



NEW METHODOLOGY FOR APPROVAL OF MAXIMUM PRICES OF GAS

The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) ('the Gas Act') and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

NERSA derives its mandate for the regulation of maximum prices of gas from section 4(g), read with section 21(1)(p) of the Gas Act, which provides for approval of maximum prices of gas where there is inadequate competition as contemplated in the Competition Act, 1998 (Act No. 89 of 1998).

In line with this requirement, in 2011 NERSA developed a methodology for approval of maximum prices of gas. After seven years of its implementation, a need arose for review of this methodology to address challenges observed and identified by stakeholders and the ruling of the Constitutional Court in the matter between NERSA and the Intensive Gas Users Group.

NERSA commenced the review process in 2019 by developing a discussion document, which was published on the NERSA website as well as newspapers on 13 November 2019. The discussion document formed the basis for engagement with industry stakeholders, including the invitation for stakeholders to submit written comments to NERSA by 10 January 2020. Upon request by various parties, the deadline to submit written comments was extended to 31 January 2020. Various stakeholders submitted written comments on the discussion document by the stated deadline.

The 2019 review process was preceded by extensive stakeholder engagements through workshops and meetings, which culminated in a discussion document.

Following the consultation with industry players, the Energy Regulator considered and approved the new Methodology in April 2020. The new Methodology will come into effect on a date to be announced by the Energy Regulator in due course, and will be available on the NERSA website at www.nersa.org.za.

A transitional period may be allowed to enable licensees to prepare themselves for the implementation of the new Methodology. NERSA will also publish the guidelines to assist stakeholders with the implementation of the new Methodology. The licensees whose

prices are still valid on a multi-year basis shall use the transitional period to prepare themselves to apply for new prices based on the revised Methodology.

NERSA will conduct workshops with stakeholders in June 2020 to assist with key requirements of the Methodology, as well as further details regarding implementation. NERSA requests stakeholders to avail themselves for virtual workshops and meetings to assist with preparation of anticipated applications, and for customers to be workshopped on relevant information about the new Methodology and how gas will be priced going forward.

For further details on the new Maximum Price Methodology, stakeholders should contact NERSA at:

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