



CONSULTATION PAPER

RULES TO PRESCRIBE GENERAL KEY PERFORMANCE INDICATORS IN RESPECT OF THE TECHNICAL OPERATIONAL ISSUES PERTAINING TO RETICULATION SYSTEMS FOR MUNICIPALITIES

These rules are made pursuant to Section 29 (1), 29 (2) and 29(3) of the
Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended

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1. INTRODUCTION

- 1.1 The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ("the Act"), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
- 1.2 NERSA's regulatory framework, as set out in the Act, seeks to achieve several objectives, including:
- safeguarding the needs of current and future customers;
 - achieving the efficient, effective and sustainable development of electricity supply infrastructure;
 - facilitating investment;
 - promoting universal access;
 - promoting competitiveness and customer and end-user choice; and importantly
 - facilitating a fair balance between the interests of customers and end users, licensees, investors in the electricity supply industry and the public.
- 1.3 Section 29 of the Act requires the Energy Regulator to prescribe Key Performance Indicators (KPIs) relating to municipal electricity reticulation systems. The provision specifically refers to technical operational issues, thereby providing the basis for NERSA to develop these rules in alignment with the purpose of the section.
- 1.4 Rules serve as guidelines or principles designed to govern activities within a given context. They are intended to ensure order, safety, fairness, and efficiency. While rules vary in their scope and specificity, establish standards of conduct and provide a framework within which stakeholders operate.
- 1.5 Furthermore, rules promote consistency and predictability, enabling individuals to understand what is expected of them and how to navigate various circumstances. They establish norms and help shape behaviour and interactions within a specific setting.
- 1.6 These rules are binding on all municipal licensees engaged in electricity reticulation within the Republic of South Africa.
- 1.7 These rules are issued in terms of Section 29 of the Electricity Regulation Act (ERA):
- 1.7.1 **Section 29(1):** The Regulator must prescribe KPIs on technical operational issues pertaining to reticulation systems for municipalities in consultation with the Minister.
- 1.7.2 **Section 29(2):** The KPIs may differentiate between categories and types of municipalities.

- 1.8 The technical KPIs to be proposed under these rules are System Average Interruption Duration Index (SAIDI), Customer Average Interruption Duration Index (CAIDI), System Average Interruption Frequency Index (SAIFI), Customer Average Interruption Frequency Index (CAIFI), Distribution losses and bulk payment account to upstream licensee (Eskom Distribution).
- 1.9 Differentiation by Municipality type allows KPIs to be tailored as follows:
- 1.9.1 **Metropolitan Municipalities:** More stringent performance thresholds.
 - 1.9.2 **District Municipalities:** Moderate thresholds with capacity-building support.
 - 1.9.3 **Local Municipalities:** Gradual compliance targets with supported by appropriate mechanisms.
- 1.10 The purpose of this consultation paper is to:
- 1.10.1 Present the proposed rules to prescribe general Key Performance Indicators (KPIs) addressing the technical operational issues pertaining to reticulation systems for municipalities (attached as **Appendix A**).
 - 1.10.2 Invite stakeholder input on the proposed rules for the operational of municipal reticulation systems.
 - 1.10.3 Identify potential implementation risks and regulatory gaps.
- 1.11 Furthermore, in making its decision, Energy Regulator must comply with the provisions of the Promotion of Administrative Justice Act 3 of 2000 (PAJA). Accordingly, the Energy Regulator is required to undertake a public participation process for the approval of these rules, which enables it to appropriately apply its regulatory views and decision making prior to approval of these rules.
- 1.12 It is based on the above reasoning that Energy Regulator is requesting stakeholders to comment on the draft rules to prescribe general Key Performance Indicators (KPIs) addressing the technical operational issues pertaining to reticulation systems of municipalities as out in this consultation paper.
- 1.13 Inputs by stakeholder for this initiative will establish a uniform, transparent, and measurable framework for monitoring municipal electricity reticulation performance across the country.

2. GLOSSARY OF TERMS

Act	The Electricity Regulation Act 4 of 2006, as amended, and the regulations made there under.
Municipality	means a category of municipality that has executive authority over and the right to reticulate electricity within its area of jurisdiction in terms of the Municipal Structures Act.
Prescribe	means prescribe by regulation or rule.
Regulator	the National Energy Regulator established by section 3 of the National Energy Regulator Act.

3. ACRONYMS

CAIDI	Customer Average Interruption Duration Index
CAIFI	Customer Average Interruption Frequency Index
ELS	Electricity Subcommittee
ER	Electricity Regulator
ERA	Electricity Regulation Act 4 of 2006
KPI	Key Performance Indicators
NERSA	National Energy Regulator of South Africa
NRS	National Rationalized Specification
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index

4. BACKGROUND

- 4.1 NERSA is entrusted with the regulatory mandate to support the achievement of the objectives of the Electricity Regulation Act (ERA) within the electricity supply industry. This mandate is effected, among other means, through the development and implementation of rules, procedures, and methodologies that govern the operation, use, and maintenance of transmission and distribution systems, trading activities, and other ancillary matters necessary for the proper implementation of the Act.
- 4.2 Rules serve as guidelines or principles designed to govern activities within a given context. They are often created to ensure order, safety, fairness, and efficiency. While rules vary in their scope and specificity, they aim to set standards of conduct and provide a framework within which stakeholders can operate.
- 4.3 Furthermore, rules promote consistency and predictability, enabling stakeholders to understand expectations and navigate circumstances effectively. They establish norms and help shape behaviour and interactions within a specific setting.
- 4.4 Section 29 of the Electricity Regulation Act imposes an obligation on NERSA to address matters pertaining to reticulation, with the section's language providing for alternatives and being qualified by reference to technical considerations. The term "reticulation" in Section 29 encompasses a range of possible approaches, allowing for flexibility in regulatory intervention.
- 4.5 The qualifying provision of the section, which references technical requirements, empowers NERSA to develop rules that are specifically aimed at fulfilling the technical and operational purposes outlined in Section 29. Accordingly, NERSA is justified in promulgating rules that address the technical, operational, and performance standards for municipal electricity reticulation, ensuring that these rules are aligned with the objectives and requirements set out in the Act. Two sets of requirements exist in the provisions of the section.
 - 4.5.1 Consultation with the Minister (where concurrence is not required but comments are considered); and
 - 4.5.2 Discretion to differentiate between municipalities, taking into account the three categories:
 - i. Metropolitan Municipalities (Category A)
 - ii. District Municipalities (Category C) and,
 - iii. Local Municipalities (Category B)
- 4.6 To ensure enforceability and applicability, the Key Performance Indicators (KPIs) are formalised in rule format. The KPIs described in the rules are designed to promote the efficient, safe, and equitable delivery of electricity services, providing clear standards for municipal performance and accountability.
- 4.7 On 29 October 2025, the Energy Regulator approved the initiation of consultation on the draft rules, inviting comments from the Minister as required by Section 29 of the Electricity Regulation Act. This step was taken to ensure that the rules benefit from ministerial input and are aligned with national policy imperatives.

- 4.8 Subsequently, on 26 March 2026, the Minister submitted correspondence to the Energy Regulator expressing support for the initiation of the rules and encouraging broader stakeholder consultation. This endorsement underscores the importance of establishing a uniform, transparent, and measurable framework for monitoring municipal electricity reticulation performance across the country, and highlights the need for inclusive engagement to ensure the rules are robust and practical.

5. LEGAL MANDATE

- 5.1 The Energy Regulator (ER) is a juristic person established in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004) ('the NERA'). The Energy Regulator, in accordance with section 4 of the NERA, is mandated to regulate the electricity industry and perform the powers and functions set out in section 4 of the Electricity Regulation Act, 2006.
- 5.2 In executing its mandated functions, the ER is required to ensure that the objects set out in section 2 of the ERA are achieved. The decisions of the ER must comply with section 10 of the NERA, read with the provisions of section 4 and 5 of the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ('PAJA').
- 5.3 The Energy Regulator is empowered in terms of section 35 (1), (2) and (3) of the Act, to make guidelines and publish codes of conduct and practice, or make rules, pursuant to the proper implementation of the Act and its objectives.
- 5.4 The Regulator may after consultation with municipalities that reticulate make guidelines and publish codes of conduct and practice or make rules by notice in the Gazette.
- 5.5 Clause 35 (2)(c) of the Act, such guidelines and codes of conduct and practice without derogating from the general nature may relate to performance objectives and the setting, approving and meeting of performance improvement targets.
- 5.6 Clause 35 (3) of the Act, such rules without derogating from the general nature, may, relate to:
- (b) standards of quality of supply and service;
 - (c) the security, operation, use and maintenance of transmission and distribution power systems;
 - (e) technical and safety standards;
- 5.7 In terms of clause 29(1) of the Electricity Regulations Amendment Act, 2024 (Act No. 38 of 2023), the National Energy Regulator of South Africa (NERSA), after consultation with the Minister, hereby publishes the rules setting out general Key Performance Indicators (KPIs) pertaining to the technical operation of municipal electricity reticulation systems.

These rules are binding on all municipal licensees engaged in electricity reticulation within the Republic of South Africa.

6. KEY CONSULTATION QUESTIONS

6.1 Scope and Applicability

- 6.1.1 Do stakeholders agree with the scope of the proposed Rules as applicable to all municipal electricity distributors?
- 6.1.2 Is the differentiation between Metropolitan, District, and Local Municipalities appropriate and sufficient?

6.2 Selection of KPIs

- 6.2.1 Are the proposed KPIs (SAIDI, SAIFI, CAIDI, CAIFI, Distribution losses and bulk payment compliance), adequate to measure technical and operational performance?
- 6.2.2 Are there additional KPIs that should be considered? Please also indicate how they should be measured?

6.3 Definitions and Methodologies

- 6.3.1 Are the definitions and calculation methodologies for SAIDI, SAIFI, CAIDI, and CAIFI clear and aligned with industry standards (e.g., NRS 048-6)?
- 6.3.2 Are the proposed exclusions (e.g., transmission, generation, IPP-related interruptions) appropriate?

6.4 Performance Targets and Thresholds

- 6.4.1 Are the proposed KPI thresholds (rewards, deadband, penalties) reasonable and achievable for each category of municipality?
- 6.4.2 Should transitional arrangements or phased implementation be introduced for underperforming municipalities?

6.5 Incentive and Penalty Framework

- 6.5.1 Is the proposed $\pm 1\%$ tariff adjustment (reward/penalty) sufficient to drive performance improvement?
- 6.5.2 What alternative incentive mechanisms could be considered?

6.6 Reporting and Compliance

- 6.6.1 Are the proposed reporting requirements (quarterly and annual submissions) practical and feasible?

6.7 Implementation Considerations

- 6.7.1 What are the key risks or barriers to implementation (e.g., capacity constraints, funding, data availability)?
- 6.7.2 What support mechanisms (technical, financial, regulatory) may be required?

6.8 Legal and Regulatory Alignment

- 6.8.1 Do the proposed Rules align adequately with Section 29 of the Electricity Regulation Act and other applicable legislation?

6.8.2 Are there any legal or regulatory concerns that should be addressed?

6.9 General Comments

- 6.9.1 Do you have any additional comments, or proposed amendments to the Rules?

7. TENTATIVE TIMELINES

- 7.1 The approval of these rules is linked to NERSA's business plan objectives of the Electricity Industry Regulation Programme 5: Setting of rules, guidelines and codes for the regulation of electricity industry.
- 7.2 To support these objectives, NERSA will follow the process, which includes public participation as stipulated in Table 1 below.

Table 1: Indicative timelines for the approval of this rules

Activities	No of days
ELS Approval of Consultation Paper (Including getting quotes for publishing)	5
Publishing for Notice and Comments	30
Analysis of Stakeholder comments	10
Preparation of ELS submission and RFD	10
ELS Approval of the Section 29 Rule	5
Total	60 (Finalisation of the application is less than 2 months from the expiration of the objection period)

8. CONCLUSION

- 8.1 These Rules are a critical step towards establishing a uniform, transparent, and enforceable framework for monitoring and improving the reliability, efficiency, and quality of electricity supply across municipalities. The proposed KPIs—including SAIDI, SAIFI, CAIDI, CAIFI, Distribution losses and bulk payment compliance—are intended to enhance accountability, strengthen regulatory oversight, and promote continuous performance improvement within the electricity distribution sector.
- 8.2 Stakeholder participation is essential to ensure that the Rules are practical, implementable, and reflective of the diverse operational realities across different categories of municipalities. Inputs received will assist NERSA in refining the Rules to achieve an appropriate balance between regulatory effectiveness, municipal capacity, and customer service outcomes.
- 8.3 All comments must be submitted in writing by **03 August 2026** to the contact details provided below. Submissions should clearly indicate the stakeholder's details and, where applicable, provide supporting motivations or alternative proposals.
- 8.4 NERSA will consider all submissions in accordance with the principles of transparency, procedural fairness, and administrative justice, as required under applicable legislation, before finalising and publishing the Rules.

The comments should be sent to NERSA for the attention of:

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All comments must be submitted in writing on or before 03 August 2026 to the contact details provided above.

Appendix A: Draft rules to prescribe general Key Performance Indicators (KPIs) addressing the technical and operational aspects of municipal electricity reticulation systems.