Province; and
- Vopak South Africa Developments (Pty) Ltd to operate a new storage facility and pipelines in Jameson Park, Gauteng Province.
- In addition, 34 requests were lodged by parties seeking confirmation on whether their activities (proposed and/or existing) require licensing. Such activities, which do not currently require licensing, have been added to the database kept by NERSA.
- The Energy Regulator approved the following seven applications to amend licence conditions:
  - Astron Energy (Pty) Ltd for the operation of a storage facility in Alrode, Gauteng Province (Amendment 1);
  - Visigro (Pty) Ltd's application to amend the licence conditions of the Strategic Fuel Fund (SSF) storage operation licence in Milnerton, Western Cape Province (Amendment 2);
  - Oiltanking Grindrod Calulo (Pty) Ltd's application to construct petroleum facilities in the Port of Ngura, Eastern Cape Province (Amendment 5);
  - Avedia Energy (Pty) Ltd's application to construct an LPG pipeline in Saldanha Bay, Western Cape Province (Amendment 2);
  - Avedia Energy (Pty) Ltd's application to construct an LPG storage facility in Saldanha Bay, Western Cape Province (Amendment 2);
  - Total South Africa (Pty) Ltd's application to construct a storage facility in Alrode, Gauteng Province (Amendment 1); and
  - Econ Oil (Pty) Ltd for storage construction in Nigel, Gauteng Province;
- The Energy Regulator did not approve the following two applications to amend licence conditions:
  - Econ Oil (Pty) Ltd for the construction of additional storage capacity in Ermelo, Mpumalanga Province; and
  - Avedia Energy (Pty) Ltd for the operation of a loading facility in Saldanha Bay, Western Cape Province.
- The remaining five amendment applications are still being processed and will be finalised in the 2020/21 financial year.
- The Energy Regulator approved nine applications to revoke licences received from:
  - BP Southern Africa (Pty) Ltd to operate a storage facility in Bisho;
  - BP Southern Africa (Pty) Ltd to operate a storage facility at the Richards Bay Airport;
  - Total South Africa (Pty) Ltd for the construction of an additional storage tank in East London;
  - Total South Africa (Pty) Ltd for the operation of a storage facility in Sannieshof;
  - Total South Africa (Pty) Ltd for the operation of a storage facility in Worcester;
  - Total South Africa (Pty) Ltd for the operation of a storage facility in Klipdale;
  - Engen Petroleum Ltd for the operation of a storage facility in Caledon;
  - Engen Petroleum Ltd for the operation of a storage facility in Bela-Bela; and
  - Shell Downstream SA (Pty) Ltd for the operation of a storage facility in Caledon.
- The Energy Regulator did not approve the application to revoke a licence by Vermaas Brandstof for the operation of a storage facility in Charl Cilliers, Mpumalanga Province.
- The remaining two revocation applications are still being processed and will be finalised in the 2020/21 financial year.



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

- As part of monitoring and enforcing the conditions of licences, quarterly reports on the level of compliance by operation licensees in submitting regulatory reports were prepared and noted by the Energy Regulator. This included the report on a spate of incidents of attempted product theft from licensed pipelines in the reporting period.
- Similarly, quarterly reports on the compliance by licensees with their respective construction licence conditions were presented and noted by the Energy Regulator.
- Following the implementation of a new approach to facilitate third-party access at the beginning of the reporting period, NERSA continued to closely monitor uncommitted storage capacity and universal access to loading facilities and pipelines to facilitate third party access by new entrant players to the licensed petroleum infrastructure.
- NERSA's mandate includes Dispute Resolution, however no formal complaints were lodged, nor were any requests for mediation and arbitration submitted during the reporting period.

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

- The Energy Regulator approved/set tariffs for the petroleum pipelines, storage and loading facilities as follows:
  - Sasol Oil (Pty) Ltd's tariff application for its Secunda-to-Natref Integrated ('SNI') pipeline;
  - Sasol Oil (Pty) Ltd's tariff application for its petroleum storage facility in Secunda;
  - Sasol Oil (Pty) Ltd and BP Southern Africa (Pty) Ltd's tariff application for their petroleum storage facility in Alrode;
  - Bidvest Tank Terminals (Pty) Ltd's multi-year tariff application for its petroleum storage and loading facilities in Richards Bay;

- Transnet SOC Ltd's tariff application for its petroleum storage facility at Tarlton in Krugersdorp;
- Engen Petroleum Limited, Astron Energy (Pty) Ltd, Total South Africa (Pty) Ltd and Shell Downstream South Africa (Pty) Ltd's tariff application for their petroleum loading facilities in Port Elizabeth;
- Engen Petroleum Limited, Total South Africa (Pty) Ltd and Astron Energy (Pty) Ltd's tariff application for their petroleum storage facility in Witbank;
- Engen Petroleum Limited, Total South Africa (Pty) Ltd and Astron Energy (Pty) Ltd's tariff application for their petroleum storage facility in Rustenburg;
- Transnet SOC Ltd's tariff application for its petroleum storage facility at Tarlton in Krugersdorp for the 2020/21 to 2022/23 tariff period (second application);
- Easigas (Pty) Ltd's tariff application for its petroleum storage facility in Durban;
- Astron Energy (Pty) Ltd and Engen Petroleum Limited's tariff application for their petroleum storage facility in Alrode;
- Astron Energy (Pty) Ltd and Total South Africa (Pty) Ltd's tariff application for their petroleum storage facility in Klerksdorp;
- Astron Energy (Pty) Ltd and Total South Africa (Pty) Ltd's tariff application for their petroleum storage facility in Kroonstad; and
- Transnet SOC Ltd's tariff application for its petroleum pipelines system.
- The Energy Regulator did not approve the following tariffs:
  - Transnet National Ports Authority's (TNPA's) tariff application for its Conventional Buoy Mooring (CBM) petroleum loading facility at Mossel Bay, Western Cape Province; and
  - TNPA's tariff application for its Single Point Mooring (SPM) petroleum loading facility at Mossel Bay, Western Cape Province.

### *(c) Other activities*

- The Transnet New Multi-Product Pipeline (NMPP) Prudency Review project was at an advanced stage and the outcome of this review was used to determine a prudently acquired Regulatory Asset Base for Transnet's 2020/21 pipeline tariff determination. Furthermore, the Prudency Guidelines were also implemented on applications processed during the reporting period.
- NERSA reviewed the Tariff Methodology for the approval of tariffs for petroleum loading facilities and petroleum storage facilities.
- NERSA promulgated the amended Petroleum Pipelines Rules made in terms of section 33(3) of the Petroleum Pipelines Act, 2003 on 9 October 2019.
- NERSA participated in the Petroleum Products Act Awareness Workshops arranged by the DMRE in Springs on 4 October 2019 and in Klerksdorp on 24 October 2019. The aim was to educate new entrants to the industry on NERSA's mandate, including third-party access.
- In addition, NERSA hosted a workshop with potential new entrants/licensees to educate them on NERSA's mandate, role, functions and processes, as well as the licensed petroleum activities, in Durban on 16 March 2020.
- NERSA developed a brochure (booklet) on Petroleum Pipelines Regulation. The first edition of the brochure outlines NERSA's mandate in terms of the Petroleum Pipelines Act, 2003, as well as NERSA's roles and functions. It also provide more details to stakeholders, the public and potential licensees on the licensed activities throughout South Africa.
- NERSA participated in the Petroleum Liquid Fuels Sector Charter Council, a forum established by the DMRE [then Department of Energy (DoE)] to draft and gazette sector specific B-BBEE Codes for the petroleum and gas sectors.
- NERSA also engaged with other Regulatory authorities, including:
  - The DMRE, on proposed amendments to the legislation (Act and Regulations) to address problems;
  - The Competition Commission South Africa, on a complaint investigated by it relating to two NERSA licensees;

- Transnet National Ports Authority on licensed activities located within the port limits; and
- The Ports Regulator of South Africa, on regulatory matters related to co-jurisdiction. It is worth noting that a Memorandum of Understanding was signed between the two authorities in the reporting period.

## **Transversal Regulatory Matters**

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

Eskom and six metropolitan municipalities participated in the implementation of the financial information of the Regulatory Reporting Manuals (RRM). Five Piped-Gas licensees participated in the implementation of the RRM and are complying with the RRM. With regard to Petroleum Pipelines licensees, six licensees were implementing the RRM; two have been in compliance with the RRM since inception, and four are compliant except during 2018.

Eskom, as well as 24 municipalities and 31 IPPs participated in the implementation of the pilot Non-Financial Information (NFI) RRM. Eight pilot Piped-Gas licensees are complying with the NFI RRM. The Petroleum Pipelines division had already been collecting data from their licensees using their own template when the NFI manuals were approved.

The Municipal Standard Chart of Accounts (MSCOA) project incorporated the RRM requirements for the reporting of municipalities. The implementation of the MSCOA was anticipated to be completed by mid-2017, however, National Treasury introduced changes in the management of the project during the 2016/17 financial year, which has delayed the finalisation of the project. Once the project has been completed, the financial information that municipalities will be reporting under Electricity will be compliant with the RRM, as all the RRM requirements for municipalities were incorporated into the MSCOA project.

### *(b) Research*

The following research reports were produced during the 2019/20 financial year:

- First progress report on the Ex-Post Regulatory Impact Assessment study and Stakeholder Perception/Satisfaction Survey.
- Impact of global, regional and local energy and economic trends on NERSA's business report.
  - This report looks at the developments in the Electricity, Petroleum Pipelines and Piped-Gas Industries in the regional and the global context.
  - The report further forms part of the Environmental Scan document that is used in the Annual Performance Planning Session, which enables NERSA to determine the strategic direction of the organisation.
- Implementation of the second benchmarking study report.
  - This report monitors the implementation of the identified 34 additional improvement opportunities and 17 good practices allocated to lead department and supporting departments within NERSA.
- Report on research conducted in line with the approved Research Agenda on conditions for allowance for funds used during construction (AFUDC) versus construction work in progress (CWIP).
  - This study reviewed the current practice on the treatment of AFUDC and CWIP within NERSA and made some recommendations on whether CWIP should be included in the Regulatory Asset Base and allowed to earn a return, as well as whether consumers should pay for such assets based on the research findings conducted.
  - Implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect to ownership and equity.
  - This report monitors the implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect to ownership and equity by NERSA regulatory divisions.

### *(c) Customer Education*

A total of 53 customer education workshops were conducted in various communities to create awareness among customers and consumers about NERSA's role and mandate. Most of the customer education workshops conducted during the review period were done in collaboration and cooperation with consumer focused forums, consumer organisations and the Provincial Consumer Affairs Departments.

## **Acknowledgements**

During the last quarter of the reporting period, NERSA, together with the country and the rest of the world, had to address the threats posed by the COVID-19 pandemic. However, we remained committed to the wellbeing of our staff and stakeholders. While we took all the necessary precautions to maintain a safe and healthy environment in our building, we also pulled out all the stops to ensure the continued smooth operation of NERSA.

It is clear that NERSA's team spirit and our commitment to overcoming challenges in the pursuit of good governance is starting to bear fruit, particularly in the sectors that are regulated. Without the support, knowledge and willingness of our staff we could not have achieved our objectives.

Therefore, I would like to extend my personal thanks to NERSA's most valuable assets – my colleagues – and commend them for the manner in which they have performed their appointed tasks, often under the pressure of tight deadlines and on many occasions having to break new ground in achieving what is expected of them.

Furthermore, let me take this opportunity to express my appreciation to my fellow Regulator Members for their unwavering support during the year under review.

As a statutory body implementing a public mandate, NERSA aligns itself with national

vision and priorities. In this regard, I would like to express my sincere gratitude to the Minister of Mineral Resources and Energy, Mr Gwede Mantashe for his wise leadership and vision during this reporting period. I am also appreciative of the continued constructive collaboration we enjoy from the Director-General and top management of the DMRE. Finally, my thanks to the industry captains and members of the public, as well as customer groups, who have tirelessly shared their knowledge, offered support and encouragement and availed themselves to be involved in commentaries and reviews.

My sincere gratitude goes to all these players whose tireless efforts are destined to improve the lives of all South Africans and take South Africa to a new level of international recognition.



Nomalanga Sithole

*Acting Chief Executive Officer*

Date: 31 October 2020









# PART B

PERFORMANCE INFORMATION

## **STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2020**

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 (2019/20 – 2021/22) of NERSA for the financial year ended 31 March 2020.

NERSA's performance information for the year ended 31 March 2019 has been examined by the external auditors and their report is presented on page 162.

The performance information of the entity set out on page 41 to 123 page was approved by the Energy Regulator and signed as delegated.



Nomalanga Sithole  
*Acting Chief Executive Officer*



Jacob RD Modise  
*Chairperson*

## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA or 'the auditor') currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on other legal and regulatory requirements* section of the auditor's report.

Refer to page 162 of the report on the Auditor's Report, published as Part E: Financial Information.

## 2. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

### 2.1 Service Delivery Environment

#### 2.1.1 CONTEXT

2.1.1.1 The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). 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).

2.1.1.2 The role of NERSA is to ensure the development and sustainability of the electricity, piped-gas and petroleum pipelines industries, while facilitating the affordability of and accessibility to these industries to balance the economic interests of all stakeholders to ensure the sustainable socio-economic development of South Africa and a better life for all.

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

- a) Issuing of licences with conditions
- b) Setting and/or approving tariffs and prices
- c) Monitoring and enforcing compliance with licence conditions
- d) Dispute resolution including mediation, arbitration and the handling of complaints
- e) Gathering, storing and disseminating industry information
- f) Setting of rules, guidelines and codes for the regulation of the three industries
- g) Determining conditions of supply and applicable standards

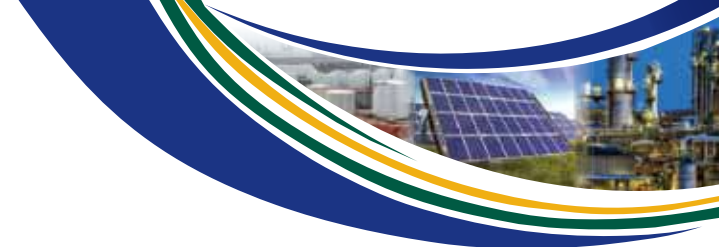
- h) Consulting with government departments and other bodies with regard to industry development and regarding any matter contemplated in the three industry Acts
- i) Expropriating land as necessary to meet the objectives of the relevant legislation
- j) Registration of import and production facilities
- k) Performing any activity incidental to the execution of its duties.

#### 2.1.2 CONTRIBUTION TOWARDS GOVERNMENT PRIORITIES AND PROGRAMMES

2.1.2.1 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

- a) 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:
  - i. taking affordability into consideration when setting and/or approving tariffs and prices;
  - ii. determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
  - iii. facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
  - iv. regulating in a manner which facilitates security of supply; and
  - v. policy advocacy about cleaner fuels.



b) The above-mentioned are linked to the following:

i. 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.

ii. 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

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

- i. licensing and the setting and/or approving of tariffs and prices; in this manner NERSA creates pre-conditions towards the achievement of this outcome;
- ii. approving renewable energy licensees to ensure that the socio-economic development commitments specified in the Department of Mineral Resources and Energy (DMRE) bidding process are met;
- iii. promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- iv. regulating in a manner that facilitates security of supply.

b) The above-mentioned are linked to the following:

i. 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.

ii. 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

a) NERSA contributes through:

- i. setting rules and frameworks that facilitate the building of new infrastructure;
- ii. setting and/or approving cost reflective tariffs and prices that encourage efficient investment;
- iii. facilitating and enforcing third-party access to facilities;
- iv. 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
- v. promoting competition and competitiveness.



b) The above-mentioned are linked to the following:

i. 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.

ii. NERSA Strategic Objective:

- Promote competition and competitiveness within the energy industry

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

a) NERSA contributes through:

- facilitating access to energy services;
- facilitating reliability of supply;
- monitoring maintenance of infrastructure;
- compliance monitoring with licence conditions;
- taking affordability into consideration when setting and/or approving tariffs and prices;
- determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- promoting energy efficiency in licensees and in the NERSA building; and
- dispute resolution, including mediation, arbitration and handling of complaints.

b) The above-mentioned are linked to the following:

i. 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.

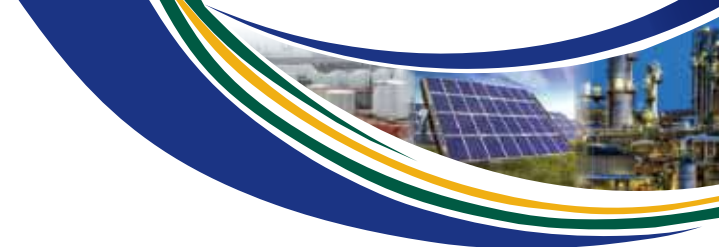
ii. NERSA Strategic Objectives:

- 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

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

- incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) as well as decommissioning remediation and the funding thereof into licence conditions;
- promoting energy efficiency in licensees and in the NERSA building;
- facilitation of the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Mineral Resources and 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.



b) The above-mentioned are linked to the following:

i. 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

ii. 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

a) NERSA contributes through:

- i. transparent processes;
- ii. all decisions and reasons thereof are made public through being published on the website;
- iii. the public is invited to make comments prior to decisions being made (written or in public hearing);
- iv. customer education;
- v. training and development of staff and stakeholders, including training to electricity distributors on the completion of the forms requesting information from them;
- vi. participating in the Clean Energy Education and Empowerment Programme;
- vii. corporate social investment activities; and
- viii. 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.

b) The above-mentioned are linked to the following:

i. NERSA Outcome-oriented goal:

- To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

ii. NERSA Strategic Objectives:

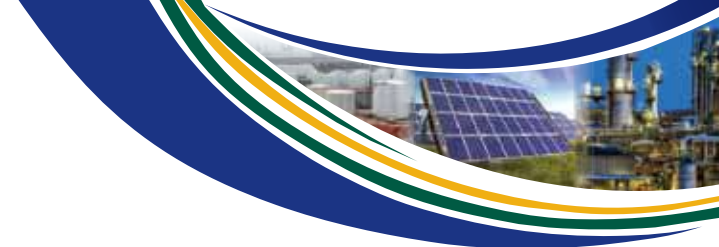
- Establish and position NERSA as a credible and reliable regulator.

2.1.2.2 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

a) NERSA contributes through:

- i. development and implementation of the Youth Employment Accord;
- ii. implementation of a Learnership Programme as well as an Internship Programme;
- iii. training and development of staff and stakeholders; and
- iv. 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.



- b) The above-mentioned are linked to the following:
- i. NERSA Outcome-oriented goal:
    - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
  - ii. 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**

- a) NERSA contributes through:
- i. publication of rules, codes and guides for the regulation of the electricity, piped-gas and petroleum pipelines industries;
  - ii. setting rules and frameworks that facilitate the building of new infrastructure;
  - iii. setting and/or approving cost reflective tariffs and market related prices that encourage investment;
  - iv. facilitating and enforcing third-party access to facilities;
  - v. monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an increase in quality of supply;
  - vi. transparent processes;
  - vii. all decisions and reasons thereof are made public through being published on the NERSA website;
  - viii. the public is invited to make comments prior to decisions being made (written or in public hearing);
  - ix. customer education; and
  - x. setting targets for becoming a more credible, reliable, efficient and effective regulator.

- b) The above-mentioned are linked to the following:
- i. 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.
  - ii. 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**

- a) NERSA contributes through:
- i. the development and implementation of an Employment Equity Plan; and
  - ii. implementation of the recruitment policy.
- b) The above-mentioned are linked to the following:
- i. NERSA Outcome-oriented goal:
    - To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.
  - ii. NERSA Strategic Objectives:
    - Establish and position NERSA as a credible and reliable regulator.

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

- a) NERSA contributes through:
  - i. licensing and the setting and/or approving of tariffs and prices; in this manner NERSA creates pre-conditions towards the achievement of this milestone;
  - ii. issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
  - iii. facilitating and enforcing third-party access to facilities;
  - iv. promoting companies that are owned and controlled by HDIs to become competitive; and
  - v. regulatory advocacy for strengthening the powers of the Regulator.
- b) The above-mentioned are linked to the following:
  - i. 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.
    - 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.
  - ii. 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

- a) This enabling milestone encompasses the mandate of NERSA. NERSA thus contributes through:
  - i. regulating in a manner that facilitates security of supply;
  - ii. taking affordability into consideration when setting and/or approving tariffs and prices;
  - iii. determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
  - iv. facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
  - v. registration of gas importation and production facilities;
  - vi. facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
  - vii. incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
  - viii. promoting energy efficiency in general in South Africa and in particular at the NERSA building;
  - ix. facilitation of the implementation of the 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);
  - x. monitoring the implementation of the IRP;
  - xi. development and implementation of the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers;
  - xii. facilitating the transition to a low carbon economy;
  - xiii. regulatory advocacy with regard to cleaner fuels policy; and
  - xiv. monitoring the implementation of the Gas Utilisation Master Plan (once promulgated).

b) The above-mentioned are linked to the:

i. 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.

ii. 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.

2.1.2.3 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

a) NERSA contributes through:

- i. facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- ii. incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- iii. facilitation of the implementation of the 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);
- iv. monitoring the implementation of the IRP;
- v. facilitating the transition to a low carbon economy; and
- vi. regulatory advocacy with regard to cleaner fuels policy.

b) The above-mentioned are linked to the following:

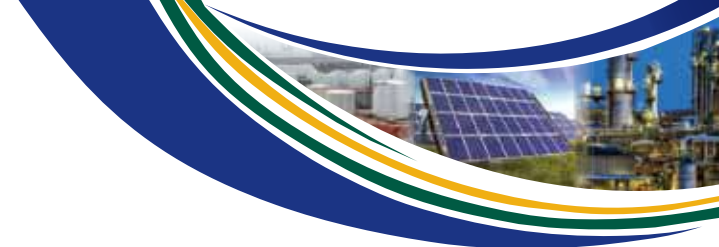
i. NERSA Outcome-oriented goal:

- To facilitate security of supply in order to support sustainable socio-economic development in South Africa.

ii. 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

- a) 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; and
  - monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an improvement in quality of supply.
- b) 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.
    - 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

- a) 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.
- b) 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

### 2.1.3. ANALYSIS OF NERSA'S PERFORMANCE IN 2019/20

- a) As a public entity, NERSA has to comply with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ('PFMA'). In terms of Treasury Regulation 29.3.1, NERSA is responsible for establishing procedures for quarterly reporting to facilitate effective performance monitoring, evaluation and corrective action.
- b) In October 2010, the 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, NERSA's Strategic Plans and Annual Performance Plans were developed (all of them approved by the then 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. However, these guidelines only pertain to the electronic submission of information to the National Treasury directly linked with programme performance, while the reporting format as prescribed by the Department of Energy on 29 June 2012 must also 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 2019/20 complies with section 55(2)(a) of the PFMA.

- c) 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 2019/20 reporting period.

Table 1: Analysis of NERSA's performance – 2019/20

	PLANNED ANNUAL TARGETS		ANNUAL TARGETS MET		REASONS FOR ANNUAL TARGETS NOT MET			
					External Dependencies		Internal factors	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Electricity Industry Regulation	18	27	15 (83%)	22 (81%)	3 (17%)	3 (11%)	0 (0%)	2 (7%)
Piped-Gas Industry Regulation	18	20	17 (94%)	18 (90%)	0 (0%)	1 (5%)	1 (6%)	1 (5%)
Petroleum Pipelines Industry Regulation	11	11	11 (100%)	11 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Transversal Regulatory	9	9	9 (100%)	6 (67%)	0 (0%)	2 (22%)	0 (0%)	1 (11%)
Organisational	14	17	14 (100%)	9 (53%)	0 (0%)	8 (47%)	0 (0%)	0 (0%)
<b>Total</b>	<b>70</b>	<b>84</b>	<b>66 (94%)</b>	<b>66 (79%)</b>	<b>3 (4%)</b>	<b>13 (15%)</b>	<b>1 (2%)</b>	<b>5 (6%)</b>

- i. From the above table it is evident that 22 (81%) of the 27 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22 relating to the regulation of the Electricity Industry, were met. This signifies a decrease of 2% in the performance when compared to 2018/19, where 83% of the planned targets were met. Three targets were not met due to external dependencies and two targets were not met due to internal factors.
- ii. From the above table it is also evident that 18 (90%) of the 20 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22 relating to the regulation of the Piped-Gas Industry, were met. This signifies a 4% decrease in performance when compared to 2018/19, where 94% of the planned targets were met. One of the two targets not met were due to internal factors and one due to external dependencies.
- iii. It can also be seen that all 11 (100%) planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22 relating to the regulation of the *Petroleum Pipelines* Industry, were met. This signifies the same level of performance if compared to 2018/19, where 100% of the planned targets were also met.
- iv. Moreover, from the table above it is evident that 6 (67%) of the 9 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22 relating to *transversal regulatory matters*, were met. This signifies a decrease of 33% in performance when compared to 2018/19, where 100% of the planned targets were met. Two targets were not met due to external dependencies and one target was not met due to internal factors.
- v. Lastly, from the table above it is evident that 9 (53%) of the 17 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22 relating to the organisational environment, were met. This signifies a decrease of 47% in performance when compared to 2018/19, where 100% of the planned

targets were met. Two targets were not met were due to external dependencies and one target was not met due to internal factors.

- vi. In summary, in total 66 (79%) of the 84 planned annual targets, linked to the key performance indicators in the approved NERSA Annual Performance Plan for 2019/20 – 2021/22, were met. This signifies an overall decrease of 15% in the performance when compared to 2018/19, where 94% of the targets were met. Thirteen of the planned targets could not be met due to external dependencies and five targets were not met due to internal factors.
- d) The following table provides a comparison between NERSA's performance on its planned activities for 2009/10, 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20.

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

Financial years	Annual Targets met	Annual Targets not met	
		External Dependencies	Internal Constraints
2009/10	66%	15%	19%
2010/11	68%	14%	18%
2011/12	66%	9%	25%
2012/13	87%	8%	5%
2013/14	90%	2%	7%
2014/15	96%	1%	3%
2015/16	92%	5%	3%
2016/17	98%	0%	2%
2017/18	97%	0%	3%
2018/19	94%	4.28%	1.43%
2019/20	79%	15%	6%

NERSA remains committed to continued improvement in our performance

## 2.1.4. OVERVIEW OF KEY OUTPUTS / ACHIEVEMENTS FOR THE 2019/20 FINANCIAL YEAR

Some of the main achievements for NERSA during the 2019/20 financial year are listed below.

### a) Electricity Industry Regulation

#### Programme 1: Pricing and Tariffs

- The Energy Regulator approved:
  - 177 tariff applications of licensed distributors; and
  - 1 report on the Free Basic Electricity (FBE) Rate for the compensation of Eskom for implementation on 1 July 2019.

#### Programme 2: Licensing and Registration

- The Energy Regulator considered:
  - 3 licence applications;
  - 26 applications for amendment of licences; and
  - 71 applications registration of licences.

#### Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered:
  - 1 consolidated distribution audit report on the state of compliance of licensees with licence conditions;
  - 1 consolidated generation audit report on the state of compliance of power stations with licence conditions;
  - 1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions;

- 1 audit report on Eskom's Transmission Network Development 2018/19 projects for compliance with the South African Grid;
- 3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees; and
- 2 monitoring reports on the performance and progress of Renewable Energy projects for 2019/20.

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

- The Energy Regulator closed 340 out of 351 disputes/complaints within 180 days from receipt in the reporting period.
- The Energy Regulator considered 1 report on the trends regarding 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:
  - 41 applications for exemption from the South African distribution and transmission grid code; and
  - 4 applications for amendments to the South African distribution and transmission grid code.
- The Energy Regulator considered:
  - 1 report on the review of the South African distribution and transmission grid code; and
  - 2 reports on the review of the Service Quality Incentive (SQI) – one for transmission and distribution.

Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered 2 System Adequacy Report reports.
- Sixty stakeholder engagement and customer education programmes aimed at empowering stakeholders with relevant energy industry were conducted.

**b) Piped-Gas Industry Regulation**

Programme 1: Pricing and Tariffs

- The Energy Regulator approved:
  - 1 trading margin application;
  - 2 transmission tariff applications; and
  - 4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule.

Programme 2: Licensing and Registration

- The Energy Regulator approved the following:
  - 6 applications to construct gas transmission facilities;
  - 2 applications to construct gas distribution facilities;
  - 2 applications to operate a gas transmission facility;
  - 2 applications for licences to trade in gas; and
  - 5 applications to operate a gas storage facility.
- The Energy Regulator approved the following:
  - 4 applications for amendment of operation licence for a gas distribution facility;
  - 5 applications for amendment of trading licence; and
  - 2 of applications for revocation of licence.
- The Energy Regulator considered 2 registration applications of gas production.

Programme 3: Compliance Monitoring and Enforcement

- The Energy Regulator considered:
  - 12 monthly reports on the assessment and analysis of Sasol's volume balance reports;
  - 1 report on the audit conducted on the ROMPCO pipeline according to the compliance framework;
  - 4 quarterly reports on the planned 45 compliance inspections conducted (non-compliance notices were issued where necessary);
  - 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; and
  - 8 monitoring reports on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price.

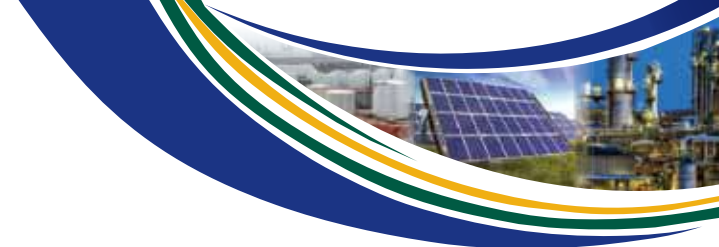
Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints

- The Energy Regulator considered reports on findings resulting from 2 initiated investigations.

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

- The Energy Regulator considered:
  - 2 reports on the review of the Maximum Pricing Methodology; and
  - 2 reports on gas regulatory advocacy.





Programme 6: Establishing NERSA as an efficient and effective Regulator

- The Energy Regulator considered the following:
  - 1 report on stakeholder workshops/meetings; and
  - 3 reports on new developments in the gas industry.

**c) Petroleum Pipelines Industry Regulation**

Programme 1: Pricing and Tariffs

- The Energy Regulator considered 16 tariff applications:
  - 10 storage tariff applications;
  - 2 pipelines tariff applications;
  - 3 loading facilities tariff applications; and
  - 1 storage and loading tariff application.

Programme 2: Licensing and Registration

- The Energy Regulator considered 4 licence applications and:
  - approved the issuing of licences to:
    - Q4 Depot for construction of storage tanks at an existing storage facility in Delmas, Mpumalanga Province, and
    - Bidvest Tank Terminals to construct an LPG storage facility in Isando, Gauteng; and
  - did not approve applications by:
    - NOOA Ambrose Park Oil Terminal (Pty) Ltd to construct a petroleum storage facility in Ambrose Park, KwaZulu-Natal Province, and
    - NOOA Ambrose Park Oil Terminal (Pty) Ltd to operate the abovementioned petroleum facility once constructed.

Programme 3: Compliance Monitoring and Enforcement

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

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

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

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

- The Energy Regulator considered:
  - the Reviewed Tariff Methodology, incorporating prudence guidelines; and
  - 1 report on contributions towards alignment between relevant petroleum legislation and regulations and government policies.
- The Energy Regulator amended the Rules made in terms of section 33(3) of the Petroleum Pipelines Act, 2003 (Act 60 of 2003).

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 the following:
  - 1 report on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018;
  - 1 report on the implementation of the recommendations from the benchmarking of NERSA study;
  - 1 report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities;
  - 1 report on the implementation of the approved NERSA Research Agenda; and
  - 1 report on the impact of global, regional and local energy trends on NERSA's business.
- 4 quarterly newsletters were published.

#### e) Organisational

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

- The Energy Regulator achieved:
    - 50% of women in management position; and
    - 2% of people with disabilities employed.
  - 100% (2744/2744) of invoices were paid within 30 days.
- The Energy Regulator considered:
- a comprehensive leadership development programme;
  - 4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review;
  - 4 progress reports on the implementation of the NERSA Enterprise Development Plan;

- 1 report on the stakeholder perception survey; and
  - 4 quarterly reports on legislative and policy developments that have an impact on the Regulator.
- NERSA received the Auditor-General's PFMA 2018/19 Clean Audit Award for the fifth consecutive year.

#### 2.1.5. MAIN CHALLENGES FOR THE 2019/20 FINANCIAL YEAR AND CORRECTIVE STEPS BEING TAKEN

Some of the main challenges/lowlights for NERSA during the 2019/20 financial year, with action plans to address these challenges, are outlined below.

##### **Electricity Industry Regulation**

- The positions of the Full-Time Regulator Member and the Executive Manager for Electricity Regulation were vacant. The positions have since been advertised and the Full-Time Regulator Member position has been filled.

##### **Piped-Gas Industry Regulation**

- The continued suspension of the maximum price methodology while awaiting the ruling from the Constitutional Court. The Maximum Price Methodology was only approved towards the end of the reporting period.

##### **Petroleum Pipelines Industry Regulation**

- The level of compliance by licensees determined to be non-bulk facilities according to the Energy Regulator's Bulk Threshold Determination Decision remains problematic. Two meetings with the Department of Energy were held to gain a better understanding of the different viewpoints in an effort to try resolve the impasse.
- A number of licensed construction activities required further extensions for

- commissioning and/or completion dates.
- Third-party access to uncommitted storage capacity remains at low levels due to, among others, logistical constraints, especially in the Port of Durban. However, following the implementation of a new approach to facilitate third-party access at the beginning of the reporting period, NERSA continued to closely monitor uncommitted storage capacity and universal access to loading facilities and pipelines to facilitate third-party access by new entrants to the licensed petroleum infrastructure. In an effort to facilitate the matter further, a workshop was held with Black Economic Empowerment (BEE)/Historically Disadvantaged South African (HDSA) new entrants in Durban on 16 March 2020.
- There was a marked increase in criminal activities relating to the theft of petroleum product from the pipelines.

#### Organisational

- The declaration of a national state of disaster due to the COVID-10 pandemic and the subsequent nation-wide lockdown from 27 March 2020 posed a serious challenge for NERSA. Meetings of the Energy Regulator had to be postponed, which meant that reports that had to be considered had to be submitted later than planned.

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

There were no significant developments external to NERSA that had an impact on the demand for NERSA's services or NERSA's ability to provide these services during most of the 2019/20 financial year.

This reporting period ended with the imminent threat of the COVID-19 pandemic to South Africa, following the declaration of a national disaster and the announcement

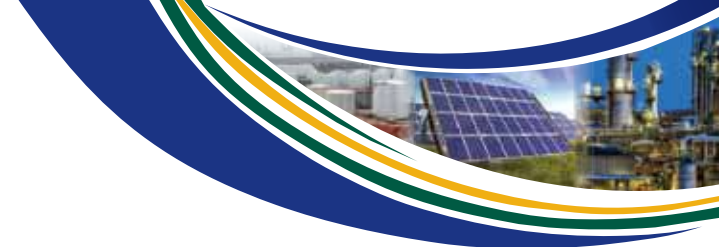
on 15 March 2020 of the nation-wide lock down that commenced on 27 March 2020. The time period to prepare for the lock-down was short, as critical health and safety measures had to be considered and protocols had to be put in place to enable NERSA to work remotely during the lock-down. The Energy Regulator had to prioritise critical meetings to conduct its regulatory activities before the lock-down.

#### 2.2. Organisational environment

NERSA to work remotely during the lock-down. The Energy Regulator had to prioritise critical meetings to conduct its regulatory activities before the lock-down.

Table 3: Organisational challenges and mitigating strategies

Challenges	Priorities
Skills and competencies to deliver on NERSA's mandate are not aligned appropriately	<ul style="list-style-type: none"> <li>Developed a competency blueprint is a model that broadly describes performance excellence within an organisation. The blueprint includes a number of competencies that are applied to multiple occupational roles and role families within the organisation.</li> <li>Developed a Talent Management Framework encapsulating the succession development leadership and continuous development and the dual career path policies</li> <li>Completed a skills audit.</li> </ul>
Poor and inadequate IT Systems and business processes that do not improve the performance of individuals	<ul style="list-style-type: none"> <li>Establishment of the Information Technology and Governance Committee (ITGC)</li> <li>Developed and rolled out a comprehensive ICT Strategy</li> </ul>



## 2.3. Key policy developments and legislative changes

2.3.1 The Carbon Tax Act, No.15 of 2019 came into effect on 1 June 2019. The Act is aimed at:

- a) managing the inevitable climate change impact;
- b) making a contribution to the global effort to stabilise greenhouse gas concentration in the atmosphere at the level that avoids dangerous anthropogenic interference with the climate system within a timeframe that enables economic, social and environmental development to proceed in a sustainable manner; and
- c) ensuring that those responsible for harming the environment pay for the costs of remedying pollution, environmental degradation and consequent adverse health effects and of preventing, minimising or controlling further pollution.

This Act will impact on NERSA's operations. When calculating a tariff or price for businesses or licensees liable to pay carbon tax, an amount of tax payable would have to be calculated and verified.

2.3.2 The Integrated Resource Plan (IRP) 2019 was issued by the Minister of Mineral Resources and Energy on 17 October 2019. The purpose is to ensure balanced supply and demand on a least-cost basis. This IRP was developed within a context of rapid changes seen in energy technologies, and the subsequent uncertainty on how these changes will affect the provision of energy in future. The IRP will inform the Regulator how to prepare for the effective regulation of the fast-changing energy landscape.

## 2.4. 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 NERSA's programmes, 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 to support sustainable socio-economic development in South Africa;
3. to promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa;
4. to facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all; and
5. to position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty.

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

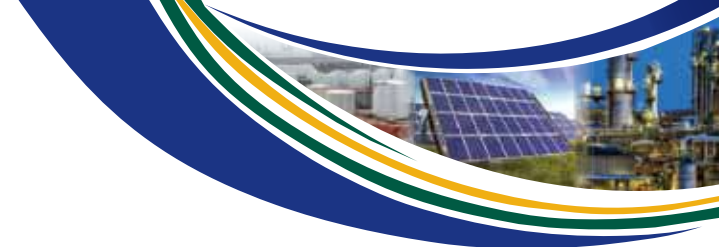


Table 4: Link between the five strategic outcome-oriented goals and the six programmes

Strategic Outcome-Oriented Goal	Programme
To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
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
	Dispute resolution, including mediation, arbitration and handling of complaints
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 of rules, guidelines and codes for the regulation of the three energy industries
	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
To facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	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 2019/20 financial year, as well as in the sections on the strategic objectives and programmes below.



### 3. PERFORMANCE INFORMATION BY PROGRAMME

#### 3.1. 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 must be protected against misuse of monopolistic powers and unnecessary price hikes, the regulated entities must have sufficient income to ensure that they can continue operating as a going concern and have enough revenue for the maintenance and refurbishment of infrastructure.

The following table provides the strategic objectives for this programme:

Table 5: Strategic objectives for Programme 1

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

#### 3.2. Programme 2: Licensing and registration

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

The following table provides the strategic objectives for the programme:

Table 6: Strategic objectives for Programme 2

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

### 3.3. 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, and environmental standards and requirements, as well as any other standards and requirements prescribed by the relevant industry-specific legislation. The programme will also ensure compliance with directives to govern relations between a licensee and its end users. Compliance monitoring will be done in such a way that a fair balance between the interests of all stakeholders is encouraged and maintained.

The following table provides the strategic objectives for the programme:

Table 7: Strategic objectives for Programme 3

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

### 3.4. 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 an appropriate manner. This programme will also ensure that when needed, any mediation or arbitration required will be done within the prescribed procedures.

The following table provides the strategic objectives for the programme:

Table 8: Strategic objectives for Programme 4

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

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

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

The following table provides the strategic objectives for the programme:

Table 9: Strategic objectives for Programme 5

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

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

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

The following table provides the strategic objectives for the programme:

Table 10: Strategic objectives for Programme 6

Programme 6: Establishing NERSA as an efficient and effective regulator	
Strategic Objectives	
Electricity Industry Regulation	To promote Security of Supply
Piped-Gas Industry Regulation	To engage in the debate on gas policy and legislation
	To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market
	To ensure an understanding of and monitor new developments in the gas industry
Petroleum Pipelines Industry Regulation	To enhance regulatory certainty



Programme 6: Establishing NERSA as an efficient and effective regulator	
Strategic Objectives	
Transversal Regulatory	To determine the impact of regulatory decisions
	To benchmark NERSA against recognised world-class regulators
	To complete the research agenda for the organisation
	To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information
	To contribute towards the transformation agenda of Government
Organisational	To create an efficient and effective world-class organisation
	To position and promote the good image of NERSA
	To improve the effectiveness of the financial processes, systems and procedures
	To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy

## STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

## Strategic objectives with planned targets and actual achievements

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

## Electricity Industry Regulation (ELR)

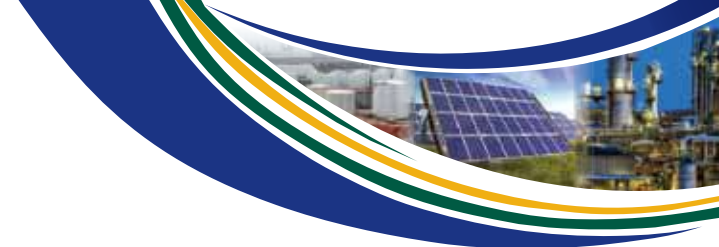
Table 11: Planned targets and actual achievements per ELR strategic objectives

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To ensure financially sustainable supply of electricity by municipalities and private distributors	New Target	100% of tariff applications of licensed distributors for increases higher than the guideline and benchmark considered by the ELS within 60 days of receipt of complete application	100% (9/9) applications of licensed distributors for increases higher than the guideline and benchmark were approved by the ELS within 60 days of receipt of complete application	None	N/A
	100% (175/175) of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application	100% of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application	<ul style="list-style-type: none"> <li>98% (165/168) of tariff applications of licensed distributors were considered by REC within 60 days of receipt of complete application.</li> <li>2% (3/168) of tariff applications of licensed distributors were considered by REC in more than 60 days of receipt of complete application.</li> </ul>	-2%	Three applications were not considered within the stated timeframe due to: <ul style="list-style-type: none"> <li>a decision taken by the Energy Regulator to subject one application to a public hearing; and</li> <li>two applications were considered late after not being submitted for consideration</li> </ul>

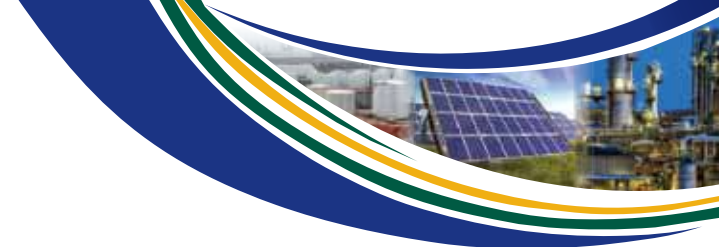


Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
	New Target	1 three yearly report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by ELS/REC by 31 March 2020	0 three yearly report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation was considered by ELS/REC by 31 March 2020	-1 report	The planned meetings where this report would have been considered were postponed due to the nation-wide lockdown. The report will be considered in the 2020/21 reporting period
	1 report on the review of Eskom's applications (both the RCA & MYPD4) was not considered by the ER by 31 December 2018. The ER considered it on 7 March 2019	Regulator decision on the review of Eskom's RCA application for 2018/19 within 180 days after receipt of complete applications	No regulator decision on the review of Eskom's RCA application for 2018/19 within 180 days after receipt of complete applications	No regulatory decision	The complete application was only received on 13 November 2019. The turnaround time of 180 days falls within the first quarter of 2020/21. The Regulator decision will be taken in the 2020/21 reporting period
	1 report on the proposed guidelines and benchmarks for 2019/20 not considered.	1 report on the proposed guidelines and benchmarks for 2020/21 considered by the ELS/REC by 31 March 2020	1 report on the proposed guidelines and benchmarks for 2020/21 was considered by the ELS on 18 March 2020	None	N/A
To facilitate the sustainability of electricity supply by Eskom	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the REC on 17 September 2018	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the ELS/REC by 31 December 2019	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFR's) was considered by the REC on 5 November 2019	None	N/A

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year was not considered by 30 November 2018 in line with statutory requirements. The ER considered it on 13 March 2019	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year considered by the ELS/REC by 30 November 2019 in line with statutory requirements	0 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year was considered by the ER by 30 November 2019 in line with statutory requirement	-1 report	The report can only be compiled after Eskom's ERTSA application is received. Eskom did not submit the application on time. The ER considered this report on 9 March 2020
	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 approved by the Energy Regulator on 30 May 2018	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2019 considered by the ELS/REC by 30 June 2019	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2019 was approved by the ELS on 13 May 2019	None	N/A
<b>Programme 2: Licensing and Registration</b>					
To control entry and ensure orderly development of the Electricity industry	100% (84/84) of licence applications were considered by the ELS within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days after the period of objections expired and no objections were received	100% (2 of 2) of licence applications were considered by the Energy Regulator within 120 days after the period of objections expired and no objections were received	None	N/A



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 2: Licensing and Registration</b>					
	New Target	100% of applications for amendment of licence considered by the ELS/REC within 120 days from receipt of all required information	100% (27 of 27) of applications for amendment of licences were considered by the ELS and REC within 120 days from receipt of all required information	None	N/A
	New Target	100% of applications for registration considered by the ELS within 120 days from receipt of all required information	100% (71 of 71) of applications for registration were considered and approved by the ELS within 120 days from receipt of all required information	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
To promote the quality and reliability level of electricity supply	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS on 7 February 2019	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS/REC by 31 March 2020	1 consolidated audit report on the state of compliance of licensees with licence conditions was considered by ELS on 2 March 2020	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 7 February 2019	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2020	1 consolidated generation audit report on the state of compliance of power stations with licence conditions was considered by the ELS on 2 March 2020	None	N/A



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS on 7 February 2019	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 2020	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by the ELS on 2 March 2020	None	N/A
	3 progress reports, one each for transmission, generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 7 February 2019	3 progress reports, one each for transmission, generation and distribution licensees on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS/REC by 31 March 2020	3 progress reports, one each for transmission, generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees were considered by the ELS on 2 March 2020	None	N/A
	1 audit report on the review of the annual performance of IDM for 2017/18 considered by the ELS on 4 March 2019	1 audit report on the review of the annual performance of IDM for 2018/19 considered by the ELS/REC by 31 March 2020	0 audit report on the review of the annual performance of IDM for 2018/19 was considered by the ELS/REC by 31 March 2020	-1 report	The review of the annual performance of IDM could not be completed within the stated timeframe due to the delay in the appointment of a qualified service provider to conduct an audit of the Demand Response (DR) Programme under IDM fund managed by Eskom for compliance with procedures, policies and regulatory requirements.

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	1 audit report on Eskom's Transmission Network Development 2017/18 projects for compliance with the South African Grid Code, considered by the ELS by 4 March 2019	1 audit report on Eskom's Transmission Network Development 2018/19 projects for compliance with the South African Grid Code, considered by the ELS/REC by 31 March 2020 subject to all information available	1 audit report of Eskom's Transmission Network Development 2018/19 Projects for Compliance with the South African Grid Code was considered by the ELS on 18 March 2020	None	N/A
	2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19, considered by the ELS on 20 September 2018 and 4 March 2019	2 monitoring reports on the performance and progress of Renewable Energy projects for 2019/20, considered by the ELS/REC by 30 September 2019 and 31 March 2020 respectively	2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19 were considered by the ELS on 8 October 2019 and 18 March 2020	-1 report	The first report was not considered within the stated timeframe as the ELS meeting for September 2019 was cancelled.
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To create a fair balance between the needs of all stakeholders	99% (388/390) of disputes/complaints closed within 180 days from receipt	85% of disputes/complaints closed within 180 days from receipt	97% (340/351) of complaints / disputes received were closed within 180 days from receipt	+12%	Staff involved in dispute resolution undertake continuous development programmes, which have enabled them to handle mediation meetings meticulously. The legal knowledge of the dispute resolution officers has improved due to accumulated experience. Their understanding of the electricity processes, the Electricity Act, Municipal



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
					By-Laws, and all other related Legislation in the Electricity Industry has increased exponentially. The involvement of lawyers on behalf of the complainants in some instances also contributed to the dispute being resolved within the prescribed time frame
	New target	70% of complaint investigations/initiated investigations completed within 12 months and a report on findings considered by the ELS	0% (0 of 0) complaint investigations/ initiated investigations completed within 12 months and a report on findings considered by the ELS	-70%	No complaint investigations/initiated investigations had to be completed and reported on during the reporting period
	1 report on the trends regarding to the status of disputes and complaints in the electricity industry was considered by the ELS on 7 February 2019	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 2020	1 report on the trends in disputes was considered by the ELS on 2 March 2020	None	N/A
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry</b>					
To ensure non-discriminatory access to, as well as safe and reliable operation of, the electricity infrastructure	100% (15 of 15) of applications for exemption to the South African distribution and transmission grid code was considered by the ELS within 60 days from receipt of the complete application.	100% of applications from the ESI requiring <u>exemptions</u> to the distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of complete information	100% (41/41) of applications requiring <u>exemptions</u> were considered at the ELS meeting within 60 days from receipt of complete information.	None	N/A

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	100% (1/1) of application for amendments to the South African distribution and transmission grid code was considered by the ELS within 60 days from receipt of complete application. (The planned target was 100%)	100% of applications from the ESI requiring <u>amendment</u> to the distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of complete information	100% (4/4) of applications requiring amendment to the distribution and transmission grid code were considered and approved by the ELS within 60 days from receipt of complete information	None	N/A
	The report on the scope for the review of the South African distribution and transmission grid code considered by ER on 27 March 2019	1 report on the review of the South African distribution and transmission grid code considered by the ER by 31 March 2020	0 report on the review of the South African distribution and transmission grid code considered by the ER by 31 March 2020	-1 report	The planned meetings were postponed due to the nation-wide lockdown. The report will be considered in the 2020/21 reporting period
	New target	2 reports on the review of the Service Quality Incentive (SQI) – one each for transmission and distribution – by 31 March 2020	2 reports on the review of the Service Quality Incentive (SQI) – one each for transmission and distribution – were considered by the ELS on 2 March 2020.	None	N/A
<b>Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)</b>					
To promote Security of Supply	1 System Adequacy Report considered by the ELS on 20 August 2018	1 System Adequacy Report considered by the ELS/REC by 31 March 2020	2 system adequacy reports were considered by the ELS on 9 July 2019 and 18 March 2020	+1 report	The load shedding that occurred in March 2019 necessitated an analysis of the system. Another report will be provided in March 2020, as per the planned schedule.

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)</b>					
<sup>1</sup> To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	60 stakeholder engagements and education programmes were conducted	55 customer education programmes undertaken by 31 March 2020	64 stakeholder engagement and education programmes were undertaken	+9	NERSA received invitations for additional workshops and stakeholder engagements outside those that were planned. NERSA also participated in extra exhibitions.

<sup>1</sup>This programme's strategic objective and the associated targets were moved to the Electricity Regulatory section of the APP, as the focus of these education programmes is on customers of electricity. This resulted in the restructuring of relevant resources to the new responsible department.

## Piped-Gas Industry Regulation (GAR)

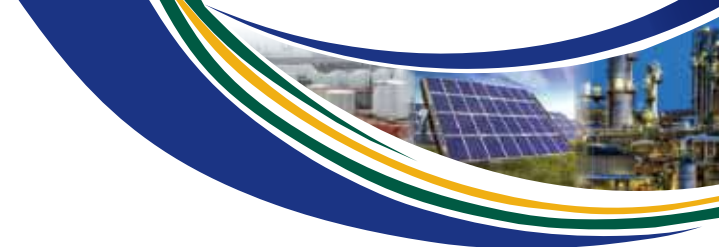
Table 12: Planned targets and actual achievements per GAR strategic objectives

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To provide piped-gas price certainty	100% (4/4) of maximum price applications were considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	0% (0/0) maximum price applications considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	No maximum price applications had to be considered during the reporting period due to the fact that no applications were received
	0% (0/4) trading margin applications were considered by the ER within 120 days after the date of the publication of preliminary assessment. The 4 trading margin applications for the period 1 July 2018 to 30 June 2019 were approved by the ER on 27 March 2019	100% of trading margin applications considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/1) of trading margin applications was considered by the ER within more than 120 days after the date of the publication of preliminary assessment	-100%	The one trading margin application received was considered by the ER within more than 120 days from the date of publication of the preliminary assessment. The completion of the application was delayed due to uncertainty regarding NERSA's powers to approve trading margins following the Constitutional Court decision in the GUG matter. The PGS directed that a legal opinion be obtained before a final decision could be taken

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
	New target	100% of applications on distinguishing features considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/0) of applications on distinguishing features considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	No applications on distinguishing features had to be considered during the reporting period due to the fact that no applications were received
To provide tariff certainty through the approval and monitoring of piped-gas transmission tariffs	No transmission tariff applications received	100% of transmission tariff applications are considered by ER within 120 days after date of publication of preliminary assessment of tariff application	100%(1/1) of transmission tariff applications were considered by ER within 120 days after date of publication of preliminary assessment of tariff application	None	N/A
To provide tariff certainty through the calculation of the ROMPCO tariff for gas volumes below 120 million Gigajoule	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule were considered by the PGS	None	N/A
<b>Programme 2: Licensing and Registration</b>					
To ensure orderly development of the piped-gas industry by efficient licensing	100% (14/14) of licence applications received was considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	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	94% (16/17) licence applications were considered by the REC within more than 60 days from date of close of public comment period or period of applicant's response to objections received	-6%	One application was considered within 65 days from date of close of public comment period or period of applicant's response to objections received



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 2: Licensing and Registration</b>					
	100% (9/9) of applications for licence amendments received were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of applications for licence amendments considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (11/11) of applications for licence amendments were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	100% (3/3) of registration applications of gas production not requiring publication was considered by the PGS within 60 days from date of receipt of complete application	100% of registration applications of gas activities are processed and considered by the PGS within 60 days from date of close of public comment period	100% (2/2) of registration applications of gas production were considered by the PGS within 60 days from date of close of public comment period	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	12 monthly volume balance reports were assessed and considered by the PGS within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports assessed and analysis reports considered by the PGS within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports were considered by the PGS within 60 days from date of receipt of information from Sasol Gas	None	N/A



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS on 19 February 2019	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS by 31 March 2020	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued and an audit report was considered by the PGS on 6 March 2020	None	N/A
To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	48 inspections conducted and a preliminary letter of non-compliance was issued; failure to explain and/or rectify will result in a notice of non-compliance being issued. 4 inspection reports considered by the PGS	45 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS	45 inspections conducted, non-compliance notices issued (where necessary) and 4 inspection reports considered by the PGS quarterly	None	N/A
To monitor licensees' compliance with approved transmission tariffs	3 monitoring reports on the implementation of transmission tariffs by Sasol Gas, Transnet and ROMPCO considered by the PGS on 8 August	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the PGS by 31 March 2020	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Sasol Gas and Transnet) were considered by the PGS on 10 September 2019	None	N/A

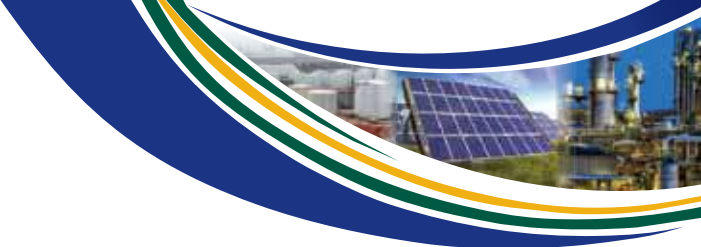
Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	New target	4 reports (one for each licensee) on the implementation of the RRM for the preceding financial year considered by the PGS/REC by 31 March 2020	4 reports (one for each licensee) on the implementation of the RRM for the preceding financial year considered by the REC by 31 March 2020	None	N/A
To monitor licensees' compliance with approved Maximum Prices	4 monitoring reports on the implementation of Maximum Prices for each of the 9 licensees after one year following the approval of the maximum price considered by the PGS	1 monitoring report on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price considered by the PGS by 31 March 2020	8 monitoring reports on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price were considered by the PGS by 31 March 2020	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To ensure fairness and equity in the piped-gas market	No reports on complaint(s) investigations needed to be considered	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS	0% (0 of 0) complaint investigations completed within 12 months and no reports on findings were considered by the PGS	-50%	No complaint investigations needed to be completed and no reports on findings needed to be considered
	100% (2/2) of initiated investigations completed within 12 months and a report on findings considered by the PGS	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS	100% (2/2) of initiated investigations completed within 12 months and a report on findings was considered by the PGS	+50%	The investigations conducted were all based on gas leaks and supply interruptions. These investigations are less complex and fairly quick to conclude as the information does not take long to obtain

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry</b>					
To enhance regulatory certainty in the piped-gas market	1 report on gas pricing strategy and formulae in different regional markets with implications to South Africa and an update of review of the Methodology was considered by the PGS on 19 February 2019	1 report on the review of the Maximum Pricing Methodology considered by the PGS/REC by 31 March 2020	1 report on the review of the Maximum Pricing Methodology was considered by the PGS via Round Robin on 27 March 2020	None	N/A
To engage in the debate on gas policy and legislation	1 report on gas Regulatory Advocacy titled the Proposed Further Amendments to Piped Gas Regulations approved by the ER on 27 March 2019	1 report on gas regulatory advocacy considered by the PGS by 31 March 2020	2 reports on gas regulatory advocacy considered by the PGS – one on 10 September 2019 and one via round robin on 6 February 2020	+ 1 report	The additional report was developed by NERSA on behalf of and as requested by RERA. This report is part of the advocacy work and contributions made by NERSA to the regional energy structures
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To promote dialogue between stakeholders in the gas market in order to facilitate the development of the market	1 report on stakeholder workshops/meetings considered by the PGS on 25 March 2019 via a round robin process	1 report on stakeholder workshops/meetings considered by the PGS by 31 March 2019	1 report on stakeholder workshops/meetings considered by the PGS on 4 November 2019	None	N/A
To ensure an understanding of and monitor new developments in the gas industry	3 reports on new developments in the gas industry considered by the PGS on 26 July 2018, 6 December 2018 and 25 March 2019	2 reports on new developments in the gas industry considered by the PGS by 30 September 2018 and 31 March 2019 respectively	3 reports on new developments in the gas industry were considered by the PGS on 7 August 2019, 5 December 2019 and 6 March 2020 respectively	+ 1 report	The 3rd report was necessitated by significant developments in the gas industry that occurred between December 2019 and March 2020

## Petroleum Pipelines Industry Regulation (PLR)

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

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	100% (7/7) of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application	90% of pipeline, storage and loading facility tariff applications considered by the PPS/ER within 7 months of receipt of complete application	100% (16 of 16) of storage, loading and pipelines facilities tariff applications were received and considered by PPS within 7 months of receipt of complete application	+10%	No challenges were experienced in the completion of the applications and applicants provided additional information timeously
<b>Programme 2: Licensing and Registration</b>					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	100% (1/1) of licence applications were decided on within 60 days under the conditions as prescribed in section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided on within 60 days under the conditions as prescribed in section 19(1) of the Petroleum Pipelines Act	100% (4/4) licence applications were decided on within 60 days under the conditions as prescribed in section 19(1) of the Petroleum Pipelines Act	None	N/A
	1 report on investigations done into suspected unlicensed activities will be considered by the REC on 25 March 2019	1 consolidated report on investigations done into suspected unlicensed activities considered by the REC by 31 March 2020	1 consolidated report on investigations done into suspected unlicensed activities considered by the REC on 23 March 2020	None	N/A



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
To monitor infrastructure utilisation and third-party access	2 reports on trends regarding utilisation of storage facilities and third-party access were considered by the PPS on 6 June 2018 and 8 November 2018	2 reports on trends regarding utilisation of storage facilities and third-party access, considered by PPS by 30 September 2019 and 31 March 2020 respectively	2 report on trends regarding utilisation of storage facilities and third-party access, considered by PPS on 6 August 2019 and 5 March 2020	None	N/A
	1 report on reviewed methodology to determine uncommitted capacity was considered by the PPS on 8 November 2018	1 report on the implementation of the methodology to determine uncommitted capacity considered by the PPS by 31 March 2020	1 report on the implementation of the methodology to determine uncommitted capacity considered by the PPS on 5 March 2020	None	N/A
To monitor the development of infrastructure	4 quarterly reports on the construction of new facilities considered by the PPS	4 quarterly reports on the construction of new facilities if any considered by the PPS	4 quarterly reports on the construction of new facilities considered by the PPS	None	N/A
To monitor licensees' compliance with statutory reporting requirements	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirement considered by the PPS	None	N/A



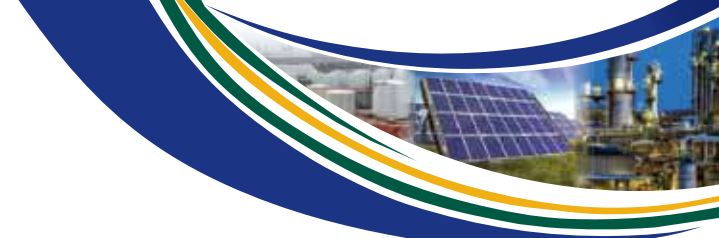
Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	No complaints were received	100% of complaints investigated and considered by the PPS/REC within 12 months of receipt	0% (0 of 0) complaints investigated and considered by the PPS/REC within 12 months of receipt	-100%	No formal complaint lodged with NERSA and needed to be considered by the PPS/REC
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry</b>					
To enhance regulatory certainty	The Guidelines for Prudency Assessment was approved by the ER on 29 August 2018	Reviewed Tariff Methodology, incorporating prudency guidelines, considered by the ER by 31 March 2020	Reviewed Tariff Methodology, incorporating prudency guidelines, considered by the ER on 25 March 2020	None	N/A
Enhancing the regulatory dispensation	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was considered by the PPS on 5 March 2019	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2020	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was noted by the PPS on 5 March 2020	None	N/A
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To promote Security of Supply	2 reports on the inland supply forecast was considered by the PPS on 7 August 2018 and 5 December 2018	2 reports on the inland supply forecast considered by PPS by 30 September 2019 and 31 March 2020	2 reports on the inland supply forecast considered by PPS on 6 August 2019 2019 and 5 March 2020	None	N/A

## Transversal Regulatory

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

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To determine the impact of regulatory decisions	1 report on regulatory impact assessment was considered by the REC on 25 March 2019	1 report on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018 considered by the REC by 31 March 2020	1 report on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018 considered by the REC on 9 March 2020	None	N/A
To benchmark NERSA against recognised world-class regulators	1 report on the outcomes of the benchmarking of NERSA was considered by the REC on 11 February 2019	1 report on the implementation of the recommendations from the benchmarking of NERSA, considered by the REC by 31 March 2020	1 report on the implementation of the recommendations from the benchmarking of NERSA study were considered by the REC on 9 March 2020	None	N/A
	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 11 March 2019	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2020	1 report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 23 March 2020	None	N/A
To complete the research agenda for the organisation	1 report on research conducted in line with the approved research agenda was considered the REC on 11 March 2019	1 report on the implementation of the approved NERSA Research Agenda considered by the REC by 31 March 2020	1 report on the implementation of the approved NERSA Research Agenda considered by the REC on 23 March 2020	None	N/A

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	4 newsletters were published	4 quarterly newsletters published	4 quarterly newsletters were published	None	N/A
	1 report considered by REC on 17 September 2018 as part of the environmental scan document	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 May 2019	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC in the Second Quarter as part of the newly drafted Strategic Plan and Annual Performance Plan	None	N/A
	2 progress reports on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, was considered by the REC on 17 September 2018 and 25 March 2019 respectively 11 March 2019	2 progress reports on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, considered by the REC by 30 September 2019 and 31 March 2020 respectively	1 progress report on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, considered by REC on 23 March 2020 , but one report was considered after 30 September 2019	-1 report	The REC scheduled for 30 September was cancelled and the report could not be considered. The outstanding report was considered by REC in the third quarter
	New target	2 reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered by the REC on 30 September 2019 and 31 March 2020	1 report on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally was considered by REC on 23 March 2020 , but one report was considered after 30 September 2019	-1 report	1 report was not considered by the REC by 30 September 2019 because some of the information required is dependent on third parties and the report could not be finalised. The outstanding report was considered by REC in the third quarter



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity was considered by the Energy Regulator of 27 March 2019	1 report on the progress made with the implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity considered by the Energy Regulator by 31 March 2020	1 report on the progress made with the implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity was not considered by the Energy Regulator, but by the REC	-1 report	The report was submitted to the REC meeting for noting, however it was not submitted to the ER for consideration. Corrective active could not be taken due to the nationwide COVID-19 lockdown

## Organisational

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

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To create an efficient and effective world-class organisation	2 progress reports on the implementation of the Employment Equity Plan have been considered by the HRRC of 17 July in August 2018 and on 22 November 2018	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September 2019 and 31 March 2020 respectively	1 report on the implementation of the Employment Equity Plan was considered by the HRRC on 07 October 2019	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period
	52% of women are in management positions	50% of women in management positions	50% of women in management position.	None	N/A
	2% of people with disabilities have been employed	2% of people with disabilities employed	2% of people with disabilities employed	None	N/A
	4 progress reports on the implementation of the Youth Employment Accord were considered by the HRRC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	3 reports on the implementation of the Youth Employment Accord was considered by the HRRC	-1 Report	The HRRC scheduled for April was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period
	Annual report on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 16 April 2019	Annual report on the implementation of the Learnership and Internship Programmes considered by 31 March 2020	Annual report on the implementation of the Learnership and Internship Programmes was not considered by the HRRC	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
	1 report on the implementation of the bursary programme was considered by a subcommittee of the REC, the Capacity Building Committee on 12 March 2019	1 progress report on the implementation of the bursary programme for qualifying external applicants considered by the HRRC/ REC by 31 March 2020	1 report on the implementation of the bursary programme for qualifying external applicants was not considered	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period
	New Target	Planning phase concluded and considered by the HRRC by 31 March 2020	The report on the Planning phase (for the development of a Regulatory course at an accredited institution of higher learning) was not considered by the HRRC	-1 report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period
	New Target	Comprehensive leadership development programme considered by the Energy Regulator by 31 March 2020	Comprehensive leadership development programme considered by the Energy Regulator on 27 November 2019	None	N/A
	New Target	Comprehensive technical regulatory training and development programme considered by the Energy Regulator by 31 March 2020	Comprehensive technical regulatory training and development programme was not considered by the Energy Regulator	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A
	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding certification with an appropriate international standard on quality management considered by the REC	3 quarterly reports on the progress made regarding certification with an appropriate international standard on quality management considered by the REC	-1 report	The REC scheduled for April 2020 was postponed due to the COVID-19 lockdown. The report will be considered in the 2020/21 reporting period
	The NERSA Enterprise Development Plan was considered by the ER on 27 March 2019	4 quarterly reports on the implementation of the NERSA Enterprise Development Plan considered by the ER	4 progress report on the implementation of the NERSA Enterprise Development Plan was considered by the ER	None	N/A
	100% implementation of Preferential Procurement Policy Framework, with 97% (R86 940/R90 012) procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	100% implementation of Preferential Procurement Policy Framework, with ≥82% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	0% implementation of Preferential Procurement Policy Framework, with ≥82% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	-100%	The information required to determine the percentage is obtained from the National Treasury system. There were technical challenges and National Treasury could not resolve it in time before the close of the reporting period

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
To position and promote the good image of NERSA	Customer and stakeholder perception and satisfaction level achieved is 89.17%	1 report on 3-yearly stakeholder survey considered by the REC by 31 March 2020	1 report on stakeholder perception survey was considered by the REC	None	N/A
To improve the effectiveness of the financial processes, systems and procedures	Clean audit	Unqualified audit	The outcome of the audit not known yet	The outcome of the audit not known yet	The outcome of the audit not known yet
	100% (2056/2056) of undisputed invoices were all paid within 30 days	100% of creditors paid within 30 days after all relevant documentation have been received	100% of invoices were paid within 30 days (2744/2744)	None	N/A
To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy	5 reports on legislative and policy developments that might impact on the Regulator, considered by the REC	4 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	5 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	+ 1 report	An additional report prepared due to two applicable pieces of legislation that were identified through environmental scanning

## Key performance indicators with planned targets and actual achievements

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

### Electricity Industry Regulation (ELR)

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

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of tariff applications of licensed distributors for increases higher than the guideline and benchmark approved by the relevant Subcommittee within 60 days of receipt of complete application	New Target	100% of tariff applications of licensed distributors for increases higher than the guideline and benchmark considered by the ELS within 60 days of receipt of complete application	100% (9/9) applications of licensed distributors for increases higher than the guideline and benchmark were approved by the ELS within 60 days of receipt of complete application	None	N/A
% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application	100% (175/175) of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application	100% of tariff applications of licensed distributors considered by the REC within 60 days of receipt of complete application	<ul style="list-style-type: none"> <li>• 98% (165/168) of tariff applications of licensed distributors were considered by REC within 60 days of receipt of complete application</li> <li>• 2% (3/168) of tariff applications of licensed distributors were considered by REC in more than 60 days of receipt of complete application</li> </ul>	-2%	Three applications were not considered within the stated timeframe due to: <ul style="list-style-type: none"> <li>• a decision taken by the Energy Regulator to subject one application to a public hearing; and</li> <li>• two applications were considered late after not being submitted for consideration</li> </ul>

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
Number of reports on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant subcommittee within the stated timeframe	New Target	1 three yearly report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by ELS/REC by 31 March 2020	0 three yearly report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation was considered by ELS/REC by 31 March 2020	-1 report	The planned meetings where this report would have been considered were postponed due to the nation-wide lockdown. The report will be considered in the 2020/21 reporting period
Number of reports on the review of Eskom's revenue application considered by ER within the stated timeframe	1 report on the review of Eskom's applications (both RCA & MYPD4) was not considered by ER by 31 December 2018. The ER considered it on 7 March 2019	Regulator decision on the review of Eskom's RCA application for 2018/19 within 180 days after receipt of complete applications	No regulator decision on the review of Eskom's RCA application for 2018/19 within 180 days after receipt of complete applications	No regulatory decision	The complete application was only received on 13 November 2019. The turnaround time of 180 days falls within the first quarter of 2020/21. The Regulator decision will be taken in the 2020/21 reporting period
Number of reports on the proposed municipal guidelines and benchmarks for the forthcoming financial year considered by the relevant subcommittee within the stated timeframe	1 report on the proposed guidelines and benchmarks for 2019/20 not considered.	1 report on the proposed guidelines and benchmarks for 2020/21 considered by the ELS/REC by 31 March 2020	1 report on the proposed guidelines and benchmarks for 2020/21 was considered by the ELS on 18 March 2020	None	N/A
Number of reports on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the relevant subcommittee within the stated timeframe	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the REC on 17 September 2018	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFRs), considered by the ELS/REC by 31 December 2019	1 report on the analysis of Eskom's performance, based on submitted Regulatory Financial Reports (RFR's) was considered by the REC on 5 November 2019	None	N/A

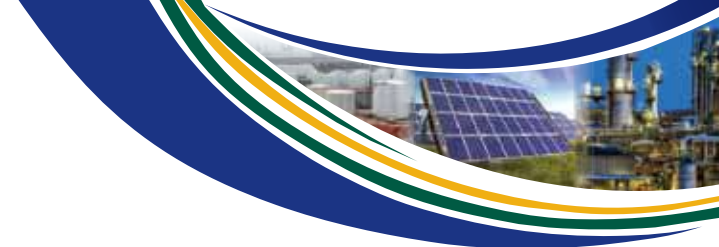
Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
Number of reports on the review of Eskom's submission on the Annual retail tariffs (ERTSA) considered by the relevant subcommittee within the stated timeframe in line with statutory requirements	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year was not considered by 30 November 2018 in line with statutory requirements. The ER considered it on 13 March 2019	1 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year considered by the ELS/REC by 30 November 2019 in line with statutory requirements	0 report on the review of Eskom's submission on ERTSA for the 2019/20 financial year considered by the ER on 30 November 2019	-1 report	The report can only be compiled after Eskom's ERTSA application is received. Eskom did not submit the application on time. The ER considered the ERTSA on 9 March 2020
Number of reports on the Free Basic Electricity (FBE) Rate for the compensation of Eskom for implementation on 1 July annually considered by the relevant subcommittee within the stated timeframe	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2018 approved by the Energy Regulator on 30 May 2018	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2019 considered by the ELS/REC by 30 June 2019	1 report on the FBE Rate for the compensation of Eskom for implementation on 1 July 2019 was approved by the ELS on 13 May 2019	None	N/A
<b>Programme 2: Licensing and Registration</b>					
% of licence applications considered by the relevant subcommittee within 120 days after the period of objections expired and no objections were received	100% (84/84) of licence applications considered by the ELS within 120 days from receipt of all required information	100% of licence applications considered by the ELS/REC within 120 days after the period of objections expired and no objections were received	100% (2 of 2) of licence applications were considered by the Energy Regulator within 120 days after the period of objections expired and no objections were received	None	N/A

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 2: Licensing and Registration</b>					
% of licence applications considered by the relevant subcommittee within 120 days after the period of objections expired and no objections were received	New Target	100% of applications for amendment of licence considered by the ELS/REC within 120 days from receipt of all required information	100% (27 of 27) of applications for amendment of licences were considered by the ELS and REC within 120 days from receipt of all required information	None	N/A
% of applications for registration of electricity generation activities considered by the ELS within 120 days from receipt of all required information	New Target	100% of applications for registration considered by the ELS within 120 days from receipt of all required information	100% (71 of 71) of applications for registration were considered and approved by the ELS within 120 days from receipt of all required information	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of consolidated audit reports on the state of compliance of licensees with 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 on 7 February 2019	1 consolidated distribution audit report on the state of compliance of licensees with licence conditions considered by the ELS/REC by 31 March 2020	1 consolidated audit report on the state of compliance of licensees with licence conditions was considered by the ELS on 2 March 2020	None	N/A
	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS on 7 February 2019	1 consolidated generation audit report on the state of compliance of power stations with licence conditions considered by the ELS/REC by 31 March 2020	1 consolidated generation audit report on the state of compliance of power stations with licence conditions was considered by the ELS on 2 March 2020	None	N/A



Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions considered by the ELS on 7 February 2019	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 2020	1 consolidated transmission audit report on the state of compliance of Main Transmission Substations with licence conditions was considered by the ELS on 2 March 2020	None	N/A
Number of progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS on 7 February 2019	3 progress reports, one each for transmission generation and distribution licensees on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the ELS/REC by 31 March 2020	3 progress reports, one each for transmission generation and distribution licensees, on the monitoring of the implementation of the corrective action plans by non-complying licensees were considered by the ELS on 2 March 2020	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 2017/18 considered by the ELS on 4 March 2019	1 audit report on the review the annual performance of IDM for 2018/19 considered by the ELS/REC by 31 March 2020	0 audit report on the review the annual performance of IDM for 2018/19 was considered by the ELS/REC by 31 March 2020	-1 report	The review of the annual performance of IDM could not be completed within the stated timeframe due to the delay in the appointment of a qualified service provider to conduct an audit of the Demand Response (DR) Programme under IDM fund managed by Eskom for compliance with procedures, policies and regulatory requirements.

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
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 2017/18 projects for compliance with the South African Grid, considered by the ELS by 4 March 2019	1 audit report on Eskom's Transmission Network Development 2018/19 projects for compliance with the South African Grid, considered by the ELS/REC by 31 March 2020 subject to all information available	1 Audit Report of Eskom's Transmission Network Development 2018/19 Projects for Compliance with South African Grid Code was considered by ELS on 18 March 2020	None	N/A
Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the relevant subcommittee	2 monitoring report on the performance and progress of Renewable Energy projects for 2018/19, considered the ELS on 20 September 2018 and 4 March 2019	2 monitoring reports on the performance and progress of Renewable Energy projects for 2019/20, considered by the ELS/REC by 30 September 2019 and 31 March 2020	2 monitoring reports on the performance and progress of Renewable Energy projects for 2018/19 were considered by the ELS on 8 October 2019 and 18 March 2020	-1 report	The first report was not considered within the stated timeframe as the ELS meeting for September 2019 was cancelled
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of disputes/complaints closed within 180 days from receipt	99% (388/390) of disputes/complaints closed within 180 days from receipt	85% of disputes/complaints closed within 180 days from receipt	97% (340/351) of complaints/disputes received were closed within 180 days from receipt	+12%	Staff involved in dispute resolution undertake continuous development programmes, which enables them to handle mediation meetings meticulously. The legal knowledge of the dispute resolution officers has improved due to accumulated experience. Their understanding of the



Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
					electricity processes, the Electricity Act, Municipal By-Laws, and all other related Legislation in the Electricity Industry has increased exponentially. The involvement of lawyers on behalf of the complainants in some instances also contributed to the dispute being resolved within the prescribed time frame.
% of complaint investigations/ initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	New target	70% of complaint investigations/initiated investigations completed within 12 months and a report on findings considered by the ELS	0% (0 of 0) complaint investigations/initiated investigations completed within 12 months and a report on findings considered by the ELS	-70%	No complaint investigations/ initiated investigations had to be completed and reported on during the reporting period
Number of reports on the trends regarding 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 was considered by the ELS on 7 February 2019	1 report on the trends regarding the status of disputes and complaints in the electricity industry considered by the ELS/REC by 31 March 2020	1 report on the trends in disputes was considered by ELS on 2 March 2020	None	N/A

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry</b>					
% of applications from the ESI requiring exemptions to the distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt of complete information	100% (15 of 15) applications for exemption to the South African distribution and transmission grid code was considered by the ELS within 60 days from receipt of complete application	100% of applications from the ESI requiring exemptions to the distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of complete information	100% (41/41) of applications <u>requiring exemptions</u> were considered at the ELS meeting within 60 days from receipt of complete information	None	N/A
% of applications from the ESI requiring amendment to the distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt complete information	100% (1/1) application for amendment to the South African distribution and transmission grid code was considered by ELS within 60 days from receipt of complete application	100% of applications from the ESI requiring amendment to the distribution and transmission grid code, considered by the ELS/REC within 60 days from receipt of complete information	100% (4/4) of applications <u>requiring amendment</u> to the distribution and transmission grid code were considered and approved by the ELS within 60 days from receipt of complete information	None	N/A
Number of reports on the scope for the review of the South African distribution and transmission grid code considered by the ER within the stated timeline	The report on the scope for the review of the South African distribution and transmission grid code considered by ER on 27 March 2019	1 report on the review of the South African distribution and transmission grid code considered by the ER by 31 March 2020	0 report on the review of the South African distribution and transmission grid code considered by the ER by 31 March 2020	-1 report	The planned meetings were postponed due to the nation-wide lockdown. The report will be considered in the 2020/21 reporting period
Number of reports on the review of the Service Quality Incentive (SQI) – one each for transmission and distribution within the stated timeline	New target	2 reports on the review of the Service Quality Incentive (SQI) – one each for transmission and distribution by 31 March 2020	2 reports on the review of the Service Quality Incentive (SQI) – one each for transmission and distribution – were considered by ELS on 02 March 2020	None	N/A

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Administration (Establishing NERSA as an efficient and effective regulator)</b>					
Number of System Adequacy Reports considered by the relevant subcommittee	1 System Adequacy Report considered by the ELS on 20 August 2018	1 System Adequacy Report considered by the ELS/REC by 31 March 2020	2 system adequacy reports were considered by the ELS on 9 July 2019 and 18 March 2020	+1 report	The load shedding of March 2019 necessitated an analysis of the system. Another report will be provided in March 2020, as per the planned schedule
Number of education programmes conducted	60 stakeholder engagements and education programmes conducted	55 customer education programmes undertaken by 31 March 2020	64 stakeholder engagement and education programmes were undertaken	+9	NERSA received invitations for additional workshops and stakeholder engagements outside those planned. NERSA also participated in extra exhibitions

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

#### Programme 1: Pricing and Tariffs

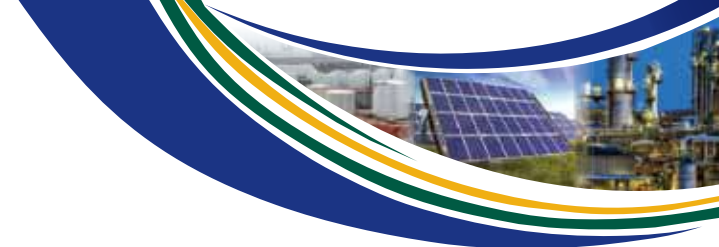
For the review period, all 168 tariff applications were approved (3 of them outside the specified timeframe).

#### Programme 2: Licensing and Registration

• **Generation licences were granted to the following:**

- Tsitsikama Community Wind Farm (RF) (Pty) Ltd
- Bronkhorstspuit Biogas Plant (Pty) Ltd
- Bethlehem Hydro (Pty) Ltd
- Amstilinx (RF) (Pty) Ltd

- Main Street 957 (RF) (Pty)
- Tongaat Hulett Sugar South Africa Ltd
- Ramizone (RF) (Pty) Ltd
- DPS79 Solar Energy (RF) (Pty) Ltd
- Tongaat Hulett Sugar South Africa Ltd



- **Appropriate recording of Schedules 1 and 3 of the Electricity Distribution Licences for:**
  - Dr Pixley Ka Isaka Seme Local Municipality in the Mpumalanga Province
  - Elundini Local Municipality in the Eastern Cape Province
  - Emakhazeni Local Municipality in the Mpumalanga Province
  - Emfuleni Local Municipality in the Gauteng Province
  - Great Kei Local Municipality in the Mpumalanga Province
  - Mogale City Local Municipality in the Mpumalanga Province
  - Ndlambe Local Municipality in the Eastern Cape Province
  - Application for the amendment of a licence by Tsitsikama Community Wind Farm (RF) (Pty) Ltd
- **Trading licences were granted to the following:**
  - 1st amendment of PowerX (Pty) Ltd
  - 2nd amendment of PowerX (Pty) Ltd
  - PowerX (Pty) Ltd trading licence
- **Generation licences: Application for amendment of PPA by:**
  - DPS79 Solar Energy (RF) (Pty) Ltd
  - Bokamoso Energy (RF) (Pty) Ltd
  - Droogfontein 2 Solar (RF) (Pty) Ltd
  - ACWA Power SolarReserve Redstone Solar Thermal Power Station (RF) (Pty) Ltd
  - Lórmaries (Pty) Ltd
- **Amendments to the following distribution licences were approved:**
  - Application for the amendment of Stellenbosch Local Municipality's electricity distribution licence to include Pniel and Hollandsche Molen into its area of electricity supply (105 days)
  - Application for the amendment of the Eskom Holdings SOC Ltd ('Eskom') electricity distribution licence to include Reitkuil, Wilge and Pullenshope in its areas of electricity supply.

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

- NERSA received 340 electricity-related complaints/disputes, excluding enquiries received via the website, email, telephone, fax as well as walk-ins. Of these cases, 90% (306) were successfully resolved.
- Customers used various communication channels such as email, telephone, website and fax to submit their complaints to NERSA.

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

- A total of 41 applications for exemption from the South African distribution and transmission grid code and the Network Code were granted and 4 applications for the amendment of the Grid Code were approved.



## Piped-Gas Industry Regulation (GAR)

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

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of maximum price applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% (4/4) of maximum price applications were considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the ER within 120 days after date of publication of preliminary assessment of maximum price application	0% (0/0) maximum price applications considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	No maximum price applications had to be considered during the reporting period due to the fact that no applications were received
% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	0% (0/4) trading margin applications were considered by the ER within 120 days after the date of the publication of preliminary assessment. The 4 trading margin applications for the period 1 July 2018 to 30 June 2019 were approved by the ER on 27 March 2019	100% of trading margin applications considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/1) of trading margin applications were considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	The one trading margin application received was considered by the ER more than 120 days from the date of publication of the preliminary assessment. The completion of the application was delayed due to uncertainty regarding NERSA's powers to approve trading margins following the Constitutional Court decision in the GUG matter. The PGS directed that a legal opinion be obtained before a final decision could be taken

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of applications on distinguishing features considered by the relevant committee within 120 days after the date of the publication of preliminary assessment	New target	100% of applications on distinguishing features considered by the ER within 120 days after the date of the publication of preliminary assessment	0% (0/0) of applications on distinguishing features considered by the ER within 120 days after the date of the publication of preliminary assessment	-100%	No applications on distinguishing features had to be considered during the reporting period due to the fact that no applications were received
% of transmission tariff applications are considered by the relevant Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	No transmission tariff applications were received	100% of transmission tariff applications are considered by ER within 120 days after date of publication of preliminary assessment of tariff application	100%(1/1) of transmission tariff applications were considered by ER 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 Gigajoule considered by the relevant Subcommittee	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule considered by the PGS	4 quarterly calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoule were considered by the PGS	None	N/A
<b>Programme 2: Licensing and Registration</b>					
% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (14/14) of licence applications received was considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	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	94% (16/17) licence applications were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	-6%	One application was considered within 65 days from the date of close of public comment period or period of applicant's response to objections received

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 2: Licensing and Registration</b>					
% of applications for licence amendments 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% (9/9) of applications for licence amendments received were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of applications for licence amendments considered by the PGS/REC within 60 days from date of close of public comment period or period of applicant's response to objections received	100% (11/11) of applications for licence amendments were considered by the REC within 60 days from date of close of public comment period or period of applicant's response to objections received	None	N/A
% of registration applications of gas activities processed and considered by the relevant subcommittee within 60 days from date of close of public comment period	100% (3/3) of registration applications of gas production not requiring publication was considered by the PGS within 60 days from date of receipt of complete application	100% of registration applications of gas activities processed and considered by the PGS within 60 days from date of close of public comment period	100% (2/2) of registration applications of gas production were considered by the PGS within 60 days from date of close of public comment period	None	N/A
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12 monthly volume balance reports were assessed and considered by the Piped-Gas within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports assessed and analysis reports considered by the PGS within 60 days from date of receipt of information from Sasol Gas	12 monthly volume balance reports were considered by PGS within 60 days from date of receipt of information from Sasol Gas	None	N/A

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the relevant subcommittee	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS on 19 February 2019	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (where necessary) and audit reports considered by the PGS by 31 March 2020	1 audit conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued and an audit report was considered by the PGS on 6 March 2020	None	N/A
Number of inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the relevant subcommittee	48 inspections conducted, and a preliminary letter of non-compliance was issued (failure to explain and/or rectify will result in a notice of non-compliance being issued) and 4 inspection reports considered by the PGS	45 inspections conducted, non-compliance notices issued (where necessary) and inspection reports considered by the PGS	45 inspections conducted, non-compliance notices issued (where necessary) and 4 inspection reports considered by the PGS quarterly.	None	N/A
Number of monitoring reports on the implementation of transmission tariffs considered by the relevant subcommittee	3 monitoring reports on the implementation of transmission tariffs by Sasol Gas, Transnet and ROMPCO considered by the PGS on 8 August	3 monitoring reports on the implementation of transmission tariffs (one for ROMPCO, one for Transnet and one for Sasol Gas) considered by the PGS by 31 March 2020	3 monitoring reports on the implementation of transmission tariffs (one each for ROMPCO, Sasol Gas and Transnet) were considered by the PGS on 10 September 2019	None	N/A

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of reports on the implementation of the RRM for the preceding financial year considered by the relevant subcommittee	New target	4 reports (one for each licensee) on the implementation of the RRM for the preceding financial year considered by the PGS/ REC by 31 March 2020	4 reports (one for each licensee) on the implementation of the RRM for the preceding financial year considered by the REC by 31 March 2020	None	N/A
Number of monitoring reports on the implementation of Maximum Prices considered by the relevant subcommittee	4 monitoring reports on the implementation of Maximum Prices for each of the 9 licensees after one year, following the approval of the maximum price considered by the PGS	1 monitoring report on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price considered by the PGS by 31 March 2020	8 monitoring reports on the implementation of Maximum Prices per licensee after one year following the approval of the maximum price were considered by the PGS by 31 March 2020	None	N/A
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	No reports on complaint(s) investigations had to be considered	50% of complaint investigations completed within 12 months and a report on findings considered by the PGS	0% (0 of 0) complaint investigations completed within 12 months and no reports on findings were considered by the PGS	-50%	No complaint investigations needed to be completed and no reports on findings needed to be considered
% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	100% (2/2) of initiated investigations completed within 12 months and a report on findings considered by the PGS	50% of initiated investigations completed within 12 months and a report on findings considered by the PGS	100% (2/2) of initiated investigations completed within 12 months and a report on findings considered by the PGS	+50%	The investigations conducted were all based on gas leaks and supply interruptions. These investigations are less complex and fairly quick to conclude as the information required does not take long to obtain

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry</b>					
Number of reports on the review of methodologies, guidelines or frameworks considered by the relevant subcommittee	1 report on gas pricing strategy and formulae in different regional markets with implications to South Africa and an update of review of the Methodology was considered by the PGS on 19 February 2019	1 report on the review of the Maximum Pricing Methodology considered by the PGS/REC by 31 March 2020	1 report on the review of the Maximum Pricing Methodology was considered by the PGS via round robin on 27 March 2020	None	N/A
Number of reports on gas regulatory advocacy considered by the relevant subcommittee	1 report on gas Regulatory Advocacy titled the <i>Proposed Further Amendments to Piped-Gas Regulations</i> approved by ER on 27 March 2019	1 report on gas regulatory advocacy considered by the PGS by 31 March 2020	2 reports on gas regulatory advocacy considered by the PGS – one on 10 September 2019 and one via round robin on 6 February 2020	+ 1 report	The additional report was developed by NERSA on behalf of and as requested by RERA. This report is part of the advocacy work and contributions made by NERSA to the regional energy structures
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on stakeholder workshops/ meetings considered by the relevant subcommittee	1 report on stakeholder workshops/meetings considered by the PGS on 25 March 2019 via round robin	1 report on stakeholder workshops/meetings considered by the PGS by 31 March 2019	1 report on stakeholder workshops/meetings considered by the PGS on 4 November 2019	None	N/A
Number of reports on new developments in the gas industry considered by the relevant subcommittee	3 reports on new developments in the gas industry considered by PGS on 26 July 2018, 6 December 2018 and 25 March 2019	2 reports on new developments in the gas industry considered by the PGS by 30 September 2018 and 31 March 2019 respectively	3 reports on new developments in the gas industry were considered by the PGS on 7 August 2019, 5 December 2019 and 6 March 2020 respectively	+1 report	The 3rd report was necessitated by significant developments in the gas industry that occurred between December 2019 and March 2020



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

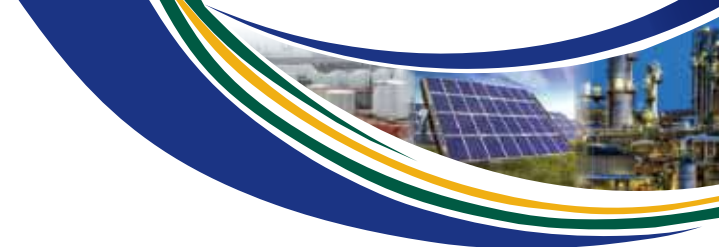
### Programme 1: Pricing and Tariffs

- No maximum price applications were considered.
- One trading margin application was considered.
- Four calculations of the ROMPCO tariff for gas volumes below 120 million Gigajoules were considered.

### Programme 2: Licensing and Registration

- The licence applications of the following licensees were approved:
  - Novo Highveld (Pty) Ltd's application for a licence to operate a gas storage facility (Witbank)
  - Iliza Gas (Pty) Ltd's application for a licence to construct a gas transmission facility (Nigel)
  - Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Koekenaap)
  - Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Brand-se-Baai)
  - Volco Alfa (Pty) Ltd's application for a licence to operate a gas regasification facility (Koekenaap)
  - Volco Alfa (Pty) Ltd's application for a licence to operate a gas storage facility (Brand-se-Baai)
  - Volco Power (Pty) Ltd's application for a licence to trade in gas (Western Cape)
  - Ceramic Industries (Pty) Ltd's application for a licence to construct a gas transmission facility (Babelegi)
  - Ceramic Industries (Pty) Ltd's application for a licence to construct a gas transmission facility (Vereeniging)
  - Phambili (Pty) Ltd's application for a licence to operate a gas transmission facility (Babelegi)

- Zemvelo (Pty) Ltd's application for a licence to operate a gas transmission facility (Vereeniging)
- Sasol Gas (Pty) Ltd's application for a licence to construct a gas distribution facility (Kempton Park)
- Sasol Gas (Pty) Ltd's application for a. licence to construct a gas distribution facility (Nigel)
- Kwande Gas (Pty) Ltd's application for a licence to trade in gas in the Mpumalanga Province
- Reatile Gastrade (Pty) Ltd's application for a licence to construct a gas transmission facility in the Olifantsfontein area of the Ekurhuleni Metropolitan Municipality in the Gauteng Province
- Phambili (Pty) Ltd's application for a licence to construct a gas transmission facility (Wadeville)
- Zemvelo (Pty) Ltd's application for a licence to construct a gas transmission facility (Clayville).
- The following applications to revoke licences were approved:
  - Reatile Gastrade (Pty) Ltd's application to revoke a licence to trade in gas in the Gauteng Province
  - Reatile Gastrade (Pty) Ltd's application for revocation of a licence to trade in gas in the KwaZulu-Natal Province.
- The following applications to amend licence conditions were approved:
  - Reatile Gastrade (Pty) Ltd's 3rd amendment application for a licence to trade in gas in the Gauteng Province
  - Sasol Gas (Pty) Ltd's amendment application for a licence to operate a gas distribution facility in Germiston East
  - Sasol Gas (Pty) Ltd's 8th amendment application for a licence to operate a gas distribution facility in the Nigel area of Ekurhuleni Metropolitan Municipality in the Gauteng Province



- Sasol Gas (Pty) Ltd's 8th amendment application for a licence to trade in gas in the Nigel area of Ekurhuleni Metropolitan Municipality in the Gauteng Province
  - NOVO energy (Pty) Ltd's application for the amendment of a licence to trade in gas in the KwaZulu-Natal Province
  - Sasol Gas' application for the 1st amendment of a licence to operate a gas distribution facility (Benoni)
  - Sasol Gas' application for the 1st amendment of a licence to trade in gas in the Gauteng province (Benoni)
  - Sasol Gas' application for the 1st amendment of a licence to operate a gas distribution facility (Nigel)
  - Sasol Gas' application for the 1st amendment of a licence to trade in gas in the Gauteng province (Nigel).
- One application for the registration of gas activities was approved:
    - The Greenhouse Project (Joubert Park) application for registration of a biogas production operation.

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

- NERSA initiated investigations and reported on the following:
  - Sasol Gas' supply interruption that occurred in Vulcania; and
  - a gas leak at Sasol Gas' facility in Krugersdorp.

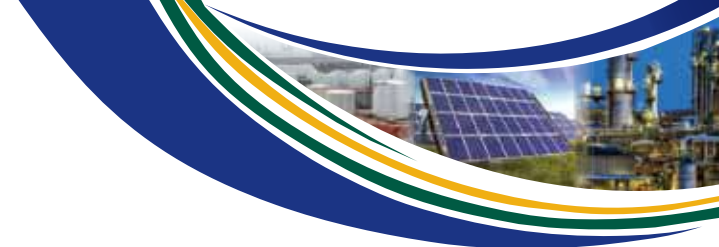
## Petroleum Pipelines Industry Regulation (PLR)

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

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 1: Setting and/or approval of tariffs and prices</b>					
% of pipeline, storage and loading facility tariff applications considered by the relevant Subcommittee within 7 months of receipt of complete application	100% (7/7) of storage, loading and pipelines facilities tariff applications were received and considered in this quarter within 7 months of receipt of complete application	90% of pipeline, storage and loading facility tariff applications considered by the PPS/ER within 7 months of receipt of complete application	100% (16 of 16) of storage, loading and pipelines facilities tariff applications were received and considered by the PPS within 7 months of receipt of complete application	+10%	No challenges were experienced in the completion of the applications and applicants provided additional information timeously
<b>Programme 2: Licensing and Registration</b>					
% of licence applications that will be decided upon within the timelines as prescribed in section 19(1) of the Petroleum Pipelines Act	100% (1/1) of licence applications were decided upon within 60 days under the conditions as prescribed in section 19(1) of the Petroleum Pipelines Act.	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% (4/4) licence applications were decided upon within 60 days under the conditions as prescribed in section 19(1) of the Petroleum Pipelines Act	None	N/A
Number of reports on investigations done into suspected unlicensed activities considered by the relevant subcommittee	1 report on investigations done into suspected unlicensed activities will be, considered by the REC on 25 March 2019	1 consolidated report on investigations done into suspected unlicensed activities, considered by the REC by 31 March 2020	1 consolidated report on investigations done into suspected unlicensed activities, considered by the REC on 23 March 2020	None	N/A

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 3: Compliance monitoring and enforcement</b>					
Number of reports on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	2 reports on trends regarding utilisation of storage facilities and third-party access were considered by the PPS on 6 June 2018 and 8 November 2018	2 reports on trends regarding utilisation of storage facilities and third-party access, considered by PPS by 30 September 2019 and 31 March 2020 respectively	2 report on trends regarding utilisation of storage facilities and third-party access, considered by PPS on 6 August 2019 and 5 March 2020	None	N/A
Number of reports on the implementation of the methodology to determine uncommitted capacity considered by the relevant subcommittee	1 report on reviewed methodology to determine uncommitted capacity was considered by the PPS on 8 November 2018	1 report on the implementation of the methodology to determine uncommitted capacity considered by the PPS by 31 March 2020	1 report on the implementation of the methodology to determine uncommitted capacity considered by the PPS on 5 March 2020	None	N/A
Number of reports on the construction of new facilities, considered by the relevant subcommittee	4 quarterly reports on the construction of new facilities were considered by the PPS	4 quarterly reports on the construction of new facilities if any, considered by the PPS	4 quarterly reports on the construction of new facilities considered by the PPS	None	N/A
Number of reports on licensees' compliance with statutory reporting requirements considered by the relevant subcommittee	4 quarterly reports on licensees' compliance with statutory reporting requirements were considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirements considered by the PPS	4 quarterly reports on licensees' compliance with statutory reporting requirement considered by the PPS	None	N/A

Performance Indicators	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints</b>					
% of complaints investigated and considered by the relevant subcommittee within stated timeline	No complaints were received	100% of complaints are investigated and considered by the PPS/REC within 12 months of receipt	0% (0 of 0) complaints investigated and considered by the PPS/REC within 12 months of receipt	-100%	No formal complaint lodged with NERSA and needed to be considered by the PPS/REC
<b>Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry</b>					
Reviewed Prudency Guidelines considered by the relevant structure	The Guidelines for Prudency Assessment was approved by the ER on 29 August 2018	Reviewed Tariff Methodology, incorporating prudency guidelines, considered by the ER by 31 March 2020	Reviewed Tariff Methodology, incorporating prudency guidelines, considered by the ER on 25 March 2020	None	N/A
Number of reports on contributions towards alignment between relevant Petroleum legislation and regulations and government policies considered by the relevant subcommittee	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was considered by the PPS on 5 March 2019	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies submitted to the PPS for noting by 31 March 2020	1 report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies was noted by the PPS on 5 March 2020	None	N/A
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on the inland supply forecast considered by the relevant subcommittee	2 reports on the inland supply forecast was considered by the PPS on 7 August 2018 and on 5 December 2018	2 reports on the inland supply forecast considered by PPS by 30 September 2019 and 31 March 2020	2 reports on the inland supply forecast considered by PPS on 6 August 2019 and 5 March 2020	None	N/A



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

### Programme 1: Pricing and Tariffs

- The following storage tariff applications were approved:
  - Engen Petroleum Limited, Total South Africa (Pty) Ltd and Astron Energy (Pty) Ltd. The application was for the storage facility in Witbank.
  - Engen Petroleum Limited, BP Southern Africa (Pty) Ltd and Astron Energy (Pty) Ltd. The application was for the storage facility in Rustenburg.
  - Transnet SOC Ltd's tariff application for the Tarlton storage facility. The application was for the storage facility in Krugersdorp.
  - Easigas (Pty) Ltd. The application was for the storage facility in Durban.
  - Astron Energy (Pty) Ltd and Engen Petroleum Limited. The application was for the storage facility in Alrode.
  - Astron Energy (Pty) Ltd and Total South Africa (Pty) Ltd. The application was for the storage facility in Kroonstad.
  - Astron Energy (Pty) Ltd and Total South Africa (Pty) Ltd. The application was for the storage facility in Klerksdorp.
  - Transnet SOC Ltd's 2020/21 petroleum pipelines system.
  - Transnet National Ports Authority (TNPA) for the CBM. The application was for the loading facility in Mossel Bay.
  - Transnet National Ports Authority (TNPA) for the SPM. The application was for the loading facility in Mossel Bay.
  - Engen Petroleum Limited, Astron Energy (Pty) Ltd, Total South Africa (Pty) Ltd and Shell Downstream South Africa (Shell Joint Venture) tariff application. The application was for the loading facility in Port Elizabeth.
  - Sasol Oil (Pty) Ltd's storage tariff application. The application was for the storage facility in Secunda.
  - Sasol Oil and BPSA (Pty) Ltd's tariff application. The application was for the storage facility in Alrode.
  - Sasol Oil Secunda to Natref Integrated (SNI) (Pty) Ltd's pipeline tariff application. The application was for the pipeline from Secunda to Natref.

- Bidvest Tank Terminal storage and loading tariff. The application was for the storage and loading facility in Richards Bay.
- Transnet SOC Ltd Tarlton storage tariff application. The application was for the storage facility in Krugersdorp.

### Programme 2: Licensing and Registration

- The Energy Regulator approved the issuing of licences to:
  - Q4 Depot for construction of storage tanks at an existing storage facility in Delmas, Mpumalanga Province; and
  - Bidvest Tank Terminals to construct an LPG storage facility in Isando, Gauteng.
- The Energy Regulator decided not to approve the applications by:
  - NOOA Ambrose Park Oil Terminal (Pty) Ltd to construct a petroleum storage facility in Ambrose Park, KwaZulu-Natal Province; and
  - NOOA Ambrose Park Oil Terminal (Pty) Ltd to operate the abovementioned petroleum facility once constructed.

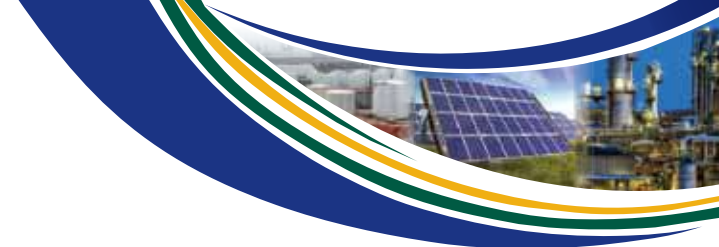


## Transversal Regulatory

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

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018 considered by the relevant subcommittee	1 report on regulatory impact assessment was considered by the REC on 25 March 2019	1 report on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018 considered by the REC by 31 March 2020	1 report on the ex-post regulatory impact assessment of all Energy Regulator decisions for the period 2014 to 2018 considered by the REC on 9 March 2020	None	N/A
Number of reports on the implementation of the recommendations from the benchmarking of NERSA, considered by the relevant subcommittee	1 report on the outcomes of the benchmarking of NERSA, was considered by the REC on 11 February 2019	1 report on the implementation of the recommendations from the benchmarking of NERSA, considered by the REC by 31 March 2020	1 report on the implementation of the recommendations from the benchmarking of NERSA study were considered by the REC on 9 March 2020	None	N/A
Number of progress reports on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the relevant subcommittee	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 11 March 2019	1 progress report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC by 31 March 2020	1 report on the implementation of the Regulatory Reporting Manuals regarding the Standard Chart of Accounts (SCOA) for the municipalities considered by the REC on 23 March 2020	None	N/A
Number of reports on the implementation of the approved NERSA Research Agenda considered by the relevant subcommittee	1 report on research conducted in line with the approved research agenda was considered the REC on 11 March 2019	1 report on the implementation of the approved NERSA Research Agenda considered by the REC by 31 March 2020	1 report on the implementation of the approved NERSA Research Agenda considered by the REC on 23 March 2020	None	N/A

Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of published quarterly newsletters	4 newsletters published	4 quarterly newsletters published	4 quarterly newsletters were published	None	N/A
Number of reports on the impact of global, regional and local energy trends on NERSA's business considered by the relevant subcommittee	1 report considered by REC on 17 September 2018 as part of the environmental scan document	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC by 31 May 2019	1 report on the impact of global, regional and local energy trends on NERSA's business considered by the REC in the Second Quarter as part of the newly drafted Strategic Plan and Annual Performance Plan	None	N/A
Number of progress reports on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, considered by the relevant subcommittee	2 progress reports on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, was considered by the REC on 17 September 2018 and 25 March 2019 respectively	2 progress reports on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, considered by the REC by 30 September 2019 and 31 March 2020 respectively	1 progress report on the implementation of the Regulatory Reporting Manuals for non-financial and financial information, considered by REC on 23 March 2020, but one report was considered after 30 September 2019	-1 report	The REC scheduled for 30 September was cancelled and the report could not be considered. The outstanding report was considered by REC in the third quarter
Number of reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered by the relevant subcommittee	New target	2 reports on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally considered by the REC on 30 September 2019 and 31 March 2020	1 report on partnership creation to position NERSA as a recognised regulator nationally, regionally and internationally was considered by REC on 23 March 2020, but one report was considered after 30 September 2019	-1 report	1 report was not considered by the REC by 30 September 2019 because some of the information required is dependent on third parties and the report could not be finalised. The outstanding report was considered by REC in the third quarter

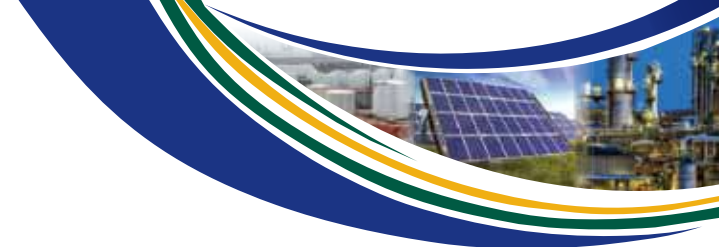


Performance Indicator	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect ownership and equity considered by the Energy Regulator within a stated timeframe	NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity was considered by the Energy Regulator meeting of 27 March 2019	1 report on the progress made with the implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity considered by the Energy Regulator by 31 March 2020	1 report on the progress made with the implementation of the NERSA Framework on the transformation of the electricity, piped-gas and petroleum pipelines industries in respect of ownership and equity not considered by the Energy Regulator but by the REC	-1 report	The report was submitted to the REC for noting, however it was not submitted to the ER for consideration. Corrective active could not take place due to the nationwide COVID-19 lockdown

## Organisational

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

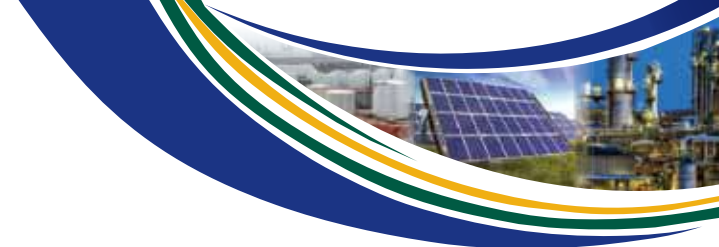
Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of progress reports on the implementation of the Employment Equity Plan considered by the relevant subcommittee by 30 September and 31 March respectively	2 progress reports on the implementation of the Employment Equity Plan were considered by the HRRC of 17 July in August 2018 and on 22 November 2018	2 progress reports on the implementation of the Employment Equity Plan considered by the HRRC/REC by 30 September 2019 and 31 March 2020 respectively	1 report on the implementation of the Employment Equity Plan was considered by the HRRC on 7 October 2019	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period
% of women in management positions	52% of women in management positions	50% of women in management positions	50% of women in management positions	None	N/A
% of people with disabilities employed	2% of people with disabilities have been employed	2% of people with disabilities employed	2% of people with disabilities employed	None	N/A
Number of progress reports on the implementation of the Youth Employment Accord considered by the relevant subcommittee	4 progress reports on the implementation of the Youth Employment Accord were considered by the HRRC	4 quarterly progress reports on the implementation of the Youth Employment Accord considered by the HRRC/REC	3 reports on the implementation of the Youth Employment Accord were considered by the HRRC	-1 Report	The HRRC scheduled for April was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period
Number of reports on the implementation of the Learnership and Internship Programmes by 31 March	Annual Report on the implementation of the Learnership and Internship Programmes was considered by the HRRC on 16 April 2019	Annual report on the implementation of the Learnership and Internship Programmes by 31 March 2020	Annual report on the implementation of the Learnership and Internship Programmes was not considered by the HRRC	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period



Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of progress reports on the implementation of the bursary programme for qualifying external applicants considered by the relevant subcommittee	1 report on the implementation of the bursary programme was considered by a subcommittee of the REC, the Capacity Building Committee on 12 March 2019	1 progress report on the implementation of the bursary programme for qualifying external applicants considered by the HRRC/ REC by 31 March 2020	1 report on the implementation of the bursary programme for qualifying external applicants was not considered	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period
Concluded Planning Phase considered by the relevant subcommittee	New Target	Planning Phase concluded and considered by the HRRC by 31 March 2020	The report on the Planning Phase (for the development of a Regulatory course at an accredited institution of higher learning) was not considered by the HRRC	-1 report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period
Approved comprehensive leadership development programme considered by the ER within stated timeline	New Target	Comprehensive leadership development programme considered by the Energy Regulator by 31 March 2020	Comprehensive leadership development programme considered by the Energy Regulator on 27 November 2019	None	N/A
Approved comprehensive regulatory training and development programme considered by the ER within stated timeline	New Target	Comprehensive technical regulatory training and development programme considered by the Energy Regulator by 31 March 2020	Comprehensive technical regulatory training and development programme was not considered by the Energy Regulator	-1 Report	The HRRC scheduled for 24 March 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period

Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the relevant Subcommittee	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	4 quarterly progress reports on the implementation of the recommendations from the comprehensive ICT systems review considered by the REC	None	N/A
Number of reports on the certification with an appropriate international standard on quality management, considered by the relevant subcommittee	4 quarterly reports on the progress made regarding obtaining ISO certification considered by the REC	4 quarterly reports on the progress made regarding certification with an appropriate international standard on quality management, considered by the REC	3 quarterly reports on the progress made regarding certification with an appropriate international standard on quality management considered by the REC	-1 report	The HRRC scheduled for April 2020 was postponed due to the COVID-19 Lockdown. The report will be considered in the 2020/21 reporting period
NERSA Enterprise Development Plan considered by the ER by 31 March 2019 and relevant black female-owned enterprises identified	The NERSA Enterprise Development Plan was considered by the ER on 27 March 2019	4 quarterly reports on the implementation of the NERSA Enterprise Development Plan considered by the ER	4 progress report on the implementation of the NERSA Enterprise Development Plan was considered by the ER	None	N/A
% implementation of Preferential Procurement Policy Framework, with % procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	100% implementation of Preferential Procurement Policy Framework, with 97% R86 940/R90 012) procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	100% implementation of Preferential Procurement Policy Framework, with ≥82% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	0% implementation of Preferential Procurement Policy Framework, with ≥82% procurement over R30 000 awarded to suppliers with a B-BBEE status level of 4 or better	-100%	The information required to determine the percentage is obtained from the National Treasury system. There were technical challenges with this system and National Treasury could not resolve it before the close of the reporting period





Strategic objectives	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
<b>Programme 6: Establishing NERSA as an efficient and effective regulator</b>					
Number of reports on the three-yearly stakeholder survey considered by the relevant Subcommittee	Customer and stakeholder perception and satisfaction level achieved is 89.17%	1 report on three-yearly stakeholder survey considered by the REC by 31 March 2020	1 report on stakeholder perception survey was considered by the REC	None	N/A
Result of annual audit	Clean audit	Unqualified audit	The outcome of the audit not known yet	The outcome of the audit not known yet	The outcome of the audit not known yet
% of creditors paid within 30 days after all relevant documentation have been received	100% (2056/2056) of undisputed invoices were all paid within 30 days	100% of creditors paid within 30 days after all relevant documentation have been received	100% of invoices were paid within 30 days (2744/2744)	None	N/A
Number of reports on legislative and policy developments impacting on the Regulator, considered by the relevant Subcommittee	5 reports on legislative and policy developments that might impact on the Regulator, considered by the REC	4 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	5 quarterly reports on legislative and policy developments impacting on the Regulator, considered by the REC	+ 1 report	An additional report prepared due to two applicable pieces of legislation that were identified through environmental scanning

### **Strategy to overcome areas of under performance**

The majority of the targets not met were as a result of the COVID-19 National Disaster. A number of our fourth quarter targets could not be completed by the end of March 2020, as the meetings where the reports on those targets were to be considered had to be postponed due to the national lockdown.

### **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 (ELR)

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

Programme	2019/20			2018/19		
	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	23 139 849	20 926 443	2 213 406	21 785 713	22 710 394	(924 682)
Programme 2: Licensing and Registration	18 549 311	16 919 855	1 629 456	18 376 606	17 327 389	1 049 216
Programme 3: Compliance monitoring and enforcement	28 362 911	25 370 122	2 992 789	25 467 012	25 453 493	13 519
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	15 179 051	13 603 484	1 575 567	14 937 420	14 108 657	828 763
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	6 716 253	5 125 201	1 591 052	5 936 063	5 870 564	65 499
Programme 6: Establishing NERSA as an efficient and effective regulator	116 039 983	116 627 804	(587 822)	108 139 690	90 025 461	18 114 228
<b>Total Electricity</b>	<b>207 987 356</b>	<b>198 572 909</b>	<b>9 414 447</b>	<b>194 642 503</b>	<b>175 494 959</b>	<b>19 146 544</b>

## Piped-Gas Industry Regulation (GAR)

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

Programmes	2019/20			2018/19		
	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	14 514 215	10 339 929	4 174 287	15 593 783	10 149 191	5 444 592
Programme 2: Licensing and Registration	8 457 176	7 555 943	901 233	7 571 541	7 507 429	64 111
Programme 3: Compliance monitoring and enforcement	8 457 176	7 555 943	901 233	7 571 541	7 507 429	64 111
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	6 224 658	5 494 927	729 731	5 640 822	5 441 466	199 356
Programme 5: Setting of rules, guidelines and codes for the regulation of the piped-gas industry	1 887 347	1 910 696	(23 349)	1 892 194	1 899 194	(7 000)
Programme 6: Establishing NERSA as an efficient and effective regulator	42 014 475	39 591 955	2 422 520	39 154 028	37 939 301	1 214 727
<b>Total Piped-Gas</b>	<b>81 555 047</b>	<b>72 449 393</b>	<b>9 105 654</b>	<b>77 423 909</b>	<b>70 444 012</b>	<b>6 979 897</b>



## Petroleum Pipelines Industry Regulation (PPR)

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

Programmes	2019/20			2018/19		
	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	12 776 873	10 166 237	2 610 635	11 635 100	9 073 428	2 561 672
Programme 2: Licensing and Registration	6 425 752	5 388 740	1 037 012	6 245 204	3 334 149	2 911 055
Programme 3: Compliance monitoring and enforcement	6 425 752	5 388 740	1 037 012	6 245 204	3 34 149	2 911 055
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 201 206	3 602 973	598 233	4 189 053	2 023 063	2 165 990
Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry	1 976 660	1 817 205	159 454	2 132 903	711 978	1 420 925
Programme 6: Establishing NERSA as an efficient and effective regulator	42 014 476	38 833 761	3 180 715	39 154 029	34 478 592	4 675 437
<b>Total Petroleum Pipelines</b>	<b>73 820 717</b>	<b>65 197 656</b>	<b>8 623 061</b>	<b>69 601 492</b>	<b>52 955 358</b>	<b>16 646 134</b>

## Total NERSA

Table 24: Link between planned targets per programme and the financial resources for NERSA

Programmes	2019/20			2018/19		
	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	50 430 937	41 432 609	8 998 328	49 014 595	41 933 014	7 081 582
Programme 2: Licensing and Registration	33 432 238	29 864 537	3 567 700	32 193 350	28 168 967	4 024 383
Programme 3: Compliance monitoring and enforcement	43 245 838	38 314 804	4 931 033	39 283 757	36 295 071	2 988 686
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	25 604 914	22 701 384	2 903 530	24 767 295	21 573 186	3 194 109
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity, piped-gas and petroleum pipelines industries	10 580 260	8 853 103	1 727 157	9 961 159	8 481 736	1 479 423
Programme 6: Establishing NERSA as an efficient and effective regulator	200 068 933	195 053 521	5 015 413	186 447 746	162 443 354	24 004 392
<b>Total NERSA</b>	<b>363 363 119</b>	<b>336 219 958</b>	<b>27 143 161</b>	<b>341 667 903</b>	<b>298 895 328</b>	<b>42 772 575</b>

## SUMMARY OF FINANCIAL INFORMATION

## 3.7. Revenue Collection

Sources of Revenue	2019/20			2018/19		
	Budget (R)	Actual Amount Collected (R)	Over/(Under) Collection (R)	Budget (R)	Actual Amount Collected (R)	Over/(Under) Collection (R)
Licence fees from Electricity	205 154 173	191 775 221	(13 378 952)	194 487 085	191 610 857	(2 876 228)
Levies from Piped-Gas	73 902 240	72 635 777	(1 266 463)	69 355 644	65 190 908	(4 164 736)
Levies from Petroleum Pipelines	68 356 705	70 588 442	2 231 737	68 321 736	69 548 472	1 226 736
<b>Total</b>	<b>347 413 118</b>	<b>334 999 439</b>	<b>(12 413 679)</b>	<b>332 164 465</b>	<b>326 350 237</b>	<b>5 814 228</b>

Licence fees from the Electricity Industry

The licence fees for the electricity industry were invoiced based on actual volumes of 214 908 GWh against total budgeted volumes of 229 901 GWh. The difference in volumes is 314 993 GWh, which translates to under-recovery of levies by R13 378 952 (6.5%).

Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 178 228 913 GJ against budgeted volumes of 181 336 478 GJ. The variation in volumes is 3 107 565 GJ, which translates to an under-recovery of levies by R3 107 656 (1.7%).

Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 17 765 427 Kl against budgeted volumes of 17 203 752 Kl. The variation in volumes is 361 675 Kl, which translates to an over-recovery of levies by R2 231 737 (3.3%).



### 3.8. Programme Expenditure

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

### 3.9. Capital investment, maintenance and asset management plan

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

Table 26: Capital Investment, maintenance and asset management plan

Infrastructure projects	2019/20			2018/19		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
Land	-	-	-	-	-	-
Building improvements	16 000 000	21 074 895	(5 074 895)	30 000	23 870	6 122
Office furniture and Equipment	2 500 000	3 413 373	(913 373)	3 500	1 388	2 111
Computer Hardware	4 850 000	4 719 850	130 150	3 250	3 623	(374)
Motor Vehicle	500 000	-	500 000	800	-	800
Computer Software	6 400 000	118 448	6 281 552	2 650	59	2 591
<b>Total</b>	<b>30 250 000</b>	<b>29 326 566</b>	<b>923 434</b>	<b>40 200</b>	<b>28 940</b>	<b>11 250</b>



# PART C

CORPORATE GOVERNANCE

## 1. INTRODUCTION

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

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

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

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

## 2. PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee (PPC) on Mineral Resources and Energy has oversight of NERSA. During the review period, NERSA hosted the PPC on Mineral Resources and Energy on 27 August 2019, which formed part of their oversight visits to entities reporting to the Department of Mineral Resources and Energy. NERSA also presented the 2018/19 Annual Report to the PPC on Mineral Resources and Energy on 9 October 2019.

## 3. EXECUTIVE AUTHORITY

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

- The Annual Performance Plan (2018/19 – 2020/21) – in line with the Framework for the development of Strategic Plans and Annual Performance Plans as published by the National Treasury, was submitted on 31 January 2019. It was approved by the Minister of Mineral Resources and Energy and tabled in Parliament on 1 July 2019.
- First Quarter Performance Report for the period 1 April to 30 June 2019 – submitted on 31 July 2019.
- The Annual Report (2017/18) was submitted to the Minister of Mineral Resources and Energy, the Minister of Finance and the Auditor-General on 27 August 2019 and tabled in Parliament on 27 September 2019.
- Second Quarter Performance Report for the period 1 July to 30 September 2019 – submitted on 31 October 2019.
- Third Quarter Performance Report for the period 1 October to 31 December 2019 – submitted on 31 January 2020.
- Fourth Quarter Performance Report for the period 1 January to 31 March 2020 – submitted on 30 April 2020.

## 4. THE ACCOUNTING AUTHORITY/ENERGY REGULATOR

### *Introduction*

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

### *The role of the Energy Regulator*

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

The functions of the Energy Regulator include:

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

### *Corporate Governance Handbook*

The Energy Regulator adopted the Corporate Governance Handbook as part of its commitment to implement internationally accepted standards and best practices for corporate governance to ensure proper levels of accountability, transparency and responsibility. It sets out policies to guide the Energy Regulator Members and staff in effectively discharging their functions, and provides a comprehensive framework to protect the interests of NERSA.

The Corporate Governance Handbook contains:

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

## 5. THE ENERGY REGULATOR AND ITS MEMBERS

The Minister of 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 2019 to 31 March 2020:



**MR JACOB MODISE**  
CHAIRPERSON  
Part-Time Regulator Member



**MS MALEHO NKOMO**  
DEPUTY CHAIRPERSON  
Part-Time Regulator Member



**MR CHRIS FORLEE**  
CHIEF EXECUTIVE OFFICER  
Full-Time Regulator Member



**MR YUSUF ADAM**  
PART-TIME REGULATOR MEMBER



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



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

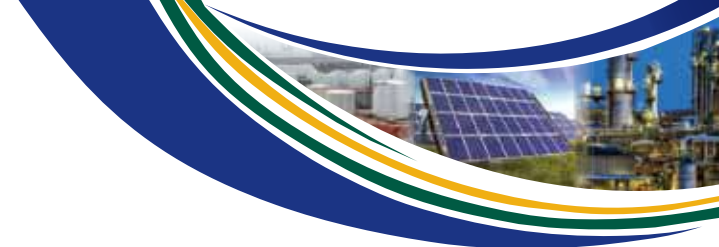


**MR FUNGAI SIBANDA**  
PART-TIME REGULATOR MEMBER

## Composition of the Energy Regulator

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ End of term	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Mr JRD Modise	Chairperson (Part-Time Regulator Member)	Reappointed 19 March 2018	n/a	B Com B Acc CA (SA) MBA AMP	Finance	Arcelormittal South Africa Ltd Batsomi Investment Holdings (Pty) Ltd Nelson Mandela Children's Fund	Electricity Subcommittee, Piped-Gas Subcommittee and Petroleum Pipelines Subcommittee	71
Ms M Nkomo	Deputy Chairperson (Part-Time Regulator Member)	Reappointed 19 March 2018	n/a	B Comm B Comm Hons M Comm Senior Executive Programme	Finance	National Consumer Tribunal	Piped-Gas Subcommittee, Audit and Risk Committee and Information Technology and Governance Committee	67
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 Post Graduate Diploma in Education Post Graduate	Economic Development, Oceans Economy, Policy Implementation, Monitoring	None	Petroleum Pipelines Subcommittee; Audit and Risk Committee; and Information Technology and Governance Committee	73





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
				Diploma in Advanced Banking Post Graduate Diploma in Maritime Studies	& Evaluation, Project Management			
Ms N Maseti	Full-Time Regulator Member: Piped-Gas Regulation	1 March 2019	n/a	BA Ed BA Hons (Economics) Post Graduate Diploma in Economics for Competition Law	Economics	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	97
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	104
Mr F Sibanda	Part-Time Regulator Member	Reappointed 19 March 2018	n/a	MSc (Economics), B Comm, B Comm Hons, Certificate in Competition Law	Economics	Hekima Advisory, National Consumer Tribunal	Petroleum Pipelines Subcommittee, Finance Committee and Human Resources and Remuneration Committee, Electricity Subcommittee,	80

### External Members of Committees

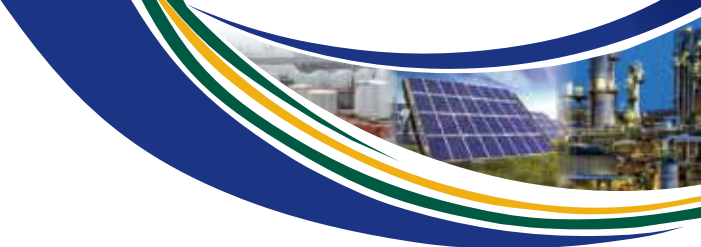
Name	Designation	Date appointed	Date resigned	Area of Expertise	Other Committees	No. of meetings held	No. of meetings attended	Other**
Ms T Mashanda	External Member	1 May 2017	n/a	Auditing	Audit and Risk Committee	14*	13	5
Ms M Nkomo	External Member	1 May 2017	n/a	Finance	Finance Committee	11*	11	5

\* Meetings include Joint Finance Committee (FIC) and Audit and Risk Committee (ARC) as well as both open and closed sessions of the Committee

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

### Energy Regulator Meetings

MEMBER	STATUS	TOTAL (2019/20)	ATTENDED (2019/20)
Mr JRD Modise	Chairperson	19	19
Ms M Nkomo	Deputy Chairperson	19	19
Mr C Forlee	Chief Executive Officer and Regulator Member	19	14
Mr Y Adam	Regulator Member	19	18
Ms N Maseti	Regulator Member	19	18
Mr M Mkhize	Regulator Member	19	19
Mr F Sibanda	Regulator Member	19	19



### Subcommittees

Suncommittee	No. of meetings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	9	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr M Mkhize 4. Mr J Modise 5. Mr F Sibanda
2. Piped-Gas Subcommittee (PGS)	10	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr M Mkhize 4. Mr J Modise 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	11	5	1. Mr M Mkhize – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr Y Adam 4. Ms N Maseti 5. Mr J Modise

## Committees

Committee	No. of meetings held	No. of members	Name of members
1. Regulator Executive Committee (REC) and Bid Adjudication Committee (BAC)	15	3	1. Mr C Forlee – Chairperson (CEO) 2. Ms N Maseti 3. Mr M Mkhize
2. Audit and Risk Committee (ARC)	7	3	1. Ms M Nkomo – Chairperson 2. Mr Y Adam 3. Ms T Mashanda (External Member) 4. Mr J Modise (Invitee) 5. Mr C Forlee (CEO) (Invitee)
3. Finance Committee (FIC) and BAC	9	4	1. Mr F Sibanda – Chairperson 2. Mr C Forlee - CEO 3. Ms G Jiyane (External Member) 4. Mr M Mkhize
4. Human Resources & Remuneration Committee (HRRC)	9	3	1. Mr F Sibanda – Chairperson 2. Mr C Forlee - CEO 3. Ms N Maseti
5. Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)	1	7	1. Ms M Nkomo – Chairperson (ARC) 2. Ms T Mashanda (External Member) (ARC) 3. Mr Y Adam (ARC) 4. Mr F Sibanda – Chairperson (FIC) 5. Mr C Forlee (FIC) – CEO 6. Ms G Jiyane (External Member) (FIC) 7. Mr M Mkhize (FIC)
6. Information Technology and Governance Committee (ITGC)	3	3	1. Mr Y Adam – Chairperson 2. Ms M Nkomo 3. Mr C Forlee – CEO and Regulator Member

## Subcommittee's public hearings

Subcommittee	No. of public hearings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	13	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO 3. Mr M Mkhize 4. Mr J Modise 5. Mr F Sibanda
2. Piped-Gas Subcommittee (PGS)	1	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO 3. Mr M Mkhize 4. Mr. J Modise) 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	1	5	1. Mr M Mkhize – Chairperson 2. Mr C Forlee – CEO 3. Mr Y Adam 4. Ms N Maseti 5. Mr J Modise

## Energy Regulator's workshops

Subcommittee	No. of public hearings held	No. of members	Name of members
1. Energy Regulator (ER)	4	7	1. Mr JRD Modise – Chairperson 2. Ms M Nkomo – Deputy Chairperson 3. Mr C Forlee – CEO 4. Ms N Maseti 5. Mr M Mkhize 6. Mr F Sibanda 7. Mr Y Adam
2. Electricity Subcommittee (ELS)	7	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO 3. Mr M Mkhize 4. Mr J Modise 5. Mr F Sibanda
3. Piped-Gas Subcommittee (PGS)	2	5	1. Ms N Maseti – Chairperson 2. Mr C Forlee – CEO 3. Mr M Mkhize 4. Mr J Modise 5. Ms M Nkomo
4. Petroleum Pipelines Subcommittee (PPS)	2	5	1. Mr Mkhize – Chairperson 2. Mr C Forlee – CEO and Regulator Member 3. Mr JRD Modise 4. Mr F Sibanda 5. Mr Y Adam
5. Regulator Executive Committee (REC)	4	3	1. Mr C Forlee – Chairperson – CEO 2. Ms N Maseti 3. Mr M Mkhize
6. Human Resources & Remuneration Committee (HRRC)	1	6	1. Mr F Sibanda – Chairperson 2. Ms N Maseti 3. Ms M Nkomo 4. Mr C Forlee – CEO

### Remuneration of Energy Regulator Members

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

External Members of governance committees of the Energy Regulator are also 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.

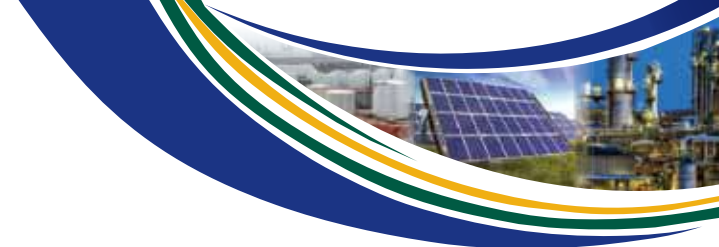
### Energy Regulator Members' Remuneration Remuneration for the year ended 31 March 2020

	Salary	Performance bonus	Car allowance	Reimbursive and other allowances	Medical	Pension Contribution and UIF	Total
	R	R	R	R	R	R	R
<b>NERSA Full-Time Regulator Members</b>							
Mr C Forlee	2 021 881	292 788	0	14 704	159 570	2 068	<b>2 491 011</b>
Ms N Maseti**	1 926 743	383 664	60 000	35 274	81 741	230 993	<b>2 717 416</b>
Mr M Mkhize	2 002 484	133 475	0	72 673	0	230 993	<b>2 439 625</b>
	<b>5 951 108</b>	<b>808 927</b>	<b>60 000</b>	<b>122 652</b>	<b>241 311</b>	<b>464 054</b>	<b>7 648 052</b>

\*Performance bonuses were paid in 2019/20 financial year with regard to the 2017/18 financial year.

\*\* FTRM Piped-Gas Regulation and also re-appointed FTRM: Electricity from 31 March 2019 to 31 March 2020.





	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R				R
<b>NERSA Part-Time Regulator Members</b>							
Mr J Modise (Chairperson)	413 040	23 984	31 027				<b>468 051</b>
Ms M Nkomo (Deputy Chair)	407 218	25 856	15 305				<b>448 379</b>
Mr F Sibanda (Member)	551 992	8 640	23 873				<b>544 505</b>
Mr Y Adam (Member)	388 549	15 660	8 222				<b>412 431</b>
	<b>1 720 549</b>	<b>74 140</b>	<b>78 427</b>				<b>1 873 366</b>

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances				Total
	R	R	R				R
<b>NERSA Part-Time External Regulator Members</b>							
Ms TN Mashanda	62 856	12 258	6 157				<b>81 271</b>
Ms G Jiyane	89 046	8 100	5 320				<b>102 466</b>
<b>TOTAL:</b>	<b>151 902</b>	<b>20 358</b>	<b>11 477</b>				<b>183 737</b>

## 6. RISK MANAGEMENT

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

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

In compliance with the requirements of the PFMA, the Energy Regulator approved a Risk Management Policy for the organisation. As part of the requirements of the approved Risk Management Policy, a complete risk identification and ranking exercise is conducted every three years 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. A revised risk register is considered and approved by the Energy Regulator annually. Management identifies events that could affect their ability to successfully implement the organisation's strategies and achieve the objectives. This is followed by a risk assessment, to determine the likelihood of such risks occurring, and the impact should the risks occur.

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

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

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 security of supply;
4. lack of competition in the energy market structures;
5. inadequate access of customers to energy services and existing infrastructure at affordable levels; and
6. inadequate performance management to assist NERSA in achieving its goals and objectives.

The Energy Regulator approved the following key documents for effective risk management:

- Integrated Enterprise Risk Management Framework; and
- NERSA's Risk Maturity Assessment and Implementation Plan.

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

NERSA has a process in place to ensure the monitoring of and reporting on the implementation of the risk mitigating strategies. Quarterly progress reports on addressing the strategic risks were submitted to the Executive Committee (EXCO), the Audit and Risk Committee (ARC) and the Energy Regulator.

Emerging risks are identified during the quarterly performance monitoring process. The identified risks were assessed and mitigating strategies were developed. Quarterly progress reports on these mitigating strategies were also submitted to EXCO, the ARC 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 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 ARC for monitoring.

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

## 8. INTERNAL AUDIT AND AUDIT AND RISK COMMITTEE

### 8.1 Internal Audit

#### Key activities and objectives of Internal Audit

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

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

The key activities of Internal Audit are:

- to develop and implement a rolling three-year annual audit plan based on NERSA's key areas of risk, including any risks or control concerns identified by management, and submit the plan to the Audit and Risk Committee for review and approval, as well as periodic updates;
- to build a professional audit staff with sufficient knowledge, skill, experience and professional certifications to meet the requirements of the Internal Audit Charter;
- to consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage;
- to provide independent assurance over governance, risk management and systems of internal control, as well as over a combined assurance framework;
- to provide a written assessment of the effectiveness of the company's system of internal control, performance and risk management to the Energy Regulator; and
- to perform an objective assessment of the adequacy and effectiveness of risk management and all other elements of the internal control framework.

The Internal Audit Unit has completed all 39 audits planned for the period under review. Furthermore, an external quality assessment review of the Internal Audit Activity was conducted and a 'generally conform' rating – the highest rating available – was obtained.

### 8.2 Audit and Risk Committee

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

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

The key activities of the Audit and Risk Committee are:

- to obtain and review the annual financial statements;

- to obtain and review the annual financial statements;
- to ensure that the annual financial statements are prepared in accordance with the reporting requirements as set out in the PFMA and related Treasury Regulations or applicable accounting framework;
- to review the Risk Management Policy and ensure it complies with Best Practice;
- to review the risk management process to ensure it is effective and efficient and identifies priority risks;
- to review NERSA's compliance with all relevant legislation, as well as the performance management and reporting systems;
- to review and approve the Internal Audit Plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate coordination with the External Auditor (the Auditor-General of South Africa); and
- to review and approve the External Auditors' proposed audit scope, approach and audit fees for the year.

## 9. COMPLIANCE WITH LAWS AND REGULATIONS

NERSA reports on compliance with the PFMA and Treasury Regulations in its quarterly reports submitted to the Department of Mineral Resources and 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 17 requests for information were received in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) ('PAIA'). Sixteen have been dealt with and one was cancelled by the requestor. 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

An anti-fraud policy and anti-fraud response plan are in place and were approved by the Energy Regulator.

A fraud hotline, which is operated by an external service provider, is in place. It guarantees the anonymity of any person calling in to report suspected fraud, corruption or misuse of public resources. No cases of fraud were reported during the financial year.

## 11. MINIMISING CONFLICT OF INTEREST

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

NERSA has implemented the supply chain management framework as 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's policies and disciplinary measures are taken against the individual. There were no disciplinary cases related to conflict of interest for the reporting period.

## 12. CODE OF CONDUCT

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

The Code of Conduct requires Regulator Members and employees to act in the best interest of NERSA and it provides them with standards of conduct in exercising their respective functions and duties. It requires the disclosure of financial interests and requires Regulator Members to withdraw from proceedings of the Energy Regulator when a matter in which a member may have an interest is considered.

Any breach of the code of ethics is dealt with as misconduct in terms of NERSA's disciplinary code. There were no disciplinary cases under which the code of conduct was violated for the reporting period.

### 13. HEALTH AND SAFETY ISSUES

NERSA is committed to the fulfilment of the requirements stipulated in the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993). To this end, NERSA 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.

The NERSA building refurbishment project resumed in 2018 and was completed in 2019. In line with the prescripts of the Occupational Health and Safety Act, 1993 (Act No. 85 of 1993), an Occupational Health and Safety Risk Assessment was conducted as per the requirement of Section 8 of the OHS Act, to assess NERSA's compliance with the Act.

The Health and Safety Risk Assessment included an OHS Legal Compliance Audit which was conducted. The audit revealed that compliance levels were at an average of 70% compliance, resulting in a 25% increase in comparison to the 45% compliance of the previous year. This is work in progress as NERSA strives to reach 100% compliance levels during the next reporting periods.

### 14. REGULATOR SECRETARY

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

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

### 15. SOCIAL RESPONSIBILITY

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

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

#### *Internal*

Employees actively participated in the World Aids Day and 16 Days of Activism for no violence against Women and Children event where they experienced inspired educational and powerful emotive performances on issues such as gender based violence and people living with disabilities as well as HIV/AIDS. Staff were also provided with the opportunity to go for onsite health assessments, breast cancer testing, lifestyle disease testing as well as HIV testing and counselling.

### External

NERSA donated 250 scientific calculators to learners who attended the Learners Focus Week (LFW), which was hosted by the Department of Mineral Resources and Energy from 1 to 5 July 2019 at the University of Pretoria.

On 18 July 2019, NERSA participated at the Department of Mineral Resources and Energy's Mandela Day celebrations that took place at the Odirile Centre for mentally and physically disabled children in Hammanskraal, Thembu, North-West Province. NERSA contributed items such as branded water bottles and caps.

Furthermore, NERSA visited the Mamelodi Old Age Home on Friday, 2 August 2019 as part of the organisation's Mandela Day celebrations. The Home is a registered non-profit organisation that provides a 24-hour holistic residential service, which includes nursing, medical care, three meals per day, cleaning and laundry services. There are 58 frail elderly people at the Home. NERSA donated blankets, promotional items, non-perishable food, food parcels and other items on their wish list to the Mamelodi Old Age Home in an effort to enhance their quality of life.

## 16. ENVIRONMENTAL ISSUES

### Internal

NERSA is continuing its journey towards becoming a green organisation by reducing its paper usage and carbon footprint. After the refurbishment of its building, work and preparation for the Green Building Certification was completed and a report in this regard was submitted to the Green Building Certification Council.

### External

NERSA is committed to the protection of the environment and the growth of cleaner, more resource-efficient production. The introduction of renewable energy into the electricity supply industry and the licensing of a number of independent power producers to facilitate the diversification of the country's energy sources, is a notable advancement of NERSA's commitment to a greener and cleaner environment.

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



## 17. ECONOMIC ISSUES

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

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

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

## 18. REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2020.

### *Audit and Risk Committee Responsibilities*

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

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

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

The Committee consists of the members listed hereunder. During the financial year, seven scheduled meetings were held, and meeting attendance is as reflected below:

Member	Status	Meetings Held	Meetings Attended
Ms M Nkomo	Chairperson	7	7
Mr Y Adam	Member	7	7
Ms T Mashanda	External Member	7	6

### **Corporate Governance**

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

### **Compliance**

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

### **Effectiveness of Internal Controls**

The systems of controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA and the King Report on Corporate Governance requirements, Internal Audit provides the Committee with assurance that the internal controls are appropriate and effective. This is achieved by means of reviews and testing of the design, implementation and effectiveness of internal controls as well as the identification of corrective actions and suggested enhancement to the internal controls and processes.

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

### **The Effectiveness of Internal Audit**

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

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

### **Risk Management**

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

In fulfilling its risk management oversight responsibilities, the Committee reviewed the risk management framework, monitored the implementation of risk mitigation strategies and reviewed the adequacy of the insurance cover. Some of the risk management processes need attention in order for the maturity level to move to an advanced stage.

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

### Performance Management

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

The Committee is of the opinion that the performance management processes are partially adequate and effective.

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

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

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

### Evaluation of Financial Statements

The Committee has performed the following activities:

- reviewed and discussed the unaudited financial statements to be included in the annual report, with the AGSA and the Energy Regulator;
- reviewed changes in accounting policies and practices;
- reviewed the information on pre-determined objectives to be included in the 2019/20 annual report;
- reviewed the Energy Regulator's going concern assessment; and
- assessed the Energy Regulator's compliance with legal and regulatory provisions.

### Auditor-General of South Africa

The Committee liaised with the AGSA during the year. We have reviewed the Energy Regulator's implementation plan to address the AGSA audit findings raised in the previous years. The Committee is satisfied that the matters previously raised by the AGSA have been, to a significant extent, adequately resolved.

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

### Conclusion

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

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

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



**Ms MMD Nkomo**

*Chairperson of the Audit and Risk Committee*

Date: 31 October 2020







# PART D

HUMAN RESOURCE MANAGEMENT



## 1. INTRODUCTION

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

The HR Department assists NERSA in meeting its mandate by:

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

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

NERSA forecasts its future demands in the context of the business planning process in accordance with its strategic objectives and programmes to attract the right people, with the right skills, in the right place, at the right time. NERSA developed a competency blue print in the last quarter of the reporting period. This blue print details future competency requirements for critical occupational levels within the organisation. The blue print will assist NERSA in readying itself for changes and future competency requirements in the energy regulation space. This was followed by a comprehensive skills audit exercise which is aimed at identify the existing set of skills within NERSA and the skills and knowledge the organisation will need in the future.

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 is monitored and measured to allow for performance management, employee reward and the improvement of poor performance, with the aim to enhance the organisation's efficiency and effectiveness and achieve improved service delivery.

NERSA continues to be a caring organisation, focusing constant attention on the health and wellbeing of its employees. It further recognises that a variety of problems (personal, family, social and work-related) can disrupt employees' personal and work lives, negatively impacting on job performance and subsequently, organisational performance. NERSA provides a comprehensive, integrated employee wellness programme through NBC Holdings, which focuses on the promotion of healthy living and provides psychological assistance.

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

- World Aids Day and 16 Days of Activism for no violence against Women and Children;
- Discovery 702 Walk the Talk;
- Onsite Health Consultations;
- Breast Cancer Testing;
- Lifestyle Disease Testing i.e. Diabetic and Hypertension Testing;
- Financial Health Day;
- EWP Care Centre (Toll-free Line) for Counselling Services
- Women's Day Celebration;
- Men's Health Day;
- Executive Health Programme

NERSA's remuneration policy aims to:

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

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

### **HR plans/goals**

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

### **Skills development programme**

In the period under review, 12 learners were appointed to embark on NERSA's learnership programme to attain a National Certificate: Energy Regulation NQF Level 5 – SAQA ID 63209.

The programme empowers young graduates from further education and training institutions and universities through the development of skills within the regulatory environment. Theoretical and on-the-job training are provided 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 the support and regulatory divisions.

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

### **Employee representative body**

The National Education, Health and Allied Workers Union (NEHAWU) is the only union recognised by NERSA, with 72% 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 to increase the number of South Africans employed so that the benefits reach more young people through sustainable, decent work opportunities. At the same time, it is recognised that the absorption of young people into employment is a major challenge that must be successfully addressed.

NERSA's internship programme had an initial intake of 21, however, as of 31 March 2020, only 19 remained in the programme. From the remaining 19, 12 have been converted into the Learnership Programme within the regulatory units, while seven



remained as interns within the supporting units. The initial 21 interns included one living with disabilities. Currently, interns with disabilities constitute 4% of the intake. This has assisted NERSA in implementing its Employment Equity (EE) Plan, as well as in improving its recognised level in terms of Broad-Based Black Economic Empowerment (B-BBEE). It also showcases the inclusivity of the South African society and NERSA family.

### **Employment Equity**

The current EE Plan for 1 October 2017 to 30 September 2020 is in its final year. The plan is being enforced and barriers to EE are being attended to. There is a need for the appointment of people representative of the economically active population (EAP) from various race groups across all occupational levels. A concerted effort to appoint people representative of the EAP will be pursued through targeted selection methodologies and a specific effort is directed to employing people living with disabilities. True to this commitment, was the ability of NERSA to appoint a graduate intern living with a disability as part of the NERSA internship and Learnership programme. The NERSA EE Plan is aligned with B-BBEE in terms of Human Resources-related initiatives.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

**Table 1: Personnel Cost by programme 2019/20**

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Setting and/or approval of tariffs and prices	41 432 609	32 987 392	79,62	48	687 237
Licensing and Registration	29 864 537	24 357 127	81,56	18	1 353 174
Compliance monitoring and enforcement	38 314 804	32 416 447	84,61	24	1 350 685
Dispute resolution including mediation, arbitration and the resolution of complaints	22 701 384	18 545 729	81,69	7	2 649 390
Setting of rules, guides and codes for regulation	8 853 103	7 405 248	83,65	16	462 828
Establishing NERSA as an efficient and effective organisation	195 171 920	114 351 178	58,59	153	747 393
<b>TOTAL</b>	<b>336 338 358</b>	<b>230 063 120</b>	<b>68,40</b>	<b>266</b>	<b>864 899</b>

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

**Table 2: Personnel cost by salary band**

LEVEL	Personnel expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	6 938 932	2.96%	3	R2 312 977
Part time regulators	1 983 646	0.85%	9	R220 405
Senior Management	9 440 402	4.03%	6	R1 573 400
Professional Qualified	124 303 505	53.11%	83	R1 497 633
Skilled	77 602 192	33.16%	108	R718 539
Semi-skilled	11 233 586	4.80%	35	R320 960
Unskilled	544 503	0.23%	2	R272 252
Interns and learners	2 008 017	0.86%	20	R100 401
<b>TOTAL</b>	<b>234 054 783</b>	<b>100%</b>	<b>266</b>	<b>R879 905</b>

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

**Table 3: Performance Rewards**

LEVEL	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost (R'000)
Top Management	427 385	6 938 932	6.2%
Senior Management	1 760 089	9 440 402	18.6%
Professional Qualified	16 105 733	124 303 505	12.9%
Skilled	9 619 476	77 602 192	12.4%
Semi-skilled	1 322 433	11 233 586	11.8%
Unskilled	69 451	544 503	12.7%
<b>TOTAL</b>	<b>29 304 567</b>	<b>230 063 120</b>	

\*The above is for qualifying employees.

\*\* The performance rewards for Top Management is still to be finalised.

**Table 4: Training Costs**

Directorate/Business Unit	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Specialised Support Unit	66 603 799	893 836	1,34	29	29 795
Chief Finance Office	28 450 081	675 383	2,37	19	42 211
Chief Human Capital Office	20 658 062	166 764	0,81	13	27 794
Corporate Services Division	29 806 136	240 030	0,81	9	24 003
Electricity Regulation Division	49 466 431	1 457 834	2,95	40	52 066
Petroleum Pipelines Division	18 046 086	320 870	1,78	17	22 919
Piped-Gas Regulation Division	17 032 526	1 725 452	10,13	18	143 788
<b>TOTAL</b>	<b>230 063 120</b>	<b>5 480 169</b>	<b>2,38</b>	<b>145</b>	<b>47 243</b>

**Table 5 (a): Employment and vacancies by programme**

Programme	2018/2019 Approved Posts	2018/2019 No. of Employees	2019/2020 No. of Employees	2019/2020 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	50	48	49	1	2
Licensing and registration	29	18	19	10	34%
Compliance monitoring and enforcement	30	19	20	10	33%
Dispute resolution, including mediation, arbitration and handling of complaints	7	7	7	0	0
Setting of rules, guidelines and codes for the regulation industry	18	15	15	3	17
Establishing NERSA as an efficient and effective regulator	119	112	113	6	4
<b>TOTAL</b>	<b>253</b>	<b>219</b>	<b>223</b>	<b>30</b>	<b>11.8%</b>

\* The number of employees excludes fixed-term employees, interns and learners and is as at 31 March 2020

**Table 5 (b): Employment and vacancies by level**

Programme	2019/2020 Approved Posts	2018/2019 No. of Employees	2019/2020 No. of Employees	2019/2020 Vacancies	% of vacancies
Top Management	4	3	3	1	25%
Senior Management	6	4	3	3	50%
Professional qualified	90	80	82	8	9%
Skilled	115	101	103	12	10%
Semi-skilled	36	29	30	6	17%
Unskilled	2	2	2	0	0%
<b>TOTAL</b>	<b>253</b>	<b>219</b>	<b>223</b>	<b>30</b>	<b>11.8</b>

\* The number of employees excludes fixed-term employees, interns and learners and is as at 31 March 2020.

**Table 6: Employment changes**

LEVEL	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	0	3
Senior Management	4	0	1	3
Professional Qualified	80	4	2	82
Skilled	101	8	6	103
Semi-skilled	29	1	0	30
Unskilled	2	0	0	2
<b>TOTAL</b>	<b>219</b>	<b>13</b>	<b>9</b>	<b>223</b>

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

**Table 7: Reasons for staff leaving**

Reason	Number	% of total no. of staff leaving
Resignations (permanent)	8	3.16%
Resignations (learners & interns)	3	1.19%
Dismissal	1	0.40%
Retirement	0	0.00%
Expiry of contract	3	1.19%
Other	0	0.00%
<b>TOTAL</b>	<b>15</b>	<b>5.94%</b>

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

**Table 8: Labour Relations: Misconduct and disciplinary action**

Nature of Disciplinary Action	Number
Verbal Warning	0
Written warning	0
Final Written Warning	0
Dismissal	1
Grievances	4
CCMA Cases	8
Labour Court Referral	0
<b>TOTAL</b>	<b>13</b>

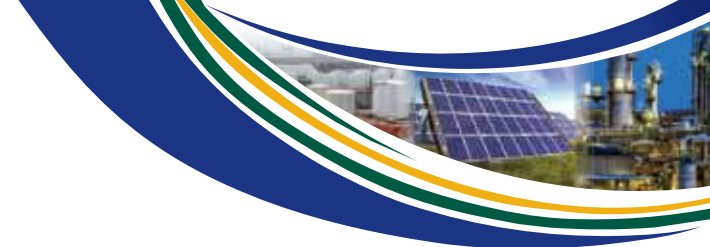
**Table 9 (a): Employment Equity Status and Target - Male**

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

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

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	1	0	1	0	0
Senior Management	2	1	0	0	0	1	0	0
Professional Qualified	36	25	0	2	0	1	5	5
Skilled	62	55	2	3	0	1	1	3
Semi-skilled	20	19	1	2	0	0	1	2
Unskilled	2	2	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	<b>123</b>	<b>103</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>4</b>	<b>7</b>	<b>10</b>



**Table 9 (c): Employment Equity Status and Target – Employees living with disability by Level**

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

\*The Employment Equity status is reported against the approved Employment Equity Plan (1 October 2017 - 30 September 2020). The report is for the Employment Equity cycle of 1 October 2018 to 30 September 2019. There is an overlap on the Employment Equity period and the Financial Year. The target for people living with disability for management levels are set up for the ensuing year





# PART E

FINANCIAL INFORMATION



## 1. STATEMENT OF RESPONSIBILITY

The Energy Regulator is responsible for the maintenance of adequate records as well as the preparation and integrity of the financial statements and related information as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) (section 55). The Annual Financial Statements present the state of affairs of the National Energy Regulator of South Africa (NERSA), its financial results and its financial position at the end of the financial year. The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practices (GRAP). The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

NERSA maintains internal financial controls to provide assurance regarding:

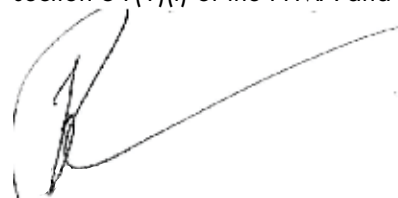
- the maintenance of proper accounting records; and
- the reliability of financial information used within the business or for publication.

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

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

The Energy Regulator has reviewed NERSA's systems of internal control and risk management for the period from 01 April 2019 to 31 March 2020. The Energy Regulator believes that NERSA's systems of internal control and risk management were effective for the period under review.

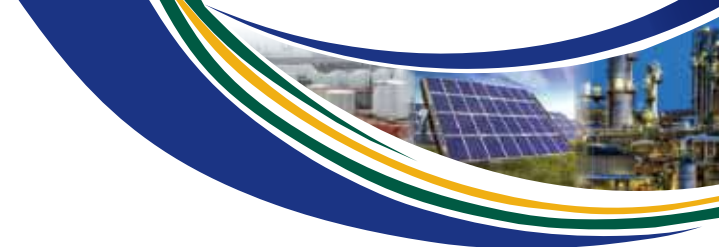
The annual financial statements were approved by the Energy Regulator in terms of section 51(1)(f) of the PFMA and are signed on its behalf by:



**Mr. JRD Madise**

*Chairperson*

Date: 31 October 2020



## 2. Report of the auditor-general to Parliament on the National Energy Regulator of South Africa

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the National Energy Regulator of South Africa set out on pages 172 to 233, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and 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 the National Energy Regulator of South Africa as at 31 March 2020, and its 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, 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.

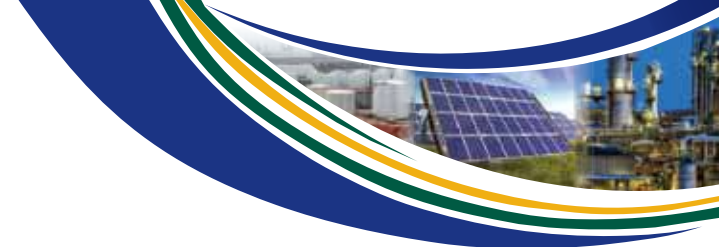
4. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Subsequent events

7. With reference to note 31 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the public entity's future prospects, performance and cash flows. Management has stated that due to Covid-19, there has been slow economic growth; however, it is expected to have a minimal impact on the regulator levies and license fees. The National Energy Regulator of South Africa's major debtors continue to operate and it's expect to recover all its trade receivables.



### **Responsibilities of the accounting authority for the financial statements**

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

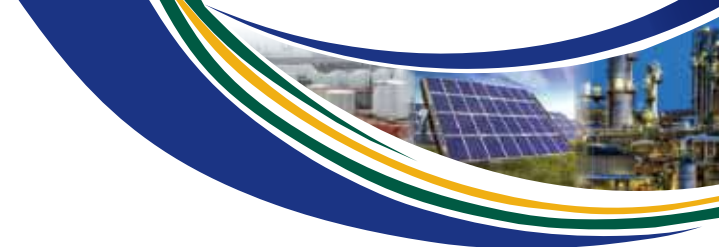


## Report on the audit of the annual performance report

### Introduction and scope

12. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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.
14. 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 programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 1 - Setting and/or approval of tariffs and prices	64 to 79



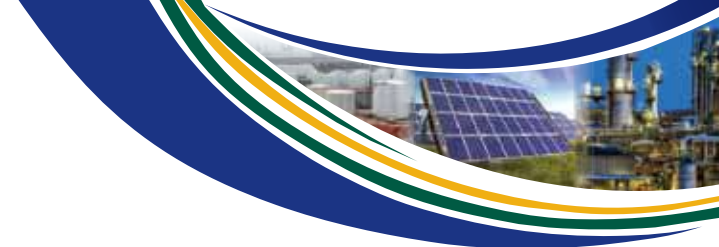
15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Setting and/or approval of tariffs and prices

### Other matters

17. I draw attention to the matters below.

### Achievement of planned targets

18. Refer to the annual performance report on pages 40 to 123 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets.



### Adjustment of material misstatements

19. We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1 - Setting and/or approval of tariffs and prices. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

The material finding on compliance with specific matters in key legislation is as follows:

### Procurement and contract management

22. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting officer but it was practical to invite competitive bids, as required by treasury regulations 16A6.1.

### Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
24. 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.
25. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

27. 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. The matter reported below is limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.
28. Senior management did not adequately implement the daily and monthly controls designed to ensure that accurate information is reported in the annual performance report which resulted in material adjustments on the reported performance information. Furthermore, there was inadequate review and monitoring of compliance with laws and regulations which resulted in material findings on compliance with laws and regulations relating to procurement and contract management.

*Auditor General*

Johannesburg

06 November 2020



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### 3. 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 the selected programme and on the public entity's compliance with respect to the selected subject matters.

#### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of
  - expressing an opinion on the effectiveness of the public entity's internal control evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 relating to events or conditions that may cast significant doubt on the ability of the National Energy Regulator of South Africa to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

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, actions taken to eliminate threats or safeguards applied.



## 4. 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 2020.

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) respectively. It is listed as a national public entity in terms of schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

### 2. REGULATOR MEMBERS AND SECRETARY OF NERSA

The Energy Regulator consists of nine Regulator Members, five of whom are part-time and four of whom are full-time (including the CEO), as appointed by the Minister of Mineral Resources and Energy (The Minister). 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 2020:

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

\* Re-appointed Full-time Member: Electricity Regulation since 29 March 2019.

## ACCOUNTING AUTHORITY'S REPORT

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

Ms T Mashanda	Re-appointed on 1 May 2017	Audit and Risk Committee
Ms N Jiyane	Re-appointed on 1 May 2017	Finance 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  
0001

## ACCOUNTING AUTHORITY'S REPORT

### 3. ORGANISATIONAL STRUCTURE

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

### 4. PRINCIPAL ACTIVITIES

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

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

- Costs that can be directly attributable to the regulation of a specific industry will be charged directly to the regulation of that industry.
- Costs that are not directly attributable to the regulation of a specific industry, but are incurred as common costs in order to support the regulation of the industries, will be allocated between the three industries using a basis of allocation that fairly distributes the costs. The allocation is based on the number of employees directly employed by NERSA to regulate each industry. The basis of allocation is reviewed annually during the budget process and adjusted if there are significant changes to the structure. No changes were effected to the ring fencing methodology during the year under review as there was no significant impact on the methodology as a result of the changes to the structure.

The distribution of these costs for 2019/20 was as follows:

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

**ACCOUNTING AUTHORITY'S REPORT****5. OPERATING RESULTS AND REVIEW OF OPERATIONS**

The surplus for NERSA for the year amounted to R 4.88 million. The summary of the relevant financial results is detailed below.

	<b>Actual R</b>	<b>Budget R</b>	<b>Variance R</b>
Licence fees and levies	334 999 439	347 413 118	(12 413 679)
Registration fees	16 600	-	16 600
Interest received	15 666 096	9 023 910	6 642 186
Other income	503 089	66 616	436 473
Expendure	(346 309 959)	(363 363 119)	17 053 161
<b>Surplus</b>	<b>4 875 267</b>	<b>(6 859 475)</b>	<b>(11 734 743)</b>
Capital Expenditure	(29 326 566)	(30 250 000)	923 434

## ACCOUNTING AUTHORITY'S REPORT

### 6. NERSA ACCUMULATED SURPLUSES (SEE STATEMENT OF CHANGES IN NET ASSETS)

	2020 R	2019 R
Accumulated Surplus	298 579 243	293 703 976

The Accumulated surplus reported as at 31 March 2020 consists of the following:

	2020 298 579 243	2019 293 703 976
Approved Commitments	55 262 345	58 963 244
Cash Flow Mitigating Reserve	61 155 065	58 869 332
Portion of surplus to be refunded in respect of the period ending current year	6 300 482	16 509 791
<b>SURPLUS FUNDS TO BE REFUNDED</b>	<b>175 871 400</b>	<b>159 361 609</b>
Portion of surplus to be refunded in respect of the period ending 2011/12 to 2013/14	29 262 010	29 262 010
Portion of surplus to be refunded in respect of the period ending 2014/15	44 753 128	44 753 128
Portion of surplus to be refunded in respect of the period ending 2015/16	51 752 644	51 752 644
Portion of surplus to be refunded in respect of the period ending 2016/17	13 298 052	13 298 052
Portion of surplus to be refunded in respect of the period ending 2017/18	20 295 775	20 295 775
Portion of surplus to be refunded in respect of the period ending 2018/19	16 509 792	

The accumulated surplus reflected above relates to the under-spending by the Energy Regulator in previous financial periods. The under-spending was mainly due to the implementation of cost containment measures, staff vacancies, travel expenses and professional fees. The surplus will be refunded to the relevant industries through a reduction of the levy rates for the period 2019/2020 to 2023/2024.

## ACCOUNTING AUTHORITY'S REPORT

### FUNDS AVAILABLE FOR REFUNDS TO INDUSTRY

Electricity Regulation  
Piped-Gas Regulation  
Petroleum Pipelines Regulation

2020	2019
<b>175 871 400</b>	<b>159 361 609</b>
75 124 937	64 489 112
24 091 301	32 057 087
76 655 162	62 815 410

## 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 (Act No. 41 of 1987). This license fee is based on kilowatt hours of electricity generated for supply.

### Piped Gas

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

## ACCOUNTING AUTHORITY'S REPORT

### 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.



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Figures in Rand	Note(s)	2020	2019
<b>Assets</b>			
Current Assets			
Inventories	5	277 559	195 985
Receivables from exchange transactions	6	3 971 171	1 813 742
Receivables from non-exchange transactions	7	29 444 853	29 072 907
Cash and cash equivalents	8	226 270 000	243 940 957
		<b>259 963 583</b>	<b>275 023 591</b>
Non-Current Assets			
Property, plant and equipment	3	97 054 877	105 656 848
Intangible assets	4	2 774 192	3 385 423
		<b>99 829 069</b>	<b>109 042 271</b>
<b>Total Assets</b>		<b>359 792 652</b>	<b>384 065 862</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	11	27 761 606	29 300 845
Provisions	10	33 451 803	32 918 316
		<b>61 213 409</b>	<b>62 219 161</b>
<b>Total Liabilities</b>		<b>61 213 409</b>	<b>62 219 161</b>
<b>Net Assets</b>		<b>298 579 243</b>	<b>321 846 701</b>
Reserves			
Revaluation reserve	9	-	28 142 725
Accumulated surplus		298 579 243	293 703 976
<b>Net Assets</b>		<b>298 579 243</b>	<b>321 846 701</b>

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental income	13	45 202	49 543
Other income	14	457 888	4 359 185
Interest income	15	15 665 762	16 069 802
<b>Total revenue from exchange transactions</b>		<b>16 168 852</b>	<b>20 478 530</b>
<b>Revenue from non-exchange transactions</b>			
Interest non exchange revenue		334	-
Licence fees and levies	16	334 999 439	326 350 237
Registration fees	17	16 600	3 400
<b>Total revenue from non-exchange transactions</b>		<b>335 016 373</b>	<b>326 353 637</b>
<b>Total revenue</b>	12	<b>351 185 225</b>	<b>346 832 167</b>
<b>Expenditure</b>			
Employee related costs	18	(230 063 118)	(213 600 685)
Depreciation and amortisation		(7 272 902)	(7 606 392)
Impairments loss		(2 710 802)	-
Debt Impairment	19	-	(36 799)
Loss on disposal of assets		(413 338)	(117 389)
Loss on foreign exchange		(2 426)	-
General expenses	20	(105 847 371)	(85 287 793)
<b>Total expenditure</b>		<b>(346 309 958)</b>	<b>(306 649 058)</b>
<b>Surplus for the year</b>		<b>4 875 267</b>	<b>40 183 109</b>

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 April 2018</b>	<b>28 142 725</b>	<b>253 520 867</b>	<b>281 663 592</b>
Changes in net assets			
Surplus for the year	-	40 183 109	40 183 109
Total changes	-	40 183 109	40 183 109
<b>Balance at 01 April 2019</b>	<b>28 142 725</b>	<b>293 703 976</b>	<b>321 846 701</b>
Changes in net assets			
Impairment losses on revalued capital assets	(28 142 725)	-	(28 142 725)
Net income (losses) recognised directly in net assets	(28 142 725)	-	(28 142 725)
Surplus for the year	-	4 875 267	4 875 267
Total recognised income and expenses for the year	(28 142 725)	4 875 267	(23 267 458)
Total changes	(28 142 725)	4 875 267	(23 267 458)
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>298 579 243</b>	<b>298 579 243</b>

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Licence fees, levies and sale of goods and services		333 284 692	325 259 975
Interest income		15 666 096	16 069 802
		348 950 788	341 329 777
<b>Payments</b>			
Compensation of employees		(230 063 118)	(213 600 685)
Goods and services		(107 350 461)	(64 706 063)
		(337 413 579)	(278 306 748)
<b>Net cash flows from operating activities</b>	22	<b>11 537 209</b>	<b>63 023 029</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(29 208 118)	(28 881 456)
Proceeds from sale of property, plant and equipment	3	118 400	595 419
Purchase of other intangible assets	4	(118 448)	(59 030)
<b>Net cash flows from investing activities</b>		<b>(29 208 166)</b>	<b>(28 345 067)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17 670 957)</b>	<b>34 677 962</b>
Cash and cash equivalents at the beginning of the year		243 940 957	209 262 995
<b>Cash and cash equivalents at the end of the year</b>	8	<b>226 270 000</b>	<b>243 940 957</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

## Statement of Financial Performance

## Revenue

## Revenue from exchange transactions

Rental income	66 616	-	66 616	45 202	(21 414)	
Other income	-	-	-	457 888	457 888	
Interest received	9 023 910	-	9 023 910	15 665 762	6 641 852	33.1
<b>Total revenue from exchange transactions</b>	<b>9 090 526</b>	<b>-</b>	<b>9 090 526</b>	<b>16 168 852</b>	<b>7 078 326</b>	

## Revenue from non-exchange transactions

Interest: non exchange revenue	-	-	-	334	334	
Licence fees and levies	347 413 118	-	347 413 118	334 999 439	(12 413 679)	33.2
Registration fees	-	-	-	16 600	16 600	
<b>Total revenue from non-exchange transactions</b>	<b>347 413 118</b>	<b>-</b>	<b>347 413 118</b>	<b>335 016 373</b>	<b>(12 396 745)</b>	
<b>Total revenue</b>	<b>356 503 644</b>	<b>-</b>	<b>356 503 644</b>	<b>351 185 225</b>	<b>(5 318 419)</b>	

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<b>Expenditure</b>					
Personnel	(254 405 569)	-	(254 405 569)	(230 063 118)	24 342 451 33.3
Depreciation and amortisation	-	-	-	(7 272 902)	(7 272 902) 33.4
Impairment loss/ Reversal of impairments	-	-	-	(2 710 802)	(2 710 802)
General expenses	(108 957 550)	-	(108 957 550)	(105 847 371)	3 110 178 33.5
<b>Total expenditure</b>	<b>(363 363 119)</b>	<b>-</b>	<b>(363 363 119)</b>	<b>(345 894 194)</b>	<b>17 468 925</b>
<b>Operating surplus</b>	<b>(6 859 475)</b>	<b>-</b>	<b>(6 859 475)</b>	<b>5 291 031</b>	<b>12 150 506</b>
Loss on disposal of assets	-	-	-	(413 338)	(413 338)
Loss on foreign exchange	-	-	-	(2 426)	(2 426)
	-	-	-	<b>(415 764)</b>	<b>(415 764)</b>
<b>Net (Deficit)/Surplus for the year</b>	<b>(6 859 475)</b>	<b>-</b>	<b>(6 859 475)</b>	<b>4 875 267</b>	<b>11 734 742</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(6 859 475)</b>	<b>-</b>	<b>(6 859 475)</b>	<b>4 875 267</b>	<b>11 734 742</b>

## ACCOUNTING POLICIES

### 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. These financial statement are presented in South African Rand's, which is NERSA's functional currency.

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

#### 1.1 Going concern assumption

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

#### 1.2 Materiality

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

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

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

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



## ACCOUNTING POLICIES

### 1.3.1 Provisions

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

### 1.3.2 Allowance for doubtful debts

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

### 1.3.3 Property, plant and equipment and Intangible assets

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

## 1.4 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.

## ACCOUNTING POLICIES

### 1.4 Property, plant and equipment (continued)

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.

When a specific item property, plant and equipment is derecognised, any revaluation surplus related to that item is transferred directly to retained earnings.

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 or their estimated residual values.

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

## ACCOUNTING POLICIES

### 1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.4 Property, plant and equipment (continued)

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

Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the entity does not have a need for such assets. The residual value of assets shall be reviewed using an indicator-based approach as per the guidance of GRAP. Changes emanating from such reviews should be accounted for as a change in accounting estimate .

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

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

NERSA decided to review the residual values of their assets as at 31 March 2020. The professional valuer used for this exercise, determined the residual value percentages to be the following:

• Building	00.00%
• Land	00.00%
• Computer software	00.00%
• Computer hardware	08.00%
• Office Equipment	10.00%
• Motor vehicles	52.00%

## ACCOUNTING POLICIES

### 1.5 Intangible assets

Intangible assets is an identifiable non-monetary assets without physical substance. An intangible asset is recognised when:

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.6 Financial instruments and financial risk management

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

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

A financial asset is:

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

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

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.7 Statutory receivables

#### Identification

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

NERSA recognises statutory receivables using the NERSA Debtors Management Policy:

#### Initial measurement

NERSA initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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



## ACCOUNTING POLICIES

### 1.7 Statutory receivables (continued)

#### Accrued interest

Interest on statutory receivables is recognised as revenue in accordance with the NERSA Debtors Management Policy. The transaction amount after initial recognition is adjusted to reflect the accrued interest. The interest rate is determined by the tariffs published in the Government Gazette.

#### Impairment losses

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

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

- All outstanding debts older than 120 days.
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

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

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

#### Derecognition

NERSA derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;

## ACCOUNTING POLICIES

### 1.8 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.

### 1.9 Leases

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

#### Operating leases - lessor

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

#### Operating leases - lessee

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

### 1.10 Inventories

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

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

## ACCOUNTING POLICIES

### 1.11 Employee benefits

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

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

#### Defined contribution plans

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

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

### 1.12 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.

## ACCOUNTING POLICIES

### 1.12 Provisions and contingencies (continued)

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

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

A provision is utilised only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. Contingent liabilities and Contingent assets are disclosed in note 24.

### 1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Commitments are disclosed in note 23.

## ACCOUNTING POLICIES

### 1.14 Revenue recognition

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

#### Revenue from exchange transactions

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

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

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

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

#### 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.

## ACCOUNTING POLICIES

### 1.14 Revenue recognition (continued)

The following Acts have been referenced 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).

### 1.15 Interest income

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

### 1.16 Comparative figures

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

### 1.17 Fruitless and wasteful expenditure

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

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

### 1.18 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.

## ACCOUNTING POLICIES

### 1.18 Irregular expenditure (continued)

National Treasury practice note no. 2 of 2019/2020 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2019):

- 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.

### 1.19 Budget information

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

The approved budget is prepared on a 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.

Comparative information is not required.



## ACCOUNTING POLICIES

### 1.20 Related parties

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

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

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

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

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 Mineral Resources and Energy are considered to be related parties.

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

### 1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

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

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

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

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact:
GRAP 20: Related parties	01 April 2019	The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The implementation of the standard has resulted in additional disclosures.
GRAP 108: Statutory Receivables	01 April 2019	The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The implementation of the standard has resulted in additional disclosures.

## 2.2 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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	No date determined	The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. It is not expected that this standard will impact future disclosures.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 3. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Buildings</b>						
Buildings current	105 459 500	(36 894 500)	68 565 000	75 885 722	(17 550 139)	58 335 583
Building Improvements	-	-	-	23 951 129	-	23 951 129
<b>IT equipment</b>	21 086 607	(10 163 082)	10 923 525	16 434 490	(8 210 121)	8 224 369
<b>Land</b>	8 935 000	-	8 935 000	9 200 000	-	9 200 000
<b>Motor vehicles</b>	1 318 415	(964 531)	353 884	1 318 415	(1 108 887)	209 528
<b>Office equipment</b>	13 152 249	(4 874 781)	8 277 468	10 930 587	(5 194 348)	5 736 239
<b>Total</b>	<b>149 951 771</b>	<b>(52 896 894)</b>	<b>97 054 877</b>	<b>137 720 343</b>	<b>(32 063 495)</b>	<b>105 656 848</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Depreciation	Impairment loss	Total
<b>Buildings</b>			-						
Buildings current	58 335 583	74 395	-	44 951 630	-	(27 877 725)	(5 695 583)	(1 223 300)	68 565 000
Buildings Improvements	23 951 129	21 000 501	-	-	(44 951 630)	-	-	-	-
<b>IT equipment</b>	8 224 369	4 719 850	(59 623)	-	-	-	(1 365 428)	(595 643)	10 923 525
<b>Land</b>	9 200 000	-	-	-	-	(265 000)	-	-	8 935 000
<b>Motor vehicles</b>	209 528	-	-	-	-	-	189 681	(45 325)	353 884
<b>Office equipment</b>	5 736 239	3 413 372	(353 715)	-	-	-	(205 522)	(312 906)	8 277 468
	<b>105 656 848</b>	<b>29 208 118</b>	<b>(413 338)</b>	<b>44 951 630</b>	<b>(44 951 630)</b>	<b>(28 142 725)</b>	<b>(7 076 852)</b>	<b>(2 177 174)</b>	<b>97 054 877</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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### 3. Property, plant and equipment (continued)

**Compensation received for losses and sale on property, plant and equipment – included in operating profit.**

Motor vehicles	-	463 800
Office Equipment	50 000	26 000
IT equipment	68 399	105 619
	<b>118 399</b>	<b>595 419</b>

### Revaluations

The effective date of the revaluations was Tuesday, 31 March 2020. Revaluations were performed by independent professional valuer.

The valuation was undertaken using the "Income Capitalisation" method of valuation and the variables applied in the calculation were referenced against market activity/sale which is disclosed in our valuation report.

### Other information

#### Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Property, plant and equipment	5 281 456	5 184 097
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These assets will be disposed during the next financial year.

### Details of properties

#### Kulawula House, ERF 1163 Arcadia

Terms and conditions

- Purchase price: 18 July 2001	7 000 000	7 000 000
- Additions since purchase or valuation	70 425 605	77 801 984
- Capitalised expenditure	74 395	283 738
	<b>77 500 000</b>	<b>85 085 722</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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### 3. Property, plant and equipment (continued)

#### Property, plant and equipment in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	-	23 951 129
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#### Reconciliation of Work-in-Progress 2020

	Buildings	Total
Opening balance	23 951 129	23 951 129
Additions/capital expenditure	21 000 501	21 000 501
Transferred to completed items	(44 951 630)	(44 951 630)
	-	-

#### Reconciliation of Work-in-Progress 2019

	Buildings	Total
Opening balance	8 860 234	8 860 234
Additions/capital expenditure	23 870 297	23 870 297
Transferred to completed items	(8 779 402)	(8 779 402)
	<b>23 951 129</b>	<b>23 951 129</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>3. Property, plant and equipment (continued)</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment</b>		
<b>Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance</b>		
Contracted services	1 612 340	6 100 883
General expenses	1 035 670	676 167
	<b>2 648 010</b>	<b>6 777 050</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	11 354 786	(8 580 594)	2 774 192	11 236 338	(7 850 915)	3 385 423

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software, other	3 385 423	118 448	(196 051)	(533 628)	2 774 192

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions through transfer of functions / mergers	Disposals	Impairment loss	Total
Computer software, other	4 799 226	59 030	(104 777)	(1 368 056)	3 385 423

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>5. Inventories</b>		
Stationery	277 559	195 985
<b>6. Receivables from exchange transactions</b>		
Sundry debtors	253 535	396 674
Accrued bank interest	89 796	70 591
Prepaid expenses	3 627 840	1 346 477
	<b>3 971 171</b>	<b>1 813 742</b>

Included in sundry debtors are amounts owed by a Full Time Regulator Member and a former Part Time Regulator Members. Refer to note 26 (Related Party).

### Trade and other receivables impaired

As of 31 March 2020, other receivables of R 25 142 (2019: R 25 257) were impaired and provided for.

The amount of the provision was R - as of 31 March 2020 (2019: R 25 257).

The ageing of these sundry debtors is as follows:

1 to 30 days	253 535	396 674
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### 7. Receivables from non-exchange transactions

Licence fees and levies	29 444 853	29 072 907
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### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Licence fees and levies	29 444 853	29 072 907
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

### 7. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

#### Transaction(s) arising from statute

NERSA's statutory receivables arises from the following legislation:

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)

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

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

#### Discount rate applied to the estimated future cash flows

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

#### Statutory receivables impaired

As of 31 March 2020, Statutory receivables of R8 141 (2019: R11 542) were impaired and provided for.

The amount of the provision was R8 141 as of 31 March 2020 (2019: R11 542).

The ageing of these receivables is as follows:

0 to 3 months	29 437 712	29 061 368
3 to 6 months	0	0
Over 6 months	8 141	11 542

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>7. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment for statutory receivables</b>		
Opening balance	11 542	-
Provision for impairment	-	11 542
Recovered amounts reversed	(3 516)	-
Reclassification from exchange to non-exchange	115	-
	<b>8 141</b>	<b>11 542</b>
<b>Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables</b>		
<b>Other impairment losses recognised or reversed</b>		
The licensee paid for a debt that was owing for more than 120 days.		
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4 094	3 893
Bank balances	20 317 234	17 715 836
Short - term investment	205 948 672	226 221 228
	<b>226 270 000</b>	<b>243 940 957</b>
<b>9. Revaluation reserve</b>		
Opening balance	28 142 725	28 142 725
Change during the year (Reversal)	(28 142 725)	-
	<b>-</b>	<b>28 142 725</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2020

2019

### 10. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonuses	32 918 316	32 867 314	(29 552 612)	(2 781 215)	33 451 803

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonuses	27 092 649	30 718 612	(22 265 283)	(2 627 662)	32 918 316

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	920 968	2 778 652
Nominated bonus	187 650	132 700
Accrued leave pay	8 649 618	7 974 453
Other accruals	18 003 370	18 415 040
	<b>27 761 606</b>	<b>29 300 845</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>Revenue</b>		
Rental income	45 202	49 543
Other income	457 888	4 359 185
Interest received	15 665 762	16 069 802
Interest non exchange revenue	334	-
Licence fees and levies	334 999 439	326 350 237
Registration fee	16 600	3 400
	<b>351 185 225</b>	<b>346 832 167</b>
<b>The amount included in revenue arising from exchanges transactions are as follows:</b>		
Rental income	45 202	49 543
Other income	457 888	4 359 185
Interest received	15 665 762	16 069 802
	<b>16 168 852</b>	<b>20 478 530</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Interest: non exchange revenue	334	-
Licence fees and levies	334 999 439	326 350 237
Registration fee	16 600	3 400
	<b>335 016 373</b>	<b>326 353 637</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>13. Rental Income</b>		
<b>Premises</b>		
Premises	45 202	49 543

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

### 14. Other Income

Debt impairment recovered	3 516	-
Miscellaneous Income	454 372	4 359 185
	<b>457 888</b>	<b>4 359 185</b>

Miscellaneous Income for 2020 mainly relates to repayment of study fees (paid in the previous financial year) by former and current employees who did not fulfil the loan conditions.

Miscellaneous Income for 2019 relates to the award of legal fees made to NERSA . The award was for legal fees paid in the previous financial year of 2018. The amount was confirmed and received by NERSA in financial year of 2019 after a determination by the legal firm. Also included is an Insurance recovery in respect of losses incurred by NERSA due to the liquidation of the contractor for the refurbishment.

### 15. Interest income

<b>Interest revenue</b>		
Bank	15 665 762	16 069 802

### 16. Licence fees and Levies

Licence fees from Electricity	191 775 221	191 610 857
Levies from Piped Gas	72 635 777	65 190 908
Levies from Petroleum Pipelines	70 588 442	69 548 472
	<b>334 999 440</b>	<b>326 350 237</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 17. Registration fees

Small Scale Embedded Generators of Electricity	16 600	3 400
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### 18. Employee related costs

Basic salaries	170 502 645	157 070 321
Performance bonuses	30 219 574	28 090 950
Medical aid	8 816 219	7 787 928
Unemployment insurance fund	417 153	399 987
Leave pay provision charge	918 126	1 916 979
Pension fund contributions	18 759 293	17 733 174
Overtime payments	381 608	141 660
Long-service awards	48 500	50 500
Arbitration and settlement award	-	364 186
Staff Publication incentives	-	45 000
	<b>230 063 118</b>	<b>213 600 685</b>

### 19. Debt impairment

Provision for doubtful debt	-	36 799
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>20. General expenses</b>		
Advertising and publications	9 787 166	11 502 289
Municipal rates and water consumption	1 168 579	1 109 424
Auditors remuneration	2 574 936	1 329 399
Bank charges	74 251	75 609
Recruitment costs	475 328	1 095 643
Consulting and professional fees	34 669 022	13 917 897
Catering for meetings and functions	1 401 584	1 377 344
Sponsorship	16 297	40 230
Insurance	679 814	539 237
Stakeholder meetings	956 778	607 623
Lease rentals on operating lease	2 132 194	2 062 702
Information Technology expenses	2 043 086	1 160 134
Motor vehicle expenses	242 009	235 124
Postage and courier	47 598	54 763
Printing and stationery	1 188 723	1 287 940
Software expenses	5 154 838	4 313 095
Health and safety and Employee wellness	2 151 106	1 031 506
Subscriptions and membership fees	1 712 170	1 945 171
Telephone and fax	942 452	899 216
Training	4 788 663	2 978 175
Travel - costs	16 145 109	18 030 879
Electricity consumption	951 879	1 807 824
Learnership programme	691 505	245 392
National/International Initiatives	100 000	508 975
Knowledge Centre	2 478 016	2 299 018
Public Hearings	2 747 410	5 030 006
Study fees	1 881 521	1 506 156
Office Operations	5 997 327	1 519 972
Repairs and maintenance	2 648 010	6 777 050
	<b>105 847 371</b>	<b>85 287 793</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 21. Auditors' remuneration

External auditors	2 574 936	1 329 399
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### 22. Cash generated from operations

Surplus for the year	4 875 267	40 183 109
<b>Adjustments for:</b>		
Depreciation and amortisation	7 272 902	7 606 392
Loss on sale of assets	294 938	117 389
Impairment deficit	2 710 802	-
Movements in provisions	533 487	5 825 667
<b>Changes in working capital:</b>		
Inventories	(81 574)	87 774
Receivables from exchange transactions	(2 157 429)	957 493
Receivables from non-exchange transactions	(371 946)	(6 423 084)
Payables from exchange transactions	(1 539 239)	14 668 657
Payable from non exchange transactions	-	(368)
	<b>11 537 209</b>	<b>63 023 029</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>23. Commitments</b>		
<b>Authorised capital expenditure</b>		
Computer hardware	865 748	1 825 881
Buildings	-	20 746 453
Office furniture	8 914 753	2 826 438
Intangible assets	-	4 701 633
	<b>9 780 501</b>	<b>30 100 405</b>
<b>Authorised operational expenditure commitments</b>		
Goods and services	45 481 844	28 862 839
<b>Total commitments</b>		
Capital expenditure commitments	9 780 501	30 100 405
Operational expenditure commitments	45 481 844	28 862 839
	<b>55 262 345</b>	<b>58 963 244</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	912 168	1 140 774
- in second to fifth year inclusive	1 520 280	-
	<b>2 432 448</b>	<b>1 140 774</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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### 23. Commitments (continued)

For 2020 the lease obligation relates to a rental agreement for the use of multifunctional printers for a period of 36 months beginning 01 December 2019 to 30 November 2022. The lease amount is fixed and there is no escalation.

For 2019 the lease obligation relates to a rental agreement for the use of multifunctional printers for the period of six months beginning 01 November 2018 to 30 April 2019 and the rental for the use of offices for a period of six months beginning 01 January 2019 to 30 June 2019.

For both financial years there are no contingent rents payables.

#### Rental expenses relating to operating leases

Minimum lease payments: Office space	1 043 554	886 680
Minimum lease payments: multi-functional printers	1 088 639	1 176 023
	<b>2 132 193</b>	<b>2 062 703</b>

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	55 605	45 097
- in second to fifth year inclusive	251 646	239 663
	<b>307 251</b>	<b>284 760</b>

The minimum future lease receipts are in respect of the use of NERSA premises. The contract was amended from February 2019 due to the reduction of the office space occupied by the lessee during the refurbishment project. There are no contingent rents receivables.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 24. Contingencies

#### Contingent liability

There is a contingent liability that comprises the accumulated cash surpluses as at 31 March 2020. A request for the retention of the previous year's cash accumulated surplus of R152.8 million has been approved by National Treasury. A request to retain the accumulated cash surplus as at 31 March 2020 will be submitted to National Treasury when the annual financial statements for the year ended 31 March 2020 have been approved by the Energy Regulator.

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

#### Contingent assets

On 15 May 2016 NERSA appointed a Principal Consultant, Principal Agent and Mechanical Engineer company (Client/Consultant Professional Services Agreement) to provide professional services on the refurbishment of NERSA Kulawula House. The appointed company incorrectly issued a payment certificate that cause NERSA to suffer a financial loss during the liquidation of the construction company. The construction company had a construction guarantee in favour of NERSA to secure proper performance of the construction work. NERSA could not recover an amount of R2,065,717 from the construction guarantee because of the error on the payment certificate. On 14 February 2020, NERSA issued a demand letter to the appointed Principal Consultant, Principal Agent and Mechanical Engineer company for an amount of R2,065,717.

### 25. Related parties

#### Relationships

Members

Refer to note 26

Executive Authority

Department of Mineral Resources and Energy

Members of key management

Refer to note 26

NERSA is a listed public entity in terms of Schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999), and therefore falls within the national sphere of government. As a consequence NERSA has a significant number of related parties, being entities that fall within the national sphere of government. Amounts due from/to these entities are subject to the same term and conditions as normal trade receivable and trade payables.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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### 25. Related parties (continued)

#### Related party balances

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Full Time Regulator Member (FTRM)

31 039

83 039

Former Part Time Regulator Member (PTRM)

25 040

25 040

The amount for the Full Time Regulator Member relates to an over-payment with regard to cellphone and data allowance.

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

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

Former Part Time Regulator Member

25 040

25 040

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 26. Remuneration of Regulators and Executive Management

#### Full time regulator members

##### 2020

	Salary	Car allowances	Reimburse and other allowances	Medical aid	Pension contributions and UIF	Performance bonus *	Total
C Forlee	2 021 881	-	14 704	159 570	2 068	292 788	2 491 011
N Maseti **	1 926 743	60 000	35 275	81 741	230 993	382 664	2 717 416
M Mkhize	2 002 484	-	72 673	-	230 993	133 475	2 439 625
	<b>5 951 108</b>	<b>60 000</b>	<b>122 652</b>	<b>241 311</b>	<b>464 054</b>	<b>808 927</b>	<b>7 648 052</b>

\* Performance bonus were paid in 2019/20 financial year with regard to the performance of 2017/18 financial year.

\*\* FTRM Piped Gas Regulations and also re-appointed FTRM: Electricity Regulation from 31 March 2019 to 31 March 2020.

##### 2019

	Salary	Car allowances	Reimburse and other allowances	Medical aid	Pension contributions and UIF	Acting allowance	Total
C Forlee	1 973 826	-	82 168	144 825	2 068	-	2 202 887
N Maseti *	1 823 663	60 000	88 919	75 021	233 092	236 301	2 516 996
M Mkhize	1 940 684	-	121 660	-	230 993	-	2 293 337
	<b>5 738 173</b>	<b>60 000</b>	<b>292 747</b>	<b>219 846</b>	<b>466 153</b>	<b>236 301</b>	<b>7 013 220</b>

\* FTRM: Piped Gas Regulations and also appointed FTRM: Electricity Regulation from 01 April 2018 to 31 March 2019.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

#### Part time regulator members

##### 2020

	Scheduled Meetings	Special Assignment	Reimburse and Other Allowances	Total
J Modise	413 040	23 984	31 027	468 051
M Nkomo	407 218	25 856	15 305	448 379
F Sibanda	511 992	8 640	23 873	544 505
Y Adam	388 549	15 660	8 222	412 431
	<b>1 720 799</b>	<b>74 140</b>	<b>78 427</b>	<b>1 873 366</b>

##### 2019

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

#### External members

#### 2020

	Scheduled meeting	Special assignment	Reimburse and other allowances	Total
T Mashanda	62 856	12 258	6 157	81 271
G Jiyane	89 046	8 100	5 320	102 466
	<b>151 902</b>	<b>20 358</b>	<b>11 477</b>	<b>183 737</b>

#### 2019

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

\* Term ended on 31 March 2019.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

#### Executive Management

#### 2020

	Salary	Performance bonus *	Car allowances	Acting Allowances	Reimburse and other allowances	Medical	Pension Contribution and UIF	Total
N Sithole	1 891 653	388 246	42 000	-	20 937	70 086	224 838	2 637 760
P Nku **	1 257 328	-	-	-	6 021	141 748	155 110	1 560 207
T Nxumalo ***	1 695 229	598 153	-	-	4 463	-	199 123	2 496 968
X Mtwla	1 430 729	-	-	20 242	3 045	51 894	161 145	1 667 055
N Ragimana ****	1 682 933	354 874	-	280 397	2 850	66 042	195 933	2 583 029
S Hlobelo *****	1 200 222	227 963	-	98 629	1 305	55 239	144 126	1 727 484
	<b>9 158 094</b>	<b>1 569 236</b>	<b>42 000</b>	<b>399 268</b>	<b>38 621</b>	<b>385 009</b>	<b>1 080 275</b>	<b>12 672 503</b>

\* Performance bonuses were paid in the 2019/20 financial year with regard to the performance of 2018/19 financial year.

\*\* Resigned 31 January 2020.

\*\*\* The performance bonus includes a back dated performance bonus for the the performance of 2017/18.

\*\*\*\* Appointed Acting Chief Finance Officer from 01 April 2019

\*\*\*\*\*Appointed Acting Chief Human Capital Officer from 18 August 2019.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

2019

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

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

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

\*\*\* Resigned 28 February 2019.

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 27. Change in estimate

#### Property, plant and equipment

A change in the estimated useful life of various assets of NERSA has resulted in the following decreases in depreciation for the mention categories of assets for the financial year

Decreases in Depreciation due to the adjustment to Useful life and residual values of Property, Plant and Equipment and Intangible assets:

Disclosure	Category	Before Change in Estimate	Change in Estimate	After Change in Estimate
Property, Plant and Equipment	Building	5 695 585	-	5 695 585
Property, Plant and Equipment	Motor Vehicle	131 255	(320 935)	(189 680)
Property, Plant and Equipment	Computer Hardware	2 395 643	(1 030 164)	1 365 479
Property, Plant and Equipment	Office Equipment	907 466	(701 995)	205 472
Intangible assets	Computer Software	1 242 596	(1 046 545)	196 051
		<b>10 372 545</b>	<b>(3 099 639)</b>	<b>7 272 907</b>

### 28. Comparative figures

Certain comparative figures have been reclassified.

For 2018/19 an amount of R141 was previously incorrectly classified impairment provision for exchange transaction for 2019/20 this amount has been correctly been classified impairment provision non-exchange transaction.

The aging of sundry receivables for the previous years have been amended to include deposits and accrued income and the aging has also been changed.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 29. Risk management

#### Financial risk management

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

#### Liquidity risk

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

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

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	27 761 606	-	-	-
Provisions	33 451 803	-	-	-
<b>At 31 March 2019</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Payables from exchange transactions	29 300 845	-	-	-
Provisions	32 918 316	-	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
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### 29. Risk management (continued)

#### 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 and the NERSA's management policy. Payment of licence fee is license condition and non payment may lead to NERSA revoking the licence.

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

#### Financial instrument

Receivables from exchange transactions	3 971 171	1 813 742
Receivables from non-exchange transactions	29 444 853	29 072 907

#### 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 29. Risk management (continued)

#### Interest rate risk (continued)

##### 2020

	Weighted average rate on interest	Due in less than a year	Non-Interest
Cash	- %	-	4 094
Current account	4,57 %	20 317 234	-
Short-term investment	6,90 %	205 948 672	-

##### 2019

	Weighted average rate of interest	One year of less	Non-interest
Cash	- %	-	3 893
Current account	5,06 %	17 715 836	-
Short-term investment	7,33 %	226 221 228	-

### 30. Going concern

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

### 31. Events after the reporting date

Since 27 March 2020, The South African government has declared lockdown restriction to curb the spreading of Covid-19 which is a global pandemic. Lockdown measures include ban on non essential travelling and meetings. In response NERSA management has closed the NERSA building and requested staff to work from home. The travel ban together with the closure of the NERSA building is expected to reduce operating expenditure. The slow economic growth caused by the virus is expected to have a minimal impact on NERSA levies and license fees. NERSA major debtors continue to operate and NERSA expect to recover all its trade receivables.

NERSA has determined that these events are non-adjusting subsequent events. Accordingly the financial position and performance as of and for the year ended 31 March 2020 have not been adjusted. The duration and impact of the pandemic remains unclear at this time. It is impossible to reliably estimate the duration and the severity of the pandemic and its impact on the financial position and the performance of NERSA for future periods.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2020	2019
<b>32. Irregular expenditure</b>		
Opening balance as previously reported	4 935 109	4 935 109
Add: Irregular Expenditure - current	552 513	-
<b>Closing balance</b>	<b>5 487 622</b>	<b>4 935 109</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 32. Irregular expenditure (continued)

#### Details of Irregular expenditure

	Actions taken	
Non-compliance with delegation of authority	Determination stage	23 612
Non-compliance with delegation of authority	Determination stage	84 004
Non-compliance with delegation of authority	Determination stage	32 490
Award of quotation to a supplier whose tax clearance had expired	Condonation application was submitted to National Treasury on 11 December 2017	184 605
FTRM remuneration should be approved by the Minister of Mineral Resources and Energy in concurrence with the Minister of Finance.	The Energy Regulator requested condonation from the Minister of Mineral Resources and Energy on 25 March 2013.	4 610 398
The Minister of Mineral Resources and Energy re-appointed three FTRM and delegated the Energy Regulator to negotiate the remuneration of FTRM.	On 19 March 2014 the Minister of Mineral Resources and Energy approved the condonation subject to the concurrence of the Minister of Finance.	
The Minister of Mineral Resources and Energy also appointed the FTRM CEO on 01 May 2011.	On 30 July 2014 The Minister of Finance did not support the condonation.	
The Energy Regulator implemented the salary increases effective 01 April 2011 without the approval of the Minister of Mineral Resources and Energy in concurrence with the Minister of Finance	From 01 April 2015 FTRM salaries were frozen. All affected FTRM are no longer employed by NERSA.	
Non-compliance with Instruction note 3 of 2016/17	NERSA has submitted a second request for condonation in terms of the Treasury Regulations to the Minister of Mineral Resources and Energy on 15 February 2017.	
	Follow up was done in June 2019.	
	Determination stage	552 513
		<b>5 487 622</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 33. Budget differences

#### Material differences between budget and actual amounts

33.1 Actual Interest received is higher than the budgeted amount due to an a higher average balance of cash and cash equivalents.

33.2 Licence fees and levies is lower than the budget amount mainly due to License fees for electricity generation. The implementation of load shedding by Eskom attributed to lower Licence fees.

33.3 Employment related costs are lower than the budgeted amount due to vacant positions.

33.4 NERSA's funding requirement includes capital expenditure. Depreciation is not budgeted for.

33.5 General expenses are lower than the budgeted amount mainly due to the under-expenditure on consulting fees and training.

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

The changes between the approved and final budget are a consequence of reallocations. The changes were within General expenses line items.







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