



ANNUAL REPORT TWENTY 15/16



VISION

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

MISSION

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

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PART A

GENERAL INFORMATION

'Everything is Energy & that's all there is to it.....'

- Albert Einstein -

GENERAL INFORMATION

REGISTERED NAME:	NATIONAL ENERGY REGULATOR OF SOUTH AFRICA (NERSA)
REGISTRATION NUMBER (if applicable):	NOT APPLICABLE
PHYSICAL ADDRESS:	KULAWULA HOUSE 526 MADIBA STREET ARCADIA, PRETORIA, 0083
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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

ABBREVIATIONS AND ACRONYMS

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

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

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

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. In this context and in addition to our commitment to comply with the requirements of Section 9 (11) of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) and its Code of Conduct, we have adopted the following values:

- **Passion:** We conduct our business with a sense of urgency and commitment and are proud to be part of NERSA
- **Spirit of Partnership:** In working with all our stakeholders, we deliver on our promises for the purpose of sustainable development

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

3.4 REGULATORY PRINCIPLES

In regulating the three industries, NERSA must adhere to sound principles and approaches to be able to deliver on its mandate and achieve its objectives. NERSA has given

consideration both to international best practice and the key principles stated in the *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. Underpinned 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, implying that the data or information on which the decision is based is readily available and the reasoning behind it is readily explained. This covers public consultation and accessibility.
- **Neutrality:** The Energy Regulator should be neutral to all market players without favouring any one group (non-discriminatory).
- **Consistency and Predictability:** Decisions must be consistent and should have a reasonable degree of predictability based on previous rulings in similar cases.

- **Independence:** The independence of the Energy Regulator from the regulated companies is a prerequisite for any sound regulatory system. Independence from political influence is also desirable to ensure long-term stability of regulatory practices. Avoidance of regulatory capture by some customer groups is also necessary for successful regulation.
- **Accountability:** The Energy Regulator should be accountable for its actions and decisions. Independence must not be confused with the lack of accountability.
- **Integrity:** The Energy Regulator should exercise professionalism, honesty and objectivity in the management of the Energy Regulator's affairs and in all its dealings with stakeholders.
- **Efficiency:** The Energy Regulator should make the best use of resources to further the regulatory objectives by exercising objectivity and commitment to evidence-based strategies for improvement.
- **Public Interest:** The Energy Regulator should endeavour to take decisions in the interest of the public as far as possible.

3.5 STRATEGIC OUTCOME-ORIENTED GOALS

NERSA has formulated the following five strategic outcome-oriented goals:

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.

LEGISLATIVE AND OTHER MANDATES

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

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

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

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

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

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

- the 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;
- the Promotion of Administrative Justice Act, 2000

(Act No. 3 of 2000) (PAJA), which determines the just administrative action of NERSA; and

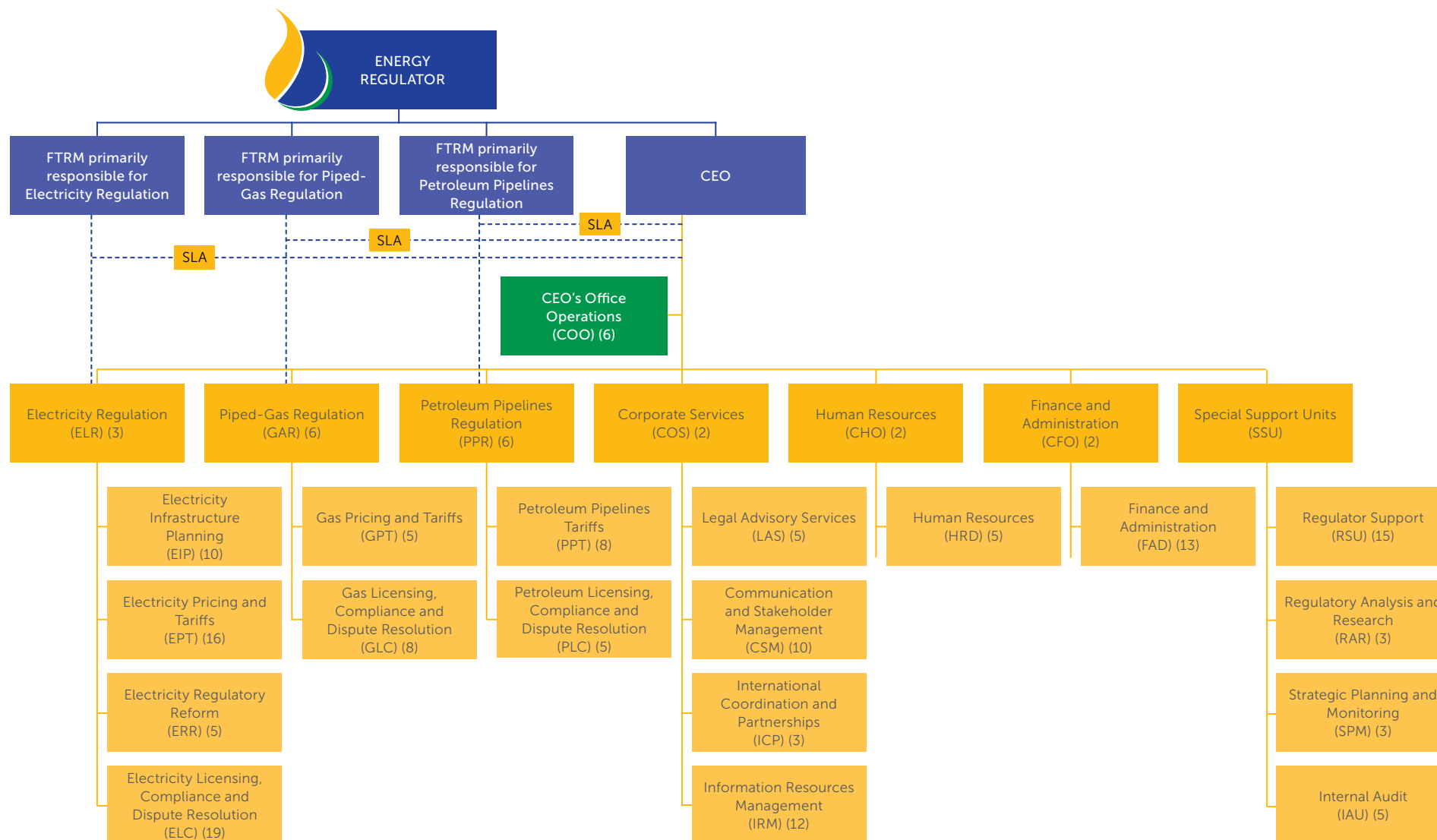
- the Constitution of the Republic of South Africa.

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

The relevant applicable policies are:

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

ORGANISATIONAL STRUCTURE



The organisational structure of NERSA is as outlined on page 11. The table below provides high-level details on the composition of the structure and depicts the Full-Time Regulator Members (FTRMs), Part-Time Regulator Members, the Chief Executive Officer (CEO) as well as the Direct Reports to the CEO with their link to the programmes being implemented by NERSA.

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: Establishing NERSA as an efficient and effective regulator
Maleho Nkomo	Deputy Chairperson (Part-Time Regulator Member)	
Fungai Sibanda	Part-Time Regulator Member	
Khomotso Mthimunya	Part-Time Regulator Member	
Oupa Komane	Part-Time Regulator Member (until 31 October 2015)	
Thembanani Bukula	Full-Time Regulator Member responsible for Electricity Regulation	Programme 1: Establishing NERSA as an efficient and effective regulator 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: Establishing NERSA as an efficient and effective regulator
Nomfundo Maseti	Full-Time Regulator Member responsible for 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: Establishing NERSA as an efficient and effective regulator
Dr Rod Crompton	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: Establishing NERSA as an efficient and effective regulator
Paseka Nku	Acting Chief Executive Officer	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: Establishing NERSA as an efficient and effective regulator

Name	Position	Programme Involvement
Mbulelo Ncetezo	Executive Manager: Electricity 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: 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: Establishing NERSA as an efficient and effective regulator
Chris Forlee	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: Establishing NERSA as an efficient and effective regulator
Nomalanga Sithole	Executive Manager: Corporate Services	Programme 6: Establishing NERSA as an efficient and effective regulator
Zanele Ngwepe	Chief Financial Officer	Programme 6: Establishing NERSA as an efficient and effective regulator
Sello Hlobelo	Acting Chief Human Capital Officer	Programme 6: Establishing NERSA as an efficient and effective regulator
Patrick Mabuza	Senior Manager: Regulatory Analysis and Research	Programme 6: Establishing NERSA as an efficient and effective regulator
Sandile Ntanzu	Senior Manager: Regulator Support	Programme 6: Establishing NERSA as an efficient and effective regulator
Masesi Malope	Chief Audit Executive	Programme 6: Establishing NERSA as an efficient and effective regulator
Zethu Kapika	Senior Manager: CEO's Office Operations	Programme 6: Establishing NERSA as an efficient and effective regulator
Esther Viljoen	Senior Manager: Strategic Planning and Monitoring	Programme 6: Establishing NERSA as an efficient and effective regulator



Jacob RD Modise
Chairperson

It is my pleasure to present the Annual Report for 01 April 2015 to 31 March 2016 on behalf of the National Energy Regulator (NERSA). During the year under review, NERSA celebrated and commemorated a decade of regulatory excellence.

FOREWORD BY CHAIRPERSON

It afforded us the opportunity to reflect on the road travelled and challenges encountered, and to re-energise ourselves for the challenges that lie ahead.

We have made big strides in coming to grips with the challenges of a dynamic industry. The highlights of NERSA's achievements ranged from putting in place structures and systems that ensure sound corporate governance and capacity building, to the provision of current and user-friendly information, as well as the development, fine-tuning and implementation of regulatory methodologies, processes, procedures and systems to ensure that NERSA delivers on its mandate.

Speaking at the launch of NERSA in 2005, then Deputy President, Phumzile Mlambo-Ngcuka, said the following: 'A strong regulatory system allows for certainty, which

encourages international investment and confidence in the long-term reliability of supply required by industries in the energy business, and lays down a transparent system that can be benchmarked against any similar system in the world.'

Indeed, NERSA was established 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 socioeconomic development of South Africa and a better life for all.

We believe that NERSA has implemented its mandate with distinction since its inception. It is important to indicate that NERSA adheres to the highest standards of corporate

governance, as evidenced by the adoption of our Corporate Governance Handbook and the principles contained in the King III Report on Corporate Governance. NERSA has received unqualified audits since its establishment and is proud to once again be the recipient of the Auditor-General's Award for a Clean Audit Opinion for the second year in succession (2013/14 and 2014/15).

During the review period, NERSA continued to ensure orderly development in the energy sector, mainly through licensing, setting and approving of prices and tariffs, compliance monitoring and enforcement, and dispute resolution in the electricity, piped-gas and petroleum pipelines industries.

As we sign off on another eventful year, it is fitting to reflect on some of the issues on which NERSA exercised its influence during 2015/16.

In the electricity industry regulation, the major highlight was the Energy Regulator's decision on Eskom's Regulatory Clearing Account (RCA) application for the first year of the third Multi-Year Price Determination (MYPD3) (2013/14). The Energy Regulator decided that the average tariff for standard tariff customers be increased by 9.4% for the 2016/17 financial year only. Eskom applied for an RCA balance of R22 789m in its favour. This would have resulted in a 16.6% tariff increase.

Eskom's application was submitted on 10 November 2015. The Energy Regulator made the decision after conducting due regulatory processes, which included publishing Eskom's RCA application and inviting written comments from stakeholders. Public hearings were conducted in six of South Africa's provinces between 18 January and 05 February 2016 to afford interested and affected

stakeholders the opportunity to present their views, facts and evidence.

This ruling followed the Energy Regulator's decision on 29 June 2015 not to approve Eskom's Selective Reopener of the third Multi-Year Price Determination (MYPD3) application for its open cycle gas turbines (OCGTs) and Short-Term Power Purchase Programme (STPPP).

In South Africa, the private sector's role in energy generation is crucial. It will reduce the funding burden on the government, relieve the borrowing requirements of Eskom and introduce generation technologies that may not be viewed as part of the utility's core function. In light of this, the role of Independent Power Producers (IPPs) has taken on great significance and we are doing our utmost to fast track the licensing of these operators as part of the Renewable Energy Independent Power Producer (REIPP) Procurement Programme. During 2015/16, NERSA granted 26 new-generation licences to IPPs. The completion of the licensing process followed a series of public hearings in the areas closest to where these power plants were to be built and involved the communities that would benefit from the trusts set up for each project.

In the piped-gas sector, a number of significant developments were witnessed, including the successful completion of the second assessment of the adequacy of competition in the industry. The assessment revealed that competition in the gas industry is still inadequate, hence NERSA will continue to approve maximum prices and tariffs as contemplated in section 21(1)(p) of the Gas Act, 2001 (Act No. 48 of 2001). NERSA also conducted an assessment of the impact of the Agreement concerning the Mozambican pipeline between the government of the Republic of South Africa and Sasol Limited on the gas



industry. The assessment was intended to assist NERSA and policy makers to determine whether the objectives of the Agreement have been achieved and to ascertain the effectiveness of contract regulation for future policy and regulatory decisions concerning the gas industry.

As part of its quest to ensure public safety in the operation of gas facilities, the Energy Regulator conducted a desktop study on the integrity of licensed gas transmission facilities in South Africa. The study showed that the current gas transmission network is still in a sufficiently good condition for the safe transmission of gas, but highlighted a number of areas on which improvements could be made in terms of the licensees' operations, which would ensure compliance with international standards and global best practices regarding cathodic protection of their facilities.

In order to facilitate the enforcement of third-party access to licensed gas transmission and storage facilities as contemplated in the Gas Act, Network Codes, including guidelines for third-party access to Transnet Pipelines and Sasol Gas' gas transmission facilities, were finalised and approved for implementation.

As part of its mandate regarding maximum prices and tariffs, the Energy Regulator approved maximum prices and trading margins for four licensees and approved the extension of a maximum period and trading margin for a fifth licensee. A tariff was approved for Transnet Pipelines.

The Energy Regulator also monitored the implementation of approved maximum prices and tariffs and issued notices of non-compliance where licensees failed to comply with such maximum prices and tariffs. A significant milestone was reached in the area of complaint investigations, where a ground-breaking finding of non-compliance

was made against one major licensee related to the implementation of a declining pricing mechanism that negatively impacts on several customers in the industry. Based on a complaint received from a customer, the matter was successfully investigated and a notice of non-compliance was issued against the relevant licensee. The licensee has acknowledged the Energy Regulator's findings and proposed a solution to remedy the non-compliance.

NERSA further completed a concept document outlining areas that need amendment in the Piped-Gas Regulations. As part of this document, the Energy Regulator made clear proposals and recommendations on amendments to be made in the Regulations.

With regard to petroleum pipelines regulation, the main highlights were the setting of the tariffs for the Transnet Pipelines system for the 2016/17 financial year, the setting of the Sasol Oil (Pty) Ltd's Secunda to Natref Integrated (SNI) pipeline tariffs and the approval of tariffs for 29 storage and loading facilities. This included the approval of the storage and loading tariffs for Sunrise Energy (Pty) Ltd and Oil Tanking Mogs Saldanha (Pty) Ltd in order to facilitate investment in Liquefied Petroleum Gas (LPG) in the Western Cape (Saldanha Bay).

Another milestone reached was the approval of the revised/amended pipelines tariff methodology and the revised storage and loading facilities tariff methodology. The pipelines tariff methodology was amended in order to ensure harmonisation among the various NERSA methodologies. The storage and loading facilities tariff methodology was revised in order to encourage investment in petroleum storage and loading infrastructure and to ensure alignment with the Department of Energy's (DoE's) revised regulations.

Further highlights included the granting of 19 licences for the operation and/or construction of petroleum facilities. Of the 19 licences issued, three were for the construction of new and additional capacity at an approximate total cost of R369 million. At the end of the financial year, applications for licences to operate 44 further facilities were under consideration.

The Energy Regulator revoked 12 licences as a result of nine storage facilities changing ownership (and new licences being issued to the new facilities owners) and the remainder being permanently decommissioned. The licence conditions of 15 facilities were amended, with 10 of these amendments involving the inclusion of approximately 39 160 m³ additional capacity, for both diesel and petrol, to the facilities.

During the period under review, 40 compliance site inspections were conducted at operating facilities and at facilities under construction. A further 22 site inspections were conducted at facilities suspected of operating without licences issued by NERSA.

The Energy Regulator has now licensed 37 previously unlicensed facilities out of a total of 67 facilities identified as licensable. Applications for licences to operate the remaining 30 mostly LPG storage facilities are currently under consideration.

Efforts have also been made to assist petroleum wholesalers, who are mostly Historically Disadvantaged South Africans (HDSA), to access uncommitted capacity at storage facilities licensed by the Energy Regulator. To this effect, a workshop was held in Gauteng to discuss the various obstacles encountered by prospective users of the uncommitted capacity and to explain the applicable legislation. The workshop was attended by approximately 33 delegates.

While we pride ourselves on these achievements, we are not ignorant of the complex challenges that must be addressed in 2016 and beyond. Briefly, some of the challenges include the security of energy supply and investment in infrastructure, as well as affordability of and access to energy resources. We are also aware of the need to continuously review and improve the effectiveness and efficiency of our functions as Energy Regulator.

NERSA operates in the rapidly-changing environment that is global energy. Energy has always been, and will always be, the pillar of the world economy. It is constantly evolving and the global energy map is continuously changing, with potentially far-reaching consequences for energy markets.

According to the International Energy Agency (IEA), global energy demand will dramatically increase over the next 20 years, but turmoil in many key producing regions and the difficulties in formulating the right energy policies mean the world may not be able to respond with adequate supply. Energy security concerns are on the rise and today, half of the oil demand is in emerging economies.

The IEA estimates that global energy demand is set to grow by 37% by 2040. The IEA further states that global growth is in low gear, the drivers of economic activity are changing, and downside risks persist. China and a growing number of emerging market economies are coming off cyclical peaks. Their growth rates are projected to remain much above those of the advanced economies, but below the elevated levels seen in recent years, for both cyclical and structural reasons.

The world energy system is facing key challenges, which include meeting the world's ever-growing energy needs (led by rising incomes and populations in emerging

economies); providing access to energy for the world's poorest; and bringing the world towards meeting its climate change imperatives. All these make it extremely difficult to put the global energy system onto a more sustainable path, yet this path must be found.

Regionally, the Southern African Development Community (SADC) is facing pressing challenges. Access to electricity in the region is still limited – access in rural areas is below 10% in eight of the 15 SADC states. The region is a net importer of petroleum products with implications on the balance of payments and subsequent budget implications for most member states. Though reserves of oil and gas are found in some of the member states, the limited refinery capacity still forces the region to import most of the refined products.

The challenges facing the energy sector in the region require coordinated efforts and a number of initiatives have been introduced at a regional level to overcome the diminished power supply. These include the acceleration of electricity uptake and the establishment of institutions dedicated to rural electrification in the Member States, as well as the implementation of approved power generation projects and the fast-tracking of the implementation of the approved transmission projects to ease congestion on the existing network and to evacuate power from new power plants. These energy access initiatives are in line with the SADC Regional Energy Access Strategy and Action Plan (REASAP) and the United Nations' Sustainable Energy for All (SE4All) initiative.

Furthermore, the SADC has also embarked on other initiatives such as the recently launched SADC Industrialisation Strategy and Road Map for 2015–2063, which aims to transform the SADC region through industrialisation, modernisation, upgrading and more

rapid regional integration. This strategy is intimately linked with energy, since many of activities are dependent on access to energy resources. It is therefore critical for us as regulators to be cognisant of the strategy in our regulatory activities. There has also been commendable cooperation by SADC Member States in the establishment of the SADC Centre for Renewable Energy and Energy Efficiency (SACREEE) in Namibia and the Southern Africa Research and Documentation Centre, which will function as platforms for capacity building, the distribution of energy-related information and energy-related projects.

We are cognisant of the role that we as regulators will have to play in contributing towards the successful implementation of these initiatives through structures such as the Regional Electricity Regulators Association of Southern Africa (RERA).

South Africa faces challenges regarding security of supply, especially in the electricity and petroleum industries. Within the next five years, the construction of the Medupi and Kusile coal-fired power stations, as well as Transnet Pipelines' New Multi-Product Pipeline, should be completed. This, together with the introduction of renewable energy IPPs into the electricity grid, will assist in alleviating these capacity constraints.

The growth of the gas market in South Africa remains a challenge, given the scarcity of domestic natural gas and the substantial investment cost involved for new entrants.

In his 2016 State of the Nation Address (SONA), President Jacob Zuma emphasised the importance of partnerships between the government and the private sector in addressing the country's problems. The President lauded

the Renewable Energy Independent Power Producer Procurement Programme, which has attracted, through multiple bid windows, an inflow of R194 billion.

CONCLUSION

It is clear that we face a multitude of challenges as we try to strike a balance between the interests of South African consumers and the regulated parties. NERSA undertakes to always adhere to the internationally accepted regulatory principles of transparency, neutrality, consistency and predictability, independence, accountability, integrity and efficiency.

We are confident that, with the support and guidance of the Minister of Energy, Ms Tina Joemat-Pettersson, and the Deputy Minister, Ambassador Thembisile Majola, as well as the collective leadership of my fellow Regulator Members, we will effectively address all the challenges we face and strive towards achieving our vision of being a recognised world-class leader in energy regulation.

The successes of the past decade can be ascribed to the sound relationship and excellent cooperation that exist between the Energy Regulator, the Management and Staff. In the balancing act that is NERSA's role in the South African economy, I am fortunate to have in my corner some of the finest minds in the energy regulation sector, whose knowledge of and expertise in energy matters are matched only by their energy and dedication in ensuring that NERSA

acquits itself with distinction against demanding targets, and amid the high expectations of the industry and the South African public.

We are therefore optimistic that NERSA will continue to rise to the occasion and ensure that there is order and stability in the three industries we regulate – electricity, piped-gas and petroleum pipelines.

Energy security is essential if South Africa is to achieve the 5.5% economic growth target of the National Development Plan. NERSA's role in realising this goal is pivotal and we will draw on all our resources, internal and external, to ensure that the target is realised.

We are reminded of the quote 'The best way to predict the future is to design it'. NERSA intends to contribute meaningfully to designing the the future of South Africa and ensuring the wellbeing of all its people. Year by year we move closer to realising our vision of being a recognised world-class leader in energy regulation and will continue to do so in 2016/17.



JACOB RD MODISE

Chairperson

Date: 29 July 2016





Paseka Nku
Acting Chief Executive Officer

The 2015/16 financial year was another eventful year for NERSA, particularly, as the Chairperson has touched on, in the regulation of the electricity industry.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

INTRODUCTION

Reflecting on the activities and achievements of the year, it is clear that the Regulator acquitted itself admirably against the targets set for its primary functions, 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
- establishing NERSA as an efficient and effective regulator.

The strategic objectives contained in the NERSA strategic plan are specific, measurable, achievable, realistic and time-bound (SMART). Each is applied across the three energy industries, namely electricity, piped-gas and petroleum pipelines, as well as in the other functions, namely cross-cutting regulatory and organisational functions.

Summary of organisational performance

During the year, NERSA upheld its record of unqualified audit reports for the eleventh time – a reflection of the strength and integrity of its corporate governance structure. We are also proud to once again be the recipient of the Auditor-General's Award for a Clean Audit Opinion for the 2014/15 financial year.

It is with great pride to report that across our five regulatory functions (electricity, piped-gas, petroleum pipelines, transversal and organisational), NERSA has achieved 98% of its performance targets for the 2015/16 financial year. When one considers that this figure stood at 66% in 2006, it is obvious that we have come a long way and that NERSA has matured into an organisation that is not content to maintain the status quo, but truly subscribes to the concept of continuous improvement.

We achieved 96% for the electricity industry (2014/15: 96%), with an increase from 23 targets to 24; 100% for piped-gas (2014/15: 100%), 100% for petroleum pipelines (2014/15: 95%), 100% for cross-cutting regulatory (2014/15: 100%) and 100% for organisational (2014/15: 83%). The performance for the period under review signifies an increase of 2% in performance compared to 2014/15 where 96% of targets were met. Of the targets that were not met, one (2%) was due to external dependencies.

Through the consistently high performance reflected in the aforementioned figures, we have contributed meaningfully to the development of the country and the improvement of the quality of life of its people – an achievement of which the NERSA team can be justly proud.

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 as required by 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 developed a Strategic Plan for 2015/16 to 2019/20 and an Annual Performance Plan for 2016/17 to 2018/19. The Strategic Plan and Annual Performance Plan were approved by the Minister of Energy.

The 2014/15 Annual Report was submitted to the Minister of Energy, National Treasury and the Auditor-General on 27 August 2015 as required by Section 32(a) of the PFMA and Section 14 of the National Energy Regulator Act, 2004.

NERSA maintains a healthy financial management system. The organisation has a track record of receiving unqualified audit reports. The main source of funding for NERSA is levy income from licensees in the three regulated industries, namely petroleum pipelines, piped-gas and electricity. The levies are proposed by the Energy Regulator and approved annually by the Minister of Energy in consultation with the Minister of Finance.

For the 2015/16 financial year, NERSA managed to collect 98.5% of the budgeted levy income. The under-collection was mainly due to lower-than-projected volumes for the electricity industry. NERSA also managed to spend 91.5% of the budget for operational expenditure.

Cash flow mitigation reserve

NERSA maintains a cash flow risk mitigation reserve to overcome timing differences 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. The balance of the reserve is R42 million (2014/15: 40 million).

Supply Chain Management

NERSA has implemented a number of initiatives aimed at improving its Supply Chain Management process. These initiatives include, among others, the following:

- the introduction of an electronic system for handling the procurement of goods and services;
- Service Level Agreements on the turnaround times for procurement of goods and services; and
- the development of a three-year procurement plan, as well as monitoring of the annual procurement plan by the Executive Committee (EXCO).

Externally focused responsibilities and initiatives

In keeping with NERSA's strategic outcome-orientated goals, inter alia to position and establish NERSA as a credible regulator, the Energy Regulator continuously liaises with its stakeholders. Besides communicating through the NERSA website and a range of media, including newsletters, it participates in stakeholder meetings, public hearings, exhibitions and conferences. In addition, it is required to meet with legislative bodies such as the Parliamentary Portfolio Committee on Energy.

Parliamentary Portfolio Committee on Energy

During the reporting period, NERSA had various briefing sessions with the Parliamentary Portfolio Committee (PPC) on Energy on regulatory, legislative and governance issues, including:

- organisational performance and planning on Energy Strategic Planning Session;
- a presentation on Burgan Cape Terminals;
- a presentation on the RCA Application;
- a presentation on NERSA's Annual Report for 2014/15; and
- the hosting of the PPC on Energy during their Oversight Visits regarding MYPD 3 re-opener.

Public awareness

To increase public awareness of its role and activities, NERSA published quarterly newsletters and conducted 54 stakeholder engagements, which included customer education workshops and exhibitions.

Among these were public hearings on the success of the renewable energy programme and on Eskom's RCA application for the first year of MYPD3 (2013/14).

Furthermore, NERSA produced a progress report on the monitoring of the Renewable Energy Programme.

NERSA hosted a two-day international forum in March at the Eskom Academy of Learning in Johannesburg to deliberate the ground-breaking development of rooftop photovoltaics for South Africa. It also held a series of 14 workshops across the provinces to increase awareness of the energy sector, which were attended by more than 3 000 individuals.

Conferences attended included the SA Gas Options meeting, where NERSA's mandate on gas prices and tariffs was discussed, as well as the South African Gas Options event organised by the Department of Energy.

NERSA also addressed the Civil Society Conference on the Electricity Crisis in Johannesburg in June 2015.

Media coverage

Print and electronic media are monitored daily for mention of electricity, piped-gas, petroleum pipelines and any other energy-related matters. Most of the coverage NERSA received throughout the review period was on electricity-related issues and centred on the application for MYPD3 price adjustments and the tariff increase requested in January 2016.

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

NERSA continued to set great store in maintaining an international presence in the interest of sharing best practices and networking with like-minded organisations. In May 2015, NERSA participated in the Sixth World Forum on Energy Regulation, held in Turkey. Held under the auspices of the President of Turkey, this event affords delegates from all over the world an opportunity to debate issues of importance and mutual benefit to both emerging and developing countries. NERSA delegates also attended the World Gas Conference in Paris in June 2015.

The International Renewable Energy Conference in 2015 was hosted in Cape Town, signifying South Africa's position on the world energy grid, with NERSA present as one of the key local participants. The Mother City was also the home of the Africa Utility Week in May 2015.

NERSA was also in attendance at the 12th AFUR conference and annual general meeting in July 2015 in Midrand and attended the 12th Regional Electricity Regulators Association of Southern Africa (RERA) Conference in Swaziland in November 2015. NERSA was successfully

re-elected into the Executive Committees of both these associations and will thus continue to contribute towards regional integration and the harmonisation of regional regulatory policy and regulations.

In addition, NERSA hosted delegations from Government Ministries dealing with energy, as well as energy regulators from Senegal, Zimbabwe, Uganda, Norway, Tanzania, the United States of America and Malawi, with a view to sharing best practices.

In March 2016, NERSA successfully co-hosted the 2nd Annual Competition and Economic Regulation Week, which was held in Livingstone, Zambia in collaboration with the University of Johannesburg's Centre for Competition, Regulation and Economic Development (CCRED); the Competition and Consumer Protection Commission (CCPC) of Zambia and the Energy Regulation Board of Zambia (ERB). This flagship event brought together a number of regulators and competition authorities from across southern and eastern Africa.

CORE REGULATORY FUNCTIONS

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 sector. Significantly, some of these licences relate to renewable energy. During the review period, the following licensing activities were conducted:

- Five generation licences were amended for IPPs that participated in selling excess energy to Eskom under the Short-Term Power Purchase Programme:
 - Mondi Limited;
 - MPact (Pty) Ltd;
 - Power Alt (Pty) Ltd;
 - Umfolozi Sugar Mill Ltd; and
 - Sappi Ngodwana and Sappi Saiccor.
- Two generation licences were granted for Bid Window 3.5 of the DoE's Renewable Energy Independent Power Producers (REIPPs):
 - Kathu Solar Park (RF) (Pty) Ltd; and
 - ACWA Power Solar Reserve Redstone Solar Thermal Power Plant (Pty) Ltd (RF).
- Twenty-six generation licences were granted for the 4th Bid Window of the DoE's REIPP Procurement Programme:
 - Zevobuzz (Pty) Ltd;
 - Ngodwana Energy (RF) (Pty) Ltd;
 - Amstillite (Pty) Ltd ;
 - Oyster Bay Wind Farm (RF) (Pty) Ltd;
 - Roggeveld Wind Power (Pty) Ltd;
 - ACED Renewable Hidden Valley (Pty) Ltd;
 - Nxuba Wind Farm (RF) (Pty) Ltd;
 - Main Street 957 (Pty) Ltd;
 - Droogfontein 2 Solar (Pty) Ltd;
 - RE Capital 3 (Pty) Ltd;
 - RE Capital 3B (Pty) Ltd;
 - Ramizone (Pty) Ltd;
 - Sirius Solar PV Project One (Pty) Ltd;
 - Soetwater Wind Farm (Pty) Ltd;
 - Riverbank Wind Power (Pty) Ltd;
 - Garob Wind Farm (Pty) Ltd;
 - Amstillinx (RF) (Pty) Ltd;
 - SA Mainstream Renewable Power Kangnas (Pty) Ltd;
- SA Mainstream Renewable Power Perdekraal (Pty) Ltd ;
- Copperton Wind Farm (Pty) Ltd;
- Zolograph Investments (RF) (Pty) Ltd;
- Bokamoso Energy (RF) (Pty) Ltd;
- RE Capital 2 (Pty) Ltd;
- Greefspan PV Power Plant No 2 (RF) (Pty) Ltd;
- Solar Capital Orange (Pty) Ltd; and
- DPS79 Solar Energy (RF) (Pty) Ltd.
- Distribution connection facility licences were granted to:
 - Nxuba Wind Farm (RF) (Pty) Ltd;
 - Ramizone (Pty) Ltd;
 - Ledjadja Coal (Pty) Ltd; and
 - Soetwater Wind Farm (Pty) Ltd.
- Amendments to the following distribution licences were approved:
 - Gamagara Local Municipality;
 - Kouga Local Municipality; and
 - Sol Plaatje Local Municipality.
- The rectification of distribution licences process was presented to eight provinces and subsequently, applications were received from:
 - Blue Crane Route Local Municipality; and
 - Matatiele Local Municipality.
- The trading licence for Amatola Green Power (Pty) Ltd was amended.
- No licences were withdrawn or revoked during the period under review.

Compliance monitoring and enforcement

- The following generation audit reports were considered on the state of compliance of power stations with licence conditions:
 - Sasol Synfuels Steam Plants;

- Sasol Unit 543 Gas Turbines;
- Sasol Gas Engine Power Plant;
- Sasol Chemical Industries Power Plant;
- Amatikulu Power Station;
- Felixton Power Station;
- Darnall Power Station;
- Maidstone Power Station;
- Newcastle Cogeneration;
- Clanwilliam Dam Hydro Power Station; and
- Oyster Bay Wind Farm (RF) (Pty) Ltd.
- The following Main Transmission Substations (MTSs) were considered on the state of compliance with licence conditions:
 - Warmbad;
 - Tabor;
 - Witkop;
 - Impala;
 - Invubu;
 - Umfolozi;
 - Athene;
 - Garona;
 - Ferrum; and
 - Lewensaar.
- The following distribution audit reports were considered on the state of compliance of licensees with licence conditions:
 - Amahlathi Local Municipality;
 - Elias Motsoaledi Local Municipality;
 - Greater Letaba Local Municipality;
 - Nquthu Local Municipality;
 - Tlokwe Local Municipality;
 - uMngeni Local Municipality;
 - Randfontein Local Municipality;
 - Rustenburg Local Municipality;
 - Kouga Local Municipality;
 - Lesedi Local Municipality;
 - Bela-Bela Local Municipality; and
 - Midvaal Local Municipality.
- Three consolidated reports (one on generation, one on transmission and one on distribution) on the state of compliance with licence conditions for 2014/15 were considered.
- Eskom Distribution's Western Region was evaluated for compliance with the SA Grid Code network planning requirements.
- Eskom Transmission's 10-year network development plan and projects 2015/16 were evaluated for compliance with the Grid Code network planning requirements.
- The methodology for the calculation of the Cost of Unserved Energy (COUE), a requirement of the Grid Code Network Planning Code, has been approved and published on the NERSA website. The methodology for determination of the discount rate, a requirement of the Grid Code Network Planning Code, has been approved and published on the NERSA website.
- Annual audit of the Integrated Demand Management (IDM) performance report for 2014/15 has been considered.
- A monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance report was considered.
- Two monitoring reports on the performance and progress of renewable energy projects for 2015/16 were considered and published on the NERSA website.
- Eskom's corrective action plan on the finding of the 2013/14 energy efficiency and demand side management audit was considered.
- Athlone Gas Turbine;
- Roggebaai Gas Turbine;
- Steenbras Hydro;
- Pretoria West;
- Rooiwal;
- Mount Road Gas Turbine;
- Lydenburg Hydro;
- Tugela;
- Saiccor;
- Ngodwana;
- Komati;
- Malelane;
- Sol Plaatjie Hydro; and
- Merino Hydro.
- A progress report on the Eskom Transmission CAPs on the audit finding of the Electricity Transmission Industry Audit of 2014/15 was considered. The report was on progress with corrective action plans from the following MTSs audited:
 - Craighall (Delta);
 - Bighorn;
 - Sol;
 - Illovo;
 - Muldersvlei;
 - Aurora;
 - Poseidon; and
 - Luckhoff.
- The following distribution monitoring reports were considered on the progress of the implementation of corrective action plans:
 - Nkomazi Local Municipality;
 - Polokwane Local Municipality;
 - Stellenbosch Local Municipality;
 - Drakenstein Local Municipality; and
 - Phumelela Local Municipality.

Licensee monitoring

- The following generation compliance monitoring reports on the implementation of Corrective Action Plans (CAPs) were considered:

(b) Tariffs or tariff structures set or approved

- NERSA's mandate includes the approval of tariffs for all municipalities and other electricity distributors in South Africa. For the review period, a total of 174 municipal and 12 private electricity distribution tariff applications were analysed and approved.
- The report on the Free Basic Electricity (FBE) offering by municipalities and FBE rate for 2015/16 was approved and communicated.
- A report on the analysis of Eskom's actual performance against NERSA's decision of the Multi-Year Price Determination (MYPD) for the six months ending 30 September 2014 was considered.
- A draft report on the Cost of Unserved Energy was approved for public consultation, a public hearing was held and comments were analysed. Subsequently, the methodology was approved and the consultation document was published for public comment.
- Eskom's application for a selective re-opener of the MYPD3 was considered and rejected with Eskom instructed to either submit a full MYPD application replacing the MYPD3 or to apply based on the rules on the Regulatory Clearing Account (RCA).
- Eskom's RCA application for the first year of MYPD3 (2013/14) was considered and the Energy Regulator, after consultation with stakeholders, approved a price increase of 9.4 % for the 2016/17 financial year only.

(c) Regulations made and directives issued by the Minister of Energy

- There were no regulations made or directives issued by the Minister of Energy for the 2015/16 financial year.

- NERSA concurred with the Minister of Energy in terms of Section 34 of the Electricity Regulation Act on the following generation procurement programmes:
 - Determination on Gas Procurement Programme 2015 and Amendment to the Gas IPP Procurement Programme;
 - Determination on the Renewable Energy (Solar) Procurement Programme 2026–2028; and
 - Determination on the Coal Programme from cross-border projects 2025–2030 ('Coal Determination').

(d) Complaints Resolution and Proactive Investigations

NERSA received 209 electricity-related complaints/disputes, excluding enquiries via the website. Most complaints were received via email, telephone and fax, as well as from walk-ins from both customers and licensees during the period under review. Of these cases, 86% were successfully resolved. The disputes received ranged from tariffs and billing to complex technical cases.

In pursuit of resolving the disputes received, dispute resolution methods, including mediation and arbitration, were used.

(e) Other activities

- Public hearings were held in Kimberley, Cape Town and Port Elizabeth for the 25 successful bidders applying for generation licences in the fourth phase of the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).

- The following Renewable Energy IPPs and Unit 6 of Medupi Power Station successfully reached their commercial operation dates, due to NERSA's timely approval of grid code exemption:
 - Gouda Wind Farm – 135MW;
 - Chaba Wind Farm – 21MW; and
 - Unit 6 Medupi – 800MW.
- The Cost of Supply Framework for guidance to municipal distributors was approved.
- The review of the notified maximum demand was approved, with the inclusion of maximum export capacity rules for Eskom.
- The performance targets for Eskom Transmission and Eskom Distribution were approved.

Piped-Gas Industry Regulation

(a) Licences issued, amended, renewed or revoked

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

Licences issued

The following licences were issued:

Licences for construction of gas infrastructure

- A licence was issued to Sasol Gas for the construction of a gas distribution pipeline, including a customer meter station in Prospecton, KwaZulu-Natal – Gala.d.F1/1527/2015.

- A licence was issued to SL CNG for the construction of a gas storage facility at Umbogintwini, KwaZulu-Natal – Gala.d.F1/1529/2015.

Licences for operation of gas infrastructure

A licence was issued to SL CNG for the operation of a gas storage facility at Umbogintwini, KwaZulu-Natal – Gala.s.F3/1530/2015.

Amendment of licences

The following licences were amended:

- Sasol Gas' licence for the operation of a transmission facility in Vanderbijlpark – Gala.t.F3/1419/2008;
- Sasol Gas' licence for trading in gas in Vanderbijlpark – Gala.tr.F3/1421/2008;
- Sasol Gas' licence for trading in gas in Benoni/Boksburg – Gala.d.F3/1002/03/2006;
- Sasol Gas' licence for the operation of a gas distribution facility in Vanderbijlpark – Gala.d.F3/1001/22/2006 (Vanderbijlpark);
- Sasol Gas' licence for trading in gas in Vanderbijlpark – Gala.tr.F1/1002/22/2006 (Vanderbijlpark); and
- Spring Lights Gas' licence to trade in gas in the Gauteng, Mpumalanga and Free State provinces – Gala.tr.F1/1534/2015.

Licences withdrawn and revoked

No licences were withdrawn or revoked during the period under review.

(b) Maximum prices approved

- Columbus Stainless (Pty) Ltd's maximum price of gas for the period 01 July 2015 to 30 June 2020 was approved.

- Reatile Gastrade (Pty) Ltd's maximum price of gas for the period 01 July 2015 to 30 June 2016 was approved.
- VGN's maximum price of gas for the period 01 July 2015 to 30 June 2016 was approved.
- Spring Lights Gas's maximum price for gas for the period 01 July 2015 to 30 June 2016 was approved.
- NOVO Energy (Pty) Ltd's application for an extension of the period to implement its maximum price of gas for the period 01 July 2015 to 30 June 2016 was approved.

(c) Approved tariffs

- Sasol Gas' multi-year transmission tariff for the period 01 July 2015 to 30 June 2017 was approved.
- Transnet Pipeline's tariff for the period 01 April 2016 to 30 March 2017 was approved.

Reports on monitoring of maximum prices

- A report on VGN's implementation of the maximum prices of gas for the period June 2014 to June 2015 was considered by the Piped-Gas Subcommittee.
- Four reports on Sasol Gas' maximum price implementation for the period ending 31 March 2015 were considered by the Piped-Gas Subcommittee.
- Three reports on Spring Light Gas' maximum price implementation were considered by the Piped-Gas Subcommittee.
- The report on Novo Energy's compliance with the approved maximum price of gas for the period 01 July 2014 to 30 June 2015 was considered by the Piped-Gas Subcommittee.
- The report on the aggregate prices of gas for customers in Gauteng, KwaZulu-Natal, Mpumalanga and Free State for the year 2014 was considered by the Piped-Gas Subcommittee.

Reports on monitoring of compliance with approved tariffs

- ROMPCO tariffs for the periods 01 July 2015 to 30 September 2015 and 01 January 2016 to 31 March 2016 were considered by the Piped-Gas Subcommittee.
- Four reports on the monitoring of ROMPCO's compliance with the tariff for volumes below 120 million GJ per annum (GTA 1) and tariff for volumes above 120 million GJ per annum (GTA 2) were considered by the Piped-Gas Subcommittee.
- A report on Transnet's compliance with the approved tariff for the period 01 April 2014 to 31 March 2015 was considered by the Piped-Gas Subcommittee.
- A report on the monitoring of Sasol Gas' compliance with the approved tariff was considered by the Piped-Gas Subcommittee.

Trading margins approved

- Sasol Gas' trading margin for the period 01 July 2015 to 30 June 2017 was approved.

(d) Compliance monitoring and enforcement

- A total of 65 compliance inspections were conducted on licensed facilities in the KwaZulu-Natal, Gauteng, Free State and Mpumalanga provinces where the construction and operation of gas facilities is taking place to monitor compliance with licence conditions.
- Audits were also conducted on the ROMPCO pipeline in South Africa and Mozambique to monitor compliance with licence conditions, technical standards and applicable legislative requirements.

Assessment of monthly volume balance reports

A total of 12 volume balance reports were assessed for the period from March 2015 to February 2016.

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

Complaints in terms of section 31(1) of the Gas Act

- An investigation into a complaint by Columbus Stainless (Pty) Ltd against Sasol Gas regarding the application of the discount on the trading margin and alleged intimidation by Sasol Gas was completed.
- An investigation into a complaint by the Nampak Group and Nampak Corrugated (Pty) Ltd against Sasol Gas regarding the implementation of the declining pricing mechanism and transitional pricing mechanism in the determination of actual gas prices was completed.

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

An investigation into the level of uncommitted capacity in licensed gas transmission pipelines in South Africa was initiated and completed. The study revealed that there is uncommitted capacity in a number of gas transmission pipelines in South Africa. The level of capacity available for third-party access by interested persons will be published in due course.

Monitoring of gas prices in terms of Schedule One to the Agreement

A monitoring report on Sasol Gas' compliance with clause 9 of the Agreement regarding maximum prices for distributors and reticulators was completed.

Setting of rules

The Energy Regulator finalised a concept document on proposed amendments to the Piped-Gas Regulations. The concept document was submitted to the Department of Energy for further action in terms of the actual amendments to the Regulations.

(f) Other activities

- The Energy Regulator completed a second assessment of competition in the gas industry, which revealed that competition in the gas industry is still inadequate.
- The Energy Regulator completed a study on the integrity of the licensed gas transmission and storage infrastructure in the country.
- The Gas Division also conducted an assessment of the impact of the Agreement concerning the Mozambican pipeline between the government of the Republic of South Africa and Sasol Limited on the gas industry in South Africa.
- The Energy Regulator also developed Frequently Asked Questions and Answers on excessive or unreasonable prices and tariffs to serve as a guide to stakeholders on circumstances under which prices and tariffs may be considered unreasonable or excessive.

Petroleum Pipelines Industry Regulation

(a) Licences issued, amended, renewed or revoked

Licences issued

The following licences were issued:

Construction:

- BP Southern Africa (Pty) Ltd, Chevron South Africa (Pty) Ltd and Engen Petroleum Limited Joint Venture for the construction of additional storage tanks at an existing storage facility in Rustenburg;
- Engen Petroleum Limited for the construction of additional storage tanks at an existing storage facility in Waltloo; and
- Total South Africa (Pty) Ltd, Chevron South Africa (Pty) Ltd and Engen Petroleum Limited Joint Venture for the construction of additional storage tanks at an existing storage facility in Witbank.

Operation:

- BP for the operation of a storage facility in Plettenberg Bay;
- PetroSA for the operation of a pipeline in Mossel Bay;
- BPSA, Chevron and Engen for the operation of a storage facility in Rustenburg;
- Shell Marketing for the operation of a storage facility in Caledon and Standerton;
- Sunrise Energy combined licence for the operation of LPG loading and storage facilities in Saldanha Bay;
- Shell South Africa Refining (Pty) Ltd licence for the operation of storage facilities in:
 - Caledon, Western Cape, and
 - Standerton, Mpumalanga;
- KZN Oils (Pty) Ltd for the operation of a storage facility in Ladysmith, KwaZulu-Natal;
- MOOV Fuels & Lubricants for the operation of a storage facility in Swellendam;
- Transnet SOC Limited t/a Transnet National Ports Authority (TNPA) combined licence to operate loading facilities in Mossel Bay;

- Oiltanking MOGS Saldanha (RF) (Pty) Ltd combined licence to operate a storage facility and associated pipelines in Saldanha Bay;
- Easigas (Pty) Ltd licence to operate storage facilities in Alberton, Gauteng, Bloemfontein, Free State Province, Durban, KwaZulu-Natal, Kimberley, Northern Cape and Nelspruit, Mpumalanga;
- Turquoise Moon Trading 477 licence to operate a storage facility in Randfontein;
- BP Southern Africa, Engen Petroleum Limited, Excel, Shell South Africa Refining (Pty) Ltd and Total South Africa (Pty) Ltd Joint Venture licence to operate a petroleum pipeline from Isando to OR Tambo International Airport;
- Nicsha General Trading cc t/a Nicsha Petroleum for the operation of its storage facility in Bloemfontein;
- FPS Bulk Diesel (Pty) Ltd for the operation of a storage facility in Volksrust.

Licences revoked

The following licences were revoked in the year under review:

Construction:

- Petroline (Pty) Ltd construction of a petroleum pipeline from Komatipoort area to Kendal via Nelspruit.

Operation:

- Engen operation of storage facility in Ficksburg;
- Engen operation of storage facility in Cape Town;
- Shell SA Marketing operation of storage facility in Witbank;
- CShell 147 (Pty) Ltd operation of storage facility in Moorreesburg; and
- Shell South Africa Marketing (Pty) Ltd for the operation of storage facilities in:
 - Mosselbay,
 - Polokwane, and
 - Kroonstad.

Conditions of licences amended

The following conditions of licences were amended in the year under review:

Construction:

- Avedia Energy (Pty) Ltd construction licence for a pipeline to transport liquefied petroleum gas in Saldanha Bay;
- Oiltanking Grindrod Calulo construction licence for storage facilities at Port of Ngqura, Port Elizabeth; and
- Engen Petroleum Ltd construction licence for new feeder pipelines and upgrades to its existing storage facilities in Island View.

Operation:

- KayaGas (Pty) Ltd loading facility operation licence for Saldanha Bay and Cape Town;
- SA Tank Terminals (Pty) Ltd for the operation of storage facilities in Germiston;
- Vermaas Brandstof CC for the operation of storage facilities in Charl Cilliers;
- Vopak Terminal Durban for the operation of storage facilities in Island View, Durban;
- Oilco Wholesalers (Pty) Ltd for the operation licence in Nelspruit;
- Chevron South Africa (Pty) Ltd and Total Southern Africa Joint Venture for the operation of storage facilities in Kroonstad and Klerksdorp; and
- Transnet SOC Limited for the operation of its petroleum pipeline system from Durban to Gauteng and with extensions into the northern network.

Construction licences

Construction licensees' level of compliance in submitting their quarterly progress reports in terms of their construction licence conditions is summarised in the table below.

Licensee	Activity Licensed	Number of reports due	Number of reports submitted & considered
Sunrise Energy (Pty) Ltd	Construction of a storage facility and a Multi-Buoy Mooring loading facility for liquefied petroleum gas in Saldanha Bay.	2	1*
Oiltanking Grindrod Calulo (Pty) Ltd	Construction of a storage facility and four loading arms in Port of Ngqura, Port Elizabeth	2	2
Vopak SA Developments	Construction of storage tanks, 2x14 inch pipelines and 2x10 inch pipelines in Jameson Park, Gauteng.	2	2
Avedia Energy (Pty) Ltd (pipeline)	Construction of liquefied petroleum gas pipeline in Saldanha Bay, Western Cape	3	3
Island View Storage Richards Bay (Pty) Ltd t/a Bidvest Tank Terminal (Liquefied Petroleum Gas)	Construction of liquefied petroleum gas storage tanks in Island View, Richards Bay.	2	2
Vopak Durban Terminal	Construction of eight additional storage tanks, 2x16 inch pipelines, 1x20 inch pipeline and 1x8 inch pipeline in Durban (Fuel 2).	2	1
Oiltanking MOGS (RF) (Pty) Ltd	Construction of 12 crude oil storage tanks and two pipelines in Saldanha Bay.	2	2
Burgan Oil (Pty) Ltd	Combined licence for the construction of a storage facility, a loading facility and a pipeline in Port of Cape Town.	2	1*
Island View Storage Richards Bay (Pty) Ltd t/a Bidvest Tank Terminal (other fuels)	Construction of petroleum products storage tanks in Island View, Richards Bay.	2	2
Transnet SOC Ltd	New Multi-Products Pipeline (NMPP) project & pipeline system at Coastal Terminal (TM1) and Inland Terminal (TM2).	2	2
Engen Petroleum Limited (Refinery)	Construction of pipelines and auxiliary equipment linking Engen storage sites to Transnet's NMPP Coastal Terminal.	2	2
BP & Shell	Construction of pipelines to connect Island View Berths to Bayhead A and to the NMPP Coastal Terminal.	3	3
Vopak Durban Terminal	Construction of 6 additional storage tanks, one 16 inch loading arm, 2x16 inch pipelines and 3x8 inch pipelines approximately 2500m (Fuel 3).	2	2
Total South Africa (Pty) Ltd	Construction of 2x12 inch pipelines in Island View	2	2
Total South Africa (Pty) Ltd	Construction of 8 inch pipeline that will connect Berth 4, 5 & 6 and Lubricant Manufacturing Plant (LMP) in Island View.	2	2
Chevron & Total (Pty) Ltd	Construction of 1 additional tank in Kroonstad.	2	2
Chevron & Total (Pty) Ltd	Construction of 2 additional tanks in Klerksdorp.	2	2
Vopak Reatile Terminals Richards Bay	Construction of liquefied petroleum gas storage tanks in Richards Bay.	2	0
Avedia Energy (Pty) Ltd (storage facility)	Construction of 16 liquefied petroleum gas storage tanks in Saldanha Bay.	2	2
Oryx Oil South Africa (Pty) Ltd	Construction of two liquefied petroleum gas storage tanks in Newcastle.	2	2
Oryx Oil South Africa (Pty) Ltd	Construction of 2 liquefied petroleum gas storage tanks in Parow.	2	2
Reatile Gaz (Pty) Ltd	Construction of 2 liquefied petroleum gas storage tanks in Port Elizabeth.	2	2
Reatile Gaz (Pty) Ltd	Construction of 2 liquefied petroleum gas storage tanks in Hammersdale.	2	2

*Submitted report after 31 March 2016

Reminders have been sent to all the licensees whose reports were due by the end of March 2016. Two licensees have since submitted their reports, which will be noted in the first quarter of the 2016/17 financial year. The Vopak Durban Terminal Fuel 2# has been completed and the close-out report as per the as-built status is expected.

Allocation Mechanisms

All petroleum storage facility licensees are required to submit documentation for noting by the Energy Regulator, detailing the processes and procedures to be followed by third parties when requesting access to any uncommitted capacity on the licensed facility (i.e. a capacity allocation mechanism document).

Allocation mechanisms for 147 of the 204 licensed storage facilities are in place which accounts for 78% of the total storage activities licensed by the Energy Regulator across all licensees.

Storage facilities utilisation reports

Of the 204 licensed facilities, an average of 82.2% have submitted their monthly utilisation reports to the Energy Regulator over the nine-month period ending December 2015. (The last three months of the financial year are not included because of the three-month time lag between the reporting period and the due date for the reports.) This is an improvement over the 79% average in the previous year.

Inspection site visits

NERSA conducted 60 site inspections of storage facilities over the financial year. These visits covered construction projects, licensed facilities and alleged illegal operations. This constituted 100% of its scheduled inspections for the 2015/16 financial year.

Unlicensed facilities

At the beginning of the 2015/16 financial year, 13 cases of unlicensed facilities were carried over from the previous financial year and a total of 48 new cases were added during the course of the year, bringing the total to 61 cases for the year. Of these, 84% were investigated and resolved, with 57% (35 facilities) requiring licensing and 26% (16 facilities) not requiring licensing. The remaining 16% will be carried over to the next financial year as ongoing investigations. To date, only three of the 35 facilities that required licensing have submitted their applications.

(b) Tariffs set or approved

- Transnet SOC Ltd's petroleum pipelines network tariffs were set.
- Sasol Oil (Pty) Ltd's SNI Pipeline tariffs were set.
- Storage and loading facility tariff applications were considered for:
 - NATCOS;
 - Sasol Oil for Secunda;
 - Joint venture of Sasol Oil and BPSA for Alrode;
 - Island View Storage (three applications);
 - Sunrise Energy for Saldanha Bay;
 - Konet Diesel (Pty) Ltd;
 - Transnet SOC Ltd (Tarlton facility);
 - FFS Refiners (Pty) Ltd; and
 - OTMS for Saldanha Bay.
- Texan Petroleum (Pty) Ltd
- Shell Marketing South Africa (Pty) Ltd; and
- BF Distributors (Pty) Ltd.

(c) Other activities

- The Storage and Loading Facility Tariff Methodology was amended as well as the accompanying Frequently Asked Questions.

- The Tariff Book for 2015/16 was published on the NERSA website.
- The Petroleum Pipelines Tariff Methodology (version 7) was amended as well as the accompanying Frequently Asked Questions.
- A report on investigations into suspected unlicensed activities was considered.
- A report on licensees' compliance with statutory reporting requirements was considered.
- A Memorandum of Understanding (MoU) was entered into with the Transnet National Ports Authority.
- A report on the construction of new facilities was considered.
- A report on the inland supply forecast was considered.
- After publishing a discussion document entitled 'What is bulk storage?' for public comment and taking legal advice, determinations were made as to what constitutes 'bulk storage' for crude oil, for refined products and for LPG. These determinations will refocus the Energy Regulator's efforts on regulating bulk infrastructure rather than the many small and tiny storage facilities.
- The Vermaas Brandstof storage capacity allocation mechanism was approved.
- A report on trends in storage facility use and third-party access was considered. In addition, two workshops (26 and 27 November) were held to discuss third-party access to uncommitted storage capacity and access to the Transnet pipeline system and import facilities. The workshops were attended by 36 wholesalers/non-refining importers and other interested parties.
- The list of facilities with uncommitted capacity was published on the NERSA website and the public informed thereof by newspaper adverts.
- Inland Security of Supply was monitored and two reports showing the adequacy of Inland Petroleum Product supply infrastructure to meet demand were considered by the PPS.

- As a preliminary effort to establish benchmarks for storage facility operating costs and capital costs, a report on these matters served at the PPS.
- As a preliminary effort to establish tariff benchmarks for storage facilities, a report on these matters was considered by the PPS.

Cross-Cutting Regulatory Matters

(a) Legislative Matters

During the year under review, NERSA considered and approved a report on the National Energy Regulator Amendment Bill. In addition, NERSA concurred with the Minister of Energy on Section 34 of the Electricity Regulation Act.

(b) Regulatory Reporting Manuals (RRM)

- NERSA instituted a review of RRM Volume 1 to ensure that the contents of the manual reflect the current legislative and regulatory circumstances. The suggested revisions were published for public comment on 16 February 2016 and submissions closed on 16 March 2016.
- The Non-Financial Information (NFI) manuals became effective on 01 April 2016.

(c) Research

Ex-Post Regulatory Impact Assessment (RIA)

A comprehensive analysis of the decisions of the Energy Regulator during the past nine years was completed, covering Electricity, Piped-Gas and Petroleum Pipelines, in order to establish the extent to which such decisions have impacted all stakeholders within the three regulated

industries. The study helped to determine the extent to which such decisions have impacted the South African economy. This study included all pricing and tariff as well as licensing and compliance decisions.

(d) Customer Education

A total of 44 customer education workshops and activities were conducted in various communities to create awareness among customers and consumers about NERSA's role and mandate. Most of the customer education workshops conducted during the review period were done in collaboration and cooperation with consumer focused forums, consumer organisations and the Provincial Consumer Affairs Departments.

ACKNOWLEDGEMENTS

Taking the helm of an organisation that plays such a vital role in the lives of South Africans and in the economic health of the country is a daunting task – one whose responsibilities cannot be taken lightly. It has been challenging and demanding, but it has also been extremely exciting and, having reached the end of my first year as Acting Chief Executive Officer, I can honestly say, incredibly rewarding.

We are immensely proud of the activities of the past 12 months. Our sincere appreciation goes, firstly, to the Chairperson and his team of Regulator Members for their support and assistance. Their knowledge and insight were a guiding light throughout the year.

To all NERSA staff: your steadfast commitment to serving the South African society while continuously enhancing the reputation of NERSA among its stakeholders and the public are the qualities that make this a truly remarkable organisation.

We would also like to extend a word of thanks to the Minister of Energy, Ms Tina Joemat-Pettersson, and her team for their ongoing support of NERSA's efforts and the strategic direction they provide.

With such a formidable team and support from both internal and external colleagues in the energy industry, we are confident that we will consolidate NERSA's standing as one of the most respected energy regulators on the continent and a proud member of the global regulatory community.



Paseka Nku
Acting Chief Executive Officer
Date: 29 July 2016



PART B

PERFORMANCE INFORMATION

*'You cannot escape the responsibility
of tomorrow by evading it today.'*

- Abraham Lincoln -

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

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 revised approved Annual Performance Plan (2015/16 – 2017/18) of NERSA for the financial year ended 31 March 2016.

NERSA's performance information for the year ended 31 March 2016 has been examined by the external auditors and their report is presented on page 134.

The performance information of the entity set out on page 35 to page 97 was approved by the Energy Regulator and signed as delegated.



Paseka Nku
Acting Chief Executive Officer
29 July 2016



Jacob RD Modise
Chairperson
29 July 2016

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 134 of the Report on the Auditor's Report, published as Part E: Financial Information.

OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

3.1. SERVICE DELIVERY ENVIRONMENT

The National Energy Regulator (NERSA) is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003). The structure of the Energy Regulator consists of nine members, five of whom are part-time, and four full-time, including the Chief Executive Officer (CEO).

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

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

The Framework requires all entities to develop a revised Strategic Plan in the first planning cycle after an election. Based on this requirement, NERSA developed a Strategic Plan (2015/16 – 2019/20) as well as an Annual Performance Plan (2015/16 – 2017/18). NERSA received approval of the Strategic Plan (2015/16 – 2019/20) as well as the Annual Performance Plan (2015/16 – 2017/18) from the Minister of Energy on 20 March 2015.

After the first two quarters of the 2015/16 financial year had been completed, NERSA conducted a critical review of all key performance indicators for the 2015/16 year. On 18 April 2016 the Minister of Energy approved the amendment of the Annual Performance Plan (2015/16 – 2017/18) in line with the recommendations from the Energy Regulator as contained in the Mid-Term Review Report.

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

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

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

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

- taking affordability into consideration when setting and/or approving tariffs and prices;
- determining inclining block tariffs (IBTs) and free basic electricity (FBE) tariffs to protect the low income electricity consumers;
- facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- regulating in a manner that facilitates security of supply; and
- advocating policies with regard to cleaner fuels.

Outcome 4: Decent employment through inclusive economic growth

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

- licensing and the setting and/or approving of tariffs and prices, therefore creating pre-conditions towards the achievement of this outcome;
- approving renewable energy licensees to ensure that the socio-economic development

commitments specified in the DoE bidding process are met;

- promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- regulating in a manner that facilitates security of supply.

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

NERSA contributes through:

- setting rules and frameworks that facilitate the building of new infrastructure;
- setting and/or approving cost-reflective tariffs and prices that encourage efficient investment;
- facilitating and enforcing third-party access to facilities;
- monitoring compliance and undertaking technical audits leading to regular maintenance and refurbishment of the infrastructure and therefore to the improvement in quality of supply; and
- promoting competition and competitiveness.

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

NERSA contributes through:

- facilitating access to energy services;
- facilitating reliability of supply;
- monitoring maintenance of infrastructure;
- compliance monitoring with licence conditions;
- taking affordability into consideration when setting and/or approving tariffs and prices;
- determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;

- promoting energy efficiency in licensees and in the NERSA building; and
- dispute resolution, including mediation, arbitration and handling of complaints.

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

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

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

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

NERSA contributes through:

- transparent processes;

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

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

NERSA contributes through:

- publication of rules, codes and guides for the regulation of the electricity, piped-gas and petroleum pipelines industries;
- setting rules and frameworks that facilitate the building of new infrastructure;

- setting and/or approving cost-reflective tariffs and market-related prices that encourage investment;
- facilitating and enforcing third-party access to facilities;
- monitoring compliance through undertaking technical audits leading to regular maintenance and refurbishment of infrastructure and thus contributing to an increase in quality of supply;
- transparent processes;
- making all decisions and reasons therefor public through being published on the NERSA website;
- inviting the public to make comments prior to decisions being made (written or in public hearing);
- customer education; and
- setting targets for becoming a more credible, reliable, efficient and effective regulator.

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

NERSA contributes through:

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

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

NERSA contributes through:

- licensing and the setting and/or approving of tariffs and prices, therefore creating pre-conditions towards the achievement of this milestone;
- issuing licences to eligible applicants to facilitate the meeting of stated socio-economic development targets;
- facilitating and enforcing third-party access to facilities ;
- promoting companies that are owned and controlled by Historically Disadvantaged Individuals (HDIs) to become competitive; and
- regulatory advocacy for strengthening the powers of the Regulator.

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

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

- regulating in a manner that facilitates security of supply;
- taking affordability into consideration when setting and/or approving tariffs and prices;
- determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- facilitating the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;

- registration of gas importation and production facilities;
- facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- incorporating compliance with the National Environmental Management Act, 1998 (Act No. 107 of 1998) into licence conditions;
- promoting energy efficiency in general in South Africa and in particular in the NERSA building;
- facilitating the implementation of the Integrated Resource Plan (IRP) through considering concurring with determinations made by the Minister of Energy in line with section 34 of the Electricity Regulation Act, 2006 (Act No. 4 of 2006);
- monitoring the implementation of the IRP;
- developing and implementing the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers;
- facilitating the transition to a low carbon economy;
- regulatory advocacy with regard to cleaner fuels policy; and
- monitoring the implementation of the Gas Utilisation Master Plan (once promulgated).

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

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

NERSA contributes through:

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

SIP 9: Electricity generation to support socio-economic development

NERSA contributes through:

- regulating in a manner that 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.

SIP 10: Electricity transmission and distribution for all

NERSA contributes through:

- facilitating access to electricity in setting aside some funds for the Electrification Cross-subsidy as part of determining electricity prices;
- taking affordability into consideration when setting and/or approving tariffs and prices, while allowing a provision for expansion of current operations;
- determining inclining block tariffs and free basic electricity tariffs to protect the low income electricity consumers;
- facilitating and enforcing third-party access to facilities;
- facilitating reliability of supply;
- determining benchmarks and monitoring maintenance of infrastructure;
- auditing of the implementation of the Transmission Development Plan;
- monitoring compliance with licence conditions; and
- dispute resolution, including mediation, arbitration and handling of complaints.

The National Industrial Policy Framework (NIPF) determined the framework for continuous improvement and upscaling of concrete industrial development interventions. The implementation of the NIPF is done through the Industrial Policy Action Plan (IPAP), of which successive iterations seek

to scale up interventions over rolling three-year periods with a ten-year outlook on desired economic outcomes. Even though NERSA contributes indirectly to a range of these policies, NERSA specifically contributes to the following:

Policy vi: Competition and regulation policies that lower costs for productive investments and for poor and working-class households

NERSA contributes through:

- regulating in a manner that facilitates security of supply and investment;
- 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 the conclusion of Power Purchase Agreements between the buyer and the renewable energy Independent Power Producers;
- the registration of gas importation and production facilities; and
- developing and implementing the Grid Code for renewable energy to facilitate the introduction of renewable energy power producers.

Policy ix: Interventions that give expression to Government's commitment to regional economic development and integration in Africa

NERSA contributes through:

- being a founding and current member of the Executive Committee of the African Forum for Utility Regulators; and

- being a member of Executive Committee of Regional Electricity Regulator Association. NERSA is no longer the chair of RERA but that of the Portfolio Committee on Facilitation ESI Policy, Legislation and Regulation from 1 January 2016.

The following table provides an analysis of NERSA's

performance with regard to the implementation of its key performance indicators during 2015/16. Due to the responsive nature of the business conducted by the organisation, some targets could not be met due to synergies with or dependencies on external parties. As NERSA does not have control over these parties, the table indicates the targets not met due to external dependencies separately.

	Target met		Target not met				Total	
			External Dependencies		Internal Resources			
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Electricity Industry Regulation	22 (96%)	23 (96%)	1 (4%)	1 (2%)	0 (0%)	0 (0%)	23	24
Piped-Gas Industry Regulation	18 (100%)	17 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	18	17
Petroleum Pipelines Industry Regulation	19 (95%)	10 (100%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	20	10
Transversal Regulatory	5 (100%)	3 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	5	3
Organisational	5 (83%)	8 (100%)	0 (0%)	0 (0%)	1 (17%)	0 (0%)	6	8
Total	69 (96%)	61 (98%)	1 (1%)	1 (2%)	2 (3%)	0 (0%)	72	62

From the above table it is evident that in 23 (96 %) of the 24 key performance indicators in the approved NERSA Annual Performance Plan for 2015/16 relating to the regulation of the electricity industry, the target was met. This signifies a consistency in performance levels when compared to 2014/15 where 96% of targets were also met. The one target that were not met was due to external dependencies where NERSA could not commence with the revision of the MYPD mechanism as it was awaiting Eskom's Regulatory Clearing Account application.

From the above table it is also evident that all 17 (100%) key performance indicators in the revised approved NERSA Annual Performance Plan for 2015/16 relating to the regulation of the piped-gas industry, the target was met. This also signifies the same level of performance if compared to 2014/15 where 100% of targets were also met.

It can also be seen that all 10 (100%) key performance indicators in the revised approved NERSA Annual Performance Plan for 2015/16 relating to the regulation of

the petroleum pipelines industry, the target was met. This signifies an increase of 5% in performance levels if compared to 2014/15 where 95% of targets were met.

Moreover, from the table above it is evident that 3 (100%) of the three key performance indicators in the revised approved NERSA Annual Performance Plan for 2015/16 relating to transversal regulatory matters, the target was met. This signifies a consistency in performance levels when compared to 2014/15 where 100% of targets were also met.

Lastly, from the table above it is evident that in 8 (100%) of the eight key performance indicators in the revised approved NERSA Annual Performance Plan for 2015/16

relating to the organisational environment, the target was met. This signifies an increase of 17% in performance levels compared to 2014/15 where 83% of targets were met.

In summary, in 61 (98%) of the 62 key performance indicators in the approved NERSA revised Annual Performance Plan for 2015/16, the target was met. This signifies an increase of 2% in performance if compared to 2014/15 where 96% of targets were met. 1 (2%) of the targets that were not met were due to external dependencies and 0 (0%) was due to internal constraints.

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 and 2015/16.

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

NERSA's performance during 2015/16 has exceeded that of previous years. NERSA is committed to continue improving on its performance during the 2016/17 financial year.

KEY OUTPUTS/ACHIEVEMENTS FOR THE 2015/16 FINANCIAL YEAR

Some of the main achievements for NERSA during the 2015/16 financial year are listed below.

ELECTRICITY INDUSTRY REGULATION

Programme 1: Pricing and Tariffs

The Energy Regulator:

- approved that Eskom can recover a regulatory clearing account balance of R11 243 million from standard tariff customers, local SPAs and international customers during 2016/17;

- considered 174 municipal and 12 private distributor tariff applications;
- approved the Free Basic Electricity Rate for the compensation of Eskom for implementation on 01 July 2015;
- approved the methodology for Eskom's discount rate;
- considered the report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD relating to six months ending 30 September 2014;
- approved the Cost of Supply Framework for guidance to municipal distributors;
- published Guidelines for Municipal tariff increases and Benchmarks for 2016/17;
- considered a monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation;
- approved Eskom's submission on their retail tariff structural adjustments for 2016/17; and
- considered a report on the Free Basic Electricity offering by municipalities.

Programme 2: Licensing and Registration

The Energy Regulator:

- Brought to the attention of municipalities that their areas of supply need to be rectified as a result the following municipalities Msunduzi, Kouga, Sol Plaatje and Mafube submitted applications to amend their licenses accordingly;
- granted 28 generation and four distribution licences [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report];
- approved amendments to five generation, three distribution and one trading licences [details can be

found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report]; and

- did not withdraw or revoke any licences during the period under review.

Programme 3: Compliance Monitoring and Enforcement

The Energy Regulator:

- approved the methodology for the Cost of Unserved Energy;
- concurred with the Minister of Energy in terms of Section 34 of the Electricity Regulation Act;
- considered the corrective action plan received from Eskom based on the audit finding of the 2012/13 Energy Efficiency and Demand Side Management audit;
- approved the review of the Notified Maximum Demand and the inclusion of the Maximum Export Capacity rules for Eskom;
- approved the performance targets for Eskom transmission;
- approved the performance targets for Eskom distribution;
- considered a monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 Integrated Demand Management (IDM) performance;
- considered a monitoring report on the performance and progress of Renewable Energy projects for 2015/16;
- considered one generation, one transmission and one distribution report on state of compliance in the electricity industry for 2014/15;

- considered one audit report on the annual IDM performance for 2014/15;
- considered and published one audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid;
- considered and published the second monitoring report on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16;
- considered 10 distribution audit reports on the state of compliance of licensees with licence conditions [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report];
- considered 10 generation audit reports on the state of compliance of licensees with licence conditions [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report];
- considered 10 transmission audit reports on the state of compliance of transmission substations with licence conditions [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report]; and
- performed an evaluation of Eskom Distribution – Eastern region for compliance with the SA Grid Code.

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

The Energy Regulator:

- considered one 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 following Renewable Energy Independent Power Producers and Unit 6 of the Medupi Power Station successfully reached their Commercial Operation dates, due to timely approval of the grid code exemption by the Energy Regulator:
 - Gouda Wind Farm – 135MW;
 - Chaba Wind Farm – 21MW; and
 - Unit 6 Medupi – 800MW.

PIPED-GAS INDUSTRY REGULATION

Programme 1: Pricing and Tariffs

The Energy Regulator:

- approved the competition assessment report in the piped-gas industry as well as a framework and it was found that there is still inadequate competition in the piped-gas industry;
- approved Columbus Stainless (Pty) Ltd's maximum price of gas for the period 01 July 2015 to 30 June 2020;
- approved the extension to implement NOVO Energy (Pty) Ltd's maximum price of gas for the period 01 July 2015 to 30 June 2016;
- approved Reatile Gastrade (Pty) Ltd's maximum price of gas for the period 01 July 2015 to 30 June 2016;
- approved VGN's maximum price of gas for the period 01 July 2015 to 30 June 2016;
- approved Sasol Gas Ltd's trading margin of R8.69/GJ for the period 01 July 2015 to 30 June 2016 and R8.97/GJ for the period 01 July 2016 to 30 June 2017;
- approved Spring Lights Gas' maximum price of gas for the period 01 July 2015 to 30 June 2016;

- considered the report on the monitoring of Spring Lights Gas' compliance with the approved maximum prices for gas for 2014/15;
- approved final Report on Spring Lights Gas non-compliance that resulted in the reimbursement of customers who were over charged;
- approved the piped-gas multi-year transmission tariffs for Sasol Gas (Pty) Ltd for July 2015 to June 2017;
- considered the ROMPCO tariff for the period 01 July 2015 to 30 September 2015;
- Considered the ROMPCO tariff for the period 01 October 2015 to 31 December 2015
- Considered the calculation and publication of the ROMPCO tariff for volumes below 120 Gigajoule for the period 1 November 2015 to 31 January 2016.
- considered the ROMPCO tariff for the period 01 January 2016 to 31 March 2016;
- approved reports on monitoring Sasol Gas' compliance with the maximum prices of gas;
- considered the final report on VGN's implementation of the Maximum prices for gas for the period June 2014 to June 2015;
- considered the report on the aggregate prices of gas for customers in the Gauteng, Mpumalanga, Free State and KZN provinces for the year 2014;
- approved report on monitoring NOVO Energy's compliance with the maximum price of gas for the period 01 July 2014 to 30 June 2015;
- approved the monitoring report on ROMPCO's compliance with the tariff for GTA1 and GTA2 volumes for the period 01 July 2014 to 30 June 2015;
- approved the transmission tariff for Transnet for the period April 2015- March 2016;
- considered the report on Transnet compliance with the approved tariff for the period 01 April 2014 to 31

March 2015;

- approved the preliminary assessment of ROMPCO's GTA 2 (claw back) tariff application;
- approved the preliminary assessment of ROMPCO's GTA 3 tariff application; and
- final Report on Sasol's non-compliance with Pass through tariffs was considered.

Programme 2: Licensing and Registration

The Energy Regulator:

- granted one operation, two construction and one trading licences [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report]; and
- completed the registration of five gas production facilities [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report].
- considered the applications for amendment of 14 licence conditions

Programme 3: Compliance Monitoring and Enforcement

The Energy Regulator:

- approved the final impact assessment report on the Regulatory Agreement;
- considered the close-out report on investigation into Sasol Gas in compliance with clause 9 of Schedule One to the Agreement; and
- considered report on Sasol's implementation of maximum prices.

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

The Energy Regulator:

- approved the final report on the complaint received from Columbus Steel (Pty) Ltd against Sasol;
- considered the close-out report on the PFG complaint investigation;
- approved a close-out report on the complaint from Nampak (Pty) Ltd regarding Sasol Gas' application of the declining price mechanism and transitional mechanism; and
- approved the final report on 'The investigation into the level of uncommitted capacity in licensed gas transmission pipelines'.

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

The Energy Regulator:

- finalised the Transnet Network Code, including guidelines for third-party access;
- approved a report on the proposed amendments to the Piped-Gas Regulations; and
- approved frequently asked questions as a guideline document on indication of excessive prices and tariffs.

Programme 6: Establishing NERSA as an efficient and effective Regulator

The Energy Regulator:

- conducted two stakeholder workshops in Kempton Park and Durban respectively, focusing on Licensing

of the Gas Infrastructure; Implementation of the Maximum Price Methodology; and Investigation Framework in order to determine the adequacy of competition in the piped-gas market.

PETROLEUM PIPELINES INDUSTRY REGULATION

Programme 1: Pricing and Tariffs

The Energy Regulator:

- set Transnet Pipeline's tariff for its petroleum pipelines for 2016/17 within one month of receipt of the final application;
- set Sasol Oil (Pty) Ltd SNI Pipeline tariff;
- approved Sapref's tariff application for its Berth 7 & 8 loading facilities; and
- approved eight storage and loading facility tariffs [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report].

Programme 2: Licensing and Registration

The Energy Regulator:

- granted three storage and pipeline construction and 15 storage operation licences [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report];
- approved the revocation of five storage and one pipeline licences [details can be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report]; and
- approved the amendment of seven operation, and three construction licence conditions [details can

be found in the Chief Executive Officer's Overview in Part A (General Information) of the Annual Report].

Programme 3: Compliance Monitoring and Enforcement

The Energy Regulator:

- approved Vermaas Brandstof storage capacity allocation mechanism; and
- considered a report on trends regarding utilisation of storage facilities and third-party access:
 - held two workshops to discuss third-party access to uncommitted storage capacity as well as access to the Transnet pipeline system and import facilities that was attended by 36 wholesalers/non-refining importers or other interested parties.

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

The Energy Regulator:

- approved and published the revised Tariff Methodology for Approval of Storage and Loading facilities (version 3) and Frequently Asked Questions;
- approved the amended Pipelines Tariff Methodology (version 7) and Frequently Asked Questions;
- considered a report on the contributions towards alignment between relevant petroleum legislation and regulations and government policies; and
- approved a discussion document on 'What is Bulk Storage?' for public consultation.

Programme 6: Establishing NERSA as an efficient and effective Regulator

The Energy Regulator:

- considered reports on the inland supply forecast; and
- entered into a Memorandum of Understanding (MoU) with Transnet National Ports Authority.

Transversal Regulatory

Programme 6: Establishing NERSA as an efficient and effective Regulator

The Energy Regulator:

- approved a report on the impact of regulatory decisions.

Organisational

Programme 6: Establishing NERSA as an efficient and effective Regulator

- NERSA held its ten year anniversary celebration.
- NERSA has received a clean audit from the Auditor-General for the 2014/15 financial year.

MAIN CHALLENGES FOR THE 2015/16 FINANCIAL YEAR AND CORRECTIVE STEPS BEING TAKEN

Some of the main challenges/lowlights for NERSA during the 2015/16 financial year, with action plans to address these challenges are outlined below.

Electricity Industry Regulation

- The revised MYPD mechanism was not approved as planned.
 - NERSA awaited the outcome of Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, which was only concluded in February 2016.
 - As part of the decision on Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, the Energy Regulator decided that the MYPD mechanism will be revisited during the next financial year.

Transversal Regulatory

- The NERSA Economic Journal was removed.
 - It came to light that there is already an accredited journal in South Africa in this space.
 - As the purpose of the publishing of this journal was capacity building, the Energy Regulator decided at its meeting of 29 October 2015 that NERSA would rather contribute to the existing accredited journal.

Organisational

No significant challenges were experienced for the 2015/16 financial year.

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 impacting on the demand for NERSA's services or NERSA's ability to provide these services during the 2015/16 financial year.

3.2. ORGANISATIONAL ENVIRONMENT

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

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

} Towards ISO
Certification

3.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There has been no major changes to relevant policies or legislation that affected NERSA's operations during the 2015/16 financial year.

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

- National Energy Regulator Amendment Bill;
- Electricity Regulation Amendment Bill;
- Gas Amendment Bill; and
- Petroleum Pipelines Regulation Amendment Bill.

3.4. STRATEGIC OUTCOME-ORIENTED GOALS

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

1. to facilitate Security of Supply in order to support sustainable socio-economic development in South Africa;
2. to facilitate investment in and access to infrastructure in the energy industry to support sustainable socio-economic development in South Africa;
3. to promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa;
4. to facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all;
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.

Strategic Outcome-Oriented Goal	Programme
To facilitate Security of Supply in order to support sustainable socio-economic development in South Africa	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
To facilitate investment in and access to infrastructure in the energy industry to support sustainable socio-economic development in South Africa	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Setting of rules, guidelines and codes for the regulation of the three energy industries
	Establishing NERSA as an efficient and effective regulator
To promote competitive and efficient functioning as well as orderly development of the energy industry in order to sustain socio-economic development in South Africa	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
	Setting of rules, guidelines and codes for the regulation of the three energy industries
To facilitate affordability of and accessibility to the energy to balance economic interests of all stakeholders in support of socio-economic development of South Africa and a better life for all	Setting and/or approval of tariffs and prices
	Licensing and registration
	Compliance monitoring and enforcement
	Dispute resolution, including mediation, arbitration and handling of complaints
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 2015/16 financial year, as well as in the sections on the strategic objectives and programmes below

PERFORMANCE INFORMATION BY PROGRAMME

4.1. PROGRAMME 1: SETTING AND/OR APPROVAL OF TARIFFS AND PRICES

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

The following table provides the strategic objectives for the programme:

Programme 1: Setting and/or approval of tariffs and prices	
Sector	Strategic Objectives
Electricity Industry Regulation	To ensure financially sustainable supply of electricity by municipalities and private distributors
	To ensure affordability of electricity supply to low-income households
	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
Petroleum Pipelines Industry Regulation	To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry

4.2. PROGRAMME 2: LICENSING AND REGISTRATION

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

The following table provides the strategic objectives for the programme:

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

4.3. PROGRAMME 3: COMPLIANCE MONITORING AND ENFORCEMENT

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

The following table provides the strategic objectives for the programme:

Programme 3: Compliance monitoring and enforcement	
Sector	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 advise government on the impact of the implementation of the Regulatory Agreement
Petroleum Pipelines Industry Regulation	To monitor infrastructure utilisation and third-party access
	To monitor the development of infrastructure
	To monitor licensees' compliance with statutory reporting requirements

4.4. PROGRAMME 4: DISPUTE RESOLUTION, INCLUDING MEDIATION, ARBITRATION AND HANDLING OF COMPLAINTS

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

The following table provides the strategic objectives for the programme:

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

4.5. PROGRAMME 5: SETTING OF RULES, GUIDELINES AND CODES FOR THE REGULATION OF THE THREE ENERGY INDUSTRIES

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

The following table provides the strategic objectives for the programme:

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

4.6. PROGRAMME 6: ESTABLISHING NERSA AS AN EFFICIENT AND EFFECTIVE REGULATOR

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

The following table provides the strategic objectives for the programme:

Programme 6: Establishing NERSA as an efficient and effective regulator	
Sector	Strategic Objectives
Piped-Gas Industry Regulation	To engage in the debate on gas policy and legislation
	To facilitate understanding of the regulatory framework by stakeholders
Petroleum Pipelines Industry Regulation	To promote Security of Supply
Transversal Regulatory	To determine the impact of regulatory decisions
	To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information
Organisational	To create an efficient and effective world-class organisation
	To position and promote the good image of NERSA
	To improve the effectiveness of the financial processes, systems and procedures
	To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

STRATEGIC OBJECTIVES

ELECTRICITY INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To ensure financially sustainable supply of electricity by municipalities and private distributors	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application.	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application.	Target met	
	Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Target met	
	-	Cost of Supply study framework for guidance to municipal distributors developed and approved by the relevant subcommittee	Cost of Supply study framework for guidance to municipal distributors developed and approved by the Electricity Subcommittee	Target met	
To ensure affordability of electricity supply to low-income households	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant subcommittee	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant subcommittee	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the Electricity Subcommittee	Target met	
	FBE rate for 2014/15 approved by the relevant subcommittee and communicated	FBE Rate for 2015/16 approved by the relevant subcommittee and communicated	FBE Rate for 2015/16 approved by the Electricity Subcommittee and communicated	Target met	
	One report on FBE offering by municipalities, considered by the relevant subcommittee	One report on FBE offering by municipalities, considered by the relevant subcommittee	One report on FBE offering by municipalities, considered by the Electricity Subcommittee	Target met	

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

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To facilitate the sustainability of electricity supply by Eskom	One report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered by the relevant subcommittee	Two reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered by the relevant subcommittee	One report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered by the Electricity Subcommittee	Target met	NERSA received 1 report on actual performance against the Regulator's decision of the MYPD 3 from Eskom. It covered two quarters and was therefore used to assess performance for the relevant quarters. No additional report was required.
	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory guidelines for tabling in Cabinet by 15 March 2015	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee for tabling in Cabinet by 15 March 2016	Eskom's submission on ERTSA reviewed and approved by the Electricity Subcommittee	Target met	
	Documented RfD for MYPD2 and MYPD3 Regulatory Clearing Account reviews	Revised MYPD mechanism approved by the relevant subcommittee	MYPD mechanism not revised as planned	Target not met (Externally delayed)	<p>Awaited the outcome of Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, which was only concluded in February 2016.</p> <p>As part of the decision on Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, the Energy Regulator decided that the MYPD mechanism will be revisited during the next financial year.</p>

Programme 2: Licensing and Registration					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To control entry and ensure orderly development of the electricity industry	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	Target met	

Programme 3: Compliance monitoring and enforcement					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To promote the quality and reliability level of electricity supply	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant subcommittee	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant subcommittee	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the Electricity Subcommittee	Target met	
	Seven generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant subcommittee	Eight generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant subcommittee	10 generation audit reports on the state of compliance of power stations with licence conditions considered by the Electricity Subcommittee	Target exceeded	Additional audits were carried out after realising the planned targets were achieved before time. The 2015/16 actual achievement will become the following year's (2016/17) base line targets. The staff initiated the effort to do more to cover as may power stations as possible.

Programme 3: Compliance monitoring and enforcement

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
	Eight transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant subcommittee	Eight transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant subcommittee	10 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity Subcommittee	Target exceeded	Additional audits were carried out after realising the planned targets were achieved before time.. The 2015/16 actual achievement will become the following year's (206/17) base line targets. The staff initiated the effort to do more to cover as may power stations as possible.
	Two progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	Three progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	Three progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the Electricity Subcommittee	Target met	
	One generation and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2013/14 for publication on NERSA website	One generation, one transmission and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2014/15 for publication on NERSA website	One generation, one transmission and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2014/15 for publication on NERSA website	Target met	
	One audit report on the review of the annual performance of <u>IDM</u> for 2013/14 considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM</u> for 2014/15 considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM</u> for 2014/15 considered by the Energy Regulator	Target met	

Programme 3: Compliance monitoring and enforcement

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance considered by the Electricity Subcommittee	Target met	
	One audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code, considered by the relevant subcommittee and published on NERSA website (subject to all information available)	One audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid, considered by the relevant subcommittee and published on NERSA website (subject to all information available)	One audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid, considered by the Electricity Subcommittee and published on NERSA website	Target met	
	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2013/14 network projects considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the relevant subcommittee (subject to the approval of the audit report in 2014/15)	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the Electricity Subcommittee	Target met	
	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15, considered by the relevant subcommittee and published on the NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the relevant subcommittee and published on the NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the Electricity Subcommittee and published on the NERSA website	Target met	

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

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To create a fair balance between the needs of all stakeholders	82% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	Target met	
	One report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant subcommittee and published on the NERSA website	One report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the relevant subcommittee and published on the NERSA website	One report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the Electricity Subcommittee and published on the NERSA website	Target met	

Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To ensure non-discriminatory access to as well as safe and reliable operation of the electricity infrastructure	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant subcommittee within 30 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	Target exceeded	The recommendations from Grid Code Advisory Committee (GCAC) were received on time from Grid Code Secretariat (GCS) which enabled NERSA to consider submissions at the scheduled Electricity Subcommittee, on some occasions upon receipt of the of the urgent recommendations from the GCS GCAC staff has prepared submissions to be approved via the round robin process
	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant subcommittee within 30 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure requiring amendment to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	Target exceeded	The recommendations from Grid Code Advisory Committee (GCAC) were received on time from Grid Code Secretariat (GCS) which enabled NERSA to consider submissions at the scheduled Electricity Subcommittee, on some occasions upon receipt of the of the urgent recommendations from the GCS GCAC staff has prepared submissions to be approved via the round robin process.

PIPED-GAS INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To provide piped-gas price certainty	100% of maximum price applications are considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications are considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application.	Target met	
To provide piped-gas tariff certainty (to approve and monitor gas transmission tariffs)	100% of transmission tariff applications are considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications are considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	Target met	
To provide piped-gas tariff certainty (to calculate and publish the ROMPCO tariff for volumes below 120 Gigajoule)	Four calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule	Four calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule	Four calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule	Target met	
		100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	Target met	

Programme 2: Licensing and Registration					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To ensure orderly development of the piped-gas industry by efficient licensing	100% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the Piped-Gas Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	Target met	
To ensure orderly development of the piped-gas industry by efficient registration of gas imports and production	100% of registration applications of gas imports and production are processed and considered by the relevant subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the relevant subcommittee within 120 days from date of receipt of complete application.	100% of registration applications of gas imports and production are processed and considered by the Piped-Gas Subcommittee within 120 days from date of receipt of complete application.	Target met	

Programme 3: Compliance monitoring and enforcement

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To ensure the supply of 120m GJ p.a. from Mozambique to South Africa (in terms of Schedule One of the Agreement)	12-monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12-monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12-monthly volume balance reports assessed and analysis reports considered by the Piped-Gas Subcommittee	Target met	
	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the relevant subcommittee	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the relevant subcommittee	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the Piped-Gas Subcommittee	Target met	
To create a reputable competitive, sustainable and safe industry by enforcing compliance with licence conditions	84 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the relevant subcommittee	15 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the relevant subcommittee	65 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the Piped-Gas Subcommittee	Target exceeded	Certain key facilities which were not anticipated or part of the plan had to be covered. These included newly constructed facilities, suspected instances of non-compliance or those in close proximity to planned inspected facilities.
To advise government on the impact of the implementation of the Regulatory Agreement	Agreed scope for impact analysis of the provisions of the Regulatory Agreement	Final impact assessment report with recommendations considered by the relevant subcommittee	Final impact assessment report with recommendations considered by the Piped-Gas Subcommittee	Target met	
		One monitoring report on the implementation of transmission tariffs considered by the relevant Subcommittee	Monitoring report on the implementation of transmission tariffs considered by the Piped-Gas Subcommittee	Target Met	
		One monitoring report on the implementation of transmission tariffs considered by the relevant Subcommittee	Monitoring report on the implementation of transmission tariffs considered by the Piped-Gas Subcommittee	Target Met	

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

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To ensure fairness and equity in the piped-gas market	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	100% of complaint investigations completed within 12 months and a report on findings considered by the Piped-Gas Subcommittee	Target exceeded	All the complaints investigated were completed within 12 months
	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	100% of initiated investigations completed within 12 months and a report on findings considered by the Piped-Gas Subcommittee	Target exceeded	All initiated investigations recorded were completed within 12 months.

Programme 6: Establishing NERSA as an efficient and effective regulator

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To engage in the debate on gas policy and legislation	One report considered by the relevant subcommittee inputs/ comments made regarding further amendments to the Gas Act	One report considered by the relevant subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary	One report considered by the Piped-Gas Subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary	Target met	
To facilitate understanding of the regulatory framework by stakeholders	One report considered by the relevant subcommittee on stakeholder workshops / meetings	One report considered by the relevant subcommittee on stakeholder workshops / meetings	One report considered by the Piped-Gas Subcommittee on stakeholder workshops / meetings	Target met	
		Two reports on new developments in the gas industry considered by the relevant subcommittee	Two reports on new developments in the gas industry considered by the Piped-Gas Subcommittee	Target met	

PETROLEUM PIPELINES INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To promote access to petroleum products, security of supply and investment in the petroleum pipelines industry	100% of pipeline, storage and loading facility tariff applications considered by the relevant subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant subcommittee within 8 months of receipt of complete application	88% of pipeline, storage and loading facility tariff applications considered by the Petroleum Pipelines Subcommittee within 8 months of receipt of complete application	Target exceeded	This target was exceeded by 28% as more than the number of forecasted applications were considered within the target of eight (8) months.

Programme 2: Licensing and Registration					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	Target met	
	Within 60 days after being identified, unlicensed facilities are investigated and considered (determined licensable or not)	Four reports on investigations done into suspected unlicensed activities, considered by the relevant subcommittee	Four reports on investigations done into suspected unlicensed activities, considered by the Petroleum Pipelines Subcommittee	Target met	

Programme 3: Compliance monitoring and enforcement

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To monitor infrastructure utilisation and third-party access	One report on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	One report on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	One report on trends regarding utilisation of storage facilities and third-party access, considered by the Petroleum Pipelines Subcommittee	Target met	
To monitor the development of infrastructure	Four reports on the construction of new facilities, considered by the relevant subcommittee	Four reports on the construction of new facilities, considered by the relevant subcommittee	Four reports on the construction of new facilities, considered by the Petroleum Pipelines Subcommittee	Target met	
To monitor licensees' compliance with statutory reporting requirements	Four reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	Four reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	Four reports considered by the Petroleum Pipelines Subcommittee on licensees' compliance with statutory reporting requirements	Target met	

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

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To promote the efficient, effective, sustainable and orderly development, operation and use of petroleum pipelines infrastructure	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	No complaints received	Target met	

Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To enhance regulatory certainty	Tariff methodologies published and reviewed when necessary	Tariff methodologies published and reviewed when necessary	<ul style="list-style-type: none"> Approved the amended Pipelines Tariff Methodology (version 7) and Frequently Asked Questions Approved and published the revised Tariff Methodology for Approval of Storage and Loading facilities (version 3) and Frequently Asked Questions 	Target met	
To enhance the regulatory dispensation	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	Target met	

Programme 6: Establishing NERSA as an efficient and effective regulator					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To promote Security of Supply	Two reports on the inland supply forecast	Two reports on the inland supply forecast	Two reports on the inland supply forecast	Target met	

TRANSVERSAL REGULATORY

Programme 6: Establishing NERSA as an efficient and effective regulator					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To determine the impact of regulatory decisions	Conduct impact assessment of regulatory decisions	Impact assessment report	Impact assessment report approved by the Energy Regulator	Target met	
To empower stakeholders with relevant energy industry as well as economic regulatory knowledge and information	Approved concept for the publication of the NERSA Economic Regulation Journal (name of Journal still to be finalised)	One NERSA Economic Regulation Journal published (name of Journal still to be finalised)	NERSA Economic Regulation Journal not published	Target Removed	<i>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this indicator be removed from the Annual Performance Plan as it has come to light that there is already an accredited journal in South Africa in this space. As the purpose of the publishing of this journal was capacity building, NERSA will rather contribute to the existing accredited journal</i>
	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Target met	
	Undertook 52 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertook 53 stakeholder engagement and education programmes	Target exceeded	Additional requests were received for Consumer Protection Forum meetings, Community Radio interviews, Exhibitions and Public Hearings on some of the regulatory decisions and activities

ORGANISATIONAL

Programme 6: Establishing NERSA as an efficient and effective regulator					
Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To create an efficient and effective world-class organisation	-	Four progress reports considered by the relevant subcommittee on progress made with regard to the implementation of the approved implementation plan from the organisational review	Four progress reports considered by the Human Resources and Remuneration Subcommittee on progress made with regard to the implementation of the approved implementation plan from the organisational review	Target met	
	88% of staff undergoing training and development	90% of staff undergoing training and development	90% of staff undergoing training and development	Target met	
	-	Four progress reports considered by the relevant subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	Four progress reports considered by the Regulator Executive Committee on the implementation of the recommendations from the comprehensive ICT systems review	Target met	
	Implementation of selected 'to be' business processes that will assist in obtaining ISO certification	Four progress reports considered by the relevant subcommittee on the progress made regarding obtaining ISO certification	Four progress reports considered by the Regulator Executive Committee on the progress made regarding obtaining ISO certification	Target met	
To position and promote the good image of NERSA	83.46% customer and stakeholder perception and satisfaction level	6.5% improvement on the customer and stakeholder perception and satisfaction level (baseline is 82.5% - target is to improve by 6.5% up to 89%)	A customer and stakeholder perception and satisfaction level of 89.80% was achieved (target was 89%)	Target met	

Programme 6: Establishing NERSA as an efficient and effective regulator

Strategic objectives	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
To improve the effectiveness of the financial processes, systems and procedures	Clean Audit 2014/15	Unqualified audit 2014/15	Clean audit achieved 2014/15	Target exceeded	Target exceeded due to improved monitoring of controls
	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	Target met	
To influence energy sector policy development and amendments to legislation through regulatory and policy advocacy	Approved proposals / comments on policy changes (if and when necessary)	Four reports considered by the relevant subcommittee on regulatory and policy advocacy	Four reports considered by the Regulator Executive Committee on regulatory and policy advocacy	Target met	

KEY PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

ELECTRICITY INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application	100% of tariff applications of licensed distributors approved by the relevant subcommittee within 60 days of receipt of complete application	Target met	
Annually published Guidelines for Municipal tariff increases and benchmarks	Published Guidelines for Municipal tariff increases and Benchmarks for 2015/16	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Published Guidelines for Municipal tariff increases and Benchmarks for 2016/17	Target met	
Cost of Supply study framework for guidance to municipal distributors developed and approved by the relevant subcommittee	-	Cost of Supply study framework for guidance to municipal distributors developed and approved by the relevant subcommittee	Cost of Supply study framework for guidance to municipal distributors developed and approved by the Electricity Subcommittee	Target met	
Number of monitoring reports of the implementation of Inclining Block Tariffs (IBTs) by licensed distributors in South Africa, considered by the relevant subcommittee	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant subcommittee	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the relevant subcommittee	One report on the monitoring of the implementation of IBTs by licensed distributors in South Africa eligible for IBT implementation considered by the Electricity Subcommittee	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Annual Free Basic Electricity (FBE) Rate for Eskom approved by the relevant subcommittee and communicated	FBE rate for 2014/15 approved by the relevant subcommittee and communicated	FBE Rate for 2015/16 approved by the relevant subcommittee and communicated	FBE Rate for 2015/16 approved by the Electricity Subcommittee and communicated	Target met	
Number of reports on FBE offering by municipalities, considered by the relevant subcommittee	One report on FBE offering by municipalities, considered by the relevant subcommittee	One report on FBE offering by municipalities, considered by the relevant subcommittee	One report on FBE offering by municipalities, considered by the Electricity Subcommittee	Target met	
Number of reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD3, considered by the relevant subcommittee	One report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD3, considered by the relevant subcommittee	Two reports on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD3, considered by the relevant subcommittee	One report on the analysis of Eskom's actual performance against the Regulator's decision of the MYPD 3, considered by the Electricity Subcommittee	Target met	NERSA received 1 report on actual performance against the Regulator's decision of the MYPD 3 from Eskom. It covered two quarters and was therefore used to assess performance for the relevant quarters. No additional report was required
Annual retail tariffs (ERTSA) of Eskom approved by the relevant subcommittee for tabling in Cabinet by 15 March	Approved Electricity Retail Tariff Structural Adjustments (ERTSA) of Eskom for 2015/16 in line with statutory guidelines for tabling in Cabinet by 15 March 2015	Eskom's submission on ERTSA reviewed and approved by the relevant subcommittee for tabling in Cabinet by 15 March 2016	Eskom's submission on ERTSA reviewed and approved by the Electricity Subcommittee	Target met	

Programme 1: Setting and/or approval of tariffs and prices					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Revised mechanism for the determination of Eskom's revenues and prices (MYPD) approved by the relevant subcommittee	Documented RfD for MYPD2 and MYPD3 Regulatory Clearing Account reviews	Revised MYPD mechanism approved by the relevant subcommittee	MYPD mechanism not revised as planned	Target not met (Externally delayed)	<p>Awaited the outcome of Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, which was only concluded in February 2016</p> <p>As part of the decision on Eskom's application for an adjustment of their tariffs for 2016/17 through the Regulatory Clearing Account, the Energy Regulator decided that the MYPD mechanism will be revisited during the next financial year</p>

Programme 2: Licensing and Registration					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	100% of licence applications processed within 120 days from receipt of all required information	Target met	

Programme 3: Compliance monitoring and enforcement

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant subcommittee	12 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant subcommittee	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the relevant subcommittee	10 distribution audit reports on the state of compliance of licensees with licence conditions considered by the Electricity subcommittee	Target met	
Number of generation audit reports on the state of compliance of power station with licence conditions considered by the relevant subcommittee	Seven generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant subcommittee	Eight generation audit reports on the state of compliance of power stations with licence conditions considered by the relevant subcommittee	10 generation audit reports on the state of compliance of power stations with licence conditions considered by the Electricity Subcommittee	Target exceeded	Additional audits were carried out after realising the planned targets were achieved before time.. The 2015/16 actual achievement will become the following year's (206/17) base line targets. The staff initiated the effort to do more to cover as may power stations as possible.
Number of transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant subcommittee	Eight transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant subcommittee	Eight transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the relevant subcommittee	10 transmission audit reports on the state of compliance of Main Transmission Substations with licence conditions considered by the Electricity Subcommittee	Target exceeded	Additional audits were carried out after realising the planned targets were achieved before time.. The 2015/16 actual achievement will become the following year's (206/17) base line targets. The staff initiated the effort to do more to cover as may power stations as possible.

Programme 3: Compliance monitoring and enforcement

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	Two progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	Three progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the relevant subcommittee	Three progress reports on the monitoring of the implementation of the corrective action plans by non-complying licensees considered by the Electricity Subcommittee	Target met	
Number of generation, transmission and distribution reports on state of compliance in the electricity industry considered by the Energy Regulator for 2012/13 for publication on NERSA website	One generation and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2013/14 for publication on NERSA website	One generation, one transmission and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2014/15 for publication on NERSA website	One generation, one transmission and one distribution report on state of compliance in the electricity industry considered by the Energy Regulator for 2014/15 for publication on NERSA website	Target met	
Number of audit reports on the review of the annual performance of IDM considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM for 2013/14</u> considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM for 2014/15</u> considered by the Energy Regulator	One audit report on the review of the annual performance of <u>IDM for 2014/15</u> considered by the Energy Regulator	Target met	
Number of monitoring reports on the implementation of the corrective action plan received from Eskom based on the audit finding of IDM performance considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2013/14 IDM performance considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding of 2014/15 IDM performance considered by the Electricity Subcommittee	Target met	

Programme 3: Compliance monitoring and enforcement

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of audit reports on Eskom's Transmission Network Development projects for compliance with the South African Grid Code, considered by the relevant subcommittee and published on NERSA website (subject to all information available)	One audit report on Eskom's Transmission Network Development 2013/14 projects for compliance with the South African Grid Code, considered by the relevant subcommittee and published on NERSA website (subject to all information available)	One audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code, considered by the relevant subcommittee and published on NERSA website (subject to all information available)	One audit report on Eskom's Transmission Network Development 2014/15 projects for compliance with the South African Grid Code, considered by the Electricity Subcommittee and published on NERSA website	Target met	
Number of monitoring reports on the implementation of the corrective action plan received from Eskom based on the audit finding for the network projects considered by the relevant subcommittee (subject to the approval of the audit report in the previous financial year)	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2013/14 network projects considered by the relevant subcommittee	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the relevant subcommittee (subject to the approval of the audit report in 2014/15)	One monitoring report on the implementation of the corrective action plan received from Eskom based on the audit finding for the 2014/15 network projects considered by the Electricity Subcommittee	Target met	
Number of monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator, considered by the relevant subcommittee and published on the NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2014/15, considered by the relevant subcommittee and published on the NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the relevant subcommittee and published on the NERSA website	Two monitoring reports on the performance and progress of Renewable Energy projects considered by the Energy Regulator for 2015/16, considered by the Electricity Subcommittee and published on the NERSA website	Target met	

Programme 4: Dispute resolution, including mediation, arbitration and handling of complaints					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of disputes/ complaints closed within stated timelines	82% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	80% of disputes/ complaints closed within 180 days from receipt	Target met	
Number of reports on the trends regarding the status of disputes and complaints in the electricity industry considered by the relevant subcommittee and published on the NERSA website	One report on the trends regarding the status of disputes and complaints in the electricity industry considered by the relevant subcommittee and published on the NERSA website	One report on the trends regarding the status of disputes and complaints in the electricity industry considered by the relevant subcommittee and published on the NERSA website	One report on the trends regarding to the status of disputes and complaints in the electricity industry considered by the Electricity Subcommittee and published on the NERSA website	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant subcommittee within stated timeline	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant subcommittee within 30 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring exemptions</u> from the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	Target exceeded	The recommendations from Grid Code Advisory Committee(GCAC) were received on time from Grid Code Secretariat (GCS) which enabled NERSA to consider submissions at the scheduled Electricity Subcommittee, on some occasions upon receipt of the of the urgent recommendations from the GCS GCAC staff has prepared submissions to be approved via the round robin process.
% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the relevant subcommittee within stated timeline	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the relevant subcommittee within 30 days from receipt of application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the relevant subcommittee within 60 days from receipt of complete application	100% of applications from the ESI relating to fair and equitable access to electricity infrastructure <u>requiring amendment</u> to the South African distribution and transmission grid code, considered by the Electricity Subcommittee within 30 days from receipt of complete application	Target exceeded	The recommendations from Grid Code Advisory Committee(GCAC) were received on time from Grid Code Secretariat (GCS) which enabled NERSA to consider submissions at the scheduled Electricity Subcommittee, on some occasions upon receipt of the of the urgent recommendations from the GCS GCAC staff has prepared submissions to be approved via the round robin process.

PIPED-GAS INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>% of maximum price applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price application</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that the approved indicator be amended from <i>Number of days from date of publication of preliminary assessment of maximum price application, within which the maximum prices for all licensees are considered by the relevant Subcommittee</i> to what is indicated in order to ensure that the name of the key performance indicator is in line with the approved targets</p>	100% of maximum price applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	100% of maximum price applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of maximum price application	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>% of transmission tariff applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of tariff application</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that the approved indicator be amended from <i>Number of days from date of publication of preliminary assessment of tariff application, within which the transmission tariff applications are considered by the relevant Subcommittee</i> to what is indicated in order to ensure that the name of the key performance indicator is in line with the approved targets</p>	100% of transmission tariff applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications considered by the relevant subcommittee within 120 days after date of publication of preliminary assessment of tariff application	100% of transmission tariff applications considered by the Piped-Gas Subcommittee within 120 days after date of publication of preliminary assessment of tariff application	Target met	

Programme 1: Setting and/or approval of tariffs and prices					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>Number of calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that the approved indicator be amended from <i>Number of calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule</i> to what is indicated in order to ensure clarity on the responsibility of the consideration as well as to rectify the accidental omission of the 'million'</p>	Four calculations of the ROMPCO tariff for volumes below 120 million Gigajoule considered by the relevant subcommittee	<p>Four calculations of the ROMPCO tariff for volumes below 120 million Gigajoule considered by the relevant subcommittee</p> <p>In line with the Energy Regulator-approved amendment to the key performance indicator, it is recommended that the annual target be amended from <i>4 calculations and publication on the NERSA website of the ROMPCO tariff for volumes below 120 Gigajoule</i> to what is indicated</p>	Four calculations of the ROMPCO tariff for volumes below 120 million Gigajoule considered by the relevant Subcommittee	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this key performance indicator be added to the NERSA Annual Performance Plan as the approval of trading margins are separate from the approval of transmission tariffs and the maximum prices</p>		100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	100% of trading margin applications considered by the relevant subcommittee within 120 days after the date of the publication of preliminary assessment	Target met	

Programme 2: Licensing and Registration

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the relevant subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	100% of licence applications considered by the Piped-Gas Subcommittee within 60 days from date of close of public comment period or period of applicant's response to objections received	Target met	
<p>% of registration applications of gas imports and production processed and considered by the relevant subcommittee within 120 days from date of receipt of complete application</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that the approved indicator be amended from <i>Number of days taken from date of receipt of complete application, to process and consider the registration applications of gas imports and production by the relevant Subcommittee</i> to what is indicated in order to ensure that the name of the key performance indicator is in line with the approved targets</p>	100% of registration applications of gas imports and production processed and considered by the relevant subcommittee within 120 days from date of receipt of complete application	100% of registration applications of gas imports and production processed and considered by the relevant subcommittee within 120 days from date of receipt of complete application	100% of registration applications of gas imports and production processed and considered by the Piped-Gas Subcommittee within 120 days from date of receipt of complete application	Target met	

Programme 3: Compliance monitoring and enforcement

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the relevant subcommittee	12 monthly volume balance reports assessed and analysis reports considered by the Piped-Gas Subcommittee	Target met	
Number of audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the relevant subcommittee	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the relevant subcommittee	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the relevant subcommittee	Two audits conducted on the ROMPCO pipeline according to the compliance framework, non-compliance notices issued (if necessary) and audit reports considered by the Piped-Gas Subcommittee	Target met	
Number of inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the relevant subcommittee	84 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the relevant subcommittee	15 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the relevant subcommittee	65 inspections conducted, non-compliance notices issued (if necessary) and inspection reports considered by the Piped-Gas Subcommittee	Target exceeded	Certain key facilities which were not anticipated or part of the plan had to be covered. These included newly constructed facilities, suspected instances of non-compliance or those in close proximity to planned inspected facilities.
Impact assessment report on the Regulatory Agreement considered by the relevant subcommittee	Agreed scope for impact analysis of the provisions of the Regulatory Agreement	Final impact assessment report with recommendations considered by the relevant subcommittee	Final impact assessment report with recommendations considered by the Piped-Gas Subcommittee	Target met	

Programme 3: Compliance monitoring and enforcement					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>Number of monitoring reports on the implementation of transmission tariffs considered by the relevant subcommittee</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this key performance indicator be added to the NERSA Annual Performance Plan to ensure that the Energy Regulator stays informed on the implementation of the transmission tariffs</p>		One monitoring report on the implementation of transmission tariffs considered by the relevant subcommittee	Monitoring reports on the implementation of transmission tariffs considered by the Piped-Gas Subcommittee	Target met	
<p>Number of monitoring reports on the implementation of approved Maximum Prices considered by the relevant subcommittee</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this key performance indicator be added to the NERSA Annual Performance Plan to ensure that the Energy Regulator stays informed on the implementation of the approved maximum prices</p>		One monitoring report on the implementation of transmission tariffs considered by the relevant subcommittee	Monitoring report on the implementation of maximum prices considered by the Piped-Gas Subcommittee	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of complaint investigations completed within 12 months and a report on findings considered by the relevant subcommittee	100% of complaint investigations completed within 12 months and a report on findings considered by the Piped-Gas Subcommittee	Target exceeded	All the complaints investigated were completed within 12 months
% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	50% of initiated investigations completed within 12 months and a report on findings considered by the relevant subcommittee	100% of initiated investigations completed within 12 months and a report on findings considered by the Piped-Gas Subcommittee	Target exceeded	All initiated investigations recorded were completed within 12 months.

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>Number of reports considered by the relevant subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that the approved indicator be amended from <i>Number of reports considered by the relevant Subcommittee on gas advocacy / infrastructure investments or inputs / comments made on policy / legislation as part of regulatory advocacy, where necessary</i> to what is indicated in order to provide more clarity on the nature of the reports that will be considered</p>	One report considered by the relevant subcommittee inputs/comments made regarding further amendments to the Gas Act	<p>One report considered by the relevant subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary</p> <p>In line with the Energy Regulator-approved amendment to the key performance indicator, it is recommended that the annual target be amended from <i>One report considered by the relevant Subcommittee on gas advocacy / infrastructure investments or inputs / comments made on policy / legislation as part of regulatory advocacy, where necessary</i> to what is indicated</p>	One report considered by the Piped-Gas Subcommittee on regulatory advocacy or inputs / comments made on policy / legislation as part of advocacy, where necessary	Target met	
Number of reports considered by the relevant subcommittee on stakeholder workshops/meetings	One report considered by the relevant subcommittee on stakeholder workshops/ meetings	One report considered by the relevant subcommittee on stakeholder workshops/ meetings	One report considered by the Piped-Gas Subcommittee on stakeholder workshops/ meetings	Target met	

Programme 6: Establishing NERSA as an efficient and effective regulator

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
<p>Number of reports on new developments in the gas industry considered by the relevant subcommittee</p> <p>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this key performance indicator be added to the NERSA Annual Performance Plan as, given the lack of sufficient indigenous gas sources in South Africa, the Energy Regulator must continuously monitor developments in new gas sources in South Africa and neighbouring countries in order to facilitate the diversification of the energy mix in the country and security of supply</p>		Two reports on new developments in the gas industry considered by the relevant subcommittee	Two reports on new developments in the gas industry considered by the Piped-Gas Subcommittee	Target met	

PETROLEUM PIPELINES INDUSTRY REGULATION

Programme 1: Setting and/or approval of tariffs and prices					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of pipeline, storage and loading facility tariff applications considered by the relevant subcommittee within 8 months of receipt of complete application	100% of pipeline, storage and loading facility tariff applications considered by the relevant subcommittee within 8 months of receipt of complete application	60% of pipeline, storage and loading facility tariff applications considered by the relevant subcommittee within 8 months of receipt of complete application	88% of pipeline, storage and loading facility tariff applications considered by the Petroleum Pipelines Subcommittee within 8 months of receipt of complete application	Target exceeded	This target was exceeded by 28% as more than the number of forecasted applications were considered within the target of eight (8) months.

Programme 2: Licensing and Registration					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% of licence applications that will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	100% of licence applications will be decided upon within the timelines as prescribed in Section 19(1) of the Petroleum Pipelines Act	Target met	
Number of reports on investigations done into suspected unlicensed activities considered by the relevant subcommittee	Within 60 days after being identified, unlicensed facilities are investigated and considered (determined licensable or not)	Four reports on investigations done into suspected unlicensed activities, considered by the relevant subcommittee	Four reports on investigations done into suspected unlicensed activities, considered by the Petroleum Pipelines Subcommittee	Target met	

Programme 3: Compliance monitoring and enforcement

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of reports on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	One report on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	One report on trends regarding utilisation of storage facilities and third-party access, considered by the relevant subcommittee	One report on trends regarding utilisation of storage facilities and third-party access, considered by the Petroleum Pipelines Subcommittee	Target met	
Number of reports on the construction of new facilities, considered by the relevant subcommittee	Four reports on the construction of new facilities, considered by the relevant subcommittee	Four reports on the construction of new facilities, considered by the relevant subcommittee	Four reports on the construction of new facilities, considered by the Petroleum Pipelines Subcommittee	Target met	
Number of reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	Four reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	Four reports considered by the relevant subcommittee on licensees' compliance with statutory reporting requirements	Four reports considered by the Petroleum Pipelines Subcommittee on licensees' compliance with statutory reporting requirements	Target met	

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

Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of days taken to investigate and report on complaints received	Within 60 days of receipt, all complaints are investigated and considered	Within 60 days of receipt, all complaints are investigated and considered	No complaints received	Target met	

Programme 5: Setting of rules, guidelines and codes for the regulation of the petroleum pipelines industry					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Tariff methodologies published and reviewed when necessary	Tariff methodologies published and reviewed when necessary	Tariff methodologies published and reviewed when necessary	<ul style="list-style-type: none"> Approved the amended Pipelines Tariff Methodology (version 7) and Frequently Asked Questions Approved and published the revised Tariff Methodology for Approval of Storage and Loading facilities (version 3) and Frequently Asked Questions 	Target met	
Number of reports on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	One report on contributions towards alignment between relevant Petroleum legislation and regulations and government policies	Target met	

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of reports on the inland supply forecast	Two reports on the inland supply forecast	Two reports on the inland supply forecast	Two reports on the inland supply forecast	Target met	

TRANSVERSAL REGULATORY

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Report on the impact of regulatory decisions	Conduct impact assessment of regulatory decisions	Impact assessment report	Impact assessment report approved by the Energy Regulator	Target met	
Publication of the NERSA Economic Regulation Journal (<i>name of Journal still to be finalised</i>) <i>As part of the Mid-Term Review of the implementation of the Annual Performance Plan, the Energy Regulator approved on 29 October 2015 that this indicator be removed from the Annual Performance Plan as it has come to light that there is already an accredited journal in South Africa in this space. As the purpose of the publishing of this journal was capacity building, NERSA will rather contribute to the existing accredited journal</i>	Approved concept for the publication of the NERSA Economic Regulation Journal (<i>name of Journal still to be finalised</i>)	One NERSA Economic Regulation Journal published (<i>name of Journal still to be finalised</i>)	NERSA Economic Regulation Journal not published	Target removed	

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Published quarterly newsletters	Quarterly newsletters published	Quarterly newsletters published	Quarterly newsletters published	Target met	
Number of stakeholder engagement and education programmes conducted	Undertook 52 stakeholder engagement and education programmes	Undertake 35 stakeholder engagement and education programmes	Undertook 53 stakeholder engagement and education programmes	Target exceeded	Additional requests were received for Consumer Protection Forum meetings, Community Radio interviews, Exhibitions and Public Hearings on some of the regulatory decisions and activities

ORGANISATIONAL

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Number of progress reports considered by the relevant subcommittee on the implementation of the recommendations from the organisational review	-	Four progress reports considered by the relevant subcommittee on progress made with regard to the implementation of the approved implementation plan from the organisational review	Four progress reports considered by the Human Resources and Remuneration Subcommittee on progress made with regard to the implementation of the approved implementation plan from the organisational review	Target met	
% of staff undergoing training and development	88% of staff undergoing training and development	90% of staff undergoing training and development	90% of staff undergoing training and development	Target met	
Number of progress reports considered by the relevant subcommittee on the implementation of the recommendations from the comprehensive Information and Communication Technology (ICT) systems review	-	Four progress reports considered by the relevant subcommittee on the implementation of the recommendations from the comprehensive ICT systems review	Four progress reports considered by the Regulator Executive Committee on the implementation of the recommendations from the comprehensive ICT systems review	Target met	
Number of progress reports considered by the relevant subcommittee on the progress made regarding obtaining ISO certification	Implementation of selected 'to be' business processes that will assist in obtaining ISO certification	Four progress reports considered by the relevant subcommittee on the progress made regarding obtaining ISO certification	Four progress reports considered by the Regulator Executive Committee on the progress made regarding obtaining ISO certification	Target met	

Programme 6: Establishing NERSA as an efficient and effective regulator					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
% improvement on the customer and stakeholder perception and satisfaction level (<i>% improvement to be determined once baseline has been established</i>)	83.46% customer and stakeholder perception and satisfaction level	6.5% improvement on the customer and stakeholder perception and satisfaction level (<i>baseline is 82.5% - target is to improve by 6.5%</i>)	A customer and stakeholder perception and satisfaction level of 89.80% was achieved (target was 89%)	Target met	
Result of annual audit	Clean Audit	Unqualified audit	Clean audit	Target exceeded	Target exceeded due to improved monitoring of controls
% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	100% of creditors paid within 30 days after all relevant documentation have been received	Target met	
Number of reports considered by the relevant subcommittee on regulatory and policy advocacy	Approved proposals / comments on policy changes (if and when necessary)	Four reports considered by the relevant subcommittee on regulatory and policy advocacy	Four reports considered by the Regulator Executive Committee on regulatory and policy advocacy	Target met	

Strategy to overcome areas of under performance

All of the targets that were not met, along with reasons for delays and corrective actions to be taken, are listed in the section titled Main Challenges for the 2015/16 Financial Year and Corrective Steps Being Taken above.

Changes to planned targets

No changes were made to the planned targets.

Linking performance with budgets

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

ELECTRICITY INDUSTRY REGULATION

Programme	2015/16			2014/15		
	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	17 824 778	17 619 957	204 821	15 319 489	15 510 465	(190 976)
Programme 2: Licensing and Registration	9 199 056	9 363 646	(164 590)	9 148 876	8 446 556	702 320
Programme 3: Compliance monitoring and enforcement	7 175 826	7 260 023	(84 197)	7 095 387	6 553 981	541 406
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	7 175 826	7 260 023	(84 197)	7 095 387	6 553 981	541 406
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	19 910 826	14 509 895	5 400 750	16 431 616	16 346 282	85 334
Programme 6: Establishing NERSA as an efficient and effective regulator	96 142 567	88 812 923	7 329 644	96 640 046	90 398 364	6 241 682
Total Electricity	157 428 697	144 826 467	12 602 231	151 730 801	143 809 628	7 921 172

PIPED-GAS INDUSTRY REGULATION

Programme	2015/16			2014/15		
	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	8 062 765	8 686 246	(623 481)	8 848 128	7 035 285	1 812 843
Programme 2: Licensing and Registration	4 674 745	4 062 077	612 668	5 926 566	5 002 686	923 880
Programme 3: Compliance monitoring and enforcement	4 674 745	4 062 077	612 668	5 926 566	5 002 686	923 880
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 226 019	3 622 700	603 318	5 310 502	4 392 624	917 878
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	1 533 660	985 313	548 347	1 614 117	723 249	881 868
Programme 6: Establishing NERSA as an efficient and effective regulator	34 810 240	32 156 403	2 653 837	35 009 992	32 840 020	2 169 972
Total Piped-Gas	57 982 173	53 574 816	4 407 357	62 635 870	55 005 550	7 630 320

PETROLEUM PIPELINES INDUSTRY REGULATION

Programme	2015/16			2014/15		
	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	12 448 800	12 493 592	(44 792)	10 297 659	10 790 912	(493 253)
Programme 2: Licensing and Registration	4 288 451	3 839 008	449 443	3 619 844	3 104 631	515 213
Programme 3: Compliance monitoring and enforcement	4 288 451	3 839 008	449 443	3 619 844	3 104 631	515 213
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	4 288 451	3 839 008	449 443	3 619 844	3 104 631	515 213
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	2 010 150	1 437 115	573 034	1 869 790	924 815	944 976
Programme 6: Establishing NERSA as an efficient and effective regulator	34 810 240	32 156 403	2 653 837	34 959 984	32 468 153	2 491 831
Total Petroleum Pipelines	62 134 542	57 604 134	4 530 408	57 986 964	53 497 773	4 489 191

TOTAL NERSA

Programme	2015/16			2014/15		
	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	38 336 342	38 799 795	(463 452)	34 465 276	33 336 662	1 128 614
Programme 2: Licensing and Registration	18 162 252	17 264 730	897 522	18 695 285	16 533 873	2 141 412
Programme 3: Compliance monitoring and enforcement	16 139 022	15 161 107	977 914	16 641 796	14 661 298	1 980 499
Programme 4: Dispute resolution including mediation, arbitration and the resolution of complaints	15 690 295	14 721 731	968 564	16 025 732	14 051 235	1 974 497
Programme 5: Setting of rules, guidelines and codes for the regulation of the electricity industry	23 454 455	16 932 324	6 522 131	19 915 523	18 003 345	1 912 178
Programme 6: Establishing NERSA as an efficient and effective regulator	165 763 046	153 125 729	12 637 317	166 610 022	155 706 537	10 903 485
Total NERSA	277 545 413	256 005 417	21 539 995	272 353 635	252 312 951	20 040 648

SUMMARY OF FINANCIAL INFORMATION

5.1. REVENUE COLLECTION

Sources of Revenue	2015/16			2014/15		
	Estimate (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)	Estimate (R)	Actual Amount Collected (R)	(Over)/Under Collection (R)
Levies from Electricity	179 665 887	171 547 101	(8 118 786)	173 191 622	154 093 445	19 098 177
Levies from Piped-Gas	57 701 785	58 143 839	(442 054)	64 356 969	66 988 067	(2 631 098)
Levies from Petroleum Pipelines	71 577 104	75 446 243	(3 869 139)	66 129 986	69 129 986	(3 051 481)
Total	308 944 776	305 137 183	(3 807 593)	303 678 577	290 262 980	13 415 597

Licence fees from the Electricity Industry

The license fees for the electricity industry were invoiced based on actual volumes of 224 990 132 MWh against total budgeted volumes of 235 638 209 MWh. The difference in volumes is 10 648 077 MWh, which translates to under-recovery of levies by (R10 648 077) (4.5 %). This variance is attributable to decline in the general demand for electricity in 2015 calendar year.

Levies from the Piped-Gas Industry

The volumes for the piped-gas industry were invoiced based on actual volumes of 197 566 561 GJ against budgeted volumes of 196 064 509 GJ. The variation in volumes is 1 502 052 GJ, which translates to an over-recovery of levies by R1 502 052 (0.8%).

Levies from the Petroleum Pipelines Industry

The volumes for the petroleum pipelines industry were invoiced based on actual volumes of 17 391 942 kl against

budgeted volumes of 16 500 024 kl. The variation in volumes is 891 918 kl, which translates to an over-recovery of levies by R 891 917 801 (5.4%). Transnet Pipelines (TPL) is conveying lower volumes than budgeted for due to increase in industry demand for crude oil.

The net under collection of revenue do not have an impact on service delivery as it is not directly related.

5.2. PROGRAMME EXPENDITURE

The details of the programme expenditure can be found in the tables provided under the heading [Linking performance with budgets](#) above.

5.3. CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

NERSA owns the following types of assets, being Land and Buildings, Machinery and Equipment, Furniture and Equipment, Computer Hardware and Motor Vehicles. In terms of our Asset Management Plan, a budget has been set

aside for the ongoing maintenance of the building. During 2013/14 some improvements were done on the NERSA building. These improvements were capitalised into the value of the property. Furthermore as already mentioned above, plans are being finalised to conduct a full refurbishment of the NERSA building in the 2014/15 financial year.

During the year under review, the Energy Regulator took a decision to refurbish its Building. This decision was based on an option analysis report presented to the Energy Regulator on whether NERSA should relocate to another premises or stay at its current location. The report recommended that it would be more cost effective to stay in the current building on condition that some major upgrades are conducted to restore the condition of the building as well as to restructure the office lay-out for future growth of the organisation. The project is at stage 2 namely concept design and viability stage with the detail design and tender expected to begin in the 2014/15 financial year. Provision has been made in the budget for 2013/14 for part of the refurbishment cost. It is expected that the refurbishment will be completed in phases over a period of time.

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

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

Infrastructure projects	2015/16			2014/15		
	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)	Budget (R'000)	Actual Expenditure (R'000)	(Over)/Under Expenditure (R'000)
Land	-	-	-	-	-	-
Buildings	43 179 042	674 510	42 504 532	43 179	309	42 870
Motor Vehicles	600 000	-	600 000	-	-	-
Office Equipment	6 346 587	289 663	6 056 924	1 228	1 637	(408)
Computer Hardware	2 500 00	3 587 500	(1 087 500)	2 875	1 640	1 235
Computer Software	2 000 000	913 341	1 086 659	4 440	358	4 082
Total	54 625 629	5 465 014	49 375	51 723	3 943	47 778





PART C

CORPORATE GOVERNANCE

'With proper governance, life will improve for all.'

- Benigno Aquino III -

INTRODUCTION

As a public entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), the National Energy Regulator (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 III 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 in the three regulated industries. Moreover, they are required to declare gifts, shares and hospitality that they may receive from the regulated energy industry.

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

PORTFOLIO COMMITTEES

The Parliamentary Portfolio Committee (PPC) on Energy has oversight of NERSA. During the reporting period, NERSA had various interactions with the PPC on Energy, as stated on page 22.

EXECUTIVE AUTHORITY

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

- The Annual Performance Plan (2016/17–2018/19) – in line with the Framework for the development of Strategic Plans and Annual Performance Plans as published by National Treasury, it was approved by the Minister of Energy in March 2016 and tabled in

Parliament on 17 March 2016.

- First Quarter Performance Report for the period 01 April to 30 June 2015 – submitted on 30 July 2015.
- Second Quarter Performance Report for the period 01 July to 30 September 2015 – submitted on 30 October 2015.
- Third Quarter Performance Report for the period 01 October to 31 December 2015 – submitted on 29 January 2016.

- Fourth Quarter Performance Report for the period 01 January to 31 March 2016 – submitted on 29 April 2016.
- Mid-Term Review Report of the implementation of the first year of the approved Annual Performance Plan (2015/16–2017/18) was approved by the Minister of Energy in March 2016.
- The Annual Report (2014/15) was submitted to the Minister of Energy, the Minister of Finance and the Auditor-General on 20 August 2015.

THE ACCOUNTING AUTHORITY/ENERGY REGULATOR

INTRODUCTION

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

THE ROLE OF THE ENERGY REGULATOR

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

- defining and ensuring compliance with the values and objectives of NERSA;
- establishing policies and plans to achieve the objectives;

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

ENERGY REGULATOR CHARTER

The Energy Regulator adopted the Corporate Governance Handbook as part of its commitment to adopt an approach to internationally accepted standards and best practices for corporate governance towards ensuring proper levels of accountability, transparency and responsibility. It sets out policies to guide the Energy Regulator Members and staff towards effective discharge of their functions and provides a comprehensive framework to protect the interests of NERSA.

The Corporate Governance Handbook contains:

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

NERSA complies with the Corporate Governance Handbook and ensures the regular review of the chapters contained therein.

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 01 April 2015 to 31 March 2016:



MR JACOB MODISE
CHAIRPERSON
Part-Time Regulator Member



MS MALEHO NKOMO
DEPUTY CHAIRPERSON
Part-Time Regulator Member



MR THEMBANI BUKULA
Full-Time Regulator Member:
Electricity Regulation



DR ROD CROMPTON
Full-Time Regulator Member:
Petroleum Pipelines



MR OUPA KOMANE
Part-Time Regulator Member
(Term expired on 31 October 2015)



MS NOMFUNDO MASETI
Full-Time Regulator Member:
Piped-Gas



MS KHOMOTSO MTHIMUNYE
Part-Time Regulator Member



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	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)	01 April 2014	n/a	B Com B Acc CA (SA) MBA AMP	Finance	Allied Electronics Corporated Ltd Arcelormittal South Africa Ltd Batsomi Investment Holdings (Pty) Ltd Nelson Mandela Children's Fund Thales SA	Electricity Subcommittee Piped-Gas Subcommittee and Petroleum Pipelines Subcommittee	106
Ms M Nkomo	Deputy Chairperson (Part-Time Regulator Member)	01 April 2014	n/a	B Comm B Comm Hons M Comm Senior Executive Programme	Finance	National Urban Reconstruction and Housing Agency, Tshwane South College, Cross Border Roads Transport Agency, and National Credit Regulator	Piped-Gas Subcommittee, Finance Committee, and Human Resources and Remuneration Committee.	75
Mr T Bukula	Full-Time Regulator Member: Electricity Regulation	Re-appointed on 01 April 2011	n/a	BSc (Eng); MSc (MSTE) Post Graduate Dip (Engineering Business Management)	Engineering	National Metrology Institute of SA (NMISA) International Electrotechnical Commission (IEC)	Electricity Subcommittee, Petroleum Pipelines Subcommittee, Piped-Gas Subcommittee, Human Resources and Remuneration Committee and Regulator Executive Committee	148
Dr R Crompton	Full-Time Regulator Member: Petroleum Pipelines	Re-appointed on 01 April 2011	n/a	BA Hons; HED; PhD (Humanities)	Regulatory	None	Petroleum Pipelines Subcommittee, Electricity Subcommittee, Piped-Gas Subcommittee, Finance Committee and Regulator Executive Committee	164

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Major Board Directorships (List the entities)	Other Committees (e.g: Audit Committee)	No. of Meetings attended
Mr O Komane	Part-Time Regulator Member	01 November 2011	31 October 2015 (Term expired)	MSc in Engineering Business Management (Diplomas in Business Management, Supervisory Management and Effective Directorship)	Engineering	None	Human Resources and Remuneration Committee, Audit and Risk Committee,	33
Ms N Maseti	Full-Time Regulator Member: Piped-Gas	01 March 2014	n/a	BA Ed (Eco) BA Hons (Eco)	Economics	ICASA Complaints and Compliance Committee	Piped-Gas Subcommittee, Petroleum Pipelines Subcommittee, Electricity Subcommittee and Regulator Executive Committee	140
Ms KR Mthimunye	Part-Time Regulator Member	Re-appointed on 01 April 2014	n/a	BComm; BCompt (Hons); CA (SA); Higher Diploma in Tax Law	Finance	Hatfield Group, Council for Geoscience, Mintek, Cecil Nurse (Pty) Ltd; Bidvest Develop (Pty) Ltd Bidvest Medical (Pty) Ltd Nozala Investments (Pty) Ltd	Audit and Risk Committee, Electricity Subcommittee	74
Mr F Sibanda	Part-Time Regulator Member	01 April 2014	n/a	MSc (Economics), B Comm, B Comm Hons, Certificate in Competition Law	Finance and Economics	Hekima Advisory, Tshwane Economic Development Agency (TEDA)	Petroleum Pipelines Subcommittee, Finance Committee and Human Resources and Remuneration Committee	70

EXTERNAL MEMBERS OF COMMITTEES

Name	Designation	Date appointed	Date resigned	Area of expertise	Other Committees	No. of meetings held	No. of meetings attended
Ms J Meissner	External Member	01 April 2015	n/a	Auditing	Audit and Risk Committee	6*	4
Ms G Jiyane	External Member	01 May 2013	n/a	Finance	Finance Committee	15*	13
Ms T Mashanda	External Member	01 May 2013	n/a	Auditing	Audit and Risk Committee	6*	6
Mr N Chonco	External Member	01 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	15	15
Ms MJ Ndlovu	External Member	01 April 2015	n/a	Human Resources	Human Resources and Remuneration Committee	15	10

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

ENERGY REGULATOR MEETINGS

Member	Status	Total (2015/16)	Attended (2015/16)
Mr JRD Modise	Chairperson	29	29
Ms M Nkomo	Deputy Chairperson	29	23
Mr T Bukula	Regulator Member	29	28
Dr R Crompton	Regulator Member	29	27
Mr O Komane	Regulator Member (term expired on 31 October 2015)	29	21
Ms N Maseti	Regulator Member	29	23
Ms KR Mthimunya	Regulator Member	29	26
Mr F Sibanda	Regulator Member	29	24

SUBCOMMITTEES

Subcommittee	No. of meetings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	15	5	1. Mr T Bukula – Chairperson 2. Dr R Crompton 3. Ms N Maseti 4. Mr JRD Modise 5. Ms K Mthimunya
2. Piped-Gas Subcommittee (PGS)	13	5	1. Ms N Maseti – Chairperson 2. Mr T Bukula 3. Dr R Crompton 4. Mr JRD Modise 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	12	5	1. Dr R Crompton – Chairperson 2. Mr T Bukula 3. Ms N Maseti 4. Mr JRD Modise 5. Mr F Sibanda

COMMITTEES

Committee	No. of meetings held	No. of members	Name of members
1. Regulator Executive Committee (REC) and Bid Adjudication Committee (BAC) – chaired on a rotational basis	23	3	1. Mr T Bukula 2. Dr R Crompton 3. Ms N Maseti
2. Audit and Risk Committee (ARC)	3	4	1. Ms K Mthimunya – Chairperson 2. Mr O Komane (term expired on 31 October 2015) 3. Ms T Mashanda (External Member) 4. Ms J Meissner (External Member)
3. Finance Committee (FIC) and BAC	12	4	1. Ms M Nkomo – Chairperson 2. Dr R Crompton 3. Mr F Sibanda 4. Ms G Jiyane (External Member)
4. Human Resources & Remuneration Committee (HRRC)	12	6	1. Mr O Komane – Chairperson (term expired on 31 October 2015) 2. Ms M Nkomo 3. Mr T Bukula 4. Mr F Sibanda – (Chairperson from 10 December 2015) 5. Mr N Chonco (External Member) 6. Ms MJ Ndlovu (External Member)
5. Joint Finance Committee (FIC) and Audit and Risk Committee (ARC)	3	8	1. Ms K Mthimunya – Chairperson (ARC) 2. Mr O Komane (term expired on 31 October 2015) (ARC) 3. Ms T Mashanda (External Member) (ARC) 4. Ms J Meissner (External Member) (ARC) 5. Ms M Nkomo – Chairperson (FIC) 6. Dr R Crompton (FIC) 7. Mr F Sibanda (FIC) 8. Ms G Jiyane (External Member) (FIC)

SUBCOMMITTEE'S PUBLIC HEARINGS

Subcommittee	No. of public hearings held	No. of members	Name of members
1. Electricity Subcommittee (ELS)	36	5	<ol style="list-style-type: none"> 1. Mr T Bukula – Chairperson 2. Dr R Crompton 3. Ms N Maseti 4. Mr JRD Modise 5. Ms K Mthimunya
2. Piped-Gas Subcommittee (PGS)	8	5	<ol style="list-style-type: none"> 1. Ms N Maseti – Chairperson 2. Dr R Crompton 3. Mr T Bukula 4. Mr JRD Modise 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	14	5	<ol style="list-style-type: none"> 1. Dr R Crompton – Chairperson 2. Mr T Bukula 3. Ms N Maseti 4. Mr JRD Modise 5. Mr F Sibanda
4. Regulator Executive Committee (REC)	16	3	<ol style="list-style-type: none"> 1. Mr T Bukula 2. Dr R Crompton 3. Ms N Maseti

ENERGY REGULATOR'S WORKSHOPS

Subcommittee	No. of workshops held	No. of members	Name of members
1. Energy Regulator (ER)	4	8	1. Mr JRD Modise – Chairperson 2. Ms M Nkomo – Deputy Chairperson 3. Mr T Bukula 4. Dr R Crompton 5. Mr O Komane (term expired on 31 October 2015) 6. Ms N Maseti 7. Ms KR Mthimunya 8. Mr F Sibanda
2. Piped-Gas Subcommittee (PGS)	1	5	1. Ms N Maseti – Chairperson 2. Dr R Crompton 3. Mr T Bukula 4. Mr JRD Modise 5. Ms M Nkomo
3. Petroleum Pipelines Subcommittee (PPS)	3	5	1. Dr R Crompton – Chairperson 2. Mr T Bukula 3. Ms N Maseti 4. Mr JRD Modise 5. Mr F Sibanda
4. Regulator Executive Committee (REC)	4	3	1. Mr T Bukula 2. Dr R Crompton 3. Ms N Maseti
5. Human Resources & Remuneration Committee (HRRC)	3	6	1. Mr O Komane – Chairperson (term expired on 31 October 2015) 2. Ms M Nkomo 3. Mr T Bukula 4. Mr F Sibanda – Chairperson from 10 December 2015 5. Mr N Chonco (External Member) 6. Ms MJ Ndlovu (External Member)
6. Electricity Subcommittee (ELS)	1	5	1. Mr T Bukula – Chairperson 2. Dr R Crompton 3. Ms N Maseti 4. Mr JRD Modise 6. Ms K Mthimunya

REMUNERATION OF ENERGY REGULATOR MEMBERS

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

rate in accordance with the annual directive of the Minister of Energy.

External members of governance committees of the Energy Regulator are similarly remunerated at a daily rate in accordance with the annual directive of the Minister of Energy.

Regulator 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 2016

	Salary	Performance bonus	Car allowance	Reimbursive and other allowances	Medical	Pension Contributions and UIF	Total
	R	R	R	R	R	R	R
NERSA Full-Time Regulator Members							
Mr T Bukula	1 762 662	263 544	50 000	413 666	117 048	226 043	2 832 963
Dr R Crompton	1 765 607	255 376	22 032	16 396	45 341	209 041	2 313 793
Ms N Maseti	1 776 516	247 645	60 000	119 965	57 708	203 213	2 461 047
	5 304 785	766 565	132 032	245 027	220 097	642 297	7 607 803

The above bonuses were paid (in the 2015/16 financial year) to Full-Time Regulator Members with regard to the 2014/15 financial year

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
NERSA Part-Time Regulator Members				
Mr J Modise (Chairperson)	381 896	186 112	83 356	651 364
Ms M Nkomo (Deputy Chair)	274 480	73 584	41 870	389 934
Ms KR Mthimunye (Member)	280 668	57 744	56 897	395 329
Mr O Komane (Member) *	126 464	28 672	7 460	162 596
Mr F Sibanda (Member)	219 512	32 384	52 238	304 134
	1 283 040	378 496	241 821	1 903 357

*Term expired on 31 October 2015

	Scheduled Meetings	Special Assignments	Reimbursive and other allowances	Total
	R	R	R	R
NERSA Part-Time External Regulator Members				
Ms TN Mashanda	21 760	-	1350	23 110
J Meissner	21 760	-	1498	23 258
Ms N Jiyane	43 520	-	1350	44 870
MJ Ndlovu	21 760	-	1350	23 110
NG Chonco	34 816	-	1350	36 166
Total: NERSA Part-Time Energy Regulator Members	143 616	-	6898	150 514

6 PART C RISK MANAGEMENT

RISK MANAGEMENT

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

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

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

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

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

As identified and ranked by the strategic risk register, the following are the top 10 risks facing the organisation:

1. Critical skills attraction and retention
2. Existence of unlicensed activities/operators
3. Safeguarding and retention of institutional information
4. Timeous procurement of goods and services at fair value
5. Adequacy of IT systems to support operations
6. Institutional memory
7. Coordination and synergy within NERSA
8. Business continuity and disaster recovery
9. Confidentiality and security of information
10. Health, security and safety

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

7 PART C INTERNAL CONTROLS

INTERNAL CONTROLS

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

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

INTERNAL AUDIT AND AUDIT AND RISK COMMITTEES

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 Public Finance Management Act, 1999 (Act No. 1 of 1999 as amended by Act No. 29 of 1999) (PFMA) and its Treasury Regulations, the objective of the NERSA internal audit function is to:

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

The key activities of Internal Audit are:

- to develop and implement a rolling three-year annual audit plan based on NERSA's key areas of risk, including any risks or control concerns identified by management, and submit the plan to the Audit and Risk Committee for review and approval, as well as periodic updates;
- to build a professional audit staff with sufficient knowledge, skill, experience and professional certifications to meet the requirements of the Internal Audit Charter;
- to consider the scope of work of the external auditors and other assurance providers, as appropriate, for the purpose of providing optimal audit coverage;
- to provide independent assurance over governance,

risk management and systems of internal control, as well as over 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 33 audits planned for the period under review.

8.2 AUDIT AND RISK COMMITTEE

Key activities and objectives of the Audit and Risk Committee

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

The key activities of the Audit and Risk Committee are:

- to obtain and review the annual financial statements;
- to ensure that the annual financial statements are prepared in accordance with the reporting requirements as set out in the PFMA and related Treasury Regulations or applicable accounting framework;
- to review the Risk Management Policy and ensure it complies with Best Practice;
- to review the risk management process to ensure it is effective and efficient and identifies priority risks;
- to review the Institution's compliance with all relevant

legislation as well as the performance management and reporting systems;

- to review and approve the Internal Audit Plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate coordination with the External Auditor (the Auditor-General of South Africa); and
- to review and approve the External Auditors' proposed audit scope, approach and audit fees for the year.

9 PART C COMPLIANCE WITH LAWS AND REGULATIONS

COMPLIANCE WITH LAWS AND REGULATIONS

NERSA reports on compliance with the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and Treasury Regulations in its quarterly reports submitted to the Department of Energy. All policies and procedures approved by the Energy Regulator are maintained in the Corporate Governance Handbook and are complied with.

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

and Risk Committee and the Committee maintains oversight over the status of compliance with legislation and regulations.

COMPLIANCE WITH THE PROMOTION OF ACCESS TO INFORMATION ACT

A total of 73 requests for information were received and were dealt with within the time period allowed for by the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA). The report on the requests was compiled and submitted to the South African Human Rights Commission (SAHRC), as required in terms of Section 32 of PAIA.

10 PART C COMPLIANCE WITH LAWS AND REGULATIONS

FRAUD AND CORRUPTION

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

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

person calling in to report suspected fraud, corruption or misuse of public resources. No cases of fraud were reported during the financial year. A fraud awareness workshop was conducted to inform all staff how to report fraud cases and what actions would be taken.

11 PART C CODE OF CONDUCT

MINIMISING CONFLICT OF INTEREST

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

NERSA has implemented the supply chain management framework required by the PFMA. The Supply Chain Management Policy has also been approved by the Energy Regulator. Bid Adjudication Committees have been duly appointed in line with the delegation of authority matrix approved by the Energy Regulator as the Accounting Authority. All individuals who are involved in the bidding processes (evaluation and adjudication of bids) declare their interests prior to proceeding with the process as required by the PFMA. Any individual who is a member of the Bid Evaluation Committee is not allowed to adjudicate on the same bid if they happen to be a member of the Bid Adjudication Committee.

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

CODE OF CONDUCT

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

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

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

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PART C
HEALTH AND SAFETY ISSUES

HEALTH AND SAFETY ISSUES

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

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

14

PART C
REGULATOR SECRETARY

REGULATOR SECRETARY

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

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

15 PART C SOCIAL RESPONSIBILITY

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 Cancer Day, World Aids Day and 16 Days of Activism for no violence against Women and Children events.

External

On Friday, 17 July 2015, NERSA celebrated Mandela Day 2015 with the residents of the Khayelithle Old Age Home in Soshanguve. There are 55 permanent residents (male and female) at the Home with an additional group of 15 elderly women who attend the Service Centre during the day as part of an active ageing and community development programme. NERSA staff provided blankets, non-perishable food, snack platters and juice to the Home in an effort to enhance their quality of life.

16 PART C ENVIRONMENTAL ISSUES

ENVIRONMENTAL ISSUES

Internal

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

External

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

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

17 PART C ECONOMIC ISSUES

ECONOMIC ISSUES

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

NERSA's performance and relevance are informed by the tangible impact, benefits and meaningfulness of its work for the citizens of our country. Accordingly, it consistently fulfils its role of ensuring the development and sustainability of the electricity, piped-gas and petroleum pipelines industries, while facilitating the affordability of and accessibility to the three regulated industries to balance 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present the report of the Audit and Risk Committee for the financial year ended 31 March 2016.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

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

Member	Status	Meetings Held	Meetings Attended
Ms K Mthimunya	Chairperson	6	6
Mr O Komane*	Member	6	4
Mr Sibanda **	Member	6	1
Ms J Meissner	External Member	6	4
Ms T Mashanda	External Member	6	6

*End of term 31 October 2015

**Appointed 10 December 2015

AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 27.1 of the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA) and paragraph 3.1.13 of the Treasury Regulations.

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

CORPORATE GOVERNANCE

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

COMPLIANCE

During the 2015/16 financial year, the Committee monitored and was comfortable with the compliance of various pieces of legislation impacting NERSA. The Committee is not aware of any areas of non-compliance.

The Committee approved the compliance framework and is monitoring its implementation.

EFFECTIVENESS OF INTERNAL CONTROLS

The systems of controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA and King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk 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 of South Africa (AGSA), it was noted that no significant or material non-compliances 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.

PERFORMANCE MANAGEMENT

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

THE QUALITY OF QUARTERLY MANAGEMENT REPORTS SUBMITTED IN TERMS OF THE PFMA AND TREASURY REGULATIONS

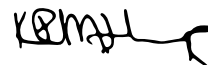
The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Energy Regulator during the year under review.

EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee has:

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

The Audit and Risk 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.



Khomotso Mthimunye

Chairperson of the Audit and Risk Committee

Date: 29 July 2016



PART D

HUMAN RESOURCES MANAGEMENT

*'The great accomplishments of man have resulted from
the transmission of ideas of enthusiasm.'*

- Thomas J. Watson -

INTRODUCTION

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

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

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

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

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

NERSA's performance management system provides standards by which the performance of individual

employees are monitored and measured to allow for performance management, employee reward and improvement of poor performance to enhance efficiency and effectiveness and achieve improved service delivery. NERSA continues to be a caring organisation, focusing constant attention on the health and wellbeing of its employees. It further recognises that a variety of problems (personal, family, social and work-related) can disrupt employees' personal and work lives, negatively impacting on job performance and subsequently organisational performance. NERSA provides a comprehensive, integrated employee wellness programme through Careways, which focuses on the promotion of healthy living and provides psychological assistance.

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

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

NERSA's remuneration policy aims to:

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

The shortage of skills, especially scarce and critical skills, is a major challenge that is being addressed through internships and learnerships, among other programmes. In line with the Skills Development Act, NERSA views the internship and learnership programmes as an ideal opportunity to develop and mould NERSA-specific skills, with a view to preparing future regulators. Furthermore, NERSA offers a job-shadowing programme to expose grade 9 to 11 learners to the work environment and to

generate interest in careers in the energy sector. The Annual Training Report, which is part of the Workplace Skills Plan (WSP), is the monitoring tool used to undertake skills development initiatives.

A total of 75% of staff underwent training (both locally and internationally).

Challenges

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

HR plans/goals

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

Skills development programme

In the period under review, 10 learners were appointed to embark on NERSA's learnership programme to attain a National Certificate: Energy Regulation NQF Level 5 – SAQA ID 63209.

The programme prepares young graduates from further education and training institutions and universities for development of skills within the regulatory environment by providing theoretical and on-the-job training in order to

create a pool of potential candidates for employment by the Energy Regulator.

NERSA's job-shadowing programme exposes female learners from grades 9 to 11 to different energy industry careers. The programme now has an intake of 10 learners as opposed to five learners during the 2014/15 financial year. These learners come from previously disadvantaged communities and are representative of the South African National demographics. NERSA presents this programme in partnership with Uweso Consulting and the Department of Women, Children and People living with Disabilities.

Employee representative body

The National Education, Health and Allied Workers Union (NEHAWU) is the only union recognised by NERSA, with 57% of staff in the bargaining unit being members.

Youth Employment Accord

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

In response to the Youth Development Accord, NERSA absorbed learners from the 2014/15 learnership programme. Of the 10 learners in the programme, three have been absorbed into fixed-term employment to assist NERSA in various critical projects for the 2015/16

financial year. The three learners appointed on fixed-term employment represent 30% of the 2014/15 learnership group.

Employment Equity

The current Employment Equity Plan (EE Plan) for 01 December 2014 to 30 November 2017 is being enforced and barriers to EE is being attended to. There is a need for the appointment of people representative of the economically active population (EAP) from various race groups across all occupational levels. A concerted effort to appoint people representative of the EAP will be pursued through targeted selection methodologies and a specific effort is directed to employing people living with disabilities. The NERSA EE Plan is aligned with Broad-Based Black Economic Empowerment in terms of Human Resources-related initiatives.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
	R'000	R'000	R'000		R'000
Setting and/or approval of tariffs and prices	38 575 000	29 205 000	76%	45	649 000
Licensing and Registration	17 176 000	15 365 000	89%	20	768 000
Compliance monitoring and enforcement	15 081 000	13 099 000	87%	18	728 000
Dispute resolution including mediation, arbitration and the resolution of complaints	14 644 000	13 099 000	89%	17	771 000
Setting of rules, guides and codes for regulation	16 815 000	15 342 000	91%	20	767 000
Establishing NERSA as an efficient and effective organisation	157 764 000	78 532 000	50%	141	557 000
TOTAL	260 056 000	164 642 000	63%	261	631 000

Personnel cost by salary band

LEVEL	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
	R'000	R'000		R'000
Top Management	R 6 586 757.81	4.64%	3	R 2 195 585.94
Senior Management	R 9 709 802.02	6.84%	6	R 1 618 300.34
Professional Qualified	R 73 844 143.27	52.04%	83	R 889 688.47
Skilled	R 40 317 778.49	28.41%	99	R 407 250.29
Semi-Skilled	R 11 116 132.72	7.83%	48	R 231 586.10
Unskilled	R 328 460.73	0.23%	2	R 164 230.37
TOTAL	R 141 903 075.04	100.00%	241	R 588 809.44

*Personnel cost excludes Part-Time Regulator Members

Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of performance rewards to total personnel cost
	R'000	R'000	R'000
Top Management	R 247 645.02	R 6 586 757.81	3.76
Senior Management	R 1 250 064.25	R 9 709 802.02	12.87
Professional Qualified	R 11 474 309.18	R 73 844 143.27	15.54
Skilled	R 5 548 865.81	R 40 317 778.49	13.76
Semi-Skilled	R 1 126 997.67	R 11 116 132.72	10.14
Unskilled	R 43 490.15	R 328 460.73	13.24
TOTAL	R 20 210 291.77	R 141 903 075.04	14.24

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
	R'000	R'000	R'000		
Specialised Support Unit	R 20 209 893.17	R 440 782.38	2.18%	28	R 15 742.23
Chief Finance Office	R 12 290 123.82	R 245 912.45	2.00%	17	R 14 465.44
Chief Human Capital Office	R 8 166 196.64	R 123 689.65	1.51%	7	R 17 669.95
Corporate Services Division	R 25 844 983.74	R 485 962.71	1.88%	36	R 13 498.96
Electricity Regulation Division	R 40 390 595.84	R 786 114.88	1.95%	38	R 20 687.23
Petroleum Pipelines Division	R 16 284 361.77	R 488 737.54	3.00%	24	R 20 364.06
Piped-Gas Regulation Division	R 12 171 394.47	R 397 966.03	3.27%	12	R 33 163.84
TOTAL	R 135 357 549.45	R 2 969 165.64	2.19%	162	R 18 328.18

Employment and vacancies

Programme	2013/2014 Approved Posts	2014/2015 No. of Employees	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Setting and/or approval of tariffs and prices	30	30	29	1	3%
Licensing and registration	29	29	29	0	-
Compliance monitoring and enforcement	13	11	11	2	15%
Dispute resolution, including mediation, arbitration and handling of complaints	7	6	6	1	14%
Setting of rules, guidelines and codes for the regulation of the piped-gas industry	7	5	7	0	-
Establishing NERSA as an efficient and effective regulator	94	86	84	10	11%
TOTAL	180	167	166	14	8%

Level	2013/2014 Approved Posts	2014/2015 No. of Employees	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	4	3	3	1	25%
Senior Management	6	5	6	0	9. %
Professional qualified	70	70	64	6	3.4%
Skilled	70	63	66	4	14.8%
Semi-skilled	28	24	25	3	3.4%
Unskilled	2	2	2	0	0
TOTAL	180	167	166	14	8%

**The no of employees included permanent employees and Full-Time Regulator Members*

Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	0	3
Senior Management	5	0	0	6
Professional qualified	70	5	8	64
Skilled	63	7	4	66
Semi-skilled	24	0	1	25
Unskilled	2	0	0	2
TOTAL	167	12	*13	166

**This includes permanent employees only.*

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving	Training Expenditure as a % of Personnel Cost.
Resignation	17	10.2%	2.18%
Dismissal	1	0.6%	2.00%
Retirement	1	0.6%	1.51%
Expiry of contract	13	7.8%	1.88%
Other	2	1.2%	1.95%
TOTAL	*34	20%	3.00%

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

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	0
Dismissal	1
TOTAL	2

Equity Target and Employment Equity Status

Level	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	1	0
Senior Management	4	0	0	0	0	0	0	0
Professional qualified	32	0	0	1	0	1	7	0
Skilled	29	0	1	1	1	0	4	0
Semi-skilled	15	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	81	0	1	2	1	1	12	0

Level	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	1
Professional qualified	20	0	0	0	1	1	4	7
Skilled	53	0	0	1	0	1	1	2
Semi-skilled	33	0	2	0	0	0	0	1
Unskilled	2	0	0	0	0	0	0	0
TOTAL	111	0	2	1	1	2	5	11

Level	Employees living with disability			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	1
Professional qualified	0	1	0	1
Skilled	4	0	1	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
TOTAL	4	1	1	3

* The Employment Equity status is reported against the approved Employment Equity Plan (01 December 2014 – 30 November 2017). The targets set are for the second year of the Employment Equity Plan (01 December 2015 – 30 November 2016).

A sepia-toned photograph of a wind farm with several turbines on a grassy hill under a cloudy sky. A decorative blue and white diagonal stripe is in the bottom-left corner.

PART E

FINANCIAL INFORMATION

'The Energy of the Mind is the Essence of Life'

- Aristotle -

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. The Annual Financial Statements present the state of affairs of the National Energy Regulator of South Africa (NERSA), its financial results, its performance against predetermined objectives and its financial position at the end of the financial year. The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practices. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Energy Regulator has set standards and implemented systems of internal control and risk management that

are designed to provide reasonable, but not absolute assurance against material misstatements and losses.

NERSA maintains internal financial controls to provide assurance regarding:

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

These standards and control systems are contained in the Corporate Governance Handbook of NERSA, which is reviewed and amended periodically.

The Energy Regulator has reviewed the projected cash flow requirements for future periods. On the basis of this

review, the Energy Regulator has every reason to believe that NERSA will be a going concern in the foreseeable future. For this reason, the Energy Regulator adopted the going concern basis in preparing the annual financial statements.

The Energy Regulator has reviewed NERSA's systems of internal control and risk management for the period from 01 April 2015 to 31 March 2016. 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 Public Finance Management Act, 1999 (Act No. 1 of 1999) on 31 May 2016 and are signed on its behalf by:



PS Nku
Acting Chief Executive Officer (CEO)
29 July 2016



JRD Modise
Chairperson
29 July 2016

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

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the National Energy Regulator of South Africa set out on pages 141 to 168, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The Energy Regulator, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), 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.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

6. 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 2016, and its financial performance, cash flows the statement of comparison of budget and actual amounts for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

ADDITIONAL MATTER

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

UNAUDITED SUPPLEMENTARY SCHEDULES

8. The supplementary information set out on pages 92 to 129 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. 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 findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for Programme 1: Settings and or approval of tariffs, Programme 2: Licensing and registration and Programme 6: Establishing NERSA as an efficient and effective regulator presented in the annual performance report of the National Energy Regulator of South Africa for the year ended 31 March 2016
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether

the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 1: Settings and or approval of tariffs, Programme 2: Licensing and registration and Programme 6: Establishing NERSA as an efficient and effective regulator.

ADDITIONAL MATTER

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the Programme 1: Settings and or approval of tariffs, Programme: 2 Licensing and registration and Programme: 6 Establishing NERSA as an efficient and effective regulator, I draw attention to the following matter:

ACHIEVEMENT OF PLANNED TARGETS

16. Refer to the annual performance report on page 40 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

17. I performed procedures to obtain evidence that the National Energy Regulator of South Africa had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL

18. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Pretoria

29 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 2016.

The National Energy Regulator (NERSA) is a regulatory authority established as a juristic person in terms of Section

3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum pipelines Act, 2003 (Act No. 60 of 2003). It is listed as a national public entity in terms of the schedule 3A of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

2. REGULATOR MEMBERS AND SECRETARY OF NERSA

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

The Regulator Members during the year ending 31 March 2016:

MEMBER	DATE OF APPOINTMENT	POSITION
Mr J Modise	Appointed 1 March 2014	Chairperson
Ms M Nkomo	Appointed 1 March 2014	Deputy Chairperson
Mr T Bukula	Re-appointed 1 April 2011	Full-Time Member: Electricity Regulation
Dr R Crompton	Re-appointed 1 April 2011	Full-Time Member: Petroleum pipelines Regulation
Ms N Maseti	Appointed 1 March 2014	Full-Time Member: Piped-Gas Regulation
Ms K Mthimunye	Re-appointed 1 April 2014	Part-Time Member
Mr O Komane	Appointed 1 November 2011, Term ended 31 October 2015	Part-Time Member
Mr F Sibanda	Appointed 1 March 2014	Part-Time Member

The position of Chief Executive Officer has been vacant since 01 March 2014 and Mr Paseka Nku has been appointed as Acting Chief Executive Officer.

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

MEMBER	DATE OF APPOINTMENT	POSITION
Ms T Mashanda	Appointed 1 May 2013	External Member: Audit and Risk Committee
Ms N Jiyane	Appointed 1 May 2013	External Member: Finance Committee
Ms J Meissner	Appointed 1 April 2015	External Member: Audit and Risk Committee
Ms MJ Ndlovu	Appointed 1 April 2015	External Member: Human Resources & Remuneration Committee
Mr NG Chonco	Appointed 1 April 2015	External Member: Human Resources & Remuneration Committee

The 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

3. ORGANISATIONAL STRUCTURE

The Minister of Energy appoints both Part-Time and Full-Time Regulator members. The Energy Regulator acts independently and reports to Parliament, and the Minister of Energy in terms of the Public Finance Management Act, 1999 (Act no. 1 of 1999). The Full Time Regulator Members consist of the CEO, the member primarily responsible for Electricity Regulation, the member primarily responsible for Piped-Gas Regulation and the member primarily responsible for Petroleum Pipelines Regulation.

4. PRINCIPAL ACTIVITIES

The Energy Regulator is the regulatory authority over the energy industry, and currently regulates the electricity, piped-gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act,

2003 (Act No. 60 of 2003) respectively. Section 13 (2) and (3) of the National Energy Regulator Act, 2004 (Act No.40 2004) requires that the Energy Regulator keep separate accounts for the electricity, piped-gas and petroleum pipelines regulatory functions and that the costs of the Energy Regulator must be shared between the electricity, piped-gas and petroleum pipeline regulatory industries in proportion to the costs incurred by the Energy Regulator in respect of each of those regulatory functions.

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

- Costs that can be directly attributable to regulation of a specific industry will be charged directly to the regulation of that industry.

- Costs that are not directly attributable to the regulation of a specific industry, but are incurred as common costs in order to support the regulation of the industries, will be allocated between the three industries using a basis of allocation that fairly distributes the costs. The allocation is based on the number of employees directly employed by NERSA to regulate each industry. The basis for allocation is reviewed annually during the budget process and adjusted if there are significant changes to the structure. No changes were effected to the ring fencing methodology during the year under review as there were no significant changes to the structure. The distribution of these costs for 2015/16 was as follows :

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

5. OPERATING RESULTS AND REVIEW OF OPERATIONS

The surplus for NERSA for the year amounted to R54 million. The summary financial results are detailed below.

RELEVANT FINANCIAL INFORMATION	ACTUAL	BUDGET	VARIANCE
	R	R	R
Levy income	305 137 183	308 944 776	(3 807 593)
Interest received	9 231 345	6 693 359	2 537 986
Other income	289 119	54 587	234 532
Expenditure	(260 308 877)	(285 453 025)	25 144 148
Surplus	54 348 770	30 239 697	24 109 073
Capital Expenditure	(5 467 625)	(54 625 629)	49 158 004

6. NERSA ACCUMULATED SURPLUS

The Accumulated surplus reported as at 31 March 2016 consists of the following:

NERSA ACCUMULATED SURPLUS	2016	VARIANCE
	R	R
Accumulated Surplus	204 405 404	150 056 634
	204 405 404	150 056 634
Approved Commitments	36 671 716	36 444 051
Cash Flow Mitigating Reserve	41 965 903	39 597 444
	125 767 784	74 015 139
REFUNDS TO INDUSTRIES		
Portion of surplus to be refunded in respect of the period ending 2011/12	2 901 489	2 901 489
Portion of surplus to be refunded in respect of the period ending 2012/13	3 965 707	3 965 707
Portion of surplus to be refunded in respect of the period ending 2013/14	22 394 814	22 394 814
Portion of surplus to be refunded in respect of the period ending 2014/15	44 753 128	44 753 128
Portion of surplus to be refunded in respect of the period ending 2015/16	51 752 646	

The accumulated surplus reflected above relates to the under spending by the Energy Regulator in previous financial periods. This is mainly due to underspending on traveling expenses and consulting fees due to delayed projects. In addition cost containment measures have also been implemented. The surplus will be refunded to the relevant industries through a reduction of the levy rates for the period 2016/2017 to 2019/2020.

6. NERSA ACCUMULATED SURPLUS

		SURPLUS TO BE REFUNDED PER INDUSTRY					
INDUSTRY	YEAR OF SURPLUS	2016	2017	2018	2019	2020	Total
Electricity	2011/12	2 901 489					2 901 489
Piped-Gas							
Petroleum Pipeline							
Electricity	2012/13	2 379 424	1 586 283				3 965 707
Piped-Gas							
Petroleum Pipeline							
Electricity	2013/14	11 063 734	3 032 273	2 021 515			22 394 814
Piped-Gas							
Petroleum Pipeline							
Electricity	2014/15		5 471 350	3 282 810	2 188 540		44 753 128
Piped-Gas							
Petroleum Pipeline							
Electricity	2015/16			14 150 465	8 490 279	5 660 187	51 752 646
Piped-Gas							
Petroleum Pipeline							
		22 621 939	26 995 119	41 323 776	24 476 420	10 350 530	125 767 784

Surplus funds are refunded to the relevant industry on the 50/30/20 principle. 50% is refunded in the 1st year, 30% in the 2nd year and 20% in the last year.

7. LEVY REVENUE

NERSA is funded as follows to cover its expenditure:

ELECTRICITY

A licence fee is imposed on the holders of the title to electricity as it enters the system licensed by NERSA in terms of Section SB of the Electricity Act, 1987 (No. 41 of 1987). This levy is based on Megawatt hours.

PIPED GAS

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

PETROLEUM PIPELINES

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

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

8. MATERIALITY AND SIGNIFICANCE FRAMEWORK

A materiality and significance framework policy has been developed for reporting any act of misconduct, losses, irregular and fruitless and wasteful expenditure , as well as for significant transactions envisaged per section 54 (2) of the PFMA that requires Ministerial approval.

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 .

ANNUAL FINANCIAL STATEMENTS

4.1 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

FIGURES IN RAND	NOTE (S)	2016	2015
Assets			
Current Assets			
Inventories	5	187 621	220 308
Receivables from exchange transactions	6	2 736 654	2 045 499
Receivables from non-exchange transactions	7	37 263 733	21 876 823
Cash and cash equivalents	8	176 679 840	148 308 053
		216 867 848	172 450 683
Non-Current Assets			
Property, plant and equipment	3	52 347 233	51 424 916
Intangible assets	4	5 715 928	6 023 935
		58 063 161	57 448 851
Total Assets		274 931 009	229 899 534
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	16 827 901	15 660 493
Payables from non-exchange transactions	12		10 344 053
Provisions	10	25 554 979	25 695 629
Total Current Liabilities		42 382 880	51 700 175
Total Liabilities		42 382 880	51 700 175
Net Assets		232 548 129	178 199 359
Reserves			
Revaluation reserve		28 142 725	28 142 725
Accumulated surplus		204 405 404	150 056 634
Total Reserves		232 548 129	178 199 359

4.2 STATEMENT OF FINANCIAL PERFORMANCE

FIGURES IN RAND	NOTE (S)	2016	2015
Revenue	13	305 137 183	290 262 980
Other income	14	289 119	459 180
Operating expenses (Notes 3, 4, 15, 16, 17 and 18)		(260 308 877)	(252 312 951)
Operating surplus		45 117 425	38 409 209
Interest received	19	9 231 345	5 558 190
Surplus for the year		54 348 770	43 967 399

4.3 STATEMENT OF CHANGES IN NET ASSETS

FIGURES IN RAND	REVALUATION RESERVE	ACCUMULATED SURPLUS	TOTAL NET ASSETS
Balance at 01 April 2014	28 142 725	106 089 235	134 231 960
Changes in net assets		43 967 399	43 967 399
Surplus for the year		43 967 399	43 967 399
Total changes	28 142 725	150 056 634	178 199 359
Balance at 01 April 2015		54 348 770	54 348 770
Changes in net assets			
Surplus for the year		54 348 770	54 348 770
Total changes	28 142 725	204 405 404	232 548 129
Balance at 31 March 2016	28 142 725	204 405 404	232 548 129

4.4 CASH FLOW STATEMENT

FIGURES IN RAND	NOTE (S)	2016	2015
Cash flows from operating activities			
Receipts			
Cash receipts from customers		289 348 238	286 836 763
Interest received		9 231 345	5 558 190
		298 579 583	292 394 953
Payments			
Cash paid to suppliers and employees		(264 740 171)	(238 034 633)
Net cash flows from operating activities	22	33 839 412	54 360 320
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4 554 284)	(3 585 726)
Purchase of other intangible assets	4	(913 341)	(357 879)
Net cash flows from investing activities		(5 467 625)	(3 943 605)
Net increase/(decrease) in cash and cash equivalents		28 371 787	50 416 715
Cash and cash equivalents at the beginning of the year		148 308 053	97 891 338
Cash and cash equivalents at the end of the year	8	176 679 840	148 308 053

4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET PREPARED ON ACCRUAL BASIS

FIGURES IN RAND	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	NOTE(S)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	54 587	-	54 587	53 513	(1 074)	
Other income		-		235 606	235 606	
Interest received	6 693 359	-	6 693 359	9 231 345	2 537 986	32.1
Total revenue from exchange transactions	6 747 946	-	6 747 946	9 520 464	2 772 518	
Revenue from non-exchange transactions						
Transfer revenue						
Levy Income	308 944 776	-	308 944 776	305 137 183	(3 807 593)	32.2
Total revenue	315 692 722	-	315 692 722	314 657 647	(1 035 075)	
Expenditure						
Personnel Costs	(175 103 594)	-	(175 103 594)	(165 249 964)	9 853 630	32.3
Depreciation and amortisation	(7 907 612)	-	(7 907 612)	(4 584 973)	3 322 639	32.4
General Expenses	(102 441 819)	-	(102 441 819)	(90 205 600)	12 236 219	32.5
Total expenditure	(285 453 025)	-	(285 453 025)	(260 040 537)	25 412 488	
Operating surplus	30 239 697	-	30 239 697	54 617 110	24 377 413	
Loss on disposal of assets and liabilities				(268 340)	(268 340)	
Surplus before taxation	30 239 697	-	30 239 697	54 348 770	24 109 073	
Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	30 239 697	-	30 239 697	54 348 770	24 109 073	

4.6 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. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

1.1 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment 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 such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The

increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

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

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

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

Land is not depreciated. The building is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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 residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

1.2 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	USEFUL LIFE
Computer software	8 years

Intangible assets are derecognised:

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

1.3 FINANCIAL INSTRUMENTS

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

A financial asset is:

cash and cash equivalents;

a residual interest of another entity;

or a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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

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

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

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

1.4 TAXATION

Tax expense

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

1.5 LEASES

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

Operating leases - lessor

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.6 INVENTORIES

Inventories are initially measured at cost.

Subsequently inventories are measured at the lower of cost and net realisable value .

Inventories are measured at the lower of cost and current replacement cost where it is held for use :

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

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

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

1.7 EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled

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

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

Defined contribution plans

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

Payments to defined contribution retirement benefit plans are charged as an expense as they will fall due:

1.8 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

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

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

1.9 REVENUE RECOGNITION

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreements based on the provisions of the National Energy Regulator Act, 2004 (Act No.40 of 2004).

The following Acts have specific reference in this regard:

- Section 58 of the Electricity Act, 1987 (No.41 of 1987)
- Section 2 of the Gas Regulator Levies Act, 2002 (No. 75 of 2002)
- Section 2 of the Petroleum Pipelines Levies Act, 2004 (No. 28 of 2004)

Revenue is measured at the fair value of the consideration received or receivable and comprises of the net invoiced values funded from levies imposed in terms of the National Energy Regulator Act.

1.10 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity,

which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Recognition

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

Measurement

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

1.11 INTEREST INCOME

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

1.12 COMPARATIVE FIGURES

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

1.13 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure as defined in section 1 of the PFMA is expenditure which was made in vain and could 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.

1.14 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:

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the Annual Financial Statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no

further action is required with the exception of updating the note to the Annual Financial Statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation 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 Annual 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 Annual 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 Annual 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.

1.15 BUDGET INFORMATION

NERSA's budget is reviewed and approved annually by the Minister of Energy in concurrence with the Minister of Finance.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives. The Statement of Comparison of Budget and Actual Amounts is prepared in line with GRAP 24.

The approved budget covers the fiscal period 1 April to 31 March.

1.16 RELATED PARTIES

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 Minister of Energy are considered to be related parties.

4.7 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

NERSA 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 2016 or later periods:

STANDARD/INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 20: Related parties	01 April 2017 (date changed from 1 April 2016)	This statement prescribes the disclosure of information relevant to draw attention to the possibility that the entity's financial position and surplus/deficit may have been affected by the existence of related parties. It is expected that this standard will significantly impact future disclosures.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity. It is not expected that this statement will have an impact on future disclosures.
GRAP 108: Statutory Receivables	01 April 2016	The standard prescribes the accounting requirement for recognition, measurement, presentation and disclosure of statutory receivables. It is not expected that this statement will have an impact on future disclosures.
GRAP 109: Accounting by Principals and Agents	01 April 2017	This standard outlines principles to be used by an entity to assess whether it is a party to a principal agent arrangement, whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is not expected that this this standard will significantly impact future disclosures.

	2016			2015		
	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
3. PROPERTY, PLANT AND EQUIPMENT						
Land	9 200 000	-	9 200 000	9 200 000		9 200 000
Buildings	42 651 526	(10 599 400)	32 052 126	41 974 407	(9 018 506)	32 955 901
Motor vehicles	2 106 631	(1 091 340)	1 015 291	2 106 631	(866 859)	1 239 772
Office equipment	8 538 470	(5 252 966)	3 285 504	8 997 893	(5 407 316)	3 590 577
Computer hardware	10 473 053	(3 678 741)	6 794 312	7 725 913	(3 287 247)	4 438 666
Total	72 969 680	(20 622 447)	52 347 233	70 004 844	(18 579 928)	51 424 916

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
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Reconciliation of property, plant and equipment - 2016

Land	9 200 000	-	-	-	9 200 000
Buildings	32 955 901	677 119	-	(1 580 894)	32 052 126
Motor vehicles	1 239 772	-	-	(224 481)	1 015 291
Office equipment	3 590 577	289 664	(89 388)	(505 349)	3 285 504
Computer hardware	4 438 666	3 587 501	(56 764)	(1 175 091)	6 794 312
Total	51 424 916	4 554 284	(146 152)	(3 485 815)	52 347 233

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Reconciliation of property, plant and equipment - 2015					
Land	9 200 000	-	-	-	9 200 000
Buildings	34 215 000	308 798	-	(1 567 897)	32 955 901
Motor vehicles	1 662 814	-	-	(423 042)	1 239 772
Office equipment	2 576 543	1637 059	(82 920)	(540 105)	3 590 577
Computer hardware	4 183 170	1 639 869	(111 069)	(1 273 304)	4 438 666
Total	51 837 527	3 585 726	(193 989)	(3 804 348)	51 424 916

Revaluations

The land and buildings are situated at 526 Madiba Street, Arcadia, Pretoria and are stated at the revalued amount. The revaluation is performed every three years and the last revaluation was performed by an independent Professional Valuer on 31 March 2014. Based on the market conditions, market rental, office space and condition of improvements the value of Land and Buildings amounted to R 43 415 000 as at 31 March 2014.

Property, plant and equipment includes fully depreciated assets that are still in use with a historical cost of R 2 437 374. These assets will be replaced during the Refurbishment project due to commence in 2016/17.

FIGURES IN RAND	2016			2015		
	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
4. INTANGIBLE ASSETS						
Computer software	19 360 058	(13 644 130)	5 715 928	19 032 272	(13 008 337)	6 023 935

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Reconciliation of intangible assets - 2016					
Computer software	6 023 935	913 341	(122 188)	(1 099 160)	5 715 928
Reconciliation of intangible assets - 2015					
Computer software	9 350 740	357 879	-	(3 684 684)	6 023 935

FIGURES IN RAND	NOTE (S)	2016	2015
5. INVENTORIES			
Stationery		187 621	220 308
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Prepayments		2 466 336	1 775 709
Accrued Bank Interest		270 318	269 790
		2 736 654	2 045 499
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Other receivables		80 273	404 365
Levies receivable		37 080 392	21 202 315
Accrued income receivable			78 078
Staff debtors		103 068	192 065
		37 263 733	21 876 823
8. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of:			
Cash on hand		569	2 242
Bank balances - Current Account		55 127 426	24 251 483
Short - term investment		121 551 845	124 054 328
		176 679 840	148 308 053

FIGURES IN RAND	NOTE (S)	2016	2015
9. OPERATING LEASE OBLIGATION			
Minimum lease payments due			
- within one year		1 166 642	368 676
- in second to fifth year inclusive		1 847 183	
Present value of minimum lease payments		3 013 825	368 676

The lease obligation for 2016 relates to a rental agreement for the use of photocopy machines for period of 36 months beginning 01 November 2015.

The lease obligation for 2015 related to a rental agreement for the use of photocopy machines . At 1 April 2015 the contract was extended for seven months ending 31 October 2015, pending the appointment of a service provider.

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
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10. PROVISIONS

Reconciliation of provisions - 2016					
Leave provisions	5 018 212	11 356 316	(10 899 048)		5 475 480
Bonus provision	20 493 938	19 913 079	(20 210 292)	(283 646)	19 913 079
Provision for bad debts	183 479			(17 059)	166 420
	25 695 629	31 269 395	(31 109 340)	(300 705)	25 554 979
Reconciliation of provisions - 2015					
Leave provisions	4 708 311	10 524 853	(10 214 952)	-	5 018 212
Bonus provision	17 301 056	20 402 076	(17 209 194)	-	20 493 938
Provision for bad debts		183 479		-	183 479
	22 009 367	31 110 408	(27 424 146)	-	25 695 629

The leave provision relates to NERSA's estimated liability arising as a result of services rendered by employees calculated on the number of days owing to employees on 31 March 2016.

The bonus provision relates to the performance bonus payable to qualifying NERSA employees for services rendered from 1 April 2015 to 31 March 2016.

FIGURES IN RAND	NOTE (S)	2016	2015
11. PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade Creditors		2 224 365	643 276
Nominated Bonus		115 050	192 650
Accruals		14 488 486	14 824 567
		16 827 901	15 660 493
12. OTHER PAYABLES (NON-EXCHANGE)			
Trade Debtor with credit balance			10 344 053
This amount relates to money owing to Eskom after adjusting Electricity Generated volumes			
13. LEVY REVENUE			
License fees from Electricity		171 547 101	154 093 445
Levies from Piped-Gas		58 143 839	66 988 067
Levies from Petroleum Pipelines		75 446 243	69 181 468
		305 137 183	290 262 980
14. OTHER INCOME			
Rental income - third party		53 513	50 964
Other income		163 343	336 971
Refunds from insurance		72 263	71 245
		289 119	459 180

Other income relates to gains of assets found during the assets verification process, recoveries from former employees with regard to training costs, whereby employees left before training conditions were fulfilled and recoveries from current employees for study fees paid in the previous financial year.

FIGURES IN RAND	NOTE (S)	2016	2015
15. GENERAL EXPENSES			
Advertising		15 392 704	11 109 523
Assessment rates & municipal charges		734 654	855 799
Auditors remuneration		2 042 067	2 387 654
Bank charges		112 700	134 940
Consulting and professional fees		23 974 581	24 357 928
Catering		1 385 368	1 040 334
Insurance		376 076	521 381
Conferences and seminars		210 109	555 843
Lease rentals on operating lease		650 869	2 064 104
Motor vehicle expenses		217 712	267 785
Postage and courier		244 080	253 380
Printing and stationery		1 569 430	2 363 141
Software expenses		2 977 783	3 867 787
Staff welfare and Health and Safety		1846 408	617 290
Subscriptions and membership fees		1 292 207	1 211 351
Telephone and fax		1 290 307	1 173 028
Training		3 881 033	6 026 512
Travel costs		16 912 826	17 196 558
Electricity		2 697 502	2 502 498
Learnership programme		341 757	552 172
National/International Initiatives		100 000	19 837
Knowledge Centre		2 515 275	2 805 301
Public hearings		3 519 379	213 632
Study fees		708 029	435 664
Office operations		1 111 001	1 309 398
Repairs and maintenance		4 101 743	2 298 268
Bad debts written off			65 671
		90 205 600	86 206 779

FIGURES IN RAND	NOTE (S)	2016	2015
16. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT			
Loss on disposal of property, plant and equipment		268 340	193 988
17. EMPLOYEE RELATED COSTS			
Basic		126 029 619	119 120 332
Bonus		19 629 871	20 402 075
Medical aid		5 479 520	5 020 688
UIF		384 970	381 015
Leave		1 073 335	817 548
Pension		12 492 790	12 226 965
Overtime payments		79 186	70 405
Long-service awards		20 500	37 500
Arbitration and Settlement Awards		60 173	163 144
		165 249 964	158 239 672
18. PROVISION FOR BAD DEBTS			
Provision for bad debts 2015			183 479
19. INTEREST INCOME			
Interest received		9 231 345	5 558 190
20. AUDITORS' REMUNERATION			
External auditors		2 042 067	2 387 654

FIGURES IN RAND	NOTE (S)	2016	2015
21. OPERATING LEASE INCOME			
The minimum future lease receipts are in respect of the use of NERSA premises and amount to:			
1 year or less		56 188	53 512
2 - 5 years		248 752	238 579
		304 940	292 091
22. CASH GENERATED FROM OPERATIONS		54 348 770	43 967 399
Surplus for the year			
Adjustments for:			
Depreciation and amortisation		4 584 973	7 489 033
Loss on disposal of assests		268 340	193 988
Provision for bad debts			183 479
Movements in provisions		(140 650)	3 686 262
Changes in working capital:			
Inventories		32 687	28 087
Receivables from exchange transactions		(691 155)	746 350
Provision for bad debts			(183 479)
Other receivables from non-exchange transactions		(15 386 910)	(4 631 749)
Payables from exchange transactions		1 167 410	(7 463 103)
Payables from non-exchange transactions		(10 344 053)	10 344 053
		33 839 412	54 360 320

FIGURES IN RAND	NOTE (S)	2016	2015
23. COMMITMENTS			
Capital commitments			
Already contracted for but not provided for			
• Computer hardware and software			
• Buildings, Equipment and Furniture		499 350	1 689 700
		499 350	1 988 811
Operating commitments			
• Already contracted but not yet delivered		36 172 366	34 455 240
Total Commitments		36 671 716	36 444 051

24. CONTINGENCIES

There were no contingent liabilities as at 31 March 2016.

25. RELATED PARTIES

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

	SALARY	PERFORMANCE BONUS *	CAR ALLOWANCES	REIMBURSIVE AND OTHER ALLOWANCES	MEDICAL	PENSION CONTRIBUTION AND UIF	TOTAL
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26. REMUNERATION OF REGULATOR MEMBERS AND EXECUTIVE MANAGEMENT

FULL-TIME REGULATOR MEMBERS

2016

T Bukula	1 762 662	263 544	50 000	413 666	117 048	226 043	2 832 963
R Crompton	1 765 607	255 376	22 032	16 396	45 341	209 041	2 313 793
N Maseti	1 776 516	247 645	60 000	111 965	57 708	207 213	2 461 047
Total	5 304 785	766 565	132 032	542 027	220 097	642 297	7 607 803

*Performance Bonuses were paid in the 2015/16 financial year with regard to the performance of the 2014/15 financial year

	SALARY	PERFORMANCE BONUS *	CAR ALLOWANCES	REIMBURSIVE AND OTHER ALLOWANCES	MEDICAL	PENSION CONTRIBUTION AND UIF	TOTAL
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2015							
P Baleni (nee Nzimande) **	1 899 755	151 084	110 000	198 998	-	238 237	2 598 074
T Bukula	1 715 399	229 168	50 000	161 293	108 871	224 146	2 488 877
R Crompton	1 714 163	228 208	22 032	76 812	41 346	210 315	2 292 876
N Maseti	1 626 009	-	60 000	174 466	52 758	194 449	2 107 682
Total	6 955 326	608 460	242 032	611 569	202 975	867 147	9 487 509

*Performance Bonuses were paid in the 2014/15 financial year with regard to the performance of the 2013/14 financial year.

** Resigned 28 February 2015.

	SCHEDULED MEETINGS	SPECIAL ASSIGNMENT	REIMBURSIVE AND OTHER ALLOWANCES	TOTAL
26. REMUNERATION OF REGULATOR MEMBERS AND EXECUTIVE MANAGEMENT (CONTINUED)				
PART-TIME REGULATOR MEMBERS				
2016				
J Modise	381 896	186 112	83 356	651 364
M Nkomo	274 480	73 584	41 870	389 934
KR Mthimunya	280 688	57 744	56 897	395 329
O Komane *	126 464	28 672	7 460	162 596
F Sibanda	219 512	32 384	52 238	304 134
	1 283 040	378 496	241 821	1 903 357
* Term ended 31 October 2015.				
2015				
J Modise	408 384	213 600	104 068	726 052
M Nkomo	295 552	49 600	53 686	398 838
KR Mthimunya	221 280	73 728	25 937	320 945
O Komane	230 816	81 403	40 850	353 069
F Sibanda	277 221	19 744	55 703	352 668
	1433 253	438 075	280 244	2 151 572

	SCHEDULED MEETINGS	SPECIAL ASSIGNMENT	REIMBURSIVE AND OTHER ALLOWANCES	TOTAL
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26. REMUNERATION OF REGULATOR MEMBERS AND EXECUTIVE MANAGEMENT (CONTINUED)

EXTERNAL MEMBERS

2016

TN Mashanda	21 760		1 350	23 110
J Meissner *	21 760		1 498	23 258
GN Jiyane	43 520		1 350	44 870
MJ Ndlovu *	21 760		1 350	23 110
NG Chonco *	34 816		1 350	36 166
	143 616		6 898	150 514

* Appointed 01 April 2015.

2015

M Joubert *	8 224		406	8 630
TN Mashanda	33 376	4 112	120	37 608
N Jiyane	66 416	8 224	377	75 017
	108 016	12 336	903	121 255

* Term ended 22 May 2014.

	SALARY	PERFORMANCE BONUS *	CAR ALLOWANCES	REIMBURSIVE AND OTHER ALLOWANCES	MEDICAL	PENSION CONTRIBUTION AND UIF	TOTAL
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26. REMUNERATION OF REGULATOR MEMBERS AND EXECUTIVE MANAGEMENT (CONTINUED)

EXECUTIVE MANAGEMENT							
2016							
M Ncetezo	1 491 391	348 331	120 000	78 343		187 439	2 225 504
N Sithole	1 535 472	318 821	42 000	118 164	39 903	183 697	2 238 057
P Nku **	1 195 323	251 796	-	331 209	82 035	154 250	2 014 613
Z Ngwepe	1 507 892	331 117	-	42 866	109 359	194 759	2 185 993
C Forlee	1 515 896	-	-	37 834	107 367	193 666	1 854 763
T Nxumalo***	716 832	-	-	16 340	2 314	95 709	831 195
	7 962 806	1 250 065	162 000	624 756	340 978	1 009 520	11 350 125

* Performance Bonuses were paid in the 2015/16 financial year with regard to the performance of 2014/15 financial year.

** Appointed Acting Chief Executive Officer from 1 March 2015.

*** Appointed 1 October 2015

	SALARY	PERFORMANCE BONUS *	CAR ALLOWANCES	REIMBURSIVE AND OTHER ALLOWANCES	MEDICAL	PENSION CONTRIBUTION AND UIF	TOTAL
2015							
M Ncetezo	1 377 576	289 136	120 000	45 486		176 678	2 008 876
N Sithole	1 427 672	244 627	42 000	95 548	36 465	174 927	2 021 239
P Nku	1 093 896	141 600	-	87 877	93 240	143 304	1 559 917
Z Ngwepe	1 403 313	-	-	25 433	99 708	181 658	1 710 112
C Forlee **	237 494	-	-	2 742	-	29 237	269 473
N Maseti ***	-	240 934	-	-			240 934
	5 539 951	916 297	162 000	257 086	229 413	705 804	7 810 551

* Performance Bonuses were paid in the 2014/15 financial year with regard to the performance of 2013/14 financial year.

** Appointed 01 February 2015.

*** Appointed FTRM 1 February 2015.

27. CHANGE IN ESTIMATE

Property, plant and equipment

In the current period management have extended the estimate useful life of Motor Vehicle and Computer Equipment by 2 years. The effect of this revision has been a decrease in the depreciation charge for the current period by R 534 563 which will also impact future periods.

Intangible assets

In the current period management have extended the estimated useful life of Computer software by 4 years. The effect of this revision has been a decrease in the amortisation charge for the current period by R 1 367 344 which will also impact the future periods.

28. RISK MANAGEMENT

Financial risk management

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

Liquidity risk

NERSA's risk to liquidity is a result of payables and provisions. NERSA mitigates liquidity risk through an ongoing review of future commitments and cash flow forecast.

The following table reflects NERSA's exposure to liquidity risk from financial liabilities:

	CARRYING AMOUNT	TOTAL CASH FLOW	CONTRACTUAL CASH FLOW WITHIN ONE YEAR	CONTRACTUAL CASH FLOW WITHIN 2 & 5 YEARS
At 31 March 2016				
Payables from exchange transactions	16 827 901	16 827 901	16 827 901	
Provisions	25 554 979	25 554 979	25 554 979	
At 31 March 2015				
Payables from exchange transactions	15 660 493	15 660 493	15 660 493	
Payables from non-exchange transactions	10 344 053	10 344 053	10 344 053	
Provisions	25 695 629	25 695 629	25 695 629	

28. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit /Counter party risk refers to the risk that a counter party will default on its obligation resulting in financial loss to the entity. NERSA mitigates Credit/Counter party risk through the collection of revenue based on three legislation namely section 58 of the Electricity Act, 1987 of (Act No 41 of 1987); section 2 of the Gas Regulator Levies Act, 2002 (No. 75 of 2002) and section 2 of the Petroleum Pipelines Levies Act, 2004 -(No. 28 of 2004). The risk of non-payment largely mitigated by the existence of the relevant legislation in this regard.

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

FIGURES IN RAND	NOTE (S)	2016	2015
Receivables from exchange transactions		2 736 654	2 045 499
Receivables from non-exchange transactions		37 263 733	21 876 823

Market risk**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 risk is managed by investing, on short term basis, in current accounts and the Corporation for Public Deposits

	WEIGHTED AVERAGE RATE OF INTEREST %	1 YEAR OR LESS	NON-INTEREST
2016			
Cash			569
Short-term investment	6,32	121 551 845	
Current account	4.64	55 127 426	
		176 679 271	569
2015			
Cash			2 242
Short term investment	5,5	124 054 328	
Current account	3,75	24 251 483	
		148 305 811	2 242

29. GOING CONCERN

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

FIGURES IN RAND	2016	2015
30. FRUITLESS AND WASTEFUL EXPENDITURE		
Fruitless and wasteful expenditure	1 134	402
Amount recovered from employees	(1 134)	(402)
	-	-

Fruitless and wasteful expenditure was incurred with regard to interest charges on the late payment of service provider. The amounts were recovered from employees who were responsible for the delays in payments.

31. IRREGULAR EXPENDITURE

Add: Irregular Expenditure - current year	1 703 887
Less: Amounts condoned	(1 703 887)

Details of irregular expenditure - previous year

Incident	Disciplinary steps taken/criminal proceedings	
Extension of contract scope without prior approval	No disciplinary steps were taken due to the following reasons	1 703 887
	1. The expenditure was incurred in respect of legitimate expenditure projects which were urgent.	
	2. There was no financial loss to NERSA.	
	3. The contract signed was a specific term contract which allowed for variation of scope	
	4. The request for approval of the variation was done while the contract was still valid	

1 703 887

Details of irregular expenditure condoned -previous year

Incident	Condoned by (condoning authority)	
Extension of contract scope without prior approval	Finance Committee as delegated by ER	1 703 887

32. BUDGET DIFFERENCES

Material differences between budget and actual amounts

- 32.1 Actual is higher than budgeted interest received due to higher balances on cash and cash equivalents as a result of underspending on capital and operational expenditure during the current financial year.
- 32.2 Actual is lower than budgeted levy income is mainly due to lower electricity license fees as a result of general decline in electricity volumes. The reduction in demand for electricity is mainly due to improved energy efficiency of the economy .
- 32.3 Actual is lower than budgeted Personnel cost is due to a 8% vacancy rate for permanent employees and the vacant position of the Chief Executive Office as at 31 March 2016.
- 32.4 Actual is lower than budgeted Depreciation and amortisation due to under expenditure on current year Capital expenditure .
- 32.5 Actual is lower than budgeted General Expenses due to under expenditure on traveling and consulting fees due to delayed projects and the implementation of cost containment measures.



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RP215/2016 • ISBN: 978-0-621-44719-4