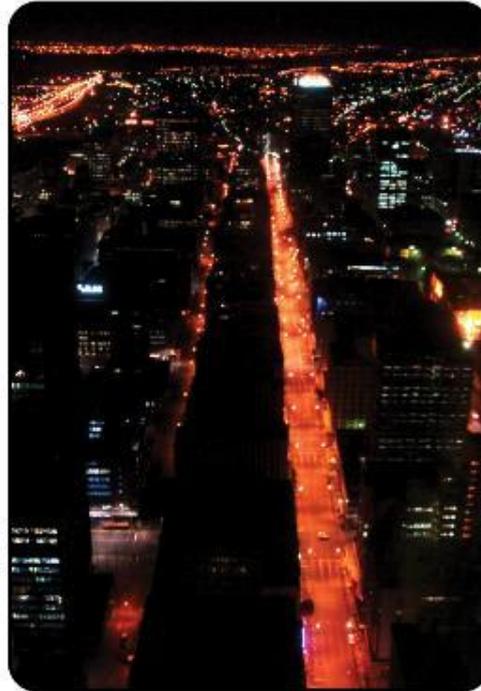
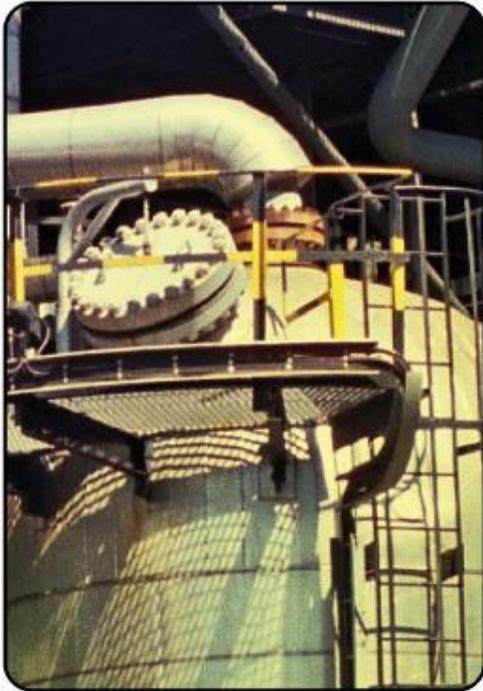


## PROMOTING SELF REGULATION WITHIN THE SOUTH AFRICAN ELECTRICITY SUPPLY INDUSTRY – AMEU CONVENTION 2013

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LEADING THE ELECTRICITY DISTRIBUTION INDUSTRY



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## **Introduction**

- **WHY IS IT NECESSARY TO DO AN IDP or SERVICE DELIVERY PLAN?**
  - Effective use of scarce resources
  - Speed up delivery
  - Impacting Skills and Addressing Unemployment
  - Attract additional funds for development
  - Strengthens democracy
  - To overcome the legacy of apartheid
  - Promotes co-ordination between local, provincial and national government
- **WHAT INFORMS THESE PLANS?**
  - Government Policy
- **WHAT DOES GOVERNMENT POLICY ENTAILS?**
  - Regulation

**THEN WHY IS REGULATION OR  
COMPLIANCE THERETO NOT A CORE  
DELIVERABLE IN THE IDP OR SERVICE  
DELIVERY PLANS?**

## Its because of these perceptions about Regulators



## WHY?

- In most cases some industry players are only responsive to regulation and not proactive
- Sometimes come across as a burden and hindrance to the business
- Total disconnect with Regulation until tariff approval or Compliance Audits periods
- Sometimes it's the lack of proper understanding of the intent of regulation and the interface or relationship with service delivery policies and plans

## **Lets look at what does regulation promote?**

- **Doing things the right way..**
- **High performance environment**
- **Reliability**
- **Efficiency**
- **Safety**
- **Economic growth**
- **Return on Investments**
- **Environmental Stewardship**
- **Protects the customer and the industry**
- **Enabler for infrastructure development**
- **Skills development and Job Creation**

**DO YOU SEE ANY RELATIONSHIP WITH IDP/SERVIVE  
DELIVERY OBJECTIVES?**

**Currently**

**Service  
Delivery(IDP)**

**Regulation**

## **Electricity Regulation Act Punitive Measures**

- **R2 million rand everyday for the non compliances until addressed**
- **Revoking of License**
- **Other ways may be to penalize at Tariff Review on revenue allowance**
- **Act allows for NERSA to form a Tribunal to make verdicts on non compliances but the law still allows the issue to be taken to high courts even after the tribunals decision etc.**
- **Incentive and penalty schemes on Quality of Supply and Service**

## **A need to Strive for Operational Excellence**

- **Municipalities need to understand that their utilities have to operate like a business not just another revenue generator for the council**
- **Investment into these utilities in terms of skills and infrastructure should be of paramount to the council**
- **A need to adopt proper business planning processes taking into consideration the IDP process**
  - **Integrate quality management systems into the process and make it an operational culture**
- **Ensure effective execution of the business plan by using quality management systems to monitor and enforce deviations**
- **Utility Master Plans should be implemented and not collect dust.**

## **Some Questions to Ask in Business Planning**

- **How can we deliver electricity reliably and safely to empower human and economic growth in South Africa,**
- **How can that be done when it can be inherently risky?**
- **How do we do it across our demarcated and licensed areas, day after day, year after year with zero tolerance on poor quality of service and supply?**
- **How do we keep our customers, employees ,contractors, shareholders, happy, healthy and safe each day?**
- **How do we protect the environment and the communities around us while operating reliably and efficiently?**
- **How do we become a valuable input to the National Government's 12 outcomes?**

## **Answers to this – Tenets of Operation**

**The tenets are based on two key principles:**

- Do it perfectly 100%, reliably and safely or not at all.
- There is always time to do it right. –

- **KEY WORD “ALWAYS”**

- Always operate within design and environmental limits.
- Always operate in a safe and controlled environment
- Always ensure safety procedures are in place and implemented.
- Always follow safe work practices and procedures.
- Always meet or exceed customers' requirements.
- Always maintain integrity of dedicated systems.
- Always address abnormal conditions.
- Always follow written procedures for high-risk or unusual situations.
- Always involve the right people in decisions that affect procedures and equipment

- **APPLICABLE RULES AND REGULATIONS ARE THERE TO ADDRESS THESE FOR YOU – NOT TO MAKE YOUR LIFE HELL**

## Assuring Compliance

- **The utilities need to assure compliance by verifying conformance with applicable company policies, government laws and regulations**
- **The current operational culture for some in the industry leaves regulation to the regulators - THIS IS A COMPROMISED CULTURE!!!!**

## **Lets Look at Compliance Audits**

- **Conducted at least on 3 year cycle to 187 Distribution License Holders plus Gx, Tx and IPPs**
- **Only zoom into financial, legal and technical obligations as per the license and not business processes and performance**
- **Q? How much could go wrong in the 3 years while waiting to be audited again.**

***This confirms that an electricity license holder cannot afford to wait for 3 years to be told how their business is doing***

# The Recommended Internal Compliance Assurance Process

- **3 Methods**
  - Creating a Department responsible for internal regulatory matters and interface with the Regulator or
  - Appointing a special project team to look at regulatory matters as and when, or
  - Outsourcing compliance monitoring

## **The Recommended Internal Compliance Assurance Process**

- **Identify, monitor and record applicable laws, regulations and company policies – KNOW ALL THAT IS APPLICABLE TO YOU AND ITS INTENT,**
- **Develop and implement performance monitoring programs to verify that effective controls are in place**
- **Conduct self-audits and independent audits to verify compliance on a regular basis (at least annually)**
- **Provide for reporting of violations**
- **Define and track actions items on identified noncompliance**
- **Ensure that the process is reviewed , monitored periodically and reported to management**

## **Compliance assurance and quality management systems requirements**

- **Management and organisation as a whole have to demonstrate:**
  - Commitment to the achievement of compliance to rules and regulations;
  - Effective policies for creating an environment that will motivate its personnel into satisfying the needs and expectations of its customers and applicable statutory regulatory requirements;
  - That it has effectively translated the needs and expectations of its customers and applicable statutory and regulatory requirements into measurable and attainable objectives;
  - Effective system of interacting processes for enabling the organisation to meet these objective in the most efficient way;
  - That it is achieving these objectives as measured, that they are being achieved in the best way that they remain consistent with the needs and expectations of its customers and applicable statutory and regulatory requirement.

**MILLION DOLLAR QUESTION:  
How can you conduct your own self compliance  
assessment?**

**CASE:**

**A standard, Code, Guideline, rule etc imposed to  
your license condition by the Regulator**

## **1. Management endorsement and commitment:**

- Ensure continued improvement of the effectiveness of the compliance assurance process
- Communicate to the organization the importance of meeting customer as well as statutory and regulatory requirements
- Establish compliance assurance policy and ensuring that compliance objectives are established
- Appoint and mandate a department or special workgroup which would be responsible for the development of compliance matrix

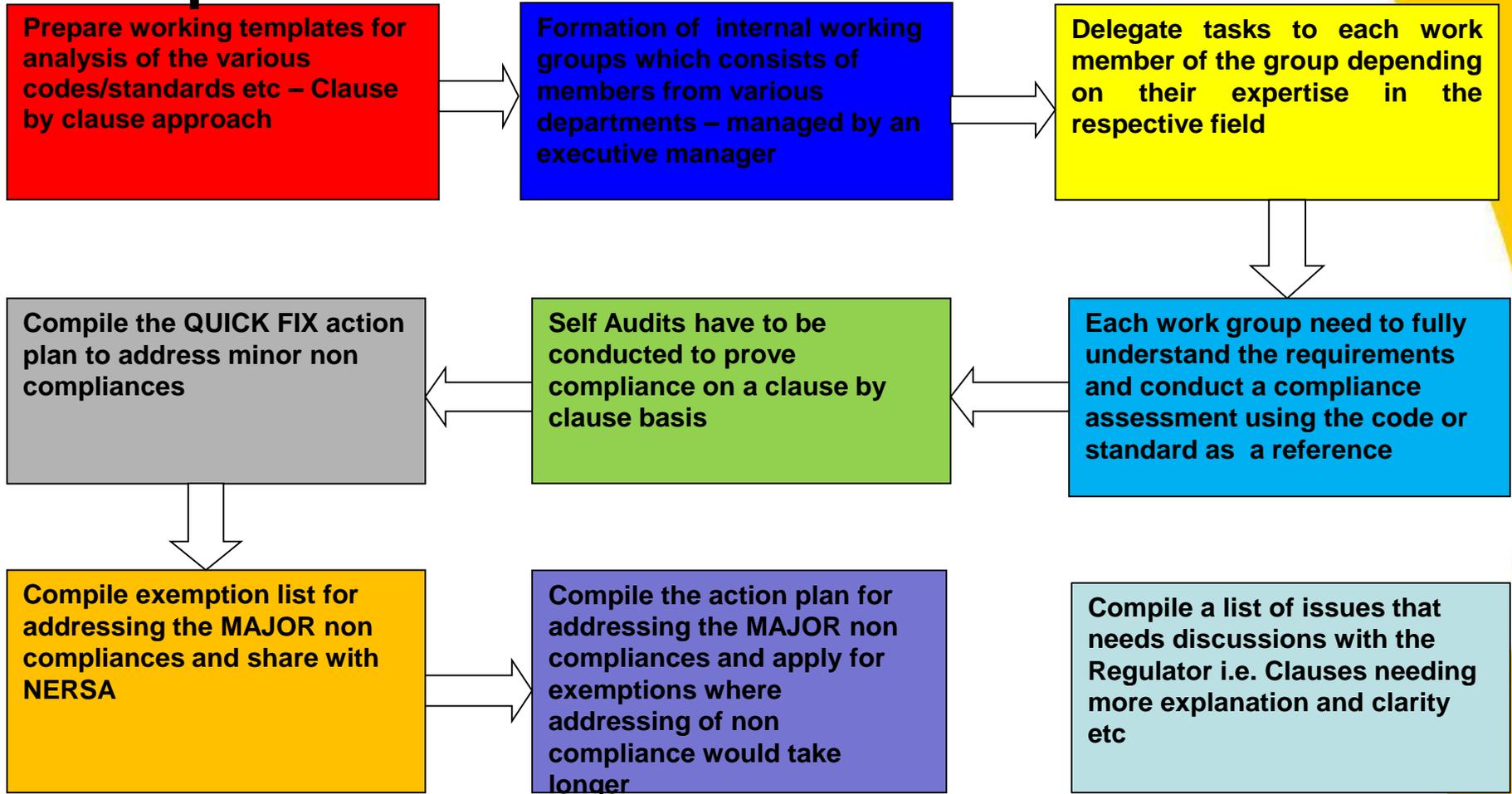
## **2. Coordination**

- Appoint project champions to ensure the successful completion of the compliance assessment process
- The candidate/s should must have good understanding of the business process and operations.
- Also appoint a Compliance project manager for oversight
- Protect team have to contract for these deliverables

### 3. Formation of a Compliance Working Group or Streams

- To conduct compliance monitoring and investigate enforcement
  - internal and on-site audits
- **This methodology of monitoring allows the utility to compile a self compliance framework that reflects the status quo of the utility in terms of compliance to the respective codes/standards/guidelines etc**
- The workgroups or workstreams should be assigned tasks depending on their expertise
- Each team would analyse certain parts of the code or standards as per their area of expertise and investigate the areas of non-compliance
- Once a non compliance has been identified, recommendations for compliance would be documented and this information would be shared accordingly with the Regulator when requested

# Compliance Assurance Process



## Compliance Matrix Example

Code/ Standard	Clause	Description	Comply Yes/No	Responsible Department(s)	Comment by	Supporting Documents/ Comments	Action Plan	Apply for exemption (Yes/No)
System Operation Code/ or NRS048	3(8)	The Distributor shall....	Yes or No	O&M	Lucky Ngidi – Manager Ops & M	Operational Manuals	None	No

## Example of Summarising findings and level of Compliance:

### **Code / Standard Type: Grid Code/NRS**

Total Clauses Analysed	117
Total Compliant	112
Total No Compliance	5
Notes to NERSA (Request for Clarity on Clauses)	14
<b>Percentage Compliance</b>	<b>98%</b>
<b>Remedial Action Plans to address non compliance</b>	<b>5</b>
<b>Timelines to Address Action Plans</b>	<b>6 months</b>
<b>Responsible Department/s</b>	<b>O&amp;M</b>

# Lessons to be learned

- You can identify your compliance levels to codes, standards, licence conditions by spending R0.00
- **Time and human resources is the only commodity needed**
- You manage to identify the clauses that are unnecessary and irrelevant for the Utilities of your type within the standards & codes and propose amendments to the Regulator
- Better understanding of intent of the standards and codes
- Identify projects needed to improve quality of service and supply
- Some benefits might be to understand your business needs regarding the revenue requirements on tariff application periods – giving you a better negotiation card to the Regulator
- Identify training needs or skills needed in your business
- You can even develop your own operational procedures for the existing and new employees using the regulatory frameworks
- You also realize the need to conduct periodic self audits
- The NERSA audits become painless i.t.o information requests

# Conclusion

- A compliance driven business is a business that is always ahead
- Able to detect the risks quicker and respond to those by always ensuring that their operational processes and performance are audited, monitored and reviewed to align with the best international norms
- Compliance driven entities also enjoy high turnovers and profit margins, also attract skilled employees, while the others underperform and always leaving by chasing fires,
- Waiting for regulation to remind you where and how your business is doing is not ideal
- More effective streamlining of processes across the entire business and assessing compliance thereof provides for more effective use of resources and increased productivity for the business
- Industry need to embrace and inform regulation, take part in the processes to avoid cases where regulation is viewed as a burden

# What NERSA have to do going forward

- **Attend AMEU regional branch meetings**
  - **Give timely feedback on AMEU issues and concerns**
  - **Communicate regulatory developments**
  - **Effect AMEU concerns on oncoming regulatory frameworks**
    - This is done currently by ensuring AMEU participation in all NERSA Advisory Committees
  - **Strengthen the communication channels and partnership**

# Coming Soon

- **Provincial Distribution Code Self Assessment Capacity Building Workshops**
  - November 2013 in Gauteng and Mpumalanga to be advertised on the NERSA website, invites to be made
  - More provinces coming up, dates to be advised soon
- **Assisting the industry on how Self Assessment is done**
- **The process, how to do it, what to do, when to do it, who to do it**
- **Explanation of Clauses needing clarity**
- **How you apply for exemptions or amendments to the code**
- **Industry view on the code and its existence**
- **Timelines for draft submissions of the self assessments**
- **Governance Process and how the industry can influence the process**

**Enkosi  
Ngiyathokoza  
Ngiyabonga  
Ke a leboha  
Ke a leboga  
Siyabonga  
Ro/Ndo livhuwa  
Inkomu  
Dankie  
Thank You  
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