

REVISED STRATEGIC PLAN

2011/12 - 2015/16



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

PART A:

REASONS FOR PUBLISHING A REVISED STRATEGIC PLAN FOR 2011/12 – 2015/16

The Framework for Strategic Plans and Annual Performance Plans determines that a Strategic Plan should cover a period of at least five years, ideally from the first planning cycle following an election, linked to the identified outcomes of Government. Although plans may have a longer timeframe, they should be revised at least every five years, and a new or revised Strategic Plan should generally be prepared for consideration early in the final year of the prior planning period. The Department of Energy has published a Strategic Plan for the period 2010/11 – 2014/15. Government, however, adopted the Outcomes Based Approach in 2010 and the Presidency published the Guide to the Outcomes Approach in May 2010. The Department of Energy, consequently, adapted their Strategic Plan to the Outcomes Based Approach and published a new Strategic Plan for the period 2011/12 – 2015/16. The National Treasury, further, published the Framework for Strategic Plans and Annual Performance Plans in August 2010 determining, amongst others, a generic format for Strategic Plans and Annual Performance Plans. In comparing the Strategic Plan (2011/12 – 2015/16) with the requirements of the Framework for Strategic Plans and Annual Performance Plans, it became clear that the Department needs to publish a Revised Strategic Plan. In addition, at the compilation and publication of the Strategic Plan for the period 2011/12 – 2015/16, the Minister of Energy had only signed Delivery Agreements for Outcomes 2, 6 and 10 of the Government Plan of Action. Since then, the Minister has also signed Delivery Agreements for Outcomes 4 and 8. An analysis of the additional Delivery Agreements indicated that the Department does not need to expand on its Strategic Outcome Oriented Goals but that it does need to illustrate the alignment of the Strategic Outcome Oriented Goals with the Delivery Agreements signed by the Minister. The implementation of the Government-wide Monitoring and Evaluation System by the Department, furthermore indicated that there are a number of existing Strategic Objectives (Outputs) that were not provided for in the Strategic Plan for the period 2011/12 – 2015/16. These can then lead to, amongst others, a perceived misalignment between Budgeting and Planned Outputs. The Framework for Strategic Plans and Annual Performance Plans determines that a Strategic Plan may be changed during the five-year period that it covers. However, such changes should be limited to revisions related to significant policy shifts or changes in the service-delivery environment. The relevant institution does this by issuing an amendment to the existing plan, which may be published as an annexure to the Annual Performance Plan, or by issuing a revised Strategic Plan. Although the aforementioned reasons for publishing a revised Strategic Plan do not constitute “*significant policy shifts*”, it does constitute “*changes in the service-delivery environment*” and therefore requires the publication of a Revised Strategic Plan.

February 2012

DEPARTMENT OF ENERGY

REVISED STRATEGIC PLAN:

2011/12 - 2015/16

Department of Energy
Building 2B
Trevenna Campus
Corner Meintjies and Schoeman Streets
Sunnyside
Pretoria, 0002

Private Bag X19, Arcadia, Pretoria, 0007

www.energy.gov.za

Pretoria: (012) 444 4190

Cape Town: (021) 427 1017

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PART B: OFFICIAL SIGN OFF

It is hereby certified that this Revised Strategic Plan:

- Was developed by the management of the Department of Energy under the guidance of Minister Dipuo Peters (MP);
- Takes into account all the relevant policies, legislation and other mandates for which the Department of Energy is responsible; and
- Accurately reflects the strategic outcome-oriented goals and objectives which the Department of Energy will endeavour to achieve over the period 2011/12 to 2015/16.

YVONNE CHETTY (MS)
CHIEF FINANCIAL OFFICER

Signature:



THANDEKA ZUNGU (MS)
CHIEF OPERATING OFFICER

Signature:



NELISIWE MAGUBANE (MS)
ACCOUNTING OFFICER

Signature:



DIPUO PETERS (MS) (MP)
MINISTER OF ENERGY
EXECUTIVE AUTHORITY

Signature:



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PART C: INTRODUCTION



1. FOREWORD BY THE MINISTER OF ENERGY

The country's capacity to respond to the growing challenges in the area of security of energy supply has been tested on a number of occasions over the past few years, the most recent test being the hosting of the 2010 Soccer World Cup. From an energy supply perspective, we have done well. As we emerge from the most profound economic recession in almost a century, the challenges of electricity shortage of 2007-2008 will begin to re-emerge unless we succeed in ensuring security of supply from both the supply and demand-side management perspectives. While the world economy is in a state of recovery following the 2008/9 economic meltdown, opportunities in numerous manufacturing sectors are created in order to kick-start those economic activities that support social development and energy demand will increase.

The mandate of the Department of Energy is to ensure secure and sustainable provision of energy for socio-economic development. Over the next Medium Term Expenditure Framework (MTEF) we will ensure:

- The provision of an enabling platform for other sectors to speed up economic growth and transformation, create decent jobs and sustainable livelihoods,
- Our contribution to the massive programme to build economic and social infrastructure,
- The provision of an enabling platform to pursue regional development, African advancement and enhanced international co-operation, and
- Sustainable energy resource management and use, taking advantage of this scenario and giving effect to the above priorities, the Department of Energy (DoE) will focus on, amongst others:
 - Unlocking of infrastructure investment through policy and regulatory framework,
 - Implementing of various interventions to encourage sustainable energy resource management and use, through flagship interventions such as solar water heater programme (wind, concentrate and photo voltaic projects),
 - Improving our efforts to meet the energy efficiency and renewable energy targets,
 - Ensuring security of supply of petroleum products and national refining capacity,
 - Ensuring efficient supply and availability of gas resources,
 - Ensuring security of supply of electricity through the revamping and maintaining of the electricity infrastructure – including generation, distribution and reticulation,
 - Working hand in hand with the private and public sector institutions in order to build prosperity through service delivery. We will also refine the Integrated National Electrification Programme to eradicate the electrification backlog as part of our endeavour in achieving our Millennium Development Goals by 2014, and
 - Expand pipelines for the supply of liquid fuels into inland provinces.

COMMITMENTS

The statement that energy is the life thread of our economy holds true. It is therefore important that as the Department of Energy, we look beyond the narrow interpretation of our mandate and see how

we can contribute towards all government outcomes, including those where the Energy Ministry has not signed the Delivery Agreements.

The Minister of Energy has signed delivery agreements in the following areas:

Outcome 4: Decent employment through inclusive economic growth.

In terms of job creation, the Department of Energy is not a primary job creating Department. It, however, has a profound effect on both the direction of the economy and its ability to create jobs. All strategies and projects are developed in such a way as to provide for optimal job creation opportunities. Amongst others, the Independent Power Producers (IPP) procurement programme is intended to promote sustainable growth, job creation and the renewable energy industry in the rural areas.

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

This will be one of the critical areas for the energy sector as energy security is dependent on an adequate, robust, responsive and reliable infrastructure. The implementation of newly built programmes, provision of a framework for IPP participation and independent market operator, maintenance of electricity distribution networks, upgrading of the hydrocarbons supply network and the refining infrastructure, to name but a few, demand our undivided attention if we are to surpass the current economic growth levels and keep inflation within the predetermined parameters.

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

Noting that the energy sector, together with the transport sectors are the biggest contributors to greenhouse gas emissions, our contribution towards government's climate change targets will be a significant one. With planning tools like the Integrated Energy Plan (IEP), and the Integrated Resource Plan (IRP), we should be able to configure the primary and secondary energy mix in a manner which supports our climate change targets.

Since we tabled the 2011/12 - 2015/16 Strategic Plan and the 2011/12 Annual Performance Plan, I have also signed Delivery Agreements for Outcomes 2, 7 and 8. This further commits us to contributing directly to the following Government Outcomes:

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

We will contribute to this Outcome by ensuring that we provide electricity and other means of energy to schools and clinics.

Outcome 7: Vibrant, equitable and sustainable rural communities and food security for all.

Output 3 of Outcome 7 make provision for "Improved rural services to support sustainable livelihoods" and specify electricity as one of these services. The Department addresses this obligation by means of, amongst other, electrification projects in the rural areas.

Outcome 8: Sustainable human settlement and improved quality of household life.

We will contribute to this Outcome through the provisioning of electricity and other means of energy for cooking, heating and lighting, especially to vulnerable groups through the Integrated National Electrification Programme.

CLEAN ENERGY AND CLIMATE CHANGE

The year 2011 is a particularly special year for the energy sector in South Africa as we will be co-hosting the 17th United Nations Conference of Parties (COP17) in KwaZulu-Natal. With the increasing concern about the impact of climate change globally, this event will test our commitment to sustainable development and response to the challenges of climate change, of which the energy sector is the biggest contributor. Firm decisions will have to be made going forward regarding coal based electricity generation and the refining capacity of our petroleum products, both of which will increase the greenhouse gas emissions in the atmosphere, and in turn, the country's carbon footprint. COP17 comes at a time when, as a country, we are making firm progress in carbon capture and storage, use of solar energy, and other demand side management initiatives. We will continue to work alongside the business community to realise the energy efficiency and demand side management targets to which they have committed.

The urgent issue of climate change and greenhouse gas emissions will feature very highly on our agenda as we pursue our clean energy initiatives. The Integrated Resource Plan (IRP) 2010, soon to be approved by Cabinet, will be a major milestone on the road to a sustainable future for our country. We are not oblivious to the expectation of our people of how to effectively harness the power that we have, or the influence that we have to contribute meaningfully to the achievement of the overall objective of creating decent and sustainable jobs.

NUCLEAR ENERGY

Concerns over nuclear energy by various groups cannot be ignored. Countries that have successful nuclear programmes have a high percentage of citizens who understand what nuclear energy is, the risks and benefits associated with it. Nuclear energy remains one of the cleanest and safest energy options for South Africa and will be pursued in line with the Integrated Resource Plan (IRP).

The acute need to secure reliable energy supplies and the urgent requirement to reduce carbon emissions has put nuclear energy firmly on the agenda as a viable option to be pursued in order to achieve energy mix. Nuclear energy is becoming a preferred solution for energy security and in efforts to mitigate climate challenges. Some countries have showed renewed interest in nuclear energy while others are considering expansion of existing programmes, as is the case in South Africa.

STATE OWNED ENTITIES

In order to achieve our objectives, it will be essential for the state owned institutions within the energy sector to be streamlined according to the departmental mandate. In this regard, we will continue to strengthen the hands of our entities to deliver on their legislative mandates. We are looking forward to improving our relationship with those state-owned entities reporting to the Minister of Energy, as well as reviewing some of these entities' mandates and operating systems to ensure efficient service delivery. We will, amongst others, operationalise the South African National Energy Development Institution (SANEDI) and streamline the Central Energy Fund (CEF) and its subsidiaries.

Part of this process will entail the repositioning of PetroSA to become the National Oil Company poised to play its meaningful role both locally and internationally.

Accordingly, we value the role PetroSA will play in our future endeavours of ensuring sustained security of supply, and in this regard, a mutually beneficial partnership with our private sector companies is of paramount importance.

Cabinet made a decision in December 2010 to discontinue the process of restructuring the electricity distribution industry through the establishment of the Regional Electricity Distributors (REDS). This decision meant that the Electricity Distribution Industry (EDI) Holdings, as the company established in terms of

the Electricity Distribution Industry Blueprint Report of February 2003, will cease to exist, as its sole mandate was to establish REDS within the prescribed timeframe. Cabinet also approved the housing of the electricity distribution industry restructuring process within the Department of Energy as well as the appointment of an Administrator to work with the department and EDI Holdings during the finalisation and transitional periods. The process of de-registering EDI Holdings will be completed within the first half of the 2011/12 financial year along with the completion of the closing down audit and the provision of the annual financial statements and closing report.

The department will now review the entire electricity value chain with a view to developing a holistic approach towards energy security as well as the financial implications thereof.

INTERNATIONAL RELATIONS

The Department of Energy will actively participate at different international energy forums with companies, countries, multilateral and specialised energy institutions to contribute to the resolution of energy problems globally. The department intends to secure access to resources, technologies and capacity building initiatives offered by other countries, specialised energy institutions and organisations. Of note, are the initiatives that promote oil price stabilisation mechanisms, clean energy technologies, funding of energy projects and promotion of energy efficiency and universal access to clean affordable and reliable energy by all.

To this end; the department will endeavour to work closely with, among others, Southern African Development Community(SADC), Conference of Energy Minister of Africa (CEMA), African Petroleum Producers Association (APPA), India, Brazil and South Africa (IBSA), International Energy Agency (IEA), International Atomic Energy Agency, International Energy Forum, Clean Energy Ministerial meeting and pursue bilateral relations that assist the department to deliver on the mandate of reducing the carbon footprint as well as the enhancing energy security of supply in South Africa.

I would like to express my appreciation for the support of Cabinet colleagues both as individuals and as a collective group, as we faced the mammoth task of establishing the Department of Energy. A special welcome to Deputy Minister of Energy, Ms Barbara Thompson, whom I am looking forward to working with in ensuring delivery against the mandate given to

us by the people of South Africa.

We have a band of men and women, led by the Director General, Ms Nelisiwe Magubane, who are truly united behind our mission and vision, and who are driven by the need to realise the dreams and aspirations of all South Africans.

A handwritten signature in black ink, appearing to read 'Dipuo Peters', with a stylized, cursive script.

DIPUO PETERS (MS) (MP)
MINISTER OF ENERGY



2. MESSAGE FROM THE DEPUTY MINISTER OF ENERGY

Energy is the vital force powering business, manufacturing, and the transportation of goods and services to serve the nation. It is the lifeblood of any form of existence as it impacts on all we do and affects our very existence. Therefore, it is essential that we plan for the social dimension of our interface in all walks of life.

In this strategic plan, special focus will be given to the interrelation of energy with the youth, women, and children. In this regard, we will increase our intervention programmes with community formations, especially in terms of training and development, a public education and awareness campaign in renewable and clean energy, demand side management as well as job opportunities within the energy sector.

A particular focus will be given to inter-governmental relations, which lead to the attainment of Government's strategic objectives. Particular focus will be given to the relation of energy and the environment, agriculture and rural development, human settlements, trade and industry, human resource development, citizenship and regional as well as international relations.

We will increase our Public Participation Programmes with community formations, especially in terms of awareness, consultation, education and training in the new, and renewable, energy forms and demand side management. Special focus will be on creation and uptake of job opportunities within the energy sector, especially among the historically marginalised community groups. In this regard, we will focus our efforts, amongst others, on the following interventions:

- An integrated approach in electrification, which will see 150 000 new electricity connections and an additional 10 000 off-grid connections targeted for completion each year;
- The launch of the Clean Energy Education and Empowerment (C-C3E) Women Initiative, with a

view to expand the education-training and skills development in the clean energy space and the role of women, young and old;

- Acceleration of Energy Efficiency and Demand Side Management Campaigns, with a view to promote a larger uptake of energy efficiency demand side interventions to manage the national load on the electricity grid;
- Participation in the United Nation's Commission on Sustainable Development, with special emphasis on the Commission of Women;
- Participation in the United Nation's Climate Change issues under the United Nations Framework Convention on Climate Change;
- Participation in the African Union and Regional Structures such as SADC, focusing on those interventions that impact on the lives of the vulnerable, such as women, children, the aged and the impaired; and
- Implementation of the department's Youth Development Strategy in line with other national initiatives.

We will improve our stakeholder management and collaboration in a manner that will ensure popular understanding of energy issues, thereby enhancing the sustainability of the energy sector for the benefit of all South Africans and our neighbours. We will continue to play our role as a partner in regional, continental and international structures by initiating and operationalising bilateral and multilateral energy agreements.

BARBARA THOMPSON (MS) (MP)
DEPUTY MINISTER OF ENERGY



3. DIRECTOR-GENERAL'S OVERVIEW

This strategic plan is informed by the department's mandate, the recent Cabinet decisions involving policy matters such as the restructuring of the electricity distribution industry, energy planning and the Minister of Energy's signed performance agreement which covers outcomes 6 and 10 of the Government Outcomes. As the Minister has indicated earlier in this document, with regard to our response to Government Outcomes, we have broadened our approach to include even those outcomes that our Minister did not sign delivery agreements for.

ENERGY PLANNING

INTEGRATED ENERGY PLAN (IEP)

A long term plan on energy supply and demand is critical for the security thereof. The department will table the Integrated Energy Planning Strategy before Cabinet during the first quarter of the year. This strategy is expected to outline the requisite processes, systems and structures that will lead to the development of a comprehensive integrated energy plan.

The first phase of a national integrated energy modelling system, which is required to provide statistical analysis for the IEP, will be completed by May 2011, and the second phase is planned for completion by 2013/14.

INTEGRATED RESOURCE PLAN (for electricity) (IRP 2010-2030)

The IRP was concluded in the previous financial year and will be implemented in phases with effect from 2011/12 financial year. It is important to note that the IRP underlines the degree of our involvement in a number of inter-departmental and cluster initiatives such as agriculture, economic development, trade, environmental management and climate change. This will be the first IRP that government has directed and it must find a balance between competing government objectives – affordability, reducing carbon emissions

(Towards a Green Economy), water conservation, localisation and regional development.

The Integrated Resource Plan for Electricity (IRP 2010) covers the period for 2010-2030 and initiated the first round of public participation in June 2010. This public consultation focused on the input parameters for the IRP modelling. The final inputs for the IRP were published along with comments submitted on each parameter as well as responses by the Department of Energy. The proposed policy-adjusted IRP 2010 will be served before the IMC for Energy in February 2011 and tabled before Cabinet towards promulgation by March 2011.

The IRP 2010 is a "living" plan, which will be updated on an ongoing basis to reflect the changing needs of South Africa in order to learn from these inevitable changes in our economical, social and technological environment.

HYDROCARBONS

LIQUID FUELS

The energy security master plan for liquid fuels identified a number of capacity constraints and challenges faced by the petroleum sector in meeting energy demand. The department plans to publish the National Strategic Fuel Stock Policy, establishing the framework for the storage of fuel stock by government and industry, for public comment. We have completed the compliance audit of the Liquid Fuels Charter. The audit focused on the extent of compliance by the industry in terms of commitments made ten years ago. Following the outcome of the audit, a new empowerment framework will be developed and incorporated into the Petroleum Products Amendment Bill in 2011/12 financial year.

South African fuel specifications and standards are currently not in line with global vehicle technology trends and environmental requirements. The

department plans to review these specifications and standards with the intention of promulgating these by early 2011/12.

INLAND MULTIPRODUCT PIPELINE

Time is of essence for the construction of the Multi Product Pipeline between Durban and Johannesburg, for which the budget was allocated beginning last financial year. We will work together with relevant stakeholders to ensure a timeous delivery of the pipeline, with minimal interruption in the security of liquid fuels supply to the economic hubs of the country.

STRATEGIC FUELS STOCK

South Africa is a net importer of hydrocarbons and as such, is vulnerable to external environmental factors in the sector. We will ensure that the strategic fuels stock policy is developed and implemented so that we may maintain reserves best in line with international practice.

NATIONAL LPG STRATEGY

As part of the promotion of clean energy sources, we will present a draft Liquefied Petroleum Gas (LPG) Strategy that will be submitted to Cabinet in 2011/12 with public comments and finalisation immediately thereafter.

ELECTRICITY

Within the first quarter of 2011/12 we will be introducing the Independent System and Market Operator (ISMO) Bill to Parliament. ISMO provides a framework for independent power producers' participation. The ISMO Bill will be complimented by the Electricity Regulation Act Amendment Bill, with the objective to address the powers and functions of the ISMO, amongst others.

INTEGRATED NATIONAL ELECTRIFICATION PLAN (INEP)

In order to broaden access to electricity, we will continue to strengthen the electrification networks and build substations where necessary, to ensure the continuous roll-out of the electrification programme towards the goal of Universal Access. We will continue to embrace renewable technologies and energy efficiency as an integral part of our service delivery to the poor. During the 2011/12 financial year we plan to connect 150 000 households to the grid and an additional 10 000 off-grid.

CLEAN AND RENEWABLE ENERGY

RENEWABLE ENERGY

Work on the implementation of renewable energy programmes will continue towards the roll out of 1 million solar water heaters by 2014 and the implementation of the Renewable Energy Feed-in Tariff (REFIT) for the approved renewable energy technologies in line with the Integrated Resource Plan.

ENERGY EFFICIENCY

We will continue to implement the energy efficiency programme for the industrial and domestic sector in line with the Integrated Resource Plan for the achievement of the 2015 national target of 12%.

We will embark on a public awareness campaign to make energy efficiency an integral part of the domestic, commercial and industrial activity.

NUCLEAR ENERGY

Nuclear energy programs promote secure, competitive and environmentally responsible nuclear technologies to serve the present and future energy needs of the country. With the growing demand for energy/electricity supply and the environmental challenges facing the nation in this new century, the benefits of clean and safe nuclear energy are increasingly apparent.

In the meantime, we will continue to implement the 2008 Nuclear Energy Policy, including the implementation of intergovernmental decisions such as the deployment of new nuclear power stations, the associated funding and procurement framework, the industrialisation and localisation strategy, appropriate information sharing, as well as related training and skills development. The National Radioactive Waste Disposal Institute will be set up in 2011/12.

INTERNAL PROCESS IMPROVEMENT

With the realisation that, as we started our first year of independent existence, we would not have enough funds to implement the full approved organisational structure of the department, a decision was made to come up with an interim structure that would speak to the available funds and critical posts required to start the new department. We will continue to capacitate the department as financial resources become available. During the 2011/12 financial year, we will be appointing additional Deputy Director-Generals in the line function components, a process which will assist us in streamlining our work and give more focus to delivering on our mandate.

OUTREACH PROGRAMMES

In line with requirements of our social dialogue, the department will continue to reach out to its stakeholders on matters concerning energy, by sharing information, educating and promoting awareness on usage, and safety of energy sources and installations. In line with compliance requirements, progress will be reported at prescribed times to the relevant government institutions.

CONCLUSION

I believe that this document will enable our stakeholders to engage with us in a journey of ensuring energy security for South Africa in a sustainable manner for the current and future generations.



NELISIWE MAGUBANE (MS)
DIRECTOR GENERAL: ENERGY

PART D:

LEGISLATIVE AND OTHER MANDATES

1. MANDATE	Ensure secure and sustainable provision of energy for socio-economic development.
2. VISION 2014	A transformed and sustainable energy sector with universal access to modern energy carriers for all by 2014.
3. VISION 2025	Improving our energy mix by having 30% of clean energy by 2025.
4. MISSION	To regulate and transform the sector for the provision of secure, sustainable and affordable energy.
5. VALUES	
BATHO-PELE (Sotho for 'People First')	Represents a Department of Energy that is service orientated, strives for excellence in service delivery and commits to continuous service delivery improvement for the achievement of a better-life-for-all and seeks to include all citizens through services and programmes.
ETHICS	Represents our moral principles as reflected by the Code of Conduct for Public Servants, i.e. how we understand, know about and mean when we resolve what is right and what is wrong.
HONESTY	Represents a facet of moral character and denotes positive, virtuous attributes such as integrity, truthfulness, and straightforwardness along with the absence of lying, cheating, or theft.
INTEGRITY	Represents consistency of actions, values, methods, measures, principles, expectations, and outcomes and is regarded as the honesty and truthfulness or accuracy of one's actions.
ACCOUNTABILITY	Represents the acknowledgment and assumption of responsibility for our actions, decisions, policies, administration and governance.
PROFESSIONALISM	Represents workers, who enjoy considerable work autonomy and are commonly engaged in creative and intellectually challenging work that requires impressive competence in a particular activity.
UBUNTU	Represents our interconnectedness and our approach that is open, available and affirming of others.
MY PUBLIC SERVANT - MY FUTURE (We belong, We care, We serve)	Represents public servants at the centre of delivering quality services to the citizens in line with the dictates of the Constitution of the Republic.

6. LEGISLATIVE AND OTHER MANDATES

6.1 INTRODUCTION

The conclusion of the 2010 FIFA World Cup and the Department of Energy's (DoE) contribution to the successful hosting of the event will make the upcoming strategic period offer some new challenges and opportunities with regards to changing national and international economic conditions. South Africa weathered the storm of the global economic recession better than some of the larger world economies. While new opportunities will present themselves, persistent challenges such as job creation, climate change and energy security remain.

We are envisaging speedy developments during the term of this strategic plan due to the introduction of Independent Power Producers in the electricity space. Access for un-served communities to electricity through the Integrated National Electrification Programme (INEP) will continue to be funded through the Department of Energy for the foreseeable period ahead.

Energy demand side management remains important over the medium term, although the funding mechanism will change to the standardised offer model that will enable more and newer technologies to enter the energy efficiency market. South Africa has committed to substantial reductions in carbon dioxide emissions by 2025, and supports research and technology development aimed at environmentally sustainable economic growth.

Government will also focus on improving biodiversity protection and will contribute to the costs of South Africa hosting the United Nations Framework Convention on Climate Change Conference of the Parties (COP17) in 2011 (Medium Term Budget Policy Statement 2010, National Treasury).

Closer to the ground, President Jacob Zuma co-signed a Performance Agreement with the Minister of Energy Ms Dipuo Peters, MP in April 2010 that together with the associated Delivery Agreements, initiates government's new Outcomes Based Approach as it relates to energy. In brief, the Outcomes Based Approach seeks to ensure that government is focused on achieving the expected, real improvements in the life of all South Africans.

The Outcomes Based Approach clarifies what, in addition to the normal departmental mandate, we expect to achieve, how we expect to achieve it, and how we will know whether we are achieving it. Clear

statements of the outcomes expected together with specific indicators, baselines and targets to measure change will generate reliable information we can use to monitor progress, evaluate how successful we were, and plans to improve (Guide to the Outcomes Approach, Presidency).

More specifically, the Department of Energy will primarily contribute to five of the twelve priority outcomes referred to as the change agenda, namely, 'A long and healthy life for all South Africans' (Outcome 2), 'Decent Employment through inclusive Growth' (Outcome 4), 'An Efficient, Competitive And Responsive Economic Infrastructure Network' (Outcome 6), 'Vibrant, equitable and sustainable rural communities and food security for all' (Outcome 7), 'Sustainable human settlement and improved quality of household life' (Outcome 8) and 'Environmental Assets and Natural Resources that are Protected and Continually Enhanced' (Outcome 10), and to a lesser extent, to the remaining six expected Outcomes. At the same time, we will continue to deliver on our core mandate, also termed the 'Sustained Agenda'.

The rest of this Strategic Plan, particularly the tables in Part E, elaborate on the outcomes Strategic Outcomes Oriented Goals and Strategic Objectives needed to move towards the stated goal of energy supply that is secure and demand that is well managed, while also describing the context in which we operate. This Strategic Plan is, and will continue to be, supplemented by annual performance plans throughout the period 2011/12 to 2015/16.

In terms of section 7(5) (a) of the Public Service Act, 1994, the President may, by proclamation in the Government Gazette and on the advice of the Minister for the Public Service and Administration, amend Schedule 1 to the said Act so as to establish or abolish any national department, designate such department and the head thereof or amend any such designation.

Subsequently, the President in terms of section 7(5) (a) of the Public Service Act, by Proclamation No. 48, 2009, published in Government Gazette No. 32387 on 7 July 2009, amended the national departments listed in Schedule 1 to that Act to accord with the new portfolios of Ministers, including renaming current departments and establishing new departments. The Department of Energy was accordingly established in 2009. For the remainder of the 2009/10 financial year, the Department of Energy was hosted by the Department of Mineral Resources while preparations

for the split of the Department of Minerals and Energy (DME) were underway. DoE became independent with effect from 1 April 2010.

6.2 CONSTITUTIONAL MANDATE

There have been no significant changes to the Department of Energy's constitutional mandate. The description of the constitutional mandate has, however, been reviewed to be more accurate, comprehensive and descriptive.

Primary Mandate

On 10 May 2009 the President announced the appointment of amongst others, the Minister of Energy in terms of Chapter 5 (The President and National Executive), Section 91(2) and 93(1) of the Constitution of the Republic of South Africa, 1996 (the Constitution). The portfolios of these Ministers necessitated a re-organisation of departments, including the renaming of departments and the establishment of new departments, to support, amongst others, the Minister of Energy in executing their respective mandates.

Therefore the President in terms of section 7(5)(a) of the Public Service Act, by Proclamation No. 48, 2009, amended the national departments listed in Schedule 1 to that Act, to accord, amongst others, with the new portfolio of Energy and thereby establishing, amongst others, the new Department of Energy. The Department of Energy was, by extension, established to, in terms of Chapter 10 (Public Administration), Section 197 (1), of the Constitution, "loyally execute the lawful policies of the government of the day".

The President in terms of Chapter 10 (Public Administration), Section 97, of the Constitution, 1996 transferred the administration and powers and functions entrusted by specified legislation to, amongst others, the Minister of Energy by Proclamation No. 44, 2009.

The Department of Energy's implied mandate in terms of the Constitution is therefore to govern the Energy Sector, through reasonable legislative and other measures.

This mandate is limited by Part B of Schedule 4 of the Constitution, 1996, which specifies "electricity and gas reticulation" as functional areas of concurrent legislative competence. Chapter 7 (Local Government), Section 156(1) specifies that a "municipality has executive authority in respect of, and has the right to administer –the local government matters listed in Part B of Schedule 4 and Part B of

Schedule 5".

Section 155(7) in Chapter 7 (Local Government), however, specifies that "... national government ... has the legislative and executive authority to see to the effective performance by municipalities of their functions in respect of matters listed in Schedules 4 and 5, by regulating the exercise by municipalities of their executive authority referred to in section 156(1)".

The Department's Mission, Vision and Mandate statements as well as its Strategic Outcomes Oriented Goals directly relate to this mandate.

The Department of Energy also has a secondary role to play in the following areas:

Environment

Chapter 2 (Bill of Rights), Section 24.1, specifies that "Everyone has the right-

- a. to an environment that is not harmful to their health or well-being; and
- b. to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that
 - i. prevents pollution and ecological degradation;
 - ii. promote conservation; and
 - iii. secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development."

As we ensure the provision of various forms of energy and manage the utilisation of energy, we therefore also have to ensure that people's right to an environment that is not harmful to their health or well-being, an environment protected for the benefit of the present and future generations through reasonable legislative and other measures, is observed.

The mandate of the Department, i.e. "Ensure secure and sustainable provision of energy for socio-economic development", as well as the following Strategic Outcomes Oriented Goals of the Department directly relates to this mandate:

- Environmental assets and natural resources protected and continually enhanced by cleaner energy technologies; and
- Mitigation against, and adaptation to, the impacts of climate change.

We therefore, further have to ensure that as part of 'adequate' housing we provide electricity and other means of energy.

The Department addresses this obligation by means of, amongst others, legislative and other measures, to reduce carbon emissions, energy efficiency, mitigation of the impact of the generation/refinement and use of energy on the environment, etc.

Housing

Chapter 2 (Bill of rights), Section 26.1, specifies that “Everyone has the right to have access to adequate housing”; and

Section 28.2, which specifies that “Every child has the right –to ... basic ... shelter”.

We therefore further have to ensure that as part of ‘adequate’ housing and ‘basic shelter’, we provide electricity and other means of energy for cooking, heating and lighting.

The Vision 2014 statement of the Department, i.e. “... with access to modern energy carriers for all by 2014”, as well as the following Strategic Outcomes Oriented Goals of the Department directly relates to this mandate:

- Efficient and diverse energy mix for universal access within a transformed energy sector; and
- An efficient, competitive and responsive energy infrastructure network.

The Department addresses this obligation by means of, amongst others, programmes and projects to improve universal access to energy, especially to the rural areas and vulnerable groups through mainstreaming and integrated policy development and programmes such as the Integrated National Electrification Programme”; legislative measures (with other Government Departments, where applicable) to regulate building standards; etc.

Bill of Rights

The provisions of Chapter 2 (Bill of Rights) relating to Equality (section 9), Freedom of Trade (section 22), Healthcare (section 27) and Education (section 29) also inform the Department’s mandate.

The Department addresses this obligation by means of, amongst others:

- Legislation and other measures to promote transformation of the Sector to, amongst others, ensure participation by historically disadvantaged individuals;
- Licensing of energy enterprises through the Petroleum Products Act, 1977, and/or the National Energy Regulator of South Africa (NERSA) and the

National Nuclear Regulator (NNR);

- programmes and projects to improve universal access to energy such as the electrification of schools and clinics component of the Integrated National Electrification Programme;
- infrastructure development for the provisioning of electricity where new schools, clinics and hospitals are built; and
- increasing the skills and capacity needed in the energy sector, such as Science, Technology, Engineering and Maths (STEM).

6.3 LEGISLATIVE MANDATES

There have been no significant changes to the Department of Energy’s legislative mandate. The list of Acts and the description of the Acts has, however, been reviewed to be more accurate, comprehensive and descriptive.

The following legislation regulates the energy sector and reflects the legislative measures the Department instituted to

- Execute its obligation to govern the energy sector in order to ensure secure and sustainable provision of energy for socio-economic development with universal access to modern energy carriers for all;
- Established the need for the maintenance of this legislation and monitoring/ensuring compliance therewith; and
- Directly mandates the activities of the Department.

The National Energy Act, 2008 (Act No. 34 of 2008)

The National Energy Act, 2008, is the enabling legislation that empowers the Minister of Energy to ensure that diverse energy resources are available in sustainable quantities and at affordable prices in the South African economy to support economic growth and poverty alleviation, while also taking into account environmental considerations. In addition, the Act also provides for energy planning, for the increased generation and consumption of renewable energy, contingency energy supply, the holding of strategic energy feedstock and carriers, adequate investment in appropriate upkeep and access to energy infrastructure, measures for the furnishing of certain data and information regarding energy demand, supply and generation, establish an institution to be responsible for the promotion of efficient generation and consumption of energy and energy research and all matters connected therewith.

[The Electricity Regulation Act, 2006 \(Act No. 4 of 2006\), as amended](#)

The Electricity Regulation Act, 2006, establishes a national regulatory framework for the electricity supply industry and to make the National Energy Regulator of South Africa the custodian and enforcer of the national electricity regulatory framework. The Act provides for licences and registration as the manner in which generation, transmission, distribution, trading and the import and export of electricity are regulated. The Minister of Energy, in terms of Section 34 (1), is furthermore empowered to make determinations for the establishment of Independent Power Producers (IPP) for the purpose of greater competition in the electricity generation sector so as to increase the supply of electricity.

[The Petroleum Products Act, 1977 \(Act No. 120 of 1977\), as amended](#)

The Petroleum Products Act, 1977, as amended, provides for measures in the saving of petroleum products and the economy in the cost of distribution thereof, the maintenance and control of a price thereof, the furnishing of certain information regarding petroleum products, for the rendering of service of a particular kind or standard in connection with petroleum products, the licensing of persons involved in the manufacturing, wholesaling and retailing of prescribed petroleum products, promote the transformation of the South African petroleum and liquid fuels industry, the promulgation of regulations relating to such licenses and matters incidental thereto.

[The Central Energy Fund Act, 1977 \(Act No. 38 of 1977\), as amended](#)

The Central Energy Fund Act, 1977, as amended, provides for the payment of certain moneys into the Central Energy Fund (CEF) and for the utilization and investment thereof; it provides for the imposition of a levy on fuel and for the utilization and investment thereof; it provides for the control of the affairs of the Central Energy Fund (Proprietary) Limited by a board of directors, for the keeping of records of all transactions entered into for account of the CEF or the Equalization Fund and of certain other transactions; it provides for the investigation, examination and auditing of the books, accounts and statements kept and prepared in connection with the said transactions, and for the submission to Parliament of a report relating to the said investigation, examination and auditing. It also provides for matters connected with the Act.

[The Nuclear Energy Act, 1999 \(Act No. 46 of 1999\)](#)

The Nuclear Energy Act, 1999, provides for the establishment of the South African Nuclear Energy Corporation Limited (a public company wholly owned by the State) define its functions, powers and its financial and operational accountability, its governance and management by a board of directors, the composition of the board and a chief executive officer, the responsibilities for the implementation and application of the Safeguards Agreement and additional protocols entered into by the Republic and the International Atomic Energy Agency in support of the Nuclear Non-Proliferation Treaty acceded to by the Republic, regulate the acquisition and possession of nuclear fuel, certain nuclear and related material and equipment, as well as the importation and exportation of, and certain other acts and activities relating to that fuel, material and equipment in order to comply with the international obligations of the Republic; prescribes measures regarding the discarding of radioactive waste and the storage of irradiated nuclear fuel and incidental matters.

[The National Nuclear Regulator Act, 1999 \(Act No. 47 of 1999\)](#)

The National Nuclear Regulator Act, 1999, provides for the establishment of the National Nuclear Regulator in order to regulate nuclear activities, for its objectives and functions, for the manner in which it is to be managed and for its staff matters, safety standards and regulatory practices, the protection of persons, property and the environment against nuclear damage and matters connected therewith.

[The National Radioactive Waste Disposal Institute Act, 2008 \(Act No. 53 of 2008\)](#)

The National Radioactive Waste Disposal Institute Act, 2008, provides for the establishment of the National Radioactive Waste Disposal Institute in order to manage radioactive waste disposal on a national basis, for its functions and for the manner in which it is to be managed, regulation of staff and matters connected therewith.

[The Petroleum Pipelines Act, 2003 \(Act No. 60 of 2003\)](#)

The Petroleum Pipelines Act, 2003, provides for the establishment of a national regulatory framework for petroleum pipelines, a Petroleum Pipelines Regulatory Authority as the custodian and enforcer of the national regulatory framework and matters connected therewith.

[The Petroleum Pipelines Levies Act, 2004 \(Act No. 28 of 2004\)](#)

The Act provides for imposition of levies by the Petroleum Pipelines Regulatory Authority and matters connected therewith.

[The Gas Act, 2001 \(Act No. 48 of 2001\)](#)

The Gas Act, 2001, provides for the orderly development of the piped gas industry, establishes a national regulatory framework, a National Gas Regulator as the custodian and enforcer of the national regulatory framework and matters connected therewith.

[The Gas Regulator Levies Act, 2002 \(Act No. 75 of 2002\)](#)

The Act provides for the imposition of levies by the National Gas Regulator and matters connected therewith.

[The National Energy Regulator Act, 2004 \(Act No. 40 of 2004\)](#)

The National Energy Regulator Act, 2004, provides for the establishment of a single regulator to regulate the electricity, piped-gas and petroleum pipeline industries and matters connected therewith.

[The Abolition Of The National Energy Council Act, 1991 \(Act 95 of 1991\)](#)

The Abolition of the National Energy Council Act, 1991, provided for the abolition of the National Energy Council, the transfer of powers, assets, liabilities, rights, duties, obligations and staff of the Council to the Minister and for matters incidental thereto.

The following Acts were not transferred to the Minister of Energy by Proclamation 44 of 2009 (presumably by oversight) but is administered by the Department and/or entrusted certain powers and functions to the Minister, the Department and/or the State Owned Entities (SOE's) of the Department:

[The Electricity Act, 1987 \(Act No. 41 of 1987\), as amended](#)

The Electricity Act, 1987, as amended, has been repealed by the Electricity Regulation Act, 2006, with the exception of section 5B that provides for the funds of the Energy Regulator for the purpose of regulation of the electricity industry.

[The Liquid Fuel And Oil Act Repeal Act, 1993 \(Act 20 of 1993\)](#)

The Liquid Fuel and Oil Act Repeal Act, 1993, repealed the Liquid Fuel and Oil Act, 1947 (Act 49 of 1947) and the Liquid Fuel and Oil Amendment Act, 1960 (Act 17 of 1960).

[The Coal Act Repeal Act, 1991 \(Act 124 of 1991\)](#)

The Coal Act Repeal Act, 1991, provided for the repeal of the Coal Act, 1983.

The following Acts are considered obsolete and need to be repealed:

The Electricity Amendment Acts, 1989 and 1994 (Act 58 of 1989 and Act 46 of 1994);

The Nuclear Energy Act, 1993 (Act 131 of 1993)

The Coal Resources Act Repeal Act, 1992 (Act 6 of 1992)

In addition to the aforementioned Acts, the Department are mandated by, amongst others, the following legislation:

[The National Environmental Management Act, 1999 \(Act No. 107 of 1999\)](#)

The National Environmental Management Act, 1999, has got a direct impact on legislative and other measures to reduce carbon emissions, energy efficiency and mitigation of the impact of the generation/refinement and use of energy on the environment.

[The Mineral And Petroleum Resources Development Act, 2002 \(Act No. 28 of 2002\)](#)

The Mineral and Petroleum Resources Development Act, 2002, makes provision for access to and sustainable development of mineral and petroleum resources and matters connected therewith.

6.4 POLICY MANDATES

The Department of Energy derives its mandate from the White Paper on the Energy Policy of December 1998. The Department of Energy is responsible for ensuring energy security within the country. It does this by undertaking Integrated Energy Planning (IEP), regulating energy industries, and promoting electric power investment in accordance with the Integrated Resource Plan (IRP) for electricity. The Department of Energy also continues to implement the Electricity Regulation Act, 2006, as amended, especially with respect to creating the necessary conditions for the introduction of an independent systems operator and independent power producers in the electricity market.

The White Paper on Renewable Energy of November 2003 supplements the White Paper on Energy Policy, which recognises that the medium- and long-term potential of renewable energy is significant. This

Paper sets out Government's vision, policy principles, strategic goals and objectives for promoting and implementing renewable energy in South Africa. It also informs the public and the international community of the Government's vision, and how the Government intends to achieve these objectives; and informs Government agencies and organs of their roles in achieving the objectives.

The recommendations made in the Energy Security Master Plan for Liquid Fuels, which was approved by Cabinet in 2007, continue to be implemented, with current focus being primarily on addressing the short to medium term infrastructural constraints within the liquid fuels sector.

Following the White Paper on the Energy Policy, 1998, the Nuclear Energy Policy was approved by Cabinet in June 2008. The policy provides a framework within which prospecting, mining, milling and use of nuclear materials as well as the development and utilisation of nuclear energy for peaceful purposes shall take place. The long-term vision of the policy is for South Africa to become globally competitive in the use of innovative technology for the design, manufacture and deployment of state of the art nuclear energy systems and power reactors and nuclear fuel cycle systems

The Department of Energy is also planning to review and update the 1998 White Paper on the Energy Policy of the Republic of South Africa during the current MTEF period.

6.5 RELEVANT COURT RULINGS

There are no specific court rulings that have a significant, ongoing impact on operations or service delivery obligations of the Department.

6.6 PLANNED POLICY INITIATIVES

Ensuring Energy Security

The Department will table the Integrated Energy Planning Strategy before Cabinet during the first quarter of 2011. The strategy is expected to outline the requisite processes, systems and structures that will lead to the development of a comprehensive integrated energy plan, which should be finalised by the end of September 2011. The first phase of a national integrated energy modelling system, which is required to provide statistical analysis for the IEP, will be completed by May 2011. The second phase is planned for completion by 2013/14.

National Strategic Fuels Stock Policy

The energy security master plan for liquid fuel identified a number of capacity constraints and challenges faced by the petroleum sector in meeting energy demand. In responding to these challenges, the national strategic fuels stock policy will be submitted to Cabinet during the 2011/12 financial year. This policy will set out the framework for the storage of fuels stock by government as well as industry. It also seeks to guide the necessary investment decisions within the liquid fuels sector to ensure the security of energy supply. As part of this process, towards the end of September 2010, the department drafted and published Regulations in respect of Strategic Stocks to be kept by Oil Companies, which will also be finalised during the 2011/12 financial year.

National LPG Strategy

As part of the promotion of clean energy sources, the Department is drafting a liquefied petroleum gas (LPG) Strategy which will be submitted to Cabinet in 2011/12. The main objectives of the Strategy are to provide access to safe, cleaner, efficient, portable, environmentally friendly and affordable thermal fuel for all households, and to switch low-income households away from the use of coal, paraffin and biomass to LPG.

Cleaner Fuels Programme

To further improve the quality of transport fuels, the department will review the current fuel specifications and standards so as to reduce harmful emissions, and to align standards with global vehicle technology trends and environmental requirements. This should encourage vehicle manufacturers to introduce more fuel efficient engine technologies with lower carbon and noxious emissions. The department has drafted a position paper for consultation and intends to promulgate new fuel specifications in the early part of 2011/12.

Promoting Clean And Renewable Energy Sources

Promoting the development and usage of clean and renewable energy resources remains a key priority for the department. The renewable energy feed-in tariffs have been set for a diverse portfolio of renewable energy sources including wind, solar, biomass and small-scale hydro. Producers who invest in renewable energy are incentivized by tariffs which cover the cost of generation plus an attractive return.

Similarly, energy efficiency programmes are prioritised and the department has developed a solar water-heating framework, which consolidates all solar

water heating programmes currently run by various municipalities, public entities and the private sector. The Department moved away from the standard offer framework (Renewable Energy Feed-in Tariffs), to a criteria based approach for proposals for the finance, construction, operation and maintenance of renewable energy generation facilities. These criteria included potential for the creation of a local industry, job creation, black economic empowerment and technology transfer. Interventions that improve energy efficiency in the domestic, industrial and commercial sectors, was developed and will be finalised in 2011/12. These initiatives assist the department to achieve its target of producing 10 000 GWh of electricity from renewable sources by 2013, and to improve energy efficiency by 12 percent by 2015.

Nuclear Energy

The Department continues with the implementation of the 2008 Nuclear Energy Policy, including the implementation of intergovernmental decisions such as the deployment of new nuclear power stations, the associated funding and procurement framework, the industrialisation and localisation strategy, appropriate information sharing, as well as related training and skills development. The National Radioactive Waste Disposal Institute will be set up in 2011/12

Independent Power Producers

The Department will initiate a procurement process for renewable energy investment under the REFIT programme. Technologies including solar, wind, biomass, hydro and landfill gas will form part of a diversified portfolio of renewable energy. In addition to the renewable energy IPP, other non Eskom generation opportunities will be procured, particularly cogeneration and other options identified as part of the IRP implementation process.

Energy Efficiency

Energy efficiency in the residential, commercial and industrial sectors remain one of the most attractive (in terms of cost and time to deploy) option that the department will focus on. The measurement and verification of energy efficiency outcomes will accordingly become a focal area with SANEDI, serving as a repository for all energy efficiency interventions and outcomes.

Infrastructure Rehabilitation

As we improve the electricity supply-demand situation, it has become critical to address the problems facing the electricity distribution network, particularly municipal infrastructure. The Approach to Distribution

Asset Management (ADAM) programme will be introduced to rehabilitate the identified municipal structure which poses a risk to energy security.

Policy Development and Reviews

The Department plans to develop and review the following legislative provisions during the 2011/12 financial year:

- Review and amend the National Energy Regulator Act, 2006, to improve the governance structure of the National Energy Regulator;
- Review and amend the Nuclear Energy Act, 2006, to provide for expropriation, improved licensing and address penalties;
- The development of the Independent System Market Operator Bill to facilitate Independent Power Producers in the South African electricity generation sector;
- Review and amend the Petroleum Products Act, 1977, to address regulatory gaps; and
- Review and amend the Gas Act, 2001, to include methane and gasses from other sources.

7. SITUATIONAL ANALYSIS

Over the past 20 years, South Africa has not made significant investments in the energy sector. The capacity that was created in the 1980's was sufficient to carry us through to the early 2000's, when it became clear that the demand growth, fuelled by the commodity boom, outpaced power supply and that there was an urgent need to increase supply.

External constraints in the global supply chains for power generation technology, particularly for nuclear plants, underscored the importance of improving energy security by way of a timely and sustainable "build program". Most countries faced the same problem of declining generation capacity around the same time as South Africa, which resulted in global supply chains becoming constrained as competition increased for machinery and services.

The economic crisis, driven by the sub-mortgage contagion, provided some breathing space (from an energy demand perspective) as economies cooled off around 2008. This reprieve was accompanied by massive job losses as investment declined. South Africa was able to continue to keep the lights burning partly as a consequence of the economic crisis. We must not be complacent in the face of renewed signs that economic activity is picking up again. There is a need to fast track the interventions that will improve the power supply - demand situation.

The severe liquid fuels disruptions which were experienced in 2005/6 came at a significant cost to the economy, while the infrastructure supplying the economic hub of the inland market is constrained. The growth in demand was also dampened by the global economic slowdown experienced in 2008.

In response, Government has implemented a planning framework for the energy sector, anchored on the Integrated Energy Plan and the Integrated Resource Plan, as the instruments to drive government's set objectives over and above supply adequacy. Issues like job creation, reducing our greenhouse gas emissions, and aligning with the New Growth Path and government's program of action form an integral part of this strategic plan over the next five years.

The emerging global trends in the provision of energy across the world positions Government to define objectives driven by outcomes in the supply of energy. The investment in social infrastructure programmes is a response to these emerging global trends. The social infrastructure investment programmes further aimed at ensuring that Government achieves 92% distribution penetration in accessing the electricity distribution grid by 2014.

For Government to achieve the 2014 distribution penetration of the electricity grid objective, the Department of Energy needs to ensure that the old electricity distribution infrastructure in municipalities is stable and sustainable. This has a large financial impact for the electricity distributing municipalities. The distribution of electricity by municipalities is driven by political and social responsibility that ensures that tariff increase does not affect the poorest of the poor. This is achieved through the implementation of indigent policy and block tariffs in order to ensure electrification of every household and supply of energy thereof.

The strategic economic policy identifies energy as one of the drivers for economic growth and sustainable environment and supply of clean energy. In response to this, the Government will be hosting the Conference of Parties (COP17) conference with the aim of brainstorming climate change and the use of green energy as the mechanism for job creation, reduction of carbon emissions and to take advantage of the technological developments in the industry. The outcome of the conference will contribute to the mechanisms that are already in place to create opportunities for alternative energy supply through solar heating and renewable energy sources. This

forms part of the initiative to improve supply and demand side of energy and create job opportunities.

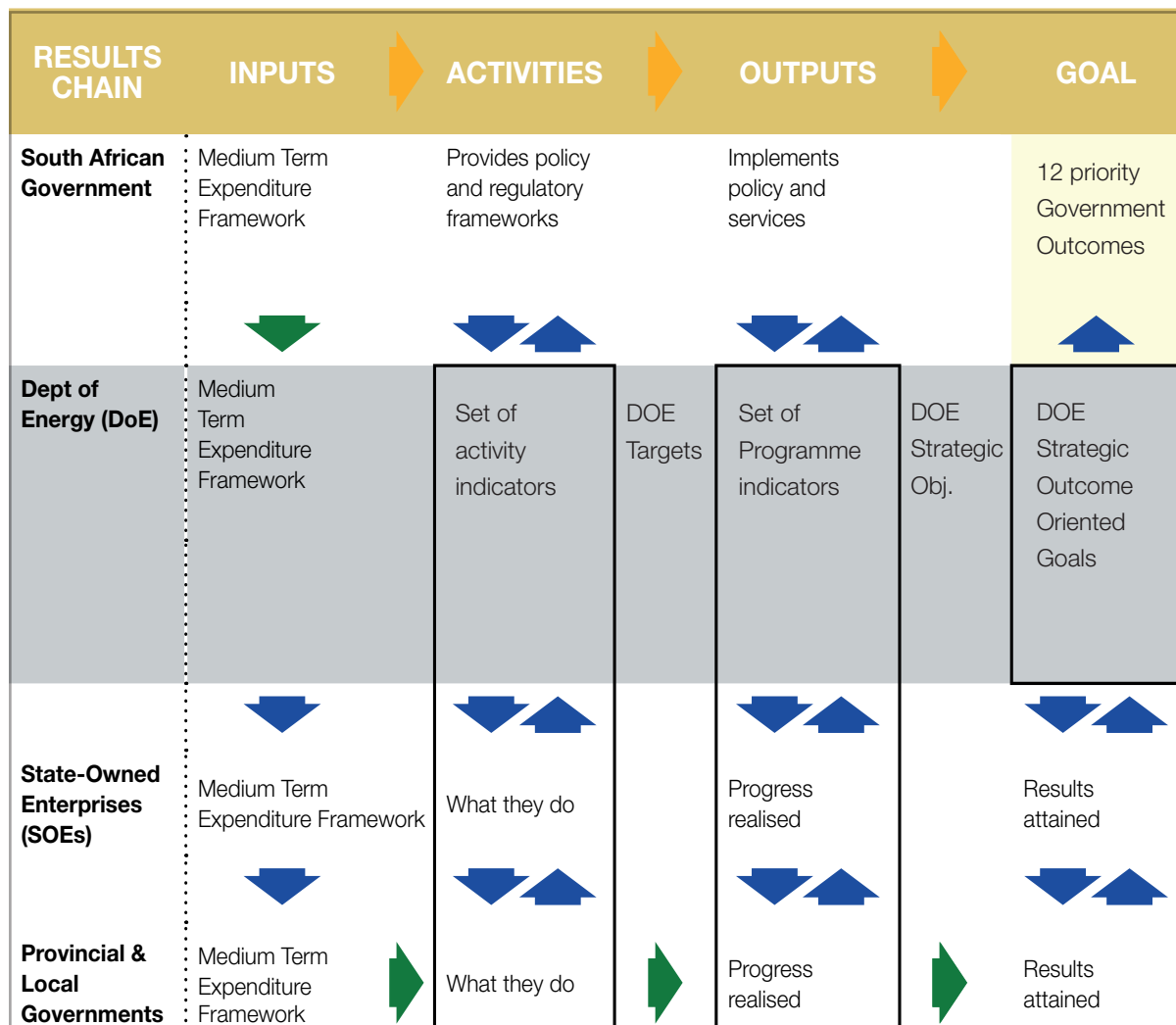
7.1 PERFORMANCE ENVIRONMENT

The Department of Energy was established in May 2009 as a result of President Zuma's decision to separate the Department of Minerals and Energy into two independent departments. This restructuring was informed by the increasing recognition of the importance of achieving energy security in a world dominated by different and competing interests. The aim of the department is to formulate and exercise oversight on the implementation of overall energy policies and to ensure access to affordable and reliable energy by all South Africans, as well as to promote environmental friendly carriers.

The Minister of Energy is responsible for overseeing five State Owned Entities (SOE) and their subsidiaries, which are either classified as Schedule 2 or 3 institutions in the Public Finance Management Act. They are: the National Nuclear Regulator (NNR); the CEF Group of companies under CEF (Pty) Ltd; the South African Nuclear Energy Corporation (NECSA); the National Energy Regulator of South Africa (NERSA), and the South African National Energy Development Institute (SANEDI). The enabling legislation requires the Minister to appoint members of the board of all state owned entities reporting to him or her. Boards are ultimately accountable and responsible for the performance of their respective entities. They give strategic direction in line with the department's strategy, within their respective mandates, which is then implemented by management.

The department is represented on all of these boards, with the exception of the National Energy Regulator of South Africa (NERSA), which is independent. EDI Holdings, another state owned entity in the DoE stable is currently in a wind-down and closing process, which will be completed early 2011/12 as per the Cabinet decision of 8 December 2010 on the future of the electricity distribution industry.

A bird's eye-view of the context in which the Department of Energy operates is depicted in the following figure.



7.2 ORGANISATIONAL ENVIRONMENT

Following the announcement by the President of the split of the former Department of Minerals and Energy into two separate Departments of Mineral Resources and Energy in May 2009, transitional arrangements were embarked upon to ensure continuous and uninterrupted service delivery to the South African public. During the interim phase commencing in October 2009 and ending on 31 March 2010, the support services component provided a shared service to both departments under the leadership of the hosting Department of Mineral Resources. The main purpose for this arrangement was to allow sufficient time for the restructuring and establishment of two separate departments, with sufficient capacity to deliver on their mandates. The restructuring of the Department of Energy (see Approved Organisational Structure at **Annexure A1**) resulted in the introduction of the following four new line- function branches, namely:

- Policy Development;
- Energy Operations Services;

- Integrated Energy Planning; and
- Nuclear Energy.

The new Department of Energy's structure was informed by the desire to address shortcomings in identified service delivery gaps and to enhance effective performance across the whole department. At a strategic level, the Office of the Chief Operating Officer was also created to focus on the strategy alignment of the work of the department, risk management, monitor and evaluate the department's performance, oversee state owned entities, international relations and liaise with the relevant Ministry in the Office of the President regarding the new approach to planning and performance monitoring. In view of the aforementioned, capacitating the Department for service delivery will still remain a key focus area and will be informed by an Integrated Human Resource Plan that is aligned to the strategic outcomes of the department as agreed upon between the Minister and the President. The department will also ensure implementation of the National Skills Development Strategy and participate in the Governance structures

of the relevant Skill Education and Training Authorities (SETA's) within the Energy Sector.

In line with Section 38(1) of the Public Finance Management Act, 1999 the Accounting Officer for a department must ensure that his/her department has, and maintains:

- Effective, efficient and transparent systems of financial and risk management, complying with, and operating, in accordance with regulations and instructions,
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective,
- Is responsible for the effective, efficient, economical and transparent use of the resources of the department, etc.

The following governance structures have been put in place: the Internal Audit function, Audit Committee, Strategy and Risk Management, Steering Committees, Procurement Committee and Human Resources related Committees.

We will continue to enhance the capacity of the department through the development and implementation of an Integrated Human Resource Plan in line with the directives from Department of Public Service and Administration, that makes provision for a number of key interventions such as the Recruitment and Retention Strategy, Human Resource Development Strategy, Talent Management Strategy, etc. Having realised the need for the scarcity

The following Table represents the Department's Workforce Race Profile by Occupational Level, as in January 2011. It should be noted that the department operates at 52% human resource capacity.

Occupational Level	African	Coloured	Indian	White	Total
Top Management	9	0	1	0	10
Senior Management	40	3	2	5	50
Professionally Qualified and Experienced Mid-Management	98	0	2	7	107
Skilled Qualified and Junior Management	194	1	0	5	200
Semi-Skilled and Discretionary	111	1	0	1	113
Unskilled and Defined Decision	2	0	0	0	2
Total	454	5	5	18	482

of the required skills in the Energy Sectors, both in the private and public sectors, we have enhanced our participation in both the Energy Sector Training and Development Authorities, at both Governing Board and Sector Skills Plans sub-Committee levels. The aforementioned involvement of our departmental representatives in the business of our relevant Skills Education and Training Authorities (SETA's) (i.e. the Chemical Industries Education and Training Authority (CHIETA) and the Energy Water Sector Education and Training Authority (EWSETA)) will enable to provide key and strategic inputs for the development of the skills that are critical and are required in line with our mandate as the Department of Energy.

The Approved Organisational Structure was implemented in terms of downscaled support services, special programmes and outreach projects. It was, however, not implemented in terms of the line function Branches, primarily because adequate funding was still not available.

The de facto Interim Operational Structure of the Department (**Annexure A2**) therefore still consisted of the following two (2) "DME" Energy Branches:

- Hydrocarbons and Energy Planning Branch; and
- Electricity, Nuclear and Clean Energy Branch.

The Interim Operational Structure was aligned to the available funding and National Treasury's baseline. As funding became available, we will progressively migrate from the Interim Operational Structure to the Approved "fully complemented" Structure over the MTEF period and beyond.

7.3 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

From 21 to 23 November 2010, the Minister of Energy, the Director-General, and the Department's Senior and Middle management met on the outskirts of Pretoria to discuss and set the strategic direction of the department for the current five-year period (2011/12 - 2015/16). Officials from the Presidency and National Treasury provided several presentations in plenary sessions, while professional facilitators administered several break-away groups to discuss, from an outcomes perspective, the functional areas of DoE.

Following the end-of-year holidays, the senior management of the department met on 17 January 2011 for the purpose of reviewing, amending and approving the high level Objectives of the department for the current strategic period. DoE programmes (branches) were then tasked with the further development of their respective intermediate outcomes and the means (outputs) by which to achieve their stated Objectives. The logic model emanating from these collective efforts is depicted by way of the graphic in Part E, paragraph 4 below, while the tables in Part D, paragraph 8 elaborate further on how each branch's Outputs contribute to the identified Strategic Outcomes Oriented Goals of the Department, which, in turn, collectively contributes towards the goal of attaining energy supply that is secure and demand that is well-managed.

The aforementioned Strategic Outcomes Oriented Goals and Strategic Objectives were also presented to the Parliamentary Portfolio Committee.

The National Treasury published the Framework for Strategic Plans and Annual Performance Plans in August 2010 determining, amongst others, a generic format for Strategic Plans and Annual Performance Plans. It was not compulsory for departments to implement the new framework during 2011/12. During the 2011/12 financial year, however, the expectation is that all departments will implement the new framework in 2012/13.

On 7-8 November 2011 the Department held its annual strategic planning and mid-term review session in Centurion. In comparing the Strategic Plan (2011/12 – 2015/16) with the requirements of the Framework for Strategic Plans and Annual Performance Plans it became clear that the Department needs to publish a revised Strategic Plan.

In addition, at the compilation and publication of the Strategic Plan for the period 2011/12 – 2015/16, the Minister of Energy had only signed Delivery Agreements for Outcomes 2, 6 and 10 of the Government Plan of Action. Since then, the Minister has also signed Delivery Agreements for Outcomes 3, 4 and 8. An analysis of the additional Delivery Agreements indicated that the Department does not need to expand on its Strategic Outcome Oriented Goals but that it does need to illustrate the alignment of the Strategic Outcome Oriented Goals with the Delivery Agreements signed by the Minister.

The implementation of the Government-wide Monitoring and Evaluation System by the Department, furthermore indicated that there are a number of existing Strategic Objectives (Outcomes/Outputs) that were not provided for in the Strategic Plan for the period 2011/12 – 2015/16. These can then lead to, amongst others, a perceived misalignment between Budgeting and Planned Outputs.

Although the aforementioned reasons for publishing a revised Strategic Plan do not constitute "significant policy shifts", it do constitute "changes in the service-delivery environment" and therefore require the publication of a revised Strategic Plan.

The Department will continue to ensure that the Strategic and Corporate Plans of the entities reporting to the Minister of Energy are aligned to the key strategic objectives and plans of the Department.

8. STRATEGIC OUTCOME ORIENTED GOALS OF THE DEPARTMENT

With due consideration of the Millennium Development Goals, the Government Programme of Action, its priorities as well as the Delivery Agreements signed by the Minister, the following Strategic Outcome Oriented Goals were identified for the Department (the Technical Indicators for the Strategic Outcome Oriented Goals are published on the Department's website (www.energy.gov.za)):

GOALS	GOVERNMENT OUTCOME	GOAL STATEMENT
1. Universal Access and Transformation	Outcome 2 – A long and healthy life for all South Africans; and Outcome 8 – Sustainable human settlement and improved quality of household life.	Efficient and diverse energy mix for universal access within a transformed energy sector.
2. Security of Supply	Outcome 4 – Decent employment through inclusive economic growth.	Energy supply is secure and demand is well managed.
3. Regulation and Competition		Improved energy regulation and competition.
4. Infrastructure	Outcome 6 – efficient, competitive and responsive economic infrastructure network.	An efficient, competitive and responsive energy infrastructure network.
5. Environmental Assets	Outcome 10 – Environmental assets and natural resources that are well protected and continually enhanced.	Environmental assets and natural resources protected and continually enhanced by cleaner energy technologies.
6. Climate Change		Mitigation against, and adaptation to, the impacts of climate change.
7. Corporate Governance	Outcome 12 - An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.	Good corporate governance for effective and efficient service delivery.

The aforementioned Strategic Outcome Oriented Goals of the Department are pursued by the following Programmes:

PROGRAMME	PROGRAMME PURPOSE
1. Administration	To provide corporate, executive, financial, information, supply chain management, governance and compliance support to the Ministry, the Department and the Energy Sector.
2. Hydrocarbons and Energy Planning	To – <ul style="list-style-type: none"> - develop, implement and review Hydrocarbon policies for improved energy regulation and competition; - ensure evidence-based integrated planning and investment decisions in the energy sector; and - ensure the optimum and orderly functioning of the petroleum industry.
3. Electricity, Nuclear and Clean Energy	To – <ul style="list-style-type: none"> - develop, implement and review Electricity policies for improved energy regulation and competition; - govern the South African nuclear energy industry and control source and special materials in terms of nuclear legislation and policies in order to ensure peaceful use of nuclear energy; and - manage and facilitate the development and implementation of clean and renewable energy initiatives.

PART E: STRATEGIC OBJECTIVES

1. PROGRAMME 1: ADMINISTRATION

PURPOSE

The Purpose of the Programme is to provide corporate, executive, financial, information, supply chain management, governance and compliance support to the Department of Energy and/or the Energy Sector.

SUBPROGRAMMES

The following Subprogrammes have been identified and are the responsibility of the indicated components:

Subprogrammes	Component(s)
Executive Support	Ministry (Chief Directorate) Office of the Director-General (Chief Directorate)
Management	Offices of the Deputy Directors-General
Audit Services	Directorate: Audit Services
Special Programmes	Directorate: Special Programmes
Project Management	Project Management Unit
Corporate Support	Corporate Support Branch
Finance, Information and Supply Chain Management	Office of the Chief Financial Officer Branch
Governance and Compliance	Office of the Chief Operating Officer Branch
Office Accommodation	Chief Directorate: Human Resources and Auxiliary Services

STRATEGIC OBJECTIVES

The following Strategic Objectives (outputs) have been identified for this Programme:

STRATEGIC OBJECTIVE	OBJECTIVE STATEMENT	BASELINE	
1.1	Executive Support	To provide executive support to the Minister, Deputy Minister and Director-General.	Executive Support Units established and functioning.
1.2	Audit Services	To provide internal audit services.	A risk based annual and three year audit plan developed in consultation with stakeholders.
1.3	Special Programmes	To identify, implement, manage and coordinate programmes/projects aimed at poverty alleviation, rural development, working for energy and mainstreaming/ upliftment/empowerment of disadvantaged/ vulnerable groups, etc.	Special Programmes unit established and functioning.
1.4	Project Management	To provide specialised assistance to programme and project managers as well as management in general and to coordinate project information and report on projects.	Minimum capacity established.

STRATEGIC OBJECTIVE		OBJECTIVE STATEMENT	BASELINE
1.5	Human Resource Management and Development (HR)	To ensure that the required number/profile of jobs and employees, with the required skills and competencies, are available when and where they are needed to deliver on the Department's mandate and its strategic objectives.	HR Functions have been established, delegations of authority in terms of the Public Service Act and Public Service Regulations have been approved and implemented, draft HR policies have been developed and an Interim Operational Structure has been implemented.
1.6	Accommodation and Facilities	To provide an accommodation and facilities management function.	Needs assessment report approved (accommodation).
1.7	Records Management	To provide records management services.	Minimum capacity established.
1.8	Security Services	To provide security services.	Draft Security Risk Management Plan exists but is not approved.
1.9	Legal Services	To provide legal services.	Legal Services unit established and functioning with adherence to current internal and prescribed requirements.
1.10	Communication Services	To provide communication services.	Draft communications strategy and implementation plan.
1.11	Knowledge Management	To provide knowledge management services.	The need for a Knowledge Management function has been identified but still needs to be established in the Department.
1.12	Financial Planning & Management Accounting	To plan, coordinate, evaluate and consolidate the Departmental Budget, monitor and report on the Department's financial performance and maintain a healthy cash-flow.	Statutory prescripts and guidelines. Systems and processes for compliance exist. Efficient disbursement of budgets based on MTEF allocations. Developed policies, procedures and guidelines.
1.13	Financial Accounting and Asset Management	To manage revenue and debt payable to the Department by ensuring that revenue and debtors are accurately and timeously recorded and to manage, maintain and report on the departmental asset register and cashbook.	Statutory prescripts and guidelines. Systems and processes for compliance exist. Developed policies, procedures and guidelines.
1.14	Expenditure Management	To provide accurate and timeous payments to all creditors.	Statutory prescripts and guidelines. Systems and processes for compliance exist. Developed Policies and Procedures and Guidelines.
1.15	Supply Chain Management	To procure value-for-money goods and services in line with the strategic objectives.	Statutory prescripts and guidelines. Systems and processes for compliance exist. Developed Policies and Procedures and Guidelines.
1.16	Internal Control Reporting	To create a sound internal control environment with on going financial management monitoring and evaluation; and to compile and submit financial reports to Treasury.	Statutory prescripts and guidelines. Systems and processes for compliance exist. Developed Policies and Procedures and Guidelines.

STRATEGIC OBJECTIVE		OBJECTIVE STATEMENT	BASELINE
1.17	Information and Communication Technology (ICT) Infrastructure and Systems	To develop, implement and maintain ICT infrastructure and systems.	Department is currently on shared network infrastructure with Department of Minerals Resources; Some systems are limited in functionality and prone to errors; Data collection is manual driven and stored in multiple databases; and Limited disaster recovery process has been implemented.
1.18	Enterprise-Wide Risk Management	To develop and implement an integrated enterprise-wide risk management strategy in accordance with relevant prescripts.	Draft Integrated Enterprise-Wide Risk Management Strategy which includes a Fraud Prevention Plan.
1.19	Anti-Fraud and Corruption	To provide anti-fraud and corruption services in accordance with relevant prescripts.	Anti-Fraud and Corruption Prevention Plan; Whistle-blowing policy; and Public Service Code of Conduct.
1.20	Strategic Management and Planning	To facilitate the development, maintenance and implementation of the departmental strategic plan and to ensure outcomes oriented planning of strategies, operations and business activities in accordance with relevant prescripts.	2011/12-2015/16 Strategic Plan; and 2011/12 Annual Performance Plan.
1.21	Monitoring and Evaluation	To provide results-oriented Monitoring and Evaluation services to the Department.	Transition from balanced score card methods to the Government-wide Performance Monitoring and Evaluation approach. Programme Performance, Monitoring and Evaluation unit established. Audit baseline to be established by first milestone (review of available audit reports).
1.22	SOE Oversight	To manage partnerships with state-owned entities and monitor legal compliance, financial management and service delivery.	Existing shareholder compacts and draft Departmental SOE Oversight framework.
1.23	International Relations	To provide international relations services to the Department and Energy Sector.	International Relations Strategy drafted in line with the National International Relations Strategy.
1.24	Inter-governmental Coordination	To provide Inter-governmental Coordination services.	Inter-governmental Coordination is done on an Ad-hoc basis.

2. PROGRAMME 2: HYDROCARBONS AND ENERGY PLANNING

PURPOSE

The Purpose of the Programme is to –

- Develop, implement and review Hydrocarbon policies for improved energy regulation and competition;
- Ensure evidence-based integrated planning and investment decisions in the energy sector; and
- Ensure the optimum and orderly functioning of the petroleum industry.

SUBPROGRAMMES

The following Subprogrammes have been identified and are the responsibility of the indicated components:

Subprogrammes	Component(s)
Hydrocarbons	Chief Directorate: Hydrocarbons
Energy Planning	Chief Directorate: Energy Planning
Petroleum Licensing and Monitoring	Chief Directorate: Petroleum Licensing and Monitoring

STRATEGIC OBJECTIVES

The following Strategic Objectives have been identified for this Programme:

Strategic Objective	Objective Statement	Baseline	
2.1	Liquid Fuels Infrastructure/ Industry Development	To ensure efficient distribution and supply of petroleum products through infrastructure development.	708 kilo barrels per day (kbpd). One signed Grant Funding Agreement between DoE and Transnet. Baseline not established - storage and distribution database to be created.
2.2	Energy Safety Awareness	To develop awareness on energy safety issues.	No baseline.
2.3	Petroleum Products Act and Licensing Awareness	To develop awareness on the Petroleum Products Act and Licensing.	No baseline.
2.4	Hydrocarbons Regulation and Competition	To develop, maintain and implement the gas legislative framework.	Gas Act 48 of 2001.
2.5	Liquid Fuels Regulatory and Pricing Framework	To ensure internationally competitive pricing of petroleum products that will enable investment into the sector and attract new entrants; develop, maintain and implement basic fuel pricing system, a Regulatory Accounting System and fixed retail margins for illuminating paraffin.	Petroleum Products Amendment Act (Act 58 of 2003) with annexed liquid fuels charter. Inadequate Enforcement. LPG retail price regulations in place. Basic Fuel Price (BFP) for diesel, illuminating paraffin and petrol based on import parity pricing (IPP) methodology. Draft RAS with no cost recovery. Draft report on fixed retail margin for illuminating paraffin. Fuel prices working rules.
2.6	Petroleum Regulation	To process all manufacturing, retail and wholesale license applications.	95% of license applications processed within 90 days.
2.7	Bio-fuels	To improve bio-fuels production and uptake by developing the pricing framework for bio-fuels including incentives for manufacturers.	Bio-fuels Industrial Strategy (2007).
2.8	Universal Access to Energy	To establish Integrated Energy Centres (IeC's).	7 IeC's established.
2.9	Integrated Energy Planning	To develop key indicators and effectively monitor the impact of energy sector policies; and to develop and implement an IEP policy analysis framework.	Four-year lag in the content of published Price Report, Energy Digest and Energy Synopsis. Incomplete data disseminated to local, regional and international stakeholders.

Strategic Objective		Objective Statement	Baseline
2.10	Energy Data Collection, Storage and Dissemination	To collect and maintain relevant, current and accurate energy data; and to disseminate current, relevant and accurate energy information and data.	Two year lag in collecting data for energy balances. Inability to collect additional data sets.
2.11	Carbon capture and storage (CCS)	To develop, maintain and implement a regulatory framework that supports CCS test injection by 2016.	Published Atlas for CO2 Geological storage. Establishment of the South African Centre for Carbon Capturing and Storage under SANEDI.
2.12	Cleaner Hydrocarbons	To develop, maintain and implement clean hydrocarbons legislative framework.	Draft of SA Coal road map.
2.13	Security of Domestic Coal Supply	To develop mechanism for low grade coal supply for domestic market through control measures within two years.	Draft South African Coal Road map.
2.14	Petroleum Compliance and Enforcement	To monitor and enforce technical, legal and commercial compliance in the petroleum industry.	Conducting 1500 site inspections. Finalize arbitration request within 14 working days.
2.15	Petroleum Industry Transformation and Empowerment	To transform the sector and foster empowerment of previously disadvantaged South Africans in the petroleum industry.	25% HDI ownership.

3. PROGRAMME 3: ELECTRICITY, NUCLEAR AND CLEAN ENERGY

PURPOSE

The Purpose of the Programme is to –

- Develop, implement and review Electricity policies for improved energy regulation and competition;
- Govern the South African nuclear energy industry and control source and special materials in terms of nuclear legislation and policies in order to ensure peaceful use of nuclear energy; and
- Manage and facilitate the development and implementation of clean and renewable energy initiatives.

SUBPROGRAMMES

The following Subprogrammes have been identified and are the responsibility of the indicated components

Subprogrammes	Component(s)
Electricity	Chief Directorate: Electricity
Electrification	Chief Directorate: Integrated National Electrification Programme
Nuclear	Chief Directorate: Nuclear
Clean Energy	Chief Directorate: Clean Energy

STRATEGIC OBJECTIVES

The following Strategic Objectives have been identified for this Programme:

Strategic Objective		Objective Statement	Baseline
3.1	Electricity Generation infrastructure	To ensure security of electricity supply through the funding and the implementation of Electricity Generation Infrastructure Build Programme.	44,535 Megawatts (2010). Low reserve margin. Funding model in place (December 2010). Demand not met in absence of committed projects.
3.2	Universal Access to Energy	To manage, coordinate, monitor and report on programmes and projects to promote/enhance universal access to energy.	81% households (12.5 million) households are connected on grid and 31 643 are electrified through non-grid technology.
3.3	Electricity Distribution Infrastructure	To develop a map detailing electricity distribution assets status per metro, secondary city and remaining municipalities as well as a rehabilitation (implementation and funding) plan.	1. Problem identification report (ADAM). 2. No implementation plan. 3. Electricity Distribution Holdings wound-down in March 2011. 4. R 27.4 bn. backlog in 2008.
3.4	Nuclear Energy Expansion/ Infrastructure	To develop and ensure the implementation of a framework for nuclear energy expansion/infrastructure development in line with the Integrated Resource Plan.	Approved policy and basic infrastructure (Koeberg Nuclear Power Station, NECSA, Regulatory, etc.).
3.5	Nuclear Security	To improve nuclear security through combating of illicit trafficking of nuclear material.	Established security systems at ports of entry.
3.6	Electricity Legislation	To develop and maintain an Electricity Regulatory Framework to improve the Regulatory Framework and enhance competition.	Electricity Regulation Amendment Bill. National Energy Regulator Bill. ISMO Bill.
3.7	Electricity Competition	To promote competition and private sector participation in the electricity generation and transmission market.	Minimal MW contributed to grid. IPP Procurement done on ad hoc basis with no dedicated project team.
3.8	Nuclear Legislation	To develop, maintain and implement governing legislation and ensure alignment of mandate and activities/functions.	Nuclear Energy Act (1999). National Nuclear Regulator Act (1999). National Radioactive Waste Disposal Institute Act (2008). Associated regulations.
3.9	Nuclear Safeguards and Compliance	To ensure accounting and control of source and special nuclear materials by issuing authorisations within set timeframes.	8-week turn-around time. Newly established inspections unit.
3.10	Nuclear Communication and Stakeholder Engagement	To raise awareness on nuclear related matters.	Baseline to be established.
3.11	Nuclear Safety and Emergency Preparedness	To administer all matters related to nuclear safety and emergency planning through policy, legislation and regulation.	National nuclear Regulator Act. Disaster Management Act. National Nuclear Disaster Management Plan.
3.12	Medium Term Risk Mitigation Plan (MTRMP)	To mitigate the anticipated electricity supply shortfall in the immediate medium term as an integral part of IRP 2010.	Draft MTRMP. Low reserve margin. Aged existing generation fleet frequently operating above its recommended continuous rating, and sometimes compromised as a result of coal quality problems.

Strategic Objective		Objective Statement	Baseline
3.13	Medium-Term Risk Mitigation Plan (MTRMP) – Demand Side options	To deal with the demand side options to mitigate the anticipated electricity supply shortfall in the immediate medium term as an integral part of IRP 2010.	Government Communication and Information System (GCIS) led Energy Efficiency Campaign Concept 2008/9 & 2009/10. EMP Compliance Reports. Energy Efficiency Target Monitoring Project Document. Memorandum of Understanding (MoU) with SANEDI on Project fund administration and procurement process. Industrial Energy Management System. Institutional Capacity and Development for industrial energy efficiency management. Energy Efficiency Strategy, 2005. Tax Incentive regulations. 2008 revised EE Strategy. Draft EE Regulations to enforce Energy Efficiency Tax Incentive regulations. Industry Policy Action Plan 2 (IPAP 2). Some municipalities have Demand Side Management (DSM) programmes. 55,000 solar water heating units installed.
3.14	Inclining Block Tariff (IBT)	To develop, maintain and implement pro-poor electricity pricing programmes.	Electricity Pricing Policy in place; Inclining Block Tariff (IBT) introduced but does not cover prepaid meters. Multi-Year Price Determination 2 has awarded a 25% increase for the next three years (2010/11 to 2012/13) with IBT for qualifying households.
3.15	Renewable Energy	To develop and implement Renewable Energy policies and strategies to facilitate deployment of renewable energy sources in South Africa.	Renewable Energy White Paper (2003). Integrated Resource Plan 2010. New Generation Regulations. Industrial Policy Action Plan 2. New Growth Path. Only pilot projects for landfill gas, wind (Darling) and Hydro (Bethlehem).
3.16	Green/Low Carbon Economy	To promote and facilitate the initiatives relating to a green/low carbon economy through the development, promulgation and maintenance of a statutory framework (policies, legislation, regulations and guidelines); and the development, initiation, coordination, monitoring and reporting on progress and impact of strategies.	Green Economy Accord. New Growth Path. IRENA Work programme, strategies and reports. Clean Energy Ministerial. SA-UK bilateral, etc.
3.17	UNFCCC Participation	To contribute to the Climate Change Negotiations Mitigation and Markets (i.e. both convention and Kyoto Protocol (CMP)).	SA negotiation position paper. SA National Climate Change Response White Paper Policy. COP17 / CMP7 Report.
3.18	Clean Development Mechanism (CDM) Projects	To reduce greenhouse gases through implementation of Clean Development Mechanism projects.	SA approval procedure is in place. Guidance for applicants of CDM in South Africa is in place. CDM Status report.

4. DEPARTMENT OF ENERGY LOGIC MODEL

The following model depicts the alignment between Government's Outcomes, the Department's Strategic Outcomes Oriented Goals and the Department's Strategic Objectives (2011/2012):

<p style="text-align: center;">GOVERNMENT OUTCOMES</p> <p>2 – A long and healthy life for all South Africans; 7 – Vibrant, equitable and sustainable rural communities and food security for all; and 8 – Sustainable human settlement and improved quality of household life.</p>	<p>4 – Decent employment through inclusive economic growth.</p>	<p>6 – An efficient, competitive and responsive economic infrastructure network.</p>	<p>10 – Environmental assets and natural resources that are well protected and continually enhanced.</p>	<p>12 – An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.</p>
<p style="text-align: center;">STRATEGIC OUTCOMES ORIENTED GOALS</p> <p>2. Energy supply is secure and demand is well managed.</p>	<p>3. Improved energy regulation and competition.</p> <p>2.4 Hydrocarbons Regulation and Competition 2.5 Liquid Fuels Regulatory and Pricing Framework 2.6 Petroleum Regulation 2.13 Security of Domestic Coal Supply 2.14 Petroleum Compliance and Enforcement 2.15 Petroleum Industry Transformation and Empowerment 3.5 Nuclear Security 3.6 Electricity Legislation 3.7 Electricity Competition 3.8 Nuclear Legislation 3.9 Nuclear Safeguards and Compliance 3.10 Nuclear Communication and Stakeholder Engagement 3.11 Nuclear Safety and Emergency Preparedness</p>	<p>4. An efficient, competitive and responsive energy infrastructure network.</p> <p>2.1 Liquid Fuels Infrastructure/ Industry Development 2.2 Energy Safety Awareness 2.3 Petroleum Products Act and Licensing Awareness 3.1 Electricity Generation infrastructure 3.2 Universal Access to Energy 3.3 Electricity Distribution Infrastructure 3.4 Nuclear Energy Expansion/ Infrastructure</p>	<p>5. Environmental assets and natural resources protected and continually enhanced by cleaner energy technologies.</p> <p>3.12 Medium Term Risk Mitigation Plan (MTRMP) 3.13 Medium-Term Risk Mitigation Plan (MTRMP) – Demand side options 3.14 Inclining Block Tariff (IBT) 3.15 Renewable Energy</p>	<p>6. Mitigation against, and adaptation to, the impacts of climate change.</p> <p>2.11 Carbon capture and storage 2.12 Cleaner Hydrocarbons 3.16 Green/ Low Carbon Economy 3.17 UNFCCC Participation 3.18 Clean Development Mechanism Projects</p>
<p style="text-align: center;">STRATEGIC OBJECTIVES</p>				<p>7. Good corporate governance for effective and efficient service delivery.</p> <p>1.1 Executive Support 1.2 Audit Services 1.3 Special Programmes 1.4 Project Management 1.5 Human Resource Management and Development 1.6 Accommodation and Facilities 1.7 Records Management 1.8 Security Services 1.9 Legal Services 1.10 Communication Services 1.11 Knowledge Management 1.12 Financial Planning & Management Accounting 1.13 Financial Accounting and Asset Management 1.14 Expenditure Management</p> <p>1.15 Supply Chain Management 1.16 Internal Control and Reporting 1.17 ICT Infrastructure and Systems 1.18 Enterprise-Wide Risk Management 1.19 Anti-Fraud and Corruption 1.20 Strategic Management and Planning 1.21 Monitoring and Evaluation 1.22 SOE Oversight 1.23 International Relations 1.24 Inter-governmental Coordination</p>

5. RESOURCE CONSIDERATIONS

The total budget for the Department of Energy for the 2011/12 financial year is R 6 089 902. Transfer payments account on average for 96 per cent of the department's total budget allocation. The Integrated National Electrification Programme, which includes transfer payments to Eskom, Non-grid Service Providers and Local Governments, account for 51 per cent of the total departmental expenditure. The substantial increase in the department's budget over the 2010/11 to 2012/13 period is due to the R 4.5 billion allocated to the Transnet Pipelines, spread as R 1.5 billion per year from 2010/11 to 2012/13. These funds are earmarked for the construction of the national multipurpose petroleum pipelines between Durban and Johannesburg to ensure the supply of petroleum products. Spending in compensation of employees is expected to increase as we continue to implement the full structure of the department.

6. RELATING EXPENDITURE TRENDS TO STRATEGIC OUTCOME ORIENTED GOALS

The total budget for the Department of Energy for the 2011/12 financial year is R 6 089 902. Transfer payments account on average for 96 per cent of the department's total budget allocation. The Integrated National Electrification Programme, which includes transfer payments to Eskom, Non-grid Service Providers and Local Governments, account for 51 per cent of the total departmental expenditure. The substantial increase in the department's budget over the 2010/11 to 2012/13 period is due to the R 4.5 billion allocated to the Transnet Pipelines, spread as R 1.5 billion per year from 2010/11 to 2012/13. These funds are earmarked for the construction of the national multipurpose petroleum pipelines between Durban and Johannesburg to ensure the supply of petroleum products. Spending in compensation of employees is expected to increase as we continue to implement the full structure of the department.

OVERVIEW OF 2011/12 BUDGET AND MTEF ESTIMATES

Expenditure Estimates

Programme		Audited outcomes			Adjusted appropriation		Medium-term expenditure estimate		
		2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
R thousand									
1	Administration	40,505	53,413	74,776	104,205	125,679	167,471	149,897	151,503
2	Energy Policy and Planning	55,786	68,003	74,375	1,540,655	1,548,635	1,546,958	1,546,202	77,892
3	Energy Regulation	116,472	299,616	370,827	467,822	488,442	554,697	145,374	184,196
4	National Electrification Programme	1,554,497	1,913,896	2,517,156	2,823,345	2,884,545	3,207,555	3,138,983	3,312,011
5	Nuclear Energy and Regulation	421,884	583,464	607,500	599,363	601,363	613,221	594,873	579,176
Total		2,189,144	2,918,392	3,644,634	5,535,390	5,648,664	6,089,902	5,575,329	4,304,778
Change to 2010 budget estimate						113,274	350,309	36,630	(82,479)
Economic classification									
Current payments		157,260	170,823	205,408	202,123	254,147	297,188	275,426	348,870
Compensation of employees		68,223	84,581	113,683	132,994	147,928	181,718	192,412	218,271
Goods and services of which:		89,037	86,019	91,479	69,129	106,219	115,470	83,014	130,599
Administrative fees		572	718	1,223	3,735	2,245	3,372	2,499	3,299
Advertising		2,330	2,551	1,140	3,411	1,381	5,931	3,160	4,654
Assets less than the capitalisation threshold		508	620	1,158	1,600	2,144	445	291	305

Programme	Audited outcomes			Adjusted appropriation		Medium-term expenditure estimate		
	R thousand	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Audit cost: External	532	825	1,032	1,800	3,597	4,114	2,294	2,168
Bursaries: Employees	330	332	555	2,116	429	48	31	30
Catering: Departmental activities	927	1,198	1,262	3,174	1,672	2,602	1,611	2,253
Communication	2,038	3,164	4,622	5,226	4,431	8,929	5,894	7,455
Computer services	2,033	4,780	3,092	6,997	10,402	5,120	2,550	2,697
Consultants and professional services	30,696	16,710	18,572	9,647	17,241	7,707	4,613	8,893
Contractors	1,551	2,934	7,808	785	5,186	1,848	1,158	1,236
Agency and support / outsourced services	185	7,252	498	4,356	2,075	2,674	1,318	4,421
Entertainment	-	10	9	487	259	97	47	115
Inventory	1,099	2,819	1,931	2,755	3,951	7,081	4,884	5,331
Lease payments	4,985	4,528	12,302	7,167	11,875	13,664	13,223	13,671
Property payments	728	849	743	800	1,104	157	163	183
Transport provided: Departmental activity	26	3	-	98	98	-	-	-
Travel and subsistence	22,499	20,599	25,475	8,961	28,919	44,575	34,607	59,998
Training and development	1,021	1,067	1,208	2,103	1,727	330	216	281
Operating expenditure	11,864	10,717	6,552	2,492	4,562	1,978	1,734	7,247
Venues and facilities	5,113	4,343	2,297	1,419	2,921	4,798	2,721	6,362
Interest and rent on land	-	-	-	-	-	-	-	-
Financial transactions in assets and liabilities	-	223	246	-	-	-	-	-
Transfers and subsidies to:	2,030,261	2,744,146	3,432,474	5,328,667	5,389,667	5,784,884	5,294,831	3,951,007
Provinces and municipalities	462,495	589,138	1,074,552	1,240,104	1,240,104	1,376,612	1,151,443	1,214,772
Departmental agencies and accounts	83,963	99,583	96,007	81,536	81,536	46,096	33,149	33,012
Universities and Technikons	-	-	-	-	-	-	-	-
Public corporations and private enterprises	1,483,586	2,054,890	2,261,780	4,006,698	4,067,698	4,361,827	4,109,869	2,702,863
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-
Households	217	535	135	329	329	349	370	360
Payments for capital assets	1,623	3,423	6,752	4,600	4,850	7,830	5,072	4,901
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	1,145	2,873	6,360	4,600	4,850	7,830	5,072	4,901

Programme	Audited outcomes			Adjusted appropriation		Medium-term expenditure estimate			
	R thousand	2007/08	2008/09	2009/10	2010/11		2011/12	2012/13	2013/14
Cultivated assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	478	550	392	-	-	-	-	-	-
Land and subsoil assets of which:	-	-	-	-	-	-	-	-	-
Capitalised compensation	-	-	-	-	-	-	-	-	-
Total	2,189,144	2,918,392	3,644,634	5,535,390	5,648,664	6,089,902	5,575,329	4,304,778	

7. RISK MANAGEMENT

Over the past 20 years South Africa has not made significant investments in the energy sector. The capacity that was created in the 1980's was sufficient to carry us through to the early 2000's when it became clear that the demand growth fuelled by the commodity boom outpaced power supply and that there was an urgent need to increase supply.

External constraints in the global supply chains for power generation technology, particularly for nuclear plants, underscored the importance of improving energy security by way of a timely and sustainable "build program". Most countries faced the same problem of declining generation capacity around the same time as South Africa, with the result that global supply chains became constrained as competition increased for machinery and services.

The economic crisis driven by the sub-mortgage contagion provided some breathing space (from an energy demand perspective) as economies cooled off around 2008. This breathing space was also accompanied by massive job losses as investment declined. South Africa was only able to continue keeping the lights burning as an unintended consequence of the economic crisis. However, we must not be complacent in the face of renewed signs that economic activity is picking up again. There is a need to fast track the interventions that will improve the power supply- demand situation.

One of the key lessons from the 2008 power crisis was the need to coordinate the planning and implementation of new investments. Considerations relating to climate change confirmed the increased role that demand management could play coupled with the opportunity of deploying such technologies relatively quickly and cheaply. The geopolitical dynamics that influence the climate change discourse

have also presented an opportunity for South Africa to exploit our vast solar and other renewable energy resources given the interest of investors to participate in our nascent market.

The proposed IRP 2010 envisages a dramatic transition from a traditional coal-based electricity industry towards a low carbon environment. This transition carries some risks for the operations of the integrated power system, especially the introduction of variable generation technologies such as wind. The supporting infrastructure, in the form of transmission and distribution networks, and water infrastructure, amongst others, will also be impacted, especially after decommissioned coal power stations are replaced by nuclear and renewable resources that are geographically positioned away from the traditional generation sources in Mpumalanga.

In response, government has put in place a planning framework for the energy sector, anchored on the Integrated Energy Plan and the Integrated Resource Plan, as the instruments to drive government's set objectives over and above supply adequacy. Issues like job creation, reducing our greenhouse gas emissions, and aligning with the New Growth Path and government's program of action form an integral part of this strategic plan over the next five years

Based on the above background, the department, as a newly established organisation, has identified the following key risks that may affect the realisation of the strategic objectives of the department:

Risks	Description	Mitigation Plans
Insufficient funds available to provide accommodation and implement department plans.	Insufficient funding and lack of accommodation delays the filling of posts, provision of IT services and negatively affects the overall service delivery by the department.	Prioritise the funding of critical posts and departmental programmes, introduction of interim operational structure.
Inadequate, ineffective and uncoordinated Energy Sector.	Uncoordinated planning could result in a duplication of planning efforts which would be an effective and wasteful use of government resources. This could also result in poor service delivery, further creating regulatory ambiguity and curtailing investment.	<ol style="list-style-type: none"> 1. Engagement and coordination with relevant stakeholders. 2. Introduction of the Integrated Energy Planning Branch.
Failure to secure access of primary energy feedstock for liquid fuels.	Failure to secure primary energy feedstock could lead to shortages in the supply of oil and gas within the country, lost investment, job opportunities and an ultimate decline in economic growth.	<ol style="list-style-type: none"> 1. Currently implementing the Energy Master Plan (2007). 2. Prior approval is required for exportation of liquid fuel. 3. Maintenance of strategic stock reserves for emergencies by CEF. 4. Submission of refinery shutdown plan on a monthly basis by oil companies. 5. Bi-laterals with other countries to secure fuel.
Migration of the electricity distribution industry restructuring function to the Department of Energy.	Misalignment of the funding, winding up and DoE's capacity to take over the function.	Establishment of a joint winding up committee (DoE, Treasury, NERSA and EDIH), and the appointment of an Administrator to finalise the process post 31 March 2011.
Operational Risk – Information technology infrastructure failure.	The hardware infrastructure in the Data Centre is out of warranty, unstable and costly to maintain.	Invest in replacing hardware infrastructure. Upgrade network infrastructure by implementing network redundancy.
Operational Risk – Loss of key personnel throughout DoE.	Critical business systems are inadequately maintained and supported.	Create a progressive work environment, career growth and implement succession plan.
Impact of poor investment in existing and planned electricity distribution network.	Negative impact of poor performance of the electricity distribution network on the country's economic growth.	Transfer of the EDI oversight function to the department Implementation of the ADAM project.

PART F:

LINKS TO OTHER PLANS

1. LINKS TO LONG TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

Project Name	Programme	Project description	Outcomes	Estimated Project Cost	Expenditure to Date	Project Duration
						Start Finish
1.	Eskom Electrification	To implement the INEP by providing capital subsidies to Eskom to address the electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.	15.2 million households to have access to energy by March 2025.	R 35 billion	R 8 billion	2001/2 to 2025
	Municipality Electrification	To implement the INEP by providing capital subsidies to municipalities to address the electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of electrification infrastructure.				
	Non-grid connections	To implement the INEP by providing capital subsidies to non-grid service providers to address the electrification backlogs of permanently occupied rural and remote areas, in order to improve quality of life.				
2.	New Multi-Products Pipeline (NMPP)	To commission the NMPP.	Improved / adequate supply of petroleum products to the inland market from Durban	R 25 billion		

2. CONDITIONAL GRANTS

Name of grant	Integrated National Electrification Programme
Purpose	To facilitate access to electricity by all
Performance indicator	Universal Access by to formal dwellings by 2014
Continuation	Grant Continues
Motivation	Approximately 80% already electrified, need to upgrade from non-grid to grid in some of the rural areas.

3. PUBLIC ENTITIES

NAME OF PUBLIC ENTITY	MANDATE	OBJECTIVES	MTEF	DATE OF NEXT EVALUATION
The National Energy Regulator of South Africa (NERSA)	NERSA is the competent 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 Pipeline industries in terms of 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 Energy Regulator adopted the following high level strategic objectives over the next three years: <ol style="list-style-type: none"> 1. To facilitate security of supply in the energy industry. 2. To facilitate investment in energy infrastructure in order to support sustainable economic development in the South Africa. 3. To promote competitive and efficient functioning within the energy industry. 4. To ensure existence of regulatory certainty within the energy industry. 5. To facilitate affordability and accessibility in the energy industry. 6. To position and establish NERSA as a credible and reliable regulator in order to create regulatory certainty. 	2011/12 – R 223 021 701 2012/13 – R 240 315 901 2013/14 – R 252 503 543	As needed
The National Nuclear Regulator (NNR)	The purpose of the Regulator is to provide for the protection of persons, property and the environment against nuclear damage, through the establishment of safety standards and regulatory practices.	The following strategic objectives will be pursued over MTEF period by the NNR: <ol style="list-style-type: none"> 1. Effective Regulatory oversight and framework to assure nuclear safety and security. 2. To strengthen stakeholder relations and enhance the corporate image of the NNR. 3. To create a high performance culture. 4. Ensure financial viability and sustainability of the organisation to ensure that it remains a going concern. 5. Develop and maintain sound organizational infrastructure. 6. Enhance good corporate governance. 7. Ensure effective Human Capital Management. 	2011/12 – R 120 011 000 2012/13 – R 149 304 000 2013/14 – R 156 601 000	As needed

NAME OF PUBLIC ENTITY	MANDATE	OBJECTIVES	MTEF	DATE OF NEXT EVALUATION
<p>The South African Nuclear Energy Corporation (NECSA)</p>	<p>The South African Nuclear Energy Corporation was established as a public company in terms of the Nuclear Energy Act (Act No. 46 of 1999) and is wholly owned by the State. Its functions are:</p> <ol style="list-style-type: none"> To undertake and promote research on nuclear energy and radiation sciences and technology. To process source, special nuclear, and restricted material including uranium enrichment. To collaborate with other entities. <p>The Act provides for the commercialisation of nuclear and related products and services, and delegates specific responsibilities to the Corporation, including the implementation and execution of national safeguards and other international obligations. The Nuclear Energy Policy of 2008 elaborated on NECSA's mandate relating to R&D and nuclear fuel cycle responsibilities.</p>	<p>NECSA's products and services offerings are delivered through the following three main programme clusters:</p> <ol style="list-style-type: none"> Nuclear Power Cluster that undertakes nuclear fuel development and production, as well as projects and services in support of the SA nuclear power programme. Radiation Science and Applications Cluster delivers radiation sciences research services and develops products and services for industry, including isotopes for the medical sector. NECSA as Host of Nuclear Programmes Cluster refers to NECSA's services to house nuclear programmes due to its unique integrated SHEQ system, licensed nuclear infrastructure and specialised supporting services. <p>NECSA's key strategic objectives are:</p> <ol style="list-style-type: none"> To expand and industrialise NECSA's nuclear fuel and related technologies to, among other things, establish fully-fledged capabilities for uranium conversion, enrichment and fuel fabrication for future nuclear fuel security of supply and make a contribution to the envisaged localisation programme (especially regarding manufacturing of nuclear reactor components and fuel assemblies). To grow outputs of new technology, products and services as required by NECSA's long term strategy and growth objectives and in alignment with applicable national priorities and imperatives in science and technology. To optimally utilise the SAFARI-1 reactor for isotope production and research purposes and to extend the reactor's operational lifetime. To maintain NECSA/NTP's dominant status in the global radioisotope market and further grow its market share. To plan for the replacement of SAFARI-1 with a multipurpose research reactor for expanded research, fuel and material testing and radioisotope production. To continue with the programme to establish Low Enriched Uranium (LEU) fuel and target plate fabrication capabilities and LEU recovery from various process streams. To expand awareness about Necsa and the nuclear industry. 	<p>2011/12 – R 1 167 210 000</p> <p>2012/13 – R 1 256 427 000</p> <p>2013/14 – R 1 565 308 000</p>	<p>As needed</p>

NAME OF PUBLIC ENTITY	MANDATE	OBJECTIVES	MTEF	DATE OF NEXT EVALUATION
South African National Energy Research and Development Institute (SANEDI)	<p>To direct, monitor and conduct applied energy research and development, demonstration and deployment as well as undertake specific measures to promote energy efficiency throughout the economy.</p> <p>To establish a nationally focused energy research, development and innovation sector and undertake energy efficiency measures with a strong relevance for South Africa, aligned with DoE objectives as stated in the National Energy Act, 2008.</p>	<p>The entity was established to conduct nationally focused energy research and development, while assisting the Department to achieve its strategic objectives through energy research activities as well as energy efficiency programmes as set out in the National Energy Act, 2008 (No. 34 of 2008). The main outputs of SANEDI are to conduct energy research which will:</p> <ol style="list-style-type: none"> 1. Promote diversity of supply of energy and its sources? 2. Promote the development of and commercialise more efficient energy technologies. 3. Facilitate effective management of energy demand and its conservation. 4. Promote appropriate standards and specifications for the equipment, systems and processes used for producing, supplying and consuming energy. 5. Contribute to sustainable development of the South African economy. 	<p>2011/12 – R27 500 000</p> <p>2012/13 – R 28 110 000</p> <p>2013/14 – R 28 344 000</p>	As needed
CEF (Pty) Ltd	<p>The Central Energy Fund is a private company, governed by the Central Energy Fund Act (1977). The company research, finance, develops and exploits appropriate energy solutions across the spectrum of energy sources to meet South Africa's future energy needs. It is also mandated to manage the Equalisation Fund, which collects levies from the retail sales of petroleum products to eliminate unnecessary fluctuations in the retail price of liquid fuel and to give tariff protection to the synthetic fuel industry.</p>	<p>The high level objectives of the CEF Group for the planned period were identified as follows:</p> <ol style="list-style-type: none"> 1. To effectively and efficiently manage the energy business. 2. To play an active role in the governance and planning of all its subsidiaries and will strategically coordinate the long term future of the group. 3. To improve energy security of supply through diversifying sources and by building and managing strategic energy stocks and energy infrastructure. 4. To invest in and develop renewable and alternative energy sources and in energy efficiency. 5. To develop human capacity and invest in relevant research and development. 6. To manage and optimally exploit local strategic energy and related resources. 7. To mitigate against environmental impacts and maximise sustainable development. 	<p>2011/12 – R 10 649 125 000</p> <p>2012/13 – R 13 663 071 000</p> <p>2013/14 – R 18 249 080 000</p>	As needed

EDI HOLDINGS AND THE ELECTRICITY DISTRIBUTION INFRASTRUCTURE REHABILITATION

After Cabinet's approval for winding up of Electricity Distribution Industry Holding (EDIH), the department was mandated by Cabinet to take over programmes previously executed under the EDIH's mandate. A key program that will be taken over is the Approach to Distribution Asset Management (ADAM) programme, which will focus on addressing the rehabilitation of municipal electricity distribution infrastructure.

The initial phase of implementing the ADAM programme (2011/2012) will be to develop and in-depth assessment of the actual backlog and developing detailed geographical maps detailing the extent of the problem, firstly at Metro cities and secondly at Secondary metros. Once detailed maps are in place, detailed funding proposal will be put in place in preparation of second phase which involves execution of projects to rehabilitate the infrastructure under stress. Parallel to phase 1 (2011/2012) we intend to immediately put in place measures to rehabilitate those identified infrastructure that needs urgent intervention to ensure that electricity service

delivery is not negatively affected in the short to medium term.

As first priority, immediate critical short term projects will be rolled out. From an ADAM perspective these projects are defined as:

- a) Falling within the categories of Short-term Strengthening, Refurbishment and Maintenance;
- b) Can be implemented within 18 months; and
- c) Can improve the overall entity's infrastructure adequacy in line with planning and operational criteria defined by the entity itself or line within international standards.

ADAM implementation and project management, monitoring and reporting will be under the direct control of the Department, which will coordinate and consolidate all projects at municipal level.

4. PUBLIC-PRIVATE PARTNERSHIPS

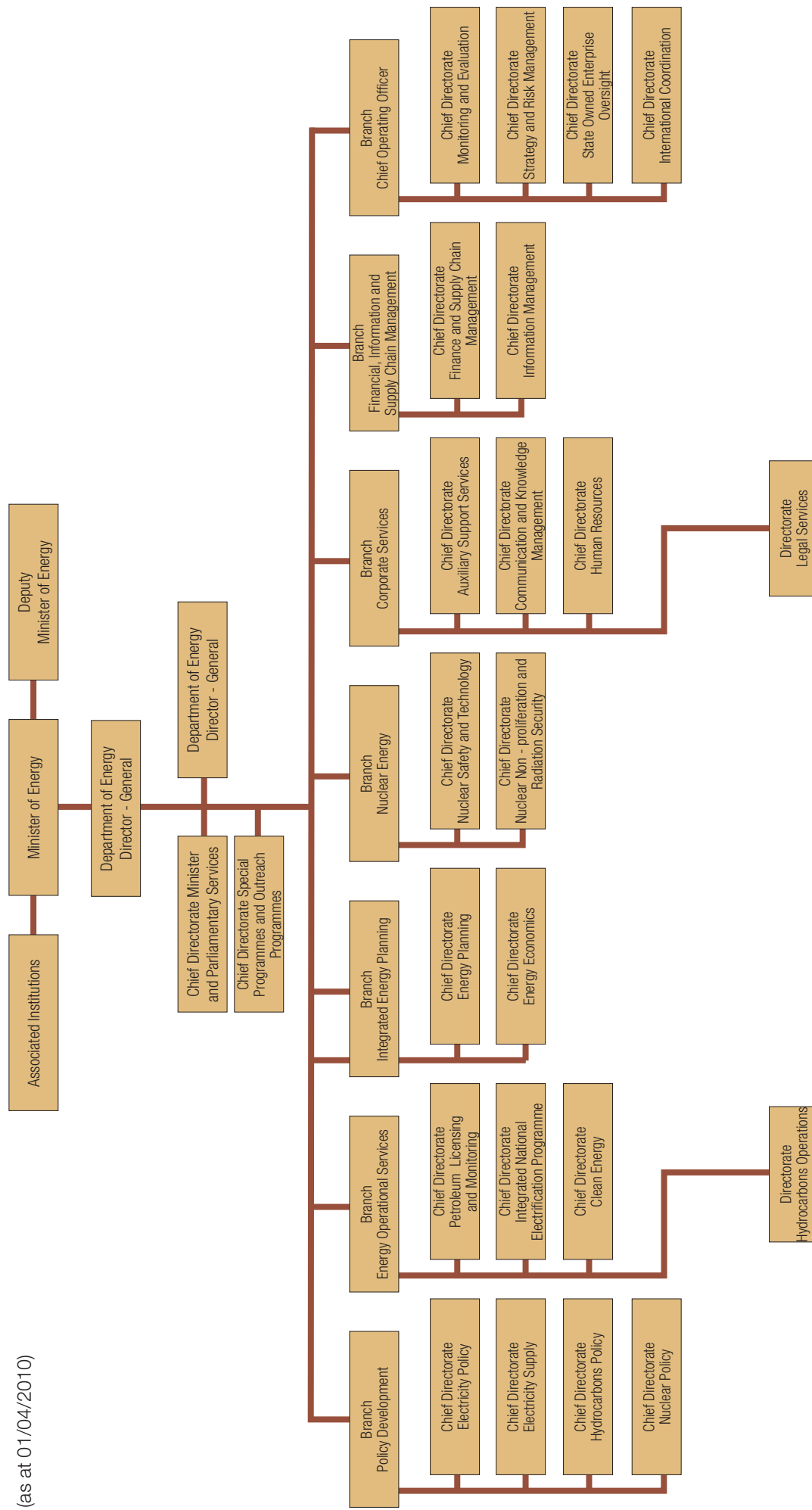
No Public-Private partnerships exist between the Department and other Stakeholders.

PART G: ANNEXURES

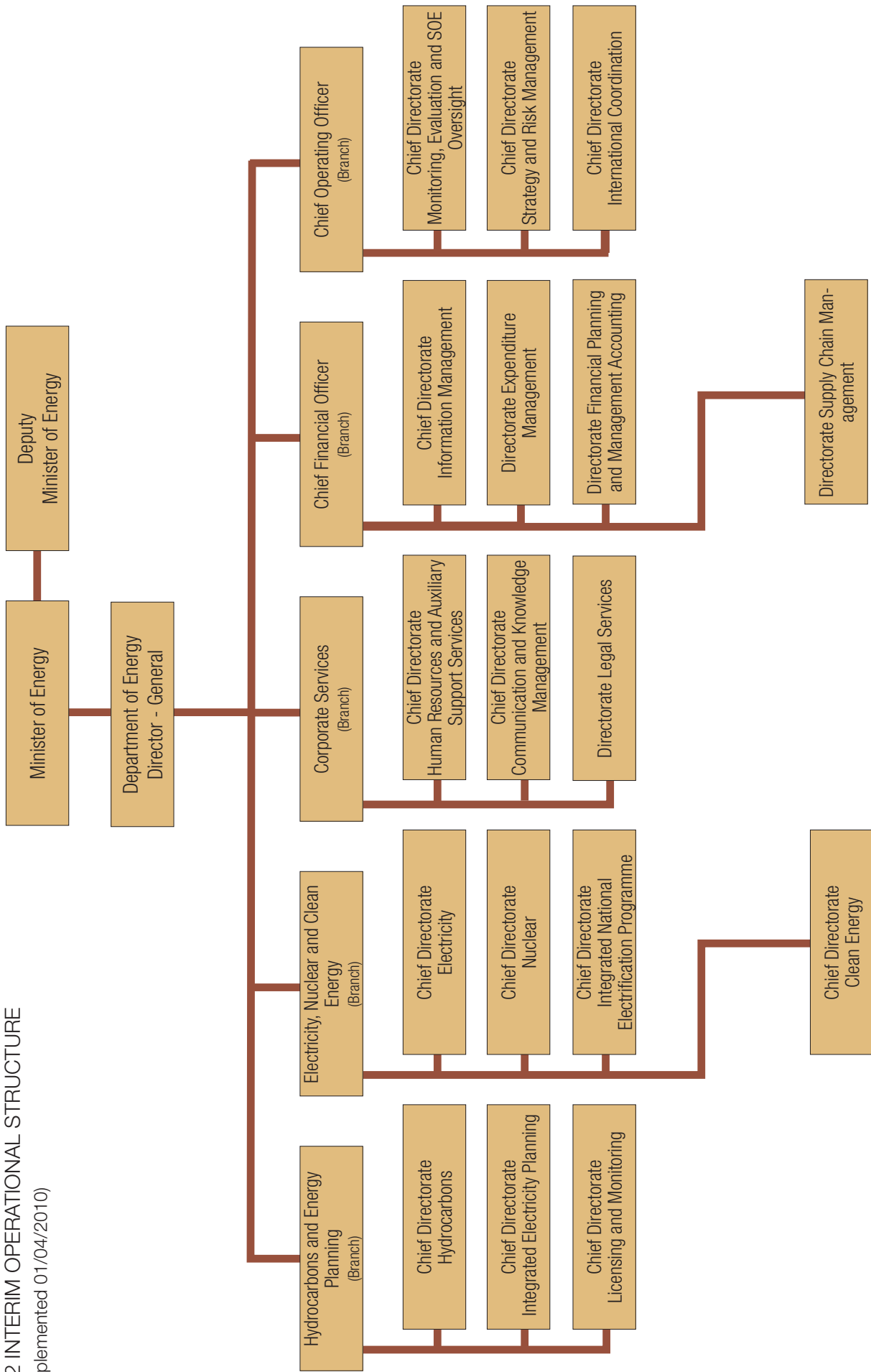
A. ORGANISATIONAL STRUCTURES

A.1 APPROVED ORGANISATIONAL STRUCTURE

(as at 01/04/2010)



A.2 INTERIM OPERATIONAL STRUCTURE
(implemented 01/04/2010)



B. GLOSSARY OF TERMS

ADAM	Approach to Distribution Asset Management
CEF	Central Energy Fund
COP17	17 th United Nations Conference of Parties
DME	Department of Minerals and Energy
DoE	Department of Energy
EDC	Energy Development Corporation
EDI/EDIH	Electricity Distribution Industry Holdings
ICT	Information and Computer Technology
IEP	Integrated Energy Plan
INEP	Integrated National Electrification Programme
IPP	Independent Power Producer
IRP	Integrated Resource Plan
ISMO	Independent System and Market Operator
LPG	Liquefied Petroleum Gas
MTEF	Medium Term Expenditure Framework
NECSA	South African Nuclear Energy Corporation
NERSA	National Energy Regulator of South Africa
REDS	Regional Electricity Distributors
REFIT	Renewable Energy Feed-in Tariff
SADC	South African Development Community
SANEDI	South African National Energy Development Institute
SETA's	Skills Education and Training Authorities
SOE's	State Owned Entities