2010/2011 Integrated Report

City Power Johannesburg SOC Ltd

Joburg

a world class African city

City Power
Johannesburg

COMPANY INFORMATION

Registration number	:	**2000/030051/07**
Registered address	:	**40 Heronmere Road Reuven Booysens**
Postal address	:	**PO Box 38766 Booysens 2016**
Telephone number	:	**(011) 490-7000**
Fax number	:	**(011) 490-7377**
Website	:	**www.citypower.co.za**
Bankers	:	**Absa Bank Limited**
Auditors	:	**Auditor-General**
Company secretary	:	**Mr Mark Smith**

TABLE OF CONTENTS

COMPANY INFORMATION 2
SCOPE AND BOUNDARY OF THIS REPORT 5
Report content and quality principles 5
Reporting principles 6
Accounting information 6
Assurance 6
LEADERSHIP OVERVIEW 7
Member of the Mayoral Council's foreword 7
Board Chairperson's statement 8
Acting Managing Director's Statement 9
OVERVIEW OF CITY POWER 11
Vision, mission, values, and strategic direction 12
Mayoral Priorities 12
City Power's Strategic Priorities 13
Key facts 14
Stakeholder engagement 18
Legislative requirements 19
CORPORATE GOVERNANCE 20
Statement of Compliance 20
Board of Directors 21
Board Committees 23
Other parties regularly attending Board, or board committee meetings 25
Length of service 25
High Level Organization Structure 26
Executive Management 27
REMUNERATION OF DIRECTORS AND EMPLOYEES 29
Determination of Non-Executive Directors' and Independent Audit Committee members' remuneration 29
Determination of Executive Directors' and other employees' remuneration 29
Performance management and bonus payments 30
Directors' remuneration disclosures 30
SUSTAINABILITY INFORMATION 32
Sustainability Vision 32
Environmental sustainability 32
Social sustainability 33
Demand-side management (DSM) 34
RISK AND STRATEGIES 36
Risk Management Governance and Processes 36
Strategies 40
PERFORMANCE OVERVIEW 41
Business overview 41
Highlights and Achievements 41
Lowlights 42
Performance against key focus area: Energy management 46
Performance against key focus area: Improve public lighting 50
Performance against key focus area: Improve asset management 52
Performance against key focus area: Regulatory compliance 54
Performance against key focus area: Business model 58

PERFORMANCE AGAINST KEY FOCUS AREA: HUMAN CAPITAL INVESTMENT 59
PERFORMANCE AGAINST KEY FOCUS AREA: EFFECTIVE FINANCIAL MANAGEMENT 65
OVERVIEW OF CITY POWER'S FINANCIAL PERFORMANCE 67
COMPANY FIVE-YEAR REVIEW 67
OVERALL FINANCIAL REVIEW 67
CAPITAL EXPENDITURE 70
SUMMARISED ANNUAL FINANCIAL STATEMENTS 75
CHALLENGES AND FUTURE PRIORITIES 78
CONCLUSION 85
ABBREVIATIONS USED IN THIS REPORT 86
ANNEXTURES 87
1. ANNEXTURE A: ANNUAL FINANCIAL STATEMENTS 87
2. ANNEXTURE B: AUDITOR-GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS 87
3. ANNEXTURE C: OUTSTANDING AMOUNTS ON GOVERNMENT ACCOUNTS 87

SCOPE AND BOUNDARY OF THIS REPORT

This year, City Power Johannesburg SOC Ltd has made changes to the way it reports, working towards producing a more integrated publication as recommended in the revised King Code on Governance Principles for South Africa (King III). King III recommends that companies should not only report on their financial performance, but also on their sustainability by disclosing social, environmental and economic impacts and influences, both positive and negative.

This is the first integrated report prepared by City Power and has been compiled in accordance with the guidelines included in the Discussion Paper: Framework for Integrated Reporting and the Integrated Report (Discussion Paper), as published by the Integrated Reporting Committee of South Africa. Consequently this report covers City Power's governance, financial information, social responsibility, environmental management, broader economic and overall sustainability performance information for the financial year 2010/11. It provides an account of the company's progress to date and offers a forward-looking perspective in terms of future plans and value generating strategies.

The reporting principles for financial information were set in terms of Generally Recognised Accounting Practice (GRAP).

The sustainability elements were prepared in terms of the guidance provided in King III. In future, City Power will attempt to expand the scope of its environmental reporting to include direct consumption amounts and emissions.

This report covers company information for the period from 1 July 2010 to 30 June 2011. It provides an overall narrative on the performance of the Company but focuses its detailed commentary on the operational performance.

Report content and quality principles

City Power utilised the relevance and materiality principles as set out in the Discussion Paper in order to decide on the contents to include in the report.

The materiality of issues for inclusion was decided on the bases of the strategic priorities of the company reflected as part of the strategic planning process. This is influenced to a large extent by the external stakeholders, particularly the issues identified by the City of Johannesburg in terms of its Growth and Development Program (GDS) as well as the Integrated Development Plan (IDP). Certain issues that may influence City Power's future operations are also included in addition to the information included in the business plan of the entity.

In presenting this information the board has endeavoured to achieve faithful presentation by ensuring that the information is complete, neutral and free from error.

Reporting principles

City Power Johannesburg SOC Ltd was established in 2000 as a private company, wholly owned by the City of Johannesburg. Consequently City Power has to comply with the legislative framework and reporting requirements applicable to any company in South Africa. This includes, but is not limited to, the Companies Act. As an independent municipal entity, City Power is also subject to the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

City Power subscribes to high ethical standards and principles of corporate governance and is in the process of ensuring full compliance with King III, published in 2010, and with the provisions of the new Companies Act, which came into effect during the current year.

For more details, and an overview of the company governance structure, please see the corporate governance section.

Accounting information

The financial information included in this report was extracted from the 2010/11 audited annual financial statements. The annual financial statements are available at www.citypower.co.za.

Assurance

Integrated reporting is a new corporate reporting approach and specific guidelines on assurance do not yet exist. As a consequence the external assurance provided has been limited to the annual financial statements, which is the source of the summarised financial information contained in this report.

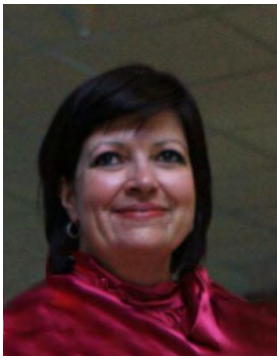
On the basis of the recommendations from the Auditor-General, the audit committee provides internal assurance on the integrated report. City Power is working towards the first sustainability report assurance for presentation in 2012.

The board of directors (the Board) acknowledges its responsibility to ensure the integrity of the integrated report. The Board has accordingly applied its mind to the integrated report and in its opinion; the report starts a process to better address all material issues, endeavoring to present fairly the integrated performance of the company and its impacts.

LEADERSHIP OVERVIEW

Member of the Mayoral Council's foreword

The City of Johannesburg has maintained its unwavering drive of the past years in the 2010/11 financial year and has increased its efforts in meeting government's goal in creating a better life for all in South Africa by improving provision of service and reliability of supply and ensuring access to affordable electricity to everyone.



Within the framework of the City of Johannesburg Growth and Development Strategy the objectives for City Power have been to:

- Provide basic services through electrification program
- Expand the provision of street-lighting in informal settlements
- Create jobs through the Expanded Public Works Program
- Eliminate backlogs in service infrastructure - replacement and maintenance of existing networks
- Provide and implement alternative energy sources to address the demand side management

I am pleased to report that City Power has continued to deliver on the critical mandate of the City ensuring that basic electrification and services are met. These objectives are reflected in the electrification program and the installation and maintenance of public lighting.

There is a need for a robust strategy in respect of the current challenges the City and its MOEs are facing with regard to customer relations and billing services. Therefore, the improvement on metering, billing and collection services are paramount to increasing cash flow for the City and reducing costs, without compromising service delivery to the citizens of the City of Johannesburg.

Whilst we are mindful of the complex challenges, it is our total commitment to service delivery and a spirit of determination that has resulted in the improved provision of service and the reliable supply of electricity.

In conclusion, I wish to recognize the efforts and commitment of City Power's Board and staff. Your efforts have brought us closer to the delivery of a good, reliable and quality service to the ratepayers, residents and businesses of the City of Johannesburg.

_____

Councillor: R. Greeff
MMC (Infrastructure and Services)

Board Chairperson's statement

The 2010/11 financial year results of City Power show continued efforts to meet the expectations of our shareholder as reflected in the service delivery objectives in our company scorecard.

The strategic priorities of the shareholder, as always, drive our strategic plans and significant attention is given by the company to ensure that these priorities are implemented in the form of measurable deliverables.
We are focusing our attention on improving initiatives with regards to Quality of Service, Expanded Public Works Programmes, procurement from BEE compliant suppliers, and the increased expenditure on public lighting to ensure our delivery on the Mayoral Priorities.

Capital expenditure total of R1.089billion has to date ensured that we continue to address the challenges we face in stabilizing our network. A record level of capital expenditure has enabled the company to significantly stabilize the network thus ensuring quality of supply to our customers. Our future rollout plans will also go a long way in addressing the backlogs to enable us to meet the stakeholder's objectives.

It is regrettable that the Auditor General has qualified City Power for the second year. The qualified audit opinion is based on the Auditor General's concerns regarding revenue. The management of revenue is conducted centrally by the Shareholder and the Auditor General conducted the audit of revenue centrally at the Shareholder. This resulted in communication and timeline constraints which affected the timely provision of information to the Auditor General. Going forward City Power's Management and the Shareholder have put processes in place to create a robust interface on revenue issues that have an impact on the company.

The Board and Management remain committed to continuous improvement in attaining strong financial and operational results, and contributing to the vision of a world-class electricity distributor. We gratefully acknowledge the continuing support of the Shareholder Unit and the Members of the Mayoral Committee- infrastructure services in helping the company achieve its deliverables. The strategic priorities of the Shareholder, as always, drive our tactical plans. Significant attention is paid to ensuring that these priorities are implemented in the form of measurable deliverables.

City Power is fortunate to have had a stable Board throughout the financial year. I thank my fellow Board Members, the Management, our Shareholder (through the SHU, ISD) and the staff of City Power for their co-operation, dedication, hard work, professionalism and commitment to City Power. Finally, I thank the Chairpersons of the sub-committees for their unending assistance in making this an effective Board.

The Board and Management are committed to ensuring good corporate governance and transparent compliance to legislation while delivering an improving, sustainable and reliable service.

G. Simelane - Chairperson of the Board
City Power

Acting Managing Director's Statement

The 2010/11 financial year has been an exciting year, full of opportunities and challenges for our country. The City of Johannesburg and City Power hosted some international events successfully, including Soccer World Cup and the Miss World. City Power has played a pivotal role in these events, by ensuring that there was reliable electricity supply. The 2010 Soccer World Cup event gave City Power an opportunity to upgrade some of obsolete networks and also created an opportunity to connect new customers on the upgraded networks. The event also gave the City an opportunity to beautify some areas e.g. Mandela Bridge, Joubert Park Precinct, Newtown, and also to light up areas that were previously identified as inadequately lit.

As a company we have achieved and exceeded our Growth and Development Strategy (GDS), the Integrated Development Plan (IDP) and Key Performance Indicators (KPI's) for the 2010/11 financial year. Highlights of these achievements include:

- Successfully provided support to IEC local government elections.
- The overwhelming achievement was the successful staging of the 2010 Soccer World Cup and the contributions City Power made to ensure the event and the matches were staged without any power interruptions.
- Zero employee fatalities. Target has been achieved due to continuous safety management programs by City Power to ensure that employees are properly trained to understand the dangers of their work environment resulting in behavioural change.
- Attained Disabling Injury Frequency Ratio (DIFR) of 0.46 against an international benchmark target of 1. Continuous safety management programs in place have assisted in achieving and exceeding the annual target.
- City Power currently has a total of 80 learners in various levels of learning within the business.
- 4,369 connections were electrified against annual target of 4,000. The target has been achieved and exceeded due to the following:
    - Allocation of DSM Funding
    - Most conversions were done in the Revenue Maximization project
- 3,511 public lights in the informal settlement areas were installed against annual target of 3,000. This has been achieved and exceeded due to the increase in Department of Energy (DOE) funding.
- 8,616 conventional meters were converted to prepaid meters. The allocation of DSM funding has assisted in achieving and exceeding the annual target of 3,000.
- Installed additional capacity of approximately 160MVA to the network by commissioning Pennyville substation and adding additional transformers at Ennerdale and Siemert Road substations. The Noordgesig and Pennyville development loads were also successfully transferred to the new Pennyville substation from the Stormmill switching station.
- Completion of the live line upgrade project for 88kV overhead lines from Orlando switching station to Hursthill substation.
- Several arrests were made in the Nasrec and Soccer City Area due to a successful anti-cable theft joint operations with JMPD, SAPS and other stakeholders (scrap metal dealers, stop and search).
- City Power received the Assegai Award in recognition of the innovative SMS communication system with customers.

The challenges were characterized by an influx of customer complaints due to incorrect billing, and low collection levels impacting on the cash flow to name a few. Regrettably revenue and consumer debtor balances have led to City Power receiving a qualified audit opinion for the second year from the Auditor-General. The Auditor-General was unable to verify the accuracy, cut-off, completeness and accuracy of revenue due to differences between the source files for meter readings and the readings that were used to bill customers. Consequently the Auditor-General was also unable to

verify the correctness of consumer debtor balances. The difference between the meter reading estimates used to bill consumer debtors and the actual meter readings amounted to an understatement of revenue for the year of R30.6 million on a total revenue of R9.79 billion well below the materiality level for the entity. A significant amount of effort will be spend by City Power in the coming year to ensure that structures and processes are put in place to address the concerns raised in the audit report.

The biggest continuing challenge is to overcome the increasing theft and vandalism of the network infrastructure. This criminal activity caused instability of the network and has led to community unhappiness in a number of areas. Innovative technologies for securing the infrastructure are being explored. Theft and vandalism is also one of the causes for an increase in non technical losses.

The non-technical losses are above the targets due to escalating theft and vandalism of the electricity infrastructure, incorrect billing and non-billing of accounts, illegal decalibration of meters and customers without meters. The actual audited electricity distribution losses are calculated at 19.29% as disclosed in note 31 to the financial statements. This actual performance is against a target of 12% for total system losses as set out in the City Power Business Plan. This loss (approximately R649.4 million for material losses and R567.9 million for technical losses) could be considered as significant when calculated in value.

The theft of SIM Cards from the automated meters (AMR) of large power users in the beginning of the financial year was a major contributor to non-technical losses in the current year under review. The entity has partnered with the cell phone Service Provider and has entered into a new contractual relationship aimed at limiting the risk of Sim Card theft. In addition, the entity has also worked closely with the South African Police in apprehending individuals involved in the theft of Sim Cards. This relationship has already resulted in the arrest of five individuals. The entity is also focusing on the theft of electricity by working closely with the Johannesburg Metropolitan Police and the South African Police Services to prevent or apprehend individuals involved in the theft of electricity.

City Power has identified and is implementing interventions as part of the Revenue Step Change project and is working with all its stakeholders to reduce non-technical losses. In spite of these challenges City Power has achieved most of its key performance indicators (KPI's) and service delivery targets.

As part of our mission statement as City Power we are committed to do our business in an environmentally acceptable manner, as a result we have again achieved and maintained the ISO Accreditation standard of requirements with regards to the following:

ISO 9001: 2008(Quality Management System)
ISO 14001: 2004(Environmental Management System) and
OHSAS 18001: 2007(Occupational Health and Safety)

City Power is committed to continually improving its performance and we are confident that we will meet and exceed the expectations of all our stakeholders.

S. Xulu - Acting Managing Director
City Power

OVERVIEW OF CITY POWER

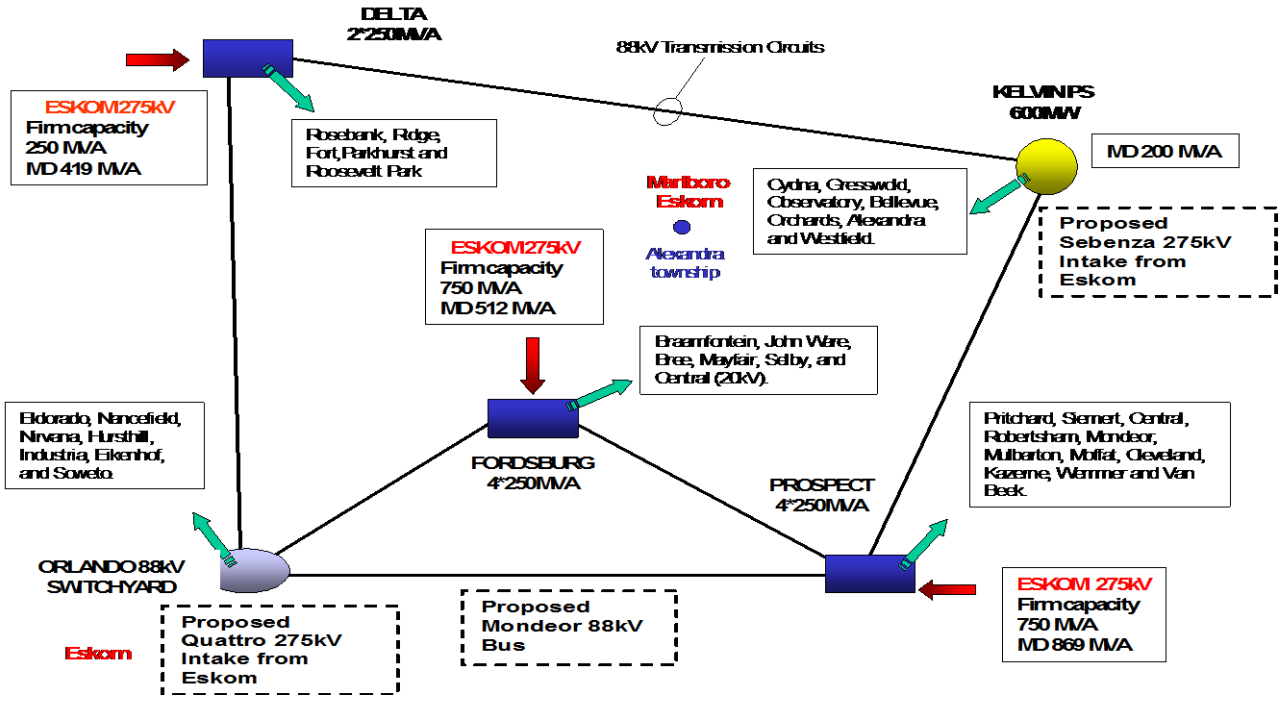
City Power Johannesburg SOC Ltd (City Power) was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg, to supply electricity to approximately 300 000 customers; ranging from domestic to commercial and industrial properties.

City Power is accountable for providing network services to all its customers.
Network services include:

- the purchasing, distribution and sale of electricity,
- constructing networks,
- connecting customers,
- repair and maintenance of networks, and
- Installation and maintenance of public lighting.

The core competency of the business is the purchase, distribution and sale of electricity within the geographical footprint of the City of Johannesburg (CoJ). City Power does not generate power, but rather buys it from major generators. More than 90% of its power is purchased from Eskom, with the rest supplied by the Kelvin Power Plant (Kelvin). The National Energy Regulator of South Africa (NERSA) granted City Power a license to trade on 19 December 2001. City Power is not the sole provider of electricity services for the City of Johannesburg. The areas not covered by City Power are serviced by Eskom.

City Power operates six independent networks, representative of the former Municipal Transmission Systems. The figure below gives the schematic representation of City Power's Johannesburg transmission system and bulk power nodes:



The Council of the City of Johannesburg regulates the service in respect of the following by means of a service delivery agreement (SDA):

- Financial issues, such as tariffs and capital expenditure,
- Human resource issues, such as skills development,
- Delivery targets, such as maintenance of assets and addressing assets, and
- Standards of customer care.

In addition, the City of Johannesburg provides retail customer services for all customers, i.e. processing applications, customer queries, customer complaints, customer accounts and revenue management.

Vision, mission, values, and strategic direction

Vision

To be a world-class electricity distributor

Mission

The mission of City Power Johannesburg SOC Ltd is to meet the expectations of our customers and stakeholders by:

- Providing a sustainable, affordable, safe and reliable electricity supply
- Providing prompt and efficient customer services
- Developing and incentivising our employees
- Being the preferred equal opportunity employer
- Undertaking our business in an environmentally acceptable manner

Aspired values

City Power aspires to be:

- Resourceful
- Resilient
- Reliable
- Respectful

Always with Integrity

Mayoral Priorities

City Power is a municipal entity and thus has to align itself with the mayoral priorities of the City of Johannesburg. The six mayoral priorities are indicated in the table below:

Mayoral Priority	City Power's response with regards to outcome
Economic Growth and Job Creation	Align supply and demand: Black Economic Empowerment, Engendered spend, Expanded Public Works Programme, Free Basic Electricity, Providing product and price range, etc.
Health and Community Development	Compliance to basic services delivery programme
Housing and Services	Adherence to the housing requirements, compliance to service reliability programme
Safe, Clean and Green City	Compliance to SHER (safety, health, environment and risk), address demand side management
Well governed and managed City	Compliance to legislation, regulatory and governance policies
HIV/AIDS	Compliance to the HIV/AIDS programme

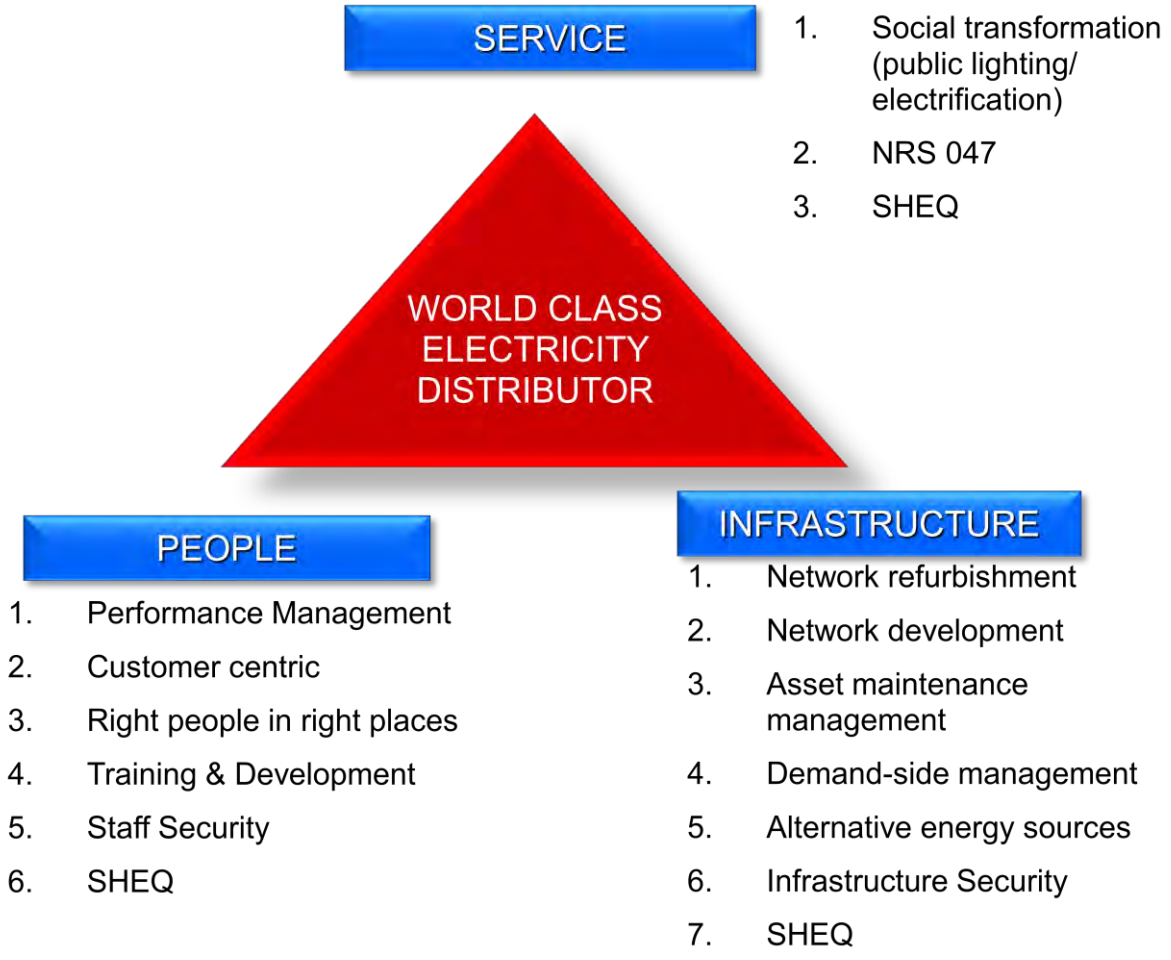
In addition to aligning itself with the Mayoral priorities, City Power has to take the Growth and Development Strategy (GDS) into account when developing its strategic agenda to ensure sustained performance.

The Growth and Development Strategy (GDS) principles are:

- Proactive absorption of the poor
- Balanced and shared growth
- Facilitated social mobility
- Settlement restructuring
- Sustainability & environmental justice
- Creative governance solutions

City Power's Strategic Priorities

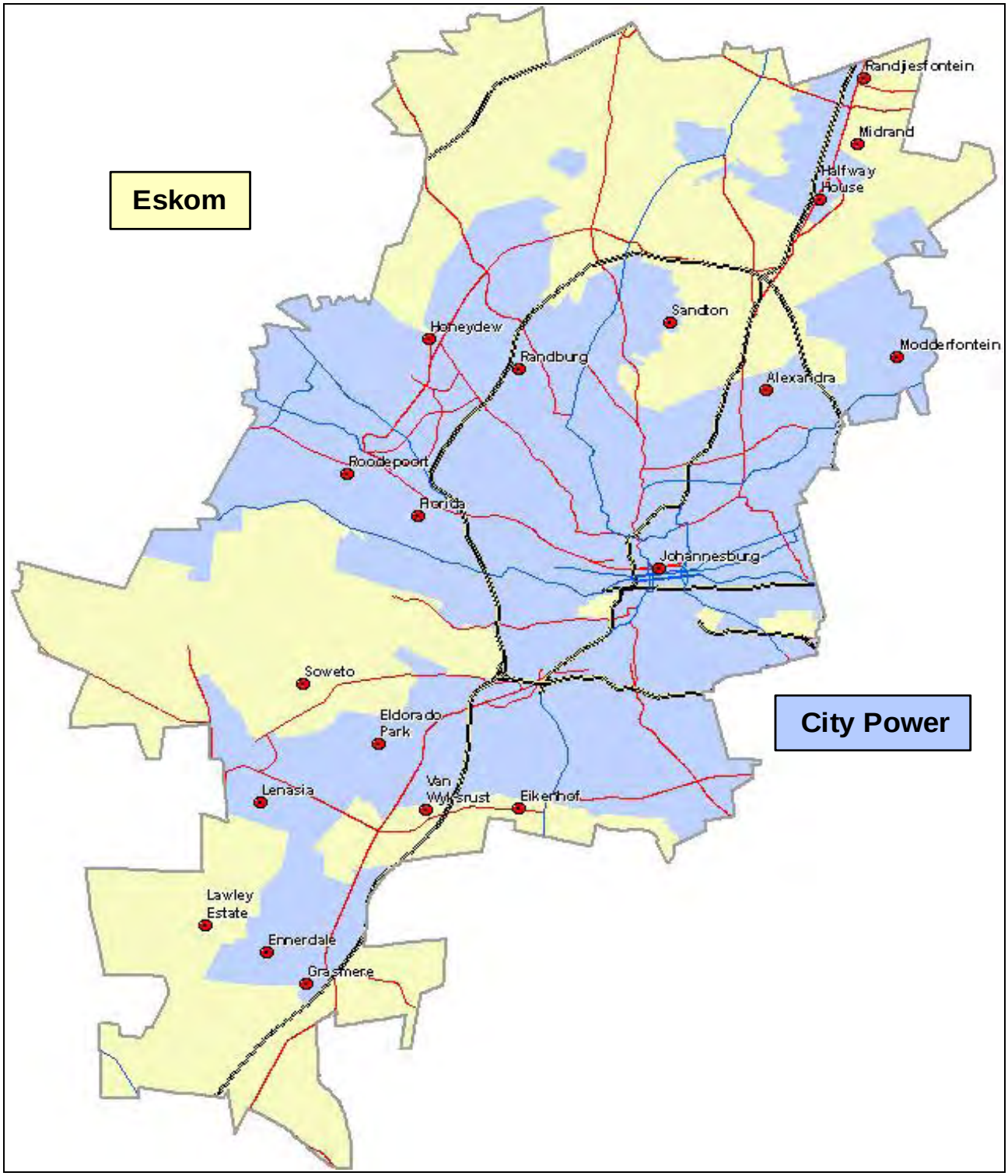
The following is a graphic representation of the strategic priorities of City Power:



Key facts

City Power's area of supply

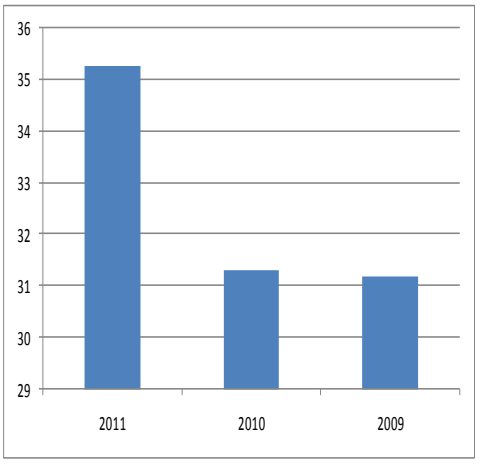
The map below depicts City Power's area of supply:



City Power's electricity sales

Measure Indicator	Unit	2011	2010	2009
Electricity sales	MWh	**11,272,961**	11,633,380	11,213,922
Growth in electricity sales	%	**-3.1**	3.74	3.13
Revenue	R'000	**9,786,301**	7,235,256	5,510,304
Growth in revenue	%	35.26	31.30	31.19
Number of customers	No.	**407,906**	345,523	323,401
Gross margin	%	**40.22**	32.6	36

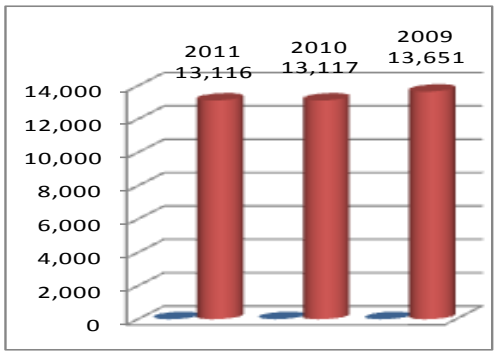
Growth in revenue



City Power's electricity purchases

Measure Indicator	Unit	2011	2010	2009
Bulk purchases	MWh	**13,116,388**	13,117,250	13,650,763
Direct costs of bulk purchases	c/kWh	**47.70**	36.45	27.53
Gross Margin	%	**40.22**	32.6	36.0
% reduction in electricity consumption	%	**4.70**	3.70	New KPI

Bulk Purchases MWh



City Power's customer base

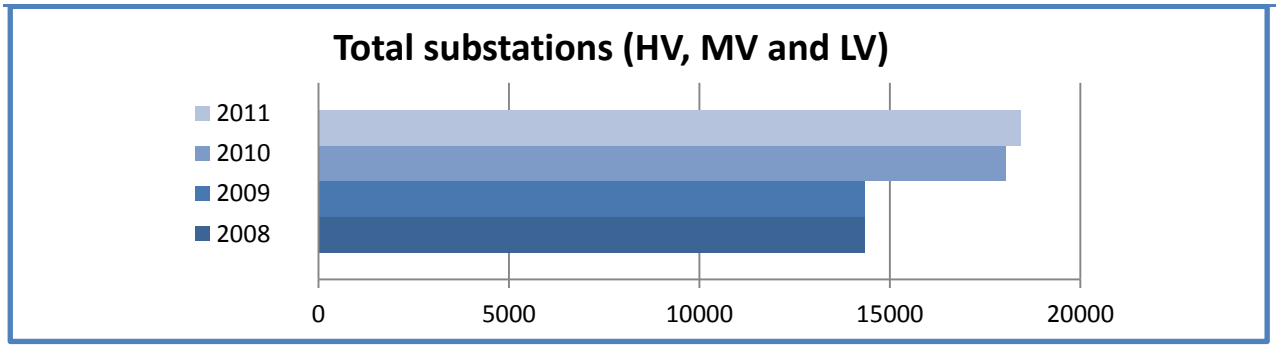
Type	2011	2010	2009
Agriculture	**29**	29	31
LPU	**4,078**	3,391	5,750
Business	**10,209**	8,762	10,947
Domestic	**177,571**	166,639	193,016
Prepayment	**216,019**	180,062	113,657
Total	**407,906**	358,873	323,401

Customer base

- 0.01% •Agriculture
- 1.0% •Large Power Users
- 2.5% •Business
- 52.9% •Prepaid
- 43.5% •Domestic

City Power's network infrastructure

Measure Indicator	Unit	2011	2010	2009	2008
Eskom Supply Points	No.	**42**	42	39	39
High Voltage Substations (Bulk Intake Points)	No.	**5**	5	5	5
Medium Voltage Substations (Major Substations) excl. Bulk Intake Substations	No.	**87**	87	82	82
Low Voltage Substations (Devices)	No.	**18,366**	17,964	14, 252	14,252
High Voltage Overhead Transmission Lines > 44kV	km	**811.37**	811.17	811	811.00
High Voltage Transmission Cables > 44kV	km	**101.10**	101.10	93.68	93.68
Medium Voltage Overhead Lines >20.5kV and < 44kV	km	**9.6**	9.6	11.2	11.20
Medium Voltage Cables >20.5kV and <44kV	km	**118.8**	118.8	123.3	123.30
Ripple Relays Installed	No.	**192,000**	181,711	177,771	171,860
Ripple Relays In-service	No.	**124,800**	119,435	113,141	103,700



City Power's employees

Measure Indicator	Measuring unit	2011	2010	2009
Employee numbers	Number	**1,670**	1,697	1,886
Employment Equity percentage	%	**88**	74	77
Gender Equity percentage	%	**20**	19	23
Employees with disabilities	Number	**48**	18	20
Training costs	Rm	**3,905**	2,554	4,335

City Power's developmental initiatives

Measure Indicator	Measuring unit	2011	2010	2009
BEE spending	Rm	**1,182,424**	1,200,062	1,264,178
BEE spending percentage	%	**80.55**	78.15	74
Engendered spending	Rm	**335,249**	355,518	323,959
Engendered spending percentage	%	**28.35**	29.62	26
Temporary jobs created through capital projects	No.	**3,284**	2,652	2,605
Bursary students / trainees	No.	**80**	33	33

City Power's key financial figures

Item	2011 R'000	2010 R'000	2009 R'000
Total assets	**11,554,129**	8,791,780	7,102,670
Total equity	**3,930,772**	3,071,706	1,087,289
Surplus before tax	**1,119,899**	953,034	214,366
Income tax expense – current	**-**	-	-
Income tax expense – deferred	**(260.832**	(235,393)	-
Surplus for the year	**859,066**	717,641	214,366
Bank and cash (inclusive of short-term loan to shareholder)	**1,786,502**	1,242,398	685,199
Capital expenditure	**(1,089,833)**	(813,306)	(1,069,754)
Municipal infrastructure grants (MIG)	**54,516**	45,410	46,856
Net cash from operating activities	**1,837,304**	1,568,445	942,310
Net cash used in investing activities	**(1,270,662)**	(1,056,400)	(1,069,678)
Net cash from financing activities	**(566,642)**	(512,045)	127,373
Liquidity ratio	**1.21:1**	1,3:1	0,9:1
Solvency ratio	**8%**	**22%**	5.5%
Interest coverage	**3.80**	3.42	1
Electricity costs per kWh (c/kWh)	**47.70**	36.45	28.66

City Power's network expansion and refurbishment

Measure Indicator	Measuring unit	2011	2010	2009
Transmission lines and cables installed – network expansion	km	**9.936**		
Transmission lines and cables installed – network refurbishment	km	**23.35**	18	
Additional capacity generated – substations upgraded	MVA	**105**	145	440
Additional capacity generated – new substations built	MVA	**90**	210	120
Substations decommissioned	MVA	**22**	135	-

City Power's safety information

Measure Indicator	Measuring unit	2011	2010	2009
Disabling injury incident rate(DIFR)	**%**	**0.46**	0.63	0.69
Employee fatalities	Number	**0**	0	1
Public fatalities: Controllable	Number	**1**	0	0
Public fatalities :Non-controllable	Number	**2**	2	4

Stakeholder engagement

Stakeholder engagement has been given increased focus in King III. According to the principles of governance and accountability espoused in King III, corporate citizens are responsible to a wide number of stakeholders, and not merely their shareholders. Consequently, City Power views all persons, organisations or groups that influence, or that are affected by our business activities, policies or strategic objectives, as stakeholders. City Power has identified the following as key stakeholders: the City of Johannesburg, the public or customers, employees, local communities and civil society organisations, regulators, and suppliers and service providers.

City Power strives to maintain a good relationship with every stakeholder, as the support of stakeholders are a necessary ingredient to achieving City Power's strategic goals.

Stakeholders	Engagement methods
• **City of Johannesburg (CoJ)** • **The public and customers** • **Employees** • **Local communities and civil society organisations** • **Regulators** • **Suppliers and service providers** • **Trade unions**	• Community forums • Focus groups • Visual service delivery forums • Regular meetings with the CoJ and other municipal owned entities • Other one-on-one meetings • Labour forums and bargaining councils • Customer satisfaction surveys • Community and customer summits

Material stakeholder issues affecting the integrated report
Performance against the CoJ's integrated development plan (IDP)
Service delivery
Electrification and providing households with free basic electricity
Financial sustainability
Regulatory compliance: quality of service & quality of supply
Environmental compliance
Economic development and job creation
Customer responsiveness and improving the public image of City Power
Employees: employment equity, health and safety, human capital investment
Public lighting

Specific stakeholder engagements

Stakeholder	Engagements
City of Johannesburg (CoJ)	The City of Johannesburg is the sole shareholder of City Power and as such is kept updated on its financial results and its performance against the key performance indicators and pre-determined objectives, as well as against the City's Integrated Development Plan. Regular meetings are held between the City of Johannesburg and other municipally owned entities (MOE's).
The public	The public is engaged via community forums, focus groups and visual service delivery forums. City Power strives to

	communicate with the public via various media, for example, radio, TV and print.
Employees	Employees are the foundation upon which all the activities of City Power depend. City Power strives to maintain effective communication with its employees through staff meetings, information boards, the intranet and websites, monthly and quarterly print media etc. On a collective level, City Power also engages with trade unions by means of labour forums and bargaining councils.
Suppliers and service providers	City Power engages on a regular basis with its main suppliers, namely Eskom, which supplies more than 90% of the electricity purchased by City Power and Kelvin, which supplies the balance. City Power purchases the majority of its power from Eskom. The Planning department has established a monthly forum with their counterparts in Eskom to discuss the supply problems within the City boundaries. These forums have resulted in an integrated approach to address these challenges without unnecessary delays that will impact on customers. In addition, when necessary, meetings are held between relevant officials to discuss and resolve issues on a wide variety of topics which are of mutual interest.

Legislative requirements

Compliance framework

City Power Johannesburg SOC Ltd was established in 2000 as private company, wholly owned by the City of Johannesburg. Consequently City Power has to comply with the legislative framework applicable to any company in South Africa. This includes, but is not limited to, the Companies Act, Income Tax Act, VAT Act, various labour laws, among others.

As an independent municipal entity, City Power is also subject to the Municipal Finance Management Act (MFMA) and other legislation that may be specifically applicable to state-owned entities, such as Preferential Procurement Policy Framework Act, the Municipal Supply Chain Management Regulations, the Municipal Systems Act and the Promotion of Administrative Justice Act.

As an electricity distributor, City Power is further regulated by the National Energy Regulator of South Africa (NERSA) in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006).

NERSA has the power to issue licences for the generation, transmission and distribution of electricity and for determining and approving electricity prices and tariffs. NERSA also determines the conditions on which electricity can be sold.
City Power holds an electricity distribution license issued by NERSA and is subjected to oversight and regulation by the authority in terms of the quality of electricity supply (NRS048) and service (NRS 047) it provides to its customer base.

Non-binding standards adopted by the company

Quality and safety management

There is an ongoing process to improve management practices and develop a culture of safety to ensure all possible accidents are prevented. City Power achieved accreditation for the ISO 9001: 2008 Certificate as its processes met the requirements of the standards. This now implies that City Power will have a fully integrated management system based on all three ISO management programmes i.e.:

- ISO 14001: 2004; (Environmental Management System)
- ISO 9001: 2008 (Quality Management System) and
- OHSAS 18001: 2007 (Occupational Health and Safety)

CORPORATE GOVERNANCE

Statement of Compliance

The Board of directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III code on corporate governance. Through this process, the shareholder and other stakeholders are assured the company is being ethically managed according to prudent risk parameters in compliance with generally accepted corporate practices. Part of the mandate of the audit committee is monitoring the company's compliance with King III.

The Board has adopted a board charter, which includes matters of ethics, procedure and conduct of committee members. The charter is aligned with the City of Johannesburg charter. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and senior management ensure there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 88(1) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies. The Board ascribes to the City of Johannesburg's corporate governance protocol (the protocol) which, *inter alia,* regulates its relationship with City of Johannesburg as its sole shareholder and parent municipality in the interests of good corporate governance and good ethics.

Implementing the provisions of King III requires a number of changes in the way that the Boards of organisations operate and report. It requires Boards to view strategies related to economic, social and environmental sustainability from a long-term perspective, and places greater emphasis on stakeholder engagement. Boards are responsible for ethical and effective leadership and good corporate governance

Ongoing steps are taken by City Power to align governance structures and practices with King III recommendations and the Board continually reviews the company's progress to ensure corporate governance improves.

During the review period, the company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). Annual board assessments and evaluations are conducted and an annual report for the previous year was efficiently completed in accordance with the prescripts of section 121 of the MFMA. The current annual report was guided by the same principles.

Board of Directors

City Power has a unitary board, which consists of executive and non-executive directors. The Board is chaired by a non-executive director, Ms G Simelane. The Board meets regularly (at least quarterly) and retains full control over the company. The Board remains accountable to its shareholder, the City of Johannesburg, and its stakeholders, the citizens of Johannesburg. A service delivery agreement (SDA), concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the company's relationship with the City of Johannesburg.

City Power has concluded a compact with its parent municipality for the year under review. The compact details its annual performance objectives, measures, targets and indicators. The Board provides monthly, quarterly, bi-annual and annual reports to its parent municipality on its performance against these parameters and service delivery as prescribed in the SDA, MFMA and MSA. These reports are submitted within the stipulated timeframes.

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of chairperson and managing director are separated, with responsibilities divided between them. The chairperson has no executive functions.

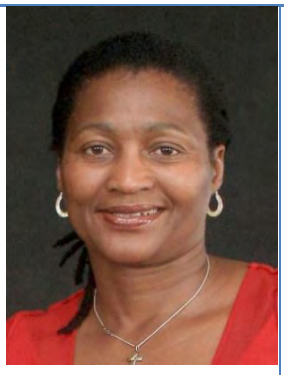
Members of the Board have unlimited access to the company secretary, who acts as an advisor to them and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices.

The Board or any of its members, may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. A director and peer review as well as a board evaluation is undertaken annually. The articles of association provide that the directors of the company will be elected by the shareholder and appointed by the board of directors. The managing director is appointed by the Board.

For the year under review, the Board consisted of nine independent, non-executive directors.

The Board includes one executive director, Mr. S Xulu, who is the managing director. Executive directors are regarded as contract employees in terms of the company's conditions of service.

Ms KPM Simelane (52)



Non-executive director,

Chairperson

B A (Social Work and Psychology), HDPM, MPhil, EDP

Appointed: July 2001

Other directorships: KZN Growth Fund Manager (Pty) Ltd, SA Board Of Personnel Practice, St Mungos Diepsloot Social Action (Section 21 Company), South African National Blood Services (Independent Remco Member)

Ms J Kumbirai (49)

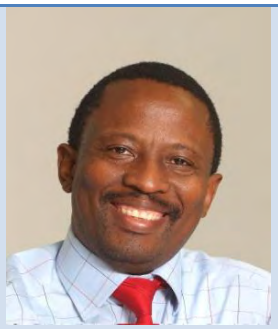
Non-executive director

MBA. CIA, GIBS – Executive Leadership Program, Bachelor of Accountancy (Honours)

Appointed: June 2005

Other directorships: None

Mr G Badela (52)



Non-executive director

M Sc (Electro-mechanical Engineering, MBA, M Sc (Packaging technology), M Sc (Engineering management)

Appointed: March 2001

Other directorships:

Amagcisa Holdings, Badela Brothers, Kowethu Leisure, Hlela Financial Solution, Bopang Holdings, (*Dormant), Marang, (*Dormant)

Prof T Marwala (39)

Non-executive director

Post-doctorate (Information Technology), Ph. D (Computational Intelligence in Engineering Systems), Master of Engineering (Mechanical Engineering), BSc (Mechanical Engineering), Technical Analysis and Fund Management, SAIM Programme (Business Management), Governance, Risk and Ethics (Business Media in Education Initiative)

Appointed: January 2005

Other directorships: EOH (Pty) Ltd, Denel (Pty) Ltd

Ms DLT Dondur (44)

Non-executive director

CA(SA), MBA, Bachelor of Accounting, Hons B Compt, CTA, Hons (Business Administration), Certificate in Labour Relations, Wits International EDP, Certificate in Advance Human Resources, Gaming International EDP

Appointed: September 2008

Other directorships: SANBS

(SA National Blood Service), Suidwes Holdings Ltd, Trans-Caledon Tunnel Authority (TCTA), The Metropolitan Trading Company (Pty) Ltd

Mr JJH Mateya (58)

Non-executive director

MBA, Higher Diploma in Corporate Law, B Comm, Snr Executive Program at Harvard

Appointed: February 2007

Other directorships: Dinotshi Transport Holdings (Pty) Ltd, Jakavula Investment

Adv K-DCO Garlipp (60)

Non-executive director

MSc Engineering (Water utilization), BSc Engineering (Civil), LLM, LLB, AEP (Advanced Executive Program)

Appointed: August 2006

Other directorships: Glenmore Sands (Pty) Ltd

Dr Y Ndema (35)

Non-executive director

B Proc, LLB, LLM (Tax Law), PhD (Public Law), Certificates in Money Laundering, Advanced Corporate Law & Securities Law, Compliance Management, Legal Writing

Appointed: July 2008

Other directorships: Astute Intellect (Pty) Ltd

Mr BM Hawksworth (75)

Non-executive director

Chartered Accountant (SA)

Appointed: January 2009

Other directorships: None

Mr SG Xulu (37)

Executive director, Managing Director

BSc (Hons) with specialization in Applied Science: Electrotechnics, BTech (Electrical Engineering), National Diploma (Electrical Engineering)

Appointed: November 2010

Other directorships: Nkanini Mining Engineering

Changes in the composition of the Board during the current year:

- ***Resignation of Mr Silas Zimu as Managing Director and Executive Board Member on 31 October 2010.***
- ***Appointment of Mr Sicelo Xulu as Acting Managing Director and Executive Board Member on 1 November 2010.***

Board Committees

The Board has the following committees and working groups to assist it in carrying out its responsibilities. Each committee is chaired by a non-executive director.

- Audit Committee
- Human Resources and Remuneration Committee
- Pricing and Regulatory Committee
- Board Oversight Committee
- Ad hoc EDI Working Group
- Turnaround Strategy Working Group
- Phakama Working Group

Audit Committee

The Audit Committee comprises the following non-executive directors: Ms D Dondur (chairperson), Mr. B Hawksworth and three independent members, Mr H Moolla, Mr W Hattingh and Ms L Fosu. Mr S Xulu is invited to attend audit committee meetings, although he is not a member.

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the company's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with senior management and the internal and external auditors.

The Audit Committee operates under a written charter authorized by the Board, and assists the Board on:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities
- Matters relating to financial accounting, accounting policies, reporting and disclosures
- Matters relating to risk management
- Internal and external audit policy
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans
- Reviewing and recommending the approval of external audit plans, findings, reports and fees
- Compliance with the Code of Corporate Practices and Conduct (King III); and
- Compliance with the code of ethics.

The Audit Committee adequately addressed its responsibilities in terms of the charter during the period. The Audit Committee met ten times during the year under review.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprises the following non-executive directors: Mr H Mateya (Chairperson), Ms G Simelane, Ms J Kumbirai, Mr G Badela, Ms D Dondur and one executive director, Mr S Xulu (appointed to the Committee on 1 November 2010).

The Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all directors and senior management. Its specific terms of reference also include recommendations to the Board on matters relating to general staff policy remuneration, profit bonuses, executive remuneration, director remuneration and fees and service contracts. The committee met nine times during the year under review.

Pricing and Regulatory Committee

The Pricing and Regulatory Committee consists of the following non-executive directors: Ms J Kumbirai (Chairperson), Prof T Marwala, Mr H Mateya, Dr Y Ndema, Adv K-DCO Garlipp and one executive director, Mr S Xulu (appointed to the Committee on 1 November 2010).

The Committee advises the Board on strategic direction on electricity pricing strategies and policies, addresses regulatory changes in the electricity supply industry that affect the company, ensures the company complies with regulatory requirements on tariffs, recommends structural tariffs changes to the National Electricity Regulator, and ensures compliance with NRS 047 (quality of service) and NRS 048 (quality of supply) regulations. The committee met three times during the year under review.

Board Oversight Committee

The Oversight Committee consists of the following non-executive directors: Adv K-DCO Garlipp (Chairperson), Ms G Simelane, Prof T Marwala, Mr G Badela, Dr Y Ndema and one executive director, Mr S Xulu (appointed to the Committee on 1 November 2010).

The Committee advises the board on oversight responsibilities set out in the supply chain management policy and procedures which are in line with Municipal Finance Management Act regulations on supply chain management.

- The committee operates under a mandate authorized by the Board, and assists the Board in maintaining oversight on the implementation of supply chain management policies as contained in the supply chain management manual
- Monitoring and reporting on the implementation of the supply chain management policy and procedures and the performance of supply chain management
- Assessing deviations and exceptions from policies and procedures
- Advising on the multi-year business plan and annual budget plan
- Monitoring and reporting on company spend against the approved budget and business plan
- Assessing the achievement of output on projects
- The committee is informed of all emergency procurement and considers the following:
  - Approving any spend planned outside approved plans
  - Noting deviations/amendments from policy.

The committee met five times during the year under review.

Ad hoc EDI Working Group

This is an ad hoc joint Executive and Board working group formed to consider and advise the company on EDI restructuring developments and to prepare City Power for transition into a Regional Electricity Distributor (RED).

The Working Group comprises the following non-executive directors: Prof T Marwala (Chairperson), Ms G Simelane, Adv K-DCO Garlipp, Dr Y Ndema and one executive director, Mr S Xulu (appointed to the Committee on 1 November 2010). The working group did not meet during the review period.

Turnaround Strategy Working Group

This is an ad hoc Board working group formed to advise and assist the company with a financial turnaround strategy after the financial loss the company suffered in the 2007/2008 financial year.

The Working Group consists of the following non-executive directors: Mr H Mateya (Chairperson), Ms D Dondur and Mr B Hawksworth. It met once during the year.

Phakama Working Group

This is an ad hoc Board working group formed to advise the company on the implementation of the City of Johannesburg's Phakama Project. The project created a central shared service for revenue management and customer relations management for the City of Johannesburg and its Municipal Owned Entities. The customer service functions of City Power were migrated to the CoJ's Revenue and Customer Relations Management Department. The ad hoc working group was formed to provide strategic direction and guidance on the implementation of the project and the management and monitoring of the relationship between City Power and the City's Revenue and Customer Relations Management Department.

The Working Group consists of the following non-executive directors: Mr. H Mateya (Chairperson), Adv K-DCO Garlipp, Dr Y Ndema, Ms G Simelane, Prof T Marwala and one executive director, Mr S Xulu (appointed to the Committee on 1 November 2010). The working group met twice during the year under review.

Other parties regularly attending Board, or board committee meetings

Representatives of the Auditor-General and the City of Johannesburg regularly attend Board and Audit Committee meetings.

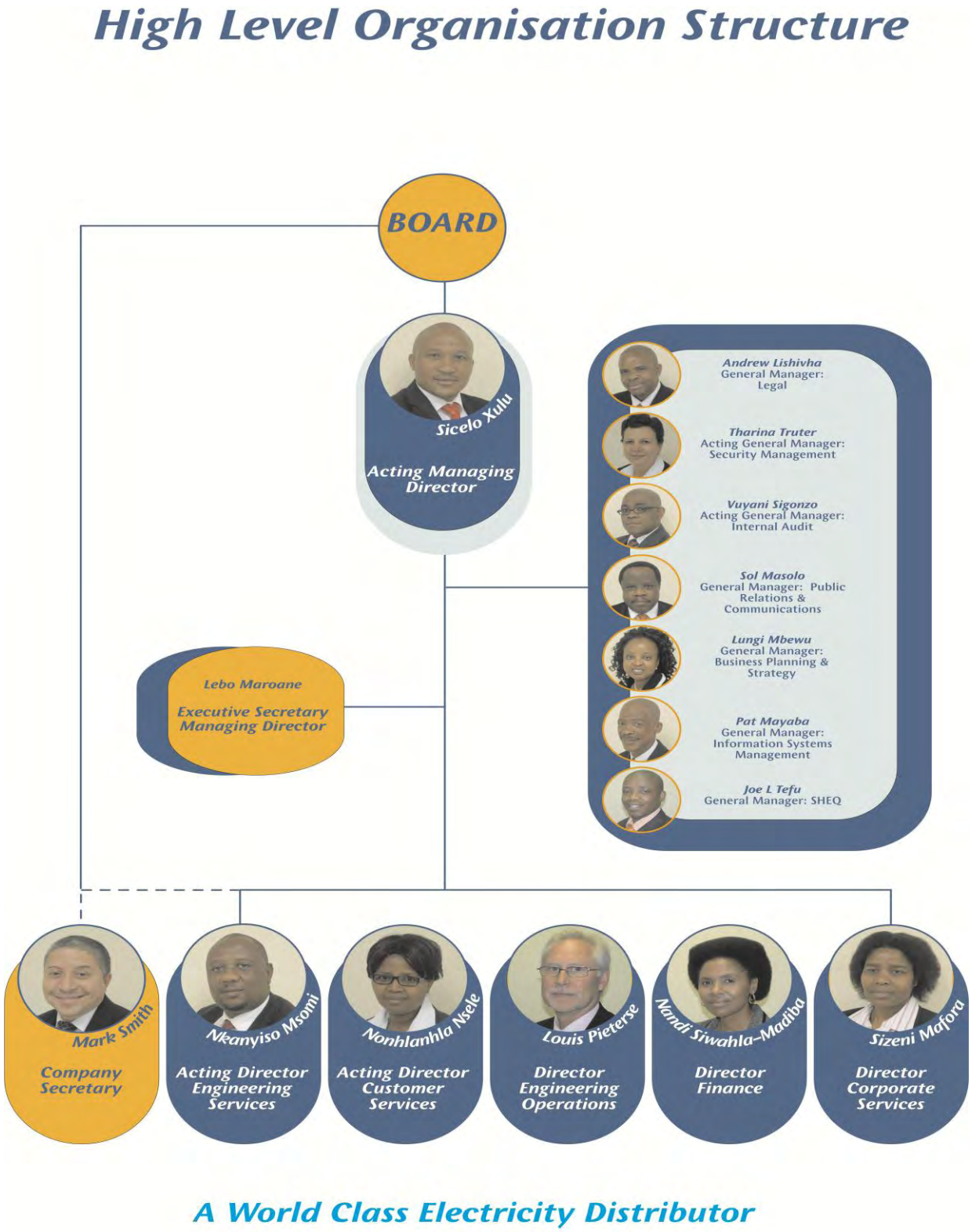
Other external consultants attend certain meetings of the Board and Audit Committee of City Power by invitation in order to make presentations on specific matters.

Length of service

The shareholder has considered the fact that the current non-executive directors have served on the Board for a longer period and has assessed their independence, character and judgment.

Based on the assessment the shareholder has extended the term of the board until the 2012 Annual General Meeting, after concluding that they have retained their financial independence, independence of character, judgement and their ability to act in the best interest of City Power, despite the length of the period served on the Board.

High Level Organization Structure



Executive Management

Mr SG Xulu (37)

Managing Director (Acting)

BSc (Hons) with specialization in Applied Science: Electrotechnics, B Tech (Electrical Engineering), National Diploma (Electrical Engineering), Member of IoDSA.

Other directorships: Nkanini Mining Engineering

Reports to: Board and City Manager

Ms N Siwahla-Madiba (47)

Director: Finance

Hons B Compt, CTA, B.Comm (Accounting), Post Graduate Diploma in Financial Management, Advanced Taxations Certificate, Diploma in Human Resources Management, Certificates: Program in Management Development (Municipal), Principles of Project Management, Public Management and Development, Introduction to Mining and Minerals, Implementation and Auditing of ISO9001;14001 & 18001.

Other directorships: None

Reports to: Managing Director

Ms S Mafora (46)

Director: Corporate Services

BA (Social Sciences), MBA

Other directorships: None

Reports to: Managing Director

Mr L Pieterse (58)

Director: Engineering Operations

National Higher Diploma – Electrical Engineering, Executive Development Programme

Other directorships: None

Reports to: Managing Director

Mr N Msomi (40)

Acting Director: Engineering Services

MSc in International Economics, Organisational & Strategic Systems, Advanced International Strategy & Project Management, Technology Leadership Programme Certificate, BSc Electrical Engineering (H/C), Diploma in Electrical Engineering (H/C)

Other directorships: None

Reports to: Managing Director

Ms NP Nsele (45)

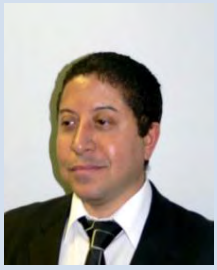
Acting Director: Customer Services

B. Com, Hons B. Com (Accounting), MBL – Masters in Business Leadership, EDP-Executive Development Programme

Other directorships: None

Reports to: Managing Director

Mr MJ Smith (45)



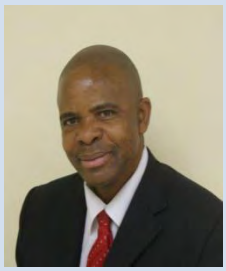
Company Secretary

B Proc, LLB

Other directorships: None

Reports to: Managing Director

Mr A Lishivha (47)



General Manager: Legal Services

LLB

Other directorships: Lishivha Trust

Reports to: Managing Director

Ms T Truter (38)

Acting General Manager: Risk Management

B. Com in Security Risk Management

Other directorships: None

Reports to: Managing Director

Mr V Singonzo (40)

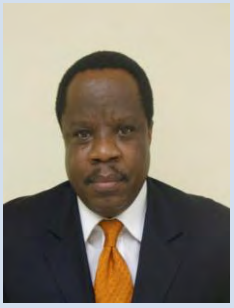
Acting General Manager: Internal Audit

Bachelor Of Accounting Science (B Compt), National Diploma Cost Accounting, General Internal Auditor (GIA)

Other directorships: None

Reports to: Managing Director

Mr. S Masolo (48)



General Manager: Public Relations and Communications

BA Degree, BA Hons Degree, SED, Certificate in Journalism, Certificate in Radio Journalism

Other directorships: None

Reports to: Managing Director

Ms NS Mbewu (40)

General Manager: Business Planning and Strategy

MBA, M.Dip HR, B Ed (Hons), B Paed, Member of the IoDSA.

Other directorships: None

Reports to: Managing Director

Mr. P Mayaba (47)

Chief Information Officer: Information Technology

Executive Development Programme (EDP); Master of Business Leadership (MBL), BSc

Other Directorships: None

Reports to: Managing Director

Mr J Tefo (49)

General Manager: SHEQ

BTech in Safety Management, National Diploma in Safety Management

Other directorships: None

Reports to: Managing Director

Changes in the composition of management during the current year:

- ***Resignation of Mr S Zimu as Managing Director on 31 October 2010.***
- ***Appointment of Mr S Xulu as Acting managing Director on 1 November 2010.***
- ***Appointment of Ms S Mafora as Director: Corporate Services on 1 December 2010.***
- ***Appointment of Mr N Msomi as Acting Director: Engineering Services on 1 November 2010.***
- ***Resignation of Ms TV Ndou as General Manager: Internal Audit on 31 May 2011.***
- ***Appointment of Mr V Singonzo as Acting General Manager: Internal Audit on 1 June 2011.***

REMUNERATION OF DIRECTORS AND EMPLOYEES

Determination of Non-Executive Directors' and Independent Audit Committee members' remuneration

In terms of the provisions of the Remuneration Policy adopted by the Mayoral Committee the Shareholder Unit is required, at least annually, to make recommendations on the Directors' fees payable to the Non-Executive Directors of the City of Johannesburg's municipal entities. In line with this requirement, the Shareholder Unit produces a report on the remuneration of Non-Executive Directors and Independent Audit Committee members which is in line with the provisions of the Municipal Finance Management Act, 2003 (MFMA) and Municipal Systems Act, 2000 (as amended).

The most recent report concerning the latest approved fees for non-executive directors and Independent Audit Committee members of City Power was for the 2009/10 financial year. The determination applicable to the 2009/10 financial year remains in force until amended by the Director: Shareholder Unit, or the Mayoral Committee, as the case may be.

The number of hours and the frequency of meetings to ensure compliance with the local government legislation and the City of Johannesburg's requirements are considered in the determination of fees payable to non-executive Board members.

The Spencer Stuart Benchmark is used as a basis in the determination of upwards adjustments in Board fees. City Power pays their non-executive Board members in line with its budget size and the complexity of City Power. Any upwards adjustments of fees are linked to the amount of risk to the individual posed by the requirements of the MFMA.

Non-executive directors' and Independent Audit Committee members' fees are only paid in accordance with City Power's approved budget.

The retainer fees are payable to non-executive directors, where they qualify for the retainer to be paid (e.g. more than 60% attendance of all meetings).

Determination of Executive Directors' and other employees' remuneration

All positions within City Power structures are graded according to their job description and priced utilizing market related benchmarks. Employee benefits have also been formulated for different levels to augment cash remuneration and this will serve to attract, retain and equitably remunerate employees according to the position that they hold. Remuneration may be adjusted for individuals meritoriously in line with the additional contributions that they make to the success of City Power.

City Power recently completed an exercise to move all existing employees to the 50th percentile of their job specific salary bands as determined in Deloitte's National Remuneration Survey. City Power is currently busy with a costing exercise in order to determine the total budget required to move all existing employees on Grades 13 and above to the 50th percentile of their job specific salary bands as determined in Deloitte's National Remuneration Survey. This is strictly subject to the availability of budget.

The largest portion of positions within City Power has been evaluated in line with the TASK (Tuned, assessment of skills and knowledge) Job Grading System. Grading of outstanding positions or the re-grading of new or changed positions is an ongoing process. All positions are linked to the Remuneration Framework based on the grade allocated to the position. This directly supports internal parity in terms of clearly defined salary bands linked to TASK grades.

The Attraction and Retention Strategy provides a holistic approach that addresses equitable remuneration practices. City Power aims to achieve internal and external equity in salary bands.

The company implements general training interventions targeting the development of core skills.

Performance management and bonus payments

City Power has a two-tiered performance management system, that is a strategy based and output based system. The performance management system links congruently with the business plans and business planning process of City Power.

Performance management is an ongoing integrated process aimed at guiding and managing the employee's efforts at work to achieve individual and corporate objectives.

Based on the Business Plan and the Balanced Score Card, City Power's performance is determined and approved by its Board.

It also includes a formal evaluation of the employee's performance during a specific time period, measured against agreed objectives and job standards, using agreed measurement methods and criteria. This is reflected in a Performance Compact.

Payment of performance bonuses is capped at 14% of employees' cost to company OR basic salaries (whichever is applicable) and will be paid on a sliding scale. There are however no bonus payments if the score is below 3.

Annually provision is made in the budget for the bonus pool; however, the actual payment of the performance bonus is subject to a directive from the City Power Board in conjunction with the City of Johannesburg.

City Power has undergone a process of implementing a system which aligns the key performance indicators of employees with the strategic objectives of City Power in order to ensure that the performance measurement of employees can be directly linked to the key performance indicators of the entity as a whole. Future remuneration in the form of bonuses will therefore be influenced by the extent to which the strategic objectives of City Power have been achieved.

Directors' remuneration disclosures

Executive Directors

Surname	Salary R'000	Other Allowances R'000	Directors Fees R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Mr. S Zimu	1,612	74	-	-	43	**1,729**
Mr. S Xulu	1,397	112	-	-	128	**1,637**
Total	**3,009**	**186**	**-**	**-**	**171**	**3,366**

Non-Executive Directors

Surname	Directors Fees R'000	Travel Allowance R'000	TOTAL R'000
Ms G Simelane	476	8	**484**
Mr G Badela	216	6	**222**
Ms D Dondur	404	7	**411**
Adv K-DCO Garlipp	162	8	**170**
Mr B Hawksworth	22	-	**22**
Ms J Kumbirai	160	8	**168**
Prof.T Marwala	140	2	**142**
Mr J Mateya	260	7	**267**
Dr Y Ndema	140	3	**143**
Total	**1,980**	**49**	**2,029**

Mr Hawksworth has not been attending mayor part of the Board meetings due to medical reasons. Based on this reason he has thus been retired.

Independent Audit Committee Members

Surname	Directors Fees R'000	Travel Allowance R'000	TOTAL R'000
Ms L Fosu	62	1	**69**
Mr W Hattingh	96	5	**101**
Mr H Moolla	168	1	**163**
Total	**326**	**7**	**333**

Executive Committee Members

Surname	POSITION	Salary R'000	Other Allowances R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Ms S. Mafora	Director: Corporate Services	426	110	0	69	**605**
Mr DL Pieterse	Director: Engineering Services	935	273	0	80	**1,288**
Ms N Siwahla-Madiba	Director: Finance	883	207	0	121	**1,211**
Mr NW Msomi	Acting Director: Engineering Services	755	40	0	110	**905**
Ms NP Nsele	Acting Director: Customer Services	743	211	0	0	**954**
Mr MJ Smith	Company Secretary	625	187	0	93	**905**
Mr A Lishivha	General Manager: Legal	615	197	0	0	**812**
Mr CS Masolo	General Manager: Public Relations & Communications	691	177	0	50	**918**
Mr PDM Mayaba	General Manager Infrastructure System Management	821	363	0	132	**1,315**
Ms NS Mbewu	General Manager: Business Planning & Strategy	652	191	0	61	**904**
Ms TV Ndou (Resigned 31/05/11)	General Manager: Internal Audit	132	42	0	16	**190**
Mr V Singonzo	Acting General Manager: Internal Audit	366	140	59	66	**631**
Mr LD Tefo	General Manager: SHEQ	490	208	0	93	**792**
Ms T Truter	Acting General Manager: Risk Management	335	129	0	110	**574**
Total		**8,469**	**2,475**	**59**	**1,001**	**12,004**

SUSTAINABILITY INFORMATION

Sustainable development is defined by the World Commission on Environment and Development as “development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Sustainability Vision

City Power appreciates that the continued success of any organisation does not only involve a focus on financial sustainability, but that it is inextricably linked to three separate, but interdependent legs, namely social sustainability, environmental sustainability and economic sustainability. City Power, driven to a large extent by the expectations of its stakeholders, has therefore identified environmental, social, economic and financial issues that may impact on the continued sustainability of City Power and has integrated these issues into City Power’s key focus areas, which informs the strategic direction of the entity.

City Power understands that the provision of energy has an impact on environmental sustainability in the future, and constantly strives to minimise the impact of its business on the environment. Economic development, financial performance and social equity are also integrated with the environmental aspects in order to improve on the overall sustainability of the organisation.

City Power strives to use international benchmarks in standards throughout the entity to ensure that City Power adheres to the best practices in safety, health and environment management. This is driven by the Safety, Health, Environment and Quality (SHEQ) division.

Environmental sustainability

City Power has undertaken ten tasks during the current financial year in order to comply with the City of Johannesburg Environmental Management Framework.

With the assistance of the City of Johannesburg, City Power has tested its carbon emissions from its transformer oil recycling plant for the first time during the current financial year. In future, City Power will undertake regular emissions tests in order to monitor the efficiency of the plant as well as the catalytic converter. In the coming financial year, City Power also plans to monitor the carbon emissions from its vehicles and gas turbines.

City Power has also implemented a waste management plan, waste separation and colour coded recycling bins. During the current year City Power has also undertaken environmental impact assessments for projects. City Power has also taken steps to prevent environmental pollution at substations where transformers are leaking oil that contaminates the environment. The oil pollution takes place as a result of very old transformers that are still in use. Oil spillages can also be attributed to the manner in which staff refills, transports, handles, stores and performs condition monitoring on the equipment. During the current year City Power identified substations where oil pollution is taking place and rectified the situation, or put mitigating plans in place.

City Power implemented an integrated management system based on three ISO management programmes (environmental management, quality management and occupational health and safety). A Medical Waste Management System was also successfully implemented in compliance with the ISO 14001:2004 Standard.

Social sustainability

The company is actively involved in promoting social development in terms of learnership, internship and charity programmes.

Learnership Programmes

A total of 14 NQF Level 4 Learners were given the opportunity to write a Trade Test and a total of 9 passed. We are also the host employer for 25 Apprentices placed with us by the Department of Infrastructure Development.

There are currently 33 Bursars enrolled with the Company. This total is made up of 19 African males, 12 African females, 1 Indian male and 1 Coulered male. A total of 21 Bursars are studying Electrical Engineering whilst the remaining 12 are studying in other fields such as Financial Accounting, Auditing and Computer Science. All students who are completing their studies are absorbed by the Company. This said numbers include a total number of 4 bursars that were engaged in the 2010 academic year.

Community development project

As a utility provider, City Power has a responsibility to the communities in which it operates to educate customers about the safe use of electricity, the impact of cable and electricity theft and the importance of account payments.

One of City Power's community development projects has been the development of the vegetables gardens for the Tshwaranang hospice in Midrand. This project has assisted in alleviating poverty within the community. The attached pictures show the before, during the planting and after the planting at the vegetable garden. City Power has invested a substantial amount in community empowerment projects in Alexandra, a sprawling township in eastern Johannesburg that is undergoing a multi-faceted renewal phase. City Power has outsourced certain tasks to companies in Alexandra and supported schools in the area with sports equipment to improve general health and reduce crime. An educational campaign aimed at learners covers electrical safety and prevention of vandalism of electricity equipment.

City Power is committed to employment equity through its employment practices and to black economic and gender empowerment, through its procurement practices. City Power has also succeeded in creating in excess of 3,000 jobs through the participation in the Expanded Public Works Programme.

A major component of the company's social responsibility has been the provision of free basic electricity.

Charity Programmes

Date	CHARITY	ITEMS SPONSORED	AMOUNT
18-Jul-10	67 Minutes of Goodwill with SAPS	40 Blankets and Drinks	R10,796.40
24-Jul-10	Child headed Family Birth Day Party	Meat	R800.00
12-Aug-10	Vincent Chabalala Education trust	Golf Day. Hole Sponsor	R30,000.00
16-Aug-10	Chief Jerry Nkosi Sec. School	Airport Tour	R134,900.00
11-Sep-10	Gold Dust. Klipfontein view	Miss Destiny beauty contest	R50,000.00
10-Dec-10	Thusanang HIV/AIDS Relieve Project	Groceries	R2,000.00
23-Dec-10	Child headed Families	Xmas Groceries	R8,000.00
Feb-11	Emthonjeni /Moses Maren	Vegetable garden	R21,000.00
			R257,496.40

Economic sustainability

A company's performance is governed not only by its environmental and social activities, but also by its economic achievements to give a balanced view. Continued economic success of City Power is vital for the survival of the company and translates into job creation for employees who can, in turn, deliver positive impacts to peoples' livelihoods and society.

Demand-side management (DSM)

Research has shown that the country's existing power generation capacity is insufficient to meet the rising demand for electricity. On a global scale, our energy demands have already exceeded the sustainable use of resources like coal and oil.

Prior to the load-shedding crisis in 2008, City Power's commitments to reducing energy demands were linked to political commitments. With the advent of the crisis, we all experienced a real and shocking demonstration of the limitation of our resources. It became clear that City Power's customers would need to change their electricity-use habits.

Currently one of City Power's DSM initiatives is to control the domestic geyser loads during peak periods. This is achieved by installing ripple control relays (and to a lesser extent 'smart metering') which, when remotely activated, switch off supply to the hot water geysers which achieves a significant reduction in peak demand without unduly inconveniencing customers. This has significant financial and network security benefits which are passed on to customers.

Presently, of City Power's approximately 320 000 domestic premises, only about 65% (192,000) are fitted with ripple relays. Of these, 124,800 ripple relays are operational. This brings the controllable average load throughout the year to 56.3MW and the controllable peak winter load to 125MW.

With the current national shortage of generation capacity and the imminent threat of load shedding it is imperative that all effort is made to expand the DSM coverage in order to avoid rolling black-outs, loss of productivity, reduced revenue and huge public inconvenience.

City Power is also investigating new technologies and other initiatives to promote energy efficiency, and obtain a sustainable reduction in load without affecting growth. As part of these initiatives, we are actively engaged in a programme to replace conventional geysers with solar water heaters and replacing the existing lamps in street lights with energy efficient lamps. City Power has also implemented city wide education programmes on energy conservation.

As part of the drive to find alternative sources of energy, two gas turbines have also been refurbished, which can now produce 70MW on demand.

Reduction in electricity consumption

For the current year, City Power can report a 4.70% reduction in the amount of electricity purchased against a target of 5%.

	2011	2010	2009
Budgeted Bulk Purchases MWh Units	*13,702,214*	*13,650,763*	*12,937,663*
Actual Bulk Purchases MWh Units	*13,116,388*	*13,117,250*	*13,100, 882,*
% Reduction on electricity consumption	*4.70%*	*1.40%*	*-1.2%*

Energy Efficient Street lighting

City Power provides street and area lighting to a significant portion of the main public roads and suburbs within the municipal boundary.

There are over 182 000 lights installed and the power ratings of the luminaires varies from 70 – 400 Watts. The types of lamps used are generally of an older technical vintage and are either Mercury Vapour (MV) or High Pressure Sodium (HPS).

In recent years lighting technology has advanced greatly and it is now possible to achieve the same lighting output (lux) from lamps with a significantly lower wattage. In simple terms and, as an example, the same lighting levels (or slightly better) can be achieved by replacing old 400 Watt HPS lamps with modern 125 Watt luminaires. This has a significant implication in terms of energy savings, in terms of units purchased (energy reduction) and financial expenditure (energy purchases / gross profit). Anticipated annual savings may amount to around R10 – R15 million, depending upon the technology chosen. In addition the newer technology lamps have a significantly longer operating lifecycle and reduced maintenance costs. It is clear that the replacement of older generation luminaires with modern technology would have a significant impact in terms of lowering energy consumption and demand as well as reducing maintenance expenditure.

In the longer term capital expenditure would be lowered due to the extended operating life of the lamps / fittings and consequential longer luminaires replacement periods.

A total of 17,168 energy efficient lights have been replaced in the financial year 2010/11, resulting in an energy reduction of approximately 1,134.24W.

Additional revenue generation - Advertising on City Power infrastructure

The objective is to increase company revenue through selling advertising space on street lamp poles, sub-stations, mini–stations and company fleet. During the current year to date, additional revenue exceeding R2.4 million was generated through advertising on City Power infrastructure.

RISK AND STRATEGIES

Risk Management Governance and Processes

Background

City Power is a municipal-owned enterprise (MOE), wholly owned by the City of Johannesburg and, as such, City Power is continuously ensuring alignment and compliance to City of Johannesburg requirements. City Power's risk management process is aligned to and has adopted the City of Johannesburg risk management framework.

Risk management process

City Power's risk management process has four broad steps:

- Risk identification
- Risk assessment and treatment
- Monitoring and reporting
- Auditing

Sustainability risks

The Board acknowledges its overall accountability for ensuring an effective results-driven integrated risk management process. The executive committee (Exco) has implemented a risk control system to enable management to respond appropriately to significant risks that could impact negatively or positively on business objectives. Risk reviews are conducted with input from divisional and functional areas. Risks are identified and ranked by divisions and groups, reviewed, and then assessed by Exco, the Audit Committee, and the Board to determine the major operational, strategic and business continuity risks.

The ratings of the risks are finalised after considering the mitigation plans, and executive accountability is assigned for each of the risks.

City Power Top 13 strategic risks

During the current year the City Power Management and Board held a risk workshop with the assistance of the City of Johannesburg's Risk and Audit Service (JRAS) and Shareholders Unit (SHU) where the strategic risks were reviewed. Below are the top 13 risks that were identified during the workshop. The monitoring of implementation of the controls for addressing the identified top 13 strategic risks is conducted on a monthly basis.

Poor revenue collection	**Context:** City Power experiences challenges surrounding metering and revenue collection. Metering problems include: by-passed meters, faulty meters or meter components, inability to obtain readings from domestic properties and unmetered supplies. Poor metering poses substantial challenges to effective and efficient operational and financial performance. **Mitigation:** Conversion from conventional metering to pre- paid. Manage the Service Level Agreement with the City. Advised the City to segment customers as required by

	the accounting standards and NERSA. Advised the City to re-introduce key customer executives.
Cable theft	**Context**: Increase in copper price led to increase in network tampering, copper theft and vandalism. This in turn leads to an increase in power interruptions, which may have a negative impact on City Power's revenue. It also leads to an increase in operational expenditure and may have a negative impact on the company's image. Mitigation: Improved security in hot spot areas. Implemented crime intelligence systems. Crime prevention strategy in place. Implementation of crime prevention technologies.
Customer dissatisfaction	**Context:** Causes of customer dissatisfaction include outages, capacity demand, billing, and a poor performing call centre. A low level of positive public opinion may result in low payment levels, poor company image and a loss of the NERSA licence. **Mitigation:** Manage SLA with the City. Working with City to improve processes. Internet faults logging system. SMS messaging system for planned outages. BC Forums. Reviewing value chains.
High primary energy pass through costs	**Context:** Inadequate capacity nationally will result in an increase in Kelvin dispatch, which will result in an increased cost of bulk purchases. This may also lead to the starting up of the gas turbines resulting in higher energy pass through costs. **Mitigation:** Explore additional funding for the gas turbines. (e.g. Off-takers) Engage with 3rd parties to buy power at the cost of generation Strict control over PPA and penalties on poor delivery. Hold monthly meeting with Kelvin Management. Limited provision for the gas turbines in the current budget.
Business's inability to fund high capital and operational requirements out of current cash flows nor future tariff applications	**Context:** City Power is dependent on funding to refurbish the aging network at an acceptable rate and to upgrade the network e.g. 4th and 5th intake points. A lack of funding, or if City Power is unable to obtain own funding, may also lead to an inability to meet targets around electrification, inner-city projects, public lighting, SHEQ, etc, or to ensure compliance with MFMA requirements.

	Mitigation: Exploring the off-balance sheet arrangements with funding institutions. Seek additional grants from National Treasury and other departments. Revenue generating projects. Public-private partnerships (PPP) initiatives. Sourcing additional grant funding.
Non availability and reliability of Information & communication technology (ICT)	**Context:** Extensive reliance on ICT and a lack of investment in ICT due to competing business priorities, may lead to low productivity, a negative company image and poor business performance. **Mitigation:** Programme to align to King III recommendations. Review and strengthen the current controls. Modernising and upgrading infrastructure. Currently reviewing and updating the information security policies and the disaster recovery strategy.
Fraud & corruption ***Qualified audit report***	**Context:** Fraud and corruption and conflicts of interest may result in a loss of assets and funds. This may also result in company's image being tarnished. **Mitigation:** Awareness campaigns on anti-fraud and corruption. A fraud policy has been introduced and a fraud & corruption prevention plan is in place. An illustrative list of strategic fraud risks is in place. **Context:** Inadequate internal controls, insufficient financial staff or non-compliance with Generally Recognised Accounting Practice (GRAP) standards, may result in weak internal controls, non-compliance with the MFMA and improper reporting. **Mitigation:** Alignment with King III requirements. Continuous compliance with legislation. Compliance with GRAP. Integrated reporting. Staff development. Practicing good governance. Actively addressing all issues raised in the previous year's Management Report.
Increase in non-technical losses	**Context:** Meter tampering, illegal connections and faulty meters may lead to a loss of revenue or an increase in expenses. This may also result in the loss of City Power's NERSA licence. Where there are no meters, or if access is refused, City Power may be unable to bill customers which will also result in a loss of revenue. **Mitigation**: Continue with present controls and monitor the

	effectiveness of the controls. Installation of semi AMR, tamper proof meters and pre-paid meters with protective structures. Removal of illegal connections and replaced with tamper proof meters with protective structures. Currently utilizing JMPD & SAPS to enforce by-laws. Continuous installation audits. Customer education programs.
Network interruptions	**Context:** The age of the network and theft and vandalism of the infrastructure may result in network interruptions. Uncontrollable events such as insufficient capital for upgrading and refurbishment of MV and LV network may also result in network interruptions. This in turn may lead to low productivity, a negative company image and poor business performance. **Mitigation:** Introduction of condition monitoring project and continuous revision of additional crime prevention strategies. Maintenance & capital investment programmes are in place. An asset management system and a crime prevention strategy are in place.
Inadequate capacity to meet the demand (Eskom & Kelvin)	**Context:** There is a risk that the Eskom network may have insufficient capacity to supply electricity (generation and transmission) and to sustain the additional capacity demand. Kelvin Power Station may also be unable to supply at the required level in terms of the power purchase agreement. This may lead to load shedding and loss of revenue. **Mitigation**: Investigating alternative sources of energy e.g. piloting solar powered streetlights. City Power has also applied for increased capacity from Eskom. Investigating distributed generation options. Implementing demand side management (DSM) program. Resuscitate gas turbines.
Impact of HIV/AIDS and other sicknesses on productivity in the company	**Context:** HIV/AIDS and other illnesses may lead to increased absenteeism due to sick leave, which may impact on overall performance. Skills may also be lost due to illness which may result in reduced productivity. **Mitigation:** Continue to improve the HIV/AIDS awareness campaign. Reinforcing partnership with the City of Johannesburg and other stakeholders. Provision of immune boosters and nutrition. Dispense and administer ARV's. Staging of wellness days. Encouraging voluntary testing.

Insufficient skills capacity to support the business	**Context:** Ineffective talent management and vacant positions may lead to low productivity. **Mitigation:** Monitor the effectiveness of current controls. Retention strategy implemented. Remuneration strategy partly implemented. Training and development of staff.

Strategies

City Power's strategic priorities and key focus areas

The strategic priorities of City Power are translated into the following key focus areas:

Key Focus Area	Objective
Business model	To re-align business operating model to better enable delivery of strategy.
Energy management	To define revenue and energy management strategy.
Obtain unqualified audit	Put in place a process to achieve and maintain an unqualified audit.
Improve asset management	Develop techniques and processes for creating, maintaining & accounting for assets.
Improve public lighting performance	To quantify public lighting costs and find innovative means to manage public lighting.
Human capital investment	Ensuring that the right people with the right skills are in the right positions to enable better delivery of strategy.

The six key focus areas have been linked to various key performance indicators (KPI's) which are included in the Company Compact and are reported in the Chairperson's quarterly report and various other reports to the Executive Committee and the Board. The various projects of the Turnaround Strategy have also been incorporated into some of the Key Focus Areas. The performance of the acting managing director and the focus areas including the performance of the business in general is incorporated into the Integrated Report.

PERFORMANCE OVERVIEW

Business overview

There are several challenges posed by national and international developments in the electricity sector. Nationally, the generation capacity shortages have introduced a period of power conservation with specific focus on demand side management programmes. Internationally, the awareness around climate change has motivated companies to reduce their carbon "footprints" through initiatives such as energy purchases from renewable supply options and trading in carbon credits. The global financial crisis has also had an impact on the economy and electricity sales. These developments present City Power with an opportunity to position the business for long term sustainability and viability.

Highlights and Achievements

- Successfully provided support to IEC local government elections.
- The overwhelming achievement was the successful staging of the 2010 Soccer World Cup and the contributions City Power made to ensure the event and the matches were staged without any power interruptions.
- Zero employee fatalities. Target has been achieved due to continuous safety management programs by City Power to ensure that employees are properly trained to understand the dangers of their work environment resulting in behavioural change.
- Attained Disabling Injury Frequency Ratio (DIFR) of 0.46 against an international benchmark target of 1. Continuous safety management programs in place have assisted in achieving and exceeding the annual target.
- 28.35% achieved and exceeded on Engendered Spend against annual target of 26%.
- 80.55% achieved and exceeded the BEE target of 76%. City Power encourages BEE businesses, engendered business ownership and joint ventures.
- Employment Equity targets have been achieved and exceeded:
    - 88.38% on Affirmative Action (AA) against an annual target of 70%
    - 20.42% on Gender Equity (GE) against an annual target of 20%
- Target for temporary job creation as per Expanded Public Works Program (EPWP) has been achieved and exceeded. A total of 3,284 temporary jobs have been created against the annual target of 2,600.
- City Power currently has a total of 80 learners in various levels of learning within the business.
- The annual target for people with disabilities has been achieved and exceeded due to in-house workshops conducted. This resulted in an improved number of employees who have voluntarily declared their disabilities status from 16 to 48 employees.
- 4,369 connections were electrified against annual target of 4,000. The target has been achieved and exceeded due to the following:
    - Allocation of DSM Funding
    - Most conversions were done in the Revenue Maximization project
- Successful completion of Pennyville substation on time.
- 3,511 public lights in the informal settlement areas were installed against annual target of 3,000. This has been achieved and exceeded due to the increase in Department of Energy (DOE) funding.
- 8,616 conventional meters were converted to prepaid meters. The allocation of DSM funding has assisted in achieving and exceeding the annual target of 3,000.

- Installed additional capacity of approximately 160MVA to the network by commissioning Pennyville substation and adding additional transformers at Ennerdale and Siemert Road substations. The Noordgesig and Pennyville development loads were also successfully transferred to the new Pennyville substation from the Stormmill switching station.
- Completion of the live line upgrade project for 88kV overhead lines from Orlando switching station to Hursthill substation.
- Acquired and implemented Performance Condition Monitoring of equipment.
- Several arrests were made in the Nasrec and Soccer City Area due to a successful anti-cable theft joint operations with JMPD, SAPS and other stakeholders (scrap metal dealers, stop and search).
- Successfully implemented the Log-a-fault adverts on Talk Radio 702, Jozi-beat magazine, Caxton media, Sowetan and Sunday Times to keep customers informed and to provide customers with alternative ways to reach City Power.
- Electricity sales to Eskom generated an additional R587 million in turnover.
- City Power successfully retained the ISO Accreditation standard of requirements with regards to the following:
    - ISO 9001: 2008(Quality Management System)
    - ISO 14001: 2004(Environmental Management System) and
    - OHSAS 18001: 2007(Occupational Health and Safety)
- City Power received the Assegai Award in recognition of the innovative SMS communication system with customers.

Lowlights

- Targets have not been achieved for HV and MV Network Performance Related outages. This is mainly due to trips caused by obsolete switchgear and cable failures at MV level.
- Escalating theft and vandalism of network infrastructure leading to increase in expenditure. City Power is working with the community, SAPS, JMPD to decrease theft and vandalism. Innovative technologies for securing the infrastructure are also being explored.
- NRS 047 (Quality of Service) targets have not been achieved. This is due to various challenges identified in the SAP-CRM/e-Respond interface e.g. data may not be routed correctly to City Power, query resolution reports and average resolution time are inclusive of all services offered by the CoJ, and not only electricity as required by NRS 047 .City Power is working with the CoJ in order to improve performance.
- Capacity constraints and the amount of capital expenditure funding that is required to extend and upgrade the electrical networks lead to an increasing number of applications for township developments, rezoning and new service provisions being turned down
- Annual expenditure is exceeding budget due to the following line items: allowance for bad debts, commission paid, stock variances, lease rentals on operating lease, repairs and maintenance, security expenses, travel expenses, telephone and fax expenses.
- Regrettably, one contractor and two members of the public were electrocuted.
- Non-technical losses are above the targets due to escalating theft and vandalism of the electricity infrastructure, incorrect billing and non-billing of accounts, illegal decalibration of meters and customers without meters.
- City Power received a qualified audit opinion for revenue and consumer debtor balances. The Auditor General was unable to verify the accuracy, cut-off, completeness and accuracy of revenue due to differences between the source files for meter readings and the readings that were used to bill customers. Consequently the Auditor General was also unable to verify the correctness of consumer debtor balances. The company did provide reconciliation between the actual meter readings and the readings on which customer bills were raised. This information was given to the Auditor General after the cutoff date for audit which was

30 November 2011 and consequently was not audited by the Auditor General. The difference between the meter reading estimates used to bill consumer debtors and the actual meter readings amounted to an understatement of revenue for the year of R30 563 on a total revenue of R9 786 301 well below the materiality level for the entity. A significant amount of effort will be spend by City Power in the coming year to ensure that structures and processes are put in place to address the concerns raised in the audit report.

Growth and Development Strategy (GDS) and City Power's Strategic Agenda Alignment

As a major stakeholder, the City of Johannesburg influences the strategic direction of the company. The City of Johannesburg has a Growth and Development Strategy (GDS), which is translated into the integrated development plan (IDP). City Power influences the GDS's many sectors and principles, but most of the company's influence resides in the infrastructure and services sector. City Power forms part of the infrastructure and services sector whose five-year sector plan, along with the performance against the objectives, are set out below:

Strategic objectives	Delivery Agenda / Plan for 2010/11	Actual Performance 2010 / 2011	Actual Performance 2009 / 2010	Actual Performance 2008 / 2009
COMPLIANCE WITH BASIC SERVICES DELIVERY PROGRAMME				
Distribute electricity to at least 95% of formalised households	3,000 planned	4,369 houses were electrified.	6,901 houses were electrified.	5,029 houses were electrified.
Provide street lighting to 95% of formal areas in Johannesburg	The target for 2010/11 is 1%, this means it will be moving from 63% to 64% cumulative and is dependent on funding. This means 1,000 Public light will be provided	546 public lights were provided in the formal areas	1,448 public lights were provided in the formal areas	1,065 public lights were provided in the formal areas
Provide street lighting to 60% of informal settlements	The target is 5% in targeted areas, this means it will be moving from 15% to 20% cumulative and is dependent on funding This means 3,000 Public light will be provided in the informal settlements	3,511 public lights were provided in the informal areas	3,713 public lights were provided in the informal areas	3,281 public lights were provided in the informal areas
Increase allocation of free basic electricity (FBE) to poor households and those with special needs	Provide 73,129 households that consume up to 500kWh with FBE as per social package	Free basic electricity provided to 28,010 households for City Power areas. Only customers who have registered for (ESP) are receiving free	Total of 73,129 households have received Free Basic Electricity due to implementation of the step-tariff which incentivises as per customer usage	Total of 115,958 households have received Free Basic Electricity
EXTENSION AND MAINTENANCE OF RELIABLE AND COMPETIVELY PRICED SERVICES AS REQUIRED BY COMMERCIAL AND INSTITUTIONAL CONSUMERS				
Reduce losses by 1%	12% total losses Technical =9% Non Technical = 3%	19.29% Total losses Technical =9% Non Technical = 10.29%	11.75% Total losses Technical =9% Non Technical = 2.75%	13.09% Total losses Technical = 9% Non Technical = 4.09%

Strategic objectives	Delivery Agenda / Plan for 2010/11	Actual Performance 2010 / 2011	Actual Performance 2009 / 2010	Actual Performance 2008 / 2009
Reduce electricity outages by 50% by year 2010 (bulk, medium and low voltage	Implement an asset maintenance management strategy	Asset maintenance management strategy implemented	Asset maintenance management strategy implemented	Asset maintenance management strategy implemented
	Implement infrastructure refurbishment programmes	Infrastructure refurbishment programmes in progress	Infrastructure refurbishment programmes in progress	Infrastructure refurbishment programmes in progress
	Reduce network related bulk outages and medium voltage outages as per performance monitoring plan	HV outages NPR: 128 MV outages NPR: 1,150	HV outages NPR: 76 MV outages NPR: 891	HV outages NPR: 71 MV outages NPR: 844
	Set a baseline for CAIDI CAIFI SAIDI SAIFI	 366.44 1.12 11.65 0.03	 258.58 1.09 9.73 0.04	SAIDI reporting system still under development 6.16 1.00 0.14 0.02
	The planned/unplanned ratio to 55:45	Planned/ unplanned ratio= 59:41	Planned/ unplanned ratio= 45:55	Planned/ unplanned ratio= 75:25
ENSURE SERVICE DELIVERY IS SECURED THROUGH WELL DESIGNED AND WELL MAINTAINED GENERATION/SUPPLY PROCESSING AND DISTRIBUTION NETWORKS				
Reduce illegal electricity connections	Implement comprehensive strategy on reduction of illegal connections, subject to funding availability	Comprehensive strategy implemented	Comprehensive strategy implemented	Strategy still under development
	Continuously implement customer education programmes in targeted areas	Actual of 65% has been achieved on customer satisfaction The survey report is a composite of all services offered by the City it is not electricity specific.	A total of 36 stakeholder customer forums, 131 communication sessions and other media, eg. radio, TV and print	A total of 161 stakeholder customer forums, 367 communication sessions and other media, eg. radio, TV and print
	Work with JMPD to remove illegal connections	Continuously working with JMPD and SAPS to remove illegal connections –total of 4,077 were removed	Total of 7,537 illegal connection removed with the assistance of SAPS and JMPD	Total of 48,693 illegal connections removed with the assistance of JMPD
	Roll-out of protective structures, to reduce tampering with conventional meters and street light poles	No protective structures installed.	No protective structures installed.	Roll-out of protective structures to reduce tampering with meters and street light poles
	Promote alignment with the CoJ's debt write-off and indigence support programmes	Continuously promote alignment with the city's debt write-off and indigence support programmes	Continuously promoting alignment with city's debt write-off and indigence support programmes	Continuously promoting alignment with city's debt write-off and indigence support programmes

Strategic objectives	Delivery Agenda / Plan for 2010/11	Actual Performance 2010 / 2011	Actual Performance 2009 / 2010	Actual Performance 2008 / 2009
	Installation of prepayment meters	Total of 8,616 prepayment meters installed.	Total of 3,001 prepayment meters installed.	Total of 2,386 prepayment meters installed.
IMPLEMENTATION OF INNOVATIVE NEW TECHNOLOGIES IN SERVICE DELIVERY				
Implement at least five innovative new technologies in service delivery	Turbines reinstated subject to funding	Turbine reinstated subject to funding	2 Turbines have been refurbished and can produce 70MW on demand	The project is still been investigated and planned
	Network Automation	The project is still being investigated and planned	The project is still being investigated and planned	The project is still being investigated and planned
	Network Protection Technology	The project is still being investigated and planned	The project is still being investigated and planned	The project is still being investigated and planned
	Solar Water heating	A business case, financial modelling and a bid process has commenced, however, financial process has not been finalised due to financial constraints	This is a long term project which is still being investigated and planned	This is a long term project which is still being investigated and planned
	Roll out AMR/Smart Metering	No smart meters installed.	Total of 7,469 smart meters installed	Total of 8,600 AMR smart meters installed
	Roll out CFL / Energy Efficient lights	17,168 energy efficient lights were replaced thus achieving an energy reduction of approximately 949W	Total of 20,674 florescent lights were replaced thus achieving an energy reduction of approximately 1143W	Project still being investigated and planned
ADOPTINGINNOVATIVE LOCALLY RELEVENT TECHNOLOGIES AND DELIVERY CAPABILITIES THAT ENABLE NEW SERVICE OFFERINGS AND ON-GOING EFFICIENCY IMPROVEMENT				
Develop and implement comprehensive demand side management programmes for energy	Development and implementation of a demand side energy management programme	DSM program implemented within the current financial constraints	DSM program implemented within the current financial constraints	DSM program is still being investigated and planned
	By–law support for installation of ripple relays in hot water geysers in new developments	Supporting ISD in reviewing the by-laws	Supporting ISD in reviewing the By-Laws	Supporting ISD in reviewing the By-Laws

Strategic objectives	Delivery Agenda / Plan for 2010/11	Actual Performance 2010 / 2011	Actual Performance 2009 / 2010	Actual Performance 2008 / 2009
	Environmental Management Unit will continue to address the conservation awareness program in the 2010/11 financial year	City Power achieved a fully Certified ISO Accreditation within the three ISO Standard requirements which are: **ISO 14001: 2004**, (Environmental Management System **ISO 9001: 2008** (Quality Management System) **OHSAS 18001: 2007** (Occupational Health and Safety)	City Power achieved a fully Certified ISO Accreditation within the three ISO Standard requirements which are: **ISO 14001: 2004**, (Environmental Management System **ISO 9001: 2008** (Quality Management System) **OHSAS 18001: 2007** (Occupational Health and Safety)	City Power achieved ISO Accreditation for the following ISO Standard requirements **ISO 14001: 2004**, (Environmental Management System a **OHSAS 18001: 2007** (Occupational Health and Safety)

Performance against key focus area: Energy management

Providing electricity to all residents within the City of Johannesburg supply area is an integral part of the City Power supply mandate. Consequently, City Power has to continue investing in infrastructure not only to meet the growing demand for electricity but also to replace aging infrastructure. In order to provide these services City Power needs to collect the revenue due to the entity.

A data clean-up to ensure accuracy on the billing process has also contributed to an increase in the number of conventionally billed customers.

Providing households with at least basic electricity

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Total number of dwelling units with access to basic level of electricity (excl. Eskom areas)	Number	345,523	***407,906***	345,523	323,401
Number of households receiving free basic electricity	Number	73,129	***28,010***	73,129	115,958

The number of customers benefiting from free basic electricity has decreased from 73,129 as at end of 2009/10 financial year to 28,010 at the end of 2010/11. This decrease is due to implementation of the City of Johannesburg's Expanded Social Package (ESP). In terms of this initiative, customers are expected to register with the City to receive the incentive furthermore renew their applications every six months. City Power is working with the City of Johannesburg to ensure compliance with the ESP.

Prepaid conversion project

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Number of active prepaid customers	Number	178,884	***216,019***	178,884	113,657
Number of active billed customers	Number	166,639	***191,887***	166,639	209,744
Number of new prepaid conversions	Number	3,000	***8,616***	3,001	2,923
Number of new electrifications	Number	4,000	***4,369***	6,901	5,029

As part of the initiative to increase revenue, a project was lodged whereby conventional meters are to be replaced with prepaid meters. Meters are converted at no cost to the customer.

This project is focused on faulty or by-passed meters and meters where no entry can be obtained to the premises, or where illegal connections are made. In future, City Power plans to increase the pace of roll-out and to involve the Johannesburg Metro Police Department (JMPD) in instances where customers refuse entry.

During the 2010/11 year, 8,616 customers have been converted to prepayment. These meters have been installed in the following areas: Triomf, Kensington, Bezuidenhouts Valley, Discovery and Florida Park.

The target has been achieved and exceeded due to allocation of DSM Funding; most conversions were done in the Revenue Maximization project.

Electrification

Electrification of new areas is a critical component of the capital budget. As part of City Power's electrification programme, a total of 4,369 electrification connections have been completed in the 2010/11 year in the following townships Pennyville (Zamimpilo), Alexandra Extensions 9 & 10, Hospital Hills, Rabie Ridge and Tshepisong West.

Revenue Management

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Payment Levels – All Customers Revenue collected as a percentage of total revenue billed	%	92%	***86.27%***	New KPI	New KPI
Unaccounted for electricity	%	12%	***19.29%***	11.75%	13.09%
• **Technical**	%	9%	***9%***	9%	9%
• **Non-Technical Losses**	%	3%	***10.29%***	2.75%	4.09%

Payment Levels

Revenue collected as a percentage of total revenue billed shows payment collection levels for all customer groups. It must be noted that the Revenue and Customer Relations Management (C&RCM) department of the CoJ does the billing and collections for all customers.

The payment collection target as set against revenue billed is 92%. The collection level for the year shows an average collection level of 86.27%, which is 5.73% below the target.

Unaccounted for electricity

Unaccounted for electricity reflects the amount of losses incurred in distributing electricity. This is the difference between the amount of electricity sent out to customers and the amount eventually billed to the customers. The losses in the distribution of electricity can broadly be classified into two categories, namely technical and non-technical losses.

Technical losses naturally occur when electricity is transferred from one point to another and is mainly due to heat losses. Technical losses may also be due to other technical deficiencies and are generally worse in overloaded and ill-maintained networks.

Non-technical losses, however, are typically caused by data and billing errors and electricity theft, for example, illegal connections and meter tampering.

Whilst there are ongoing initiatives to eradicate losses in the distribution of electricity, it must be acknowledged that the electricity distribution business is generally characterised by these losses. As a result, a guideline of 9% technical losses can be fixed in the electricity distribution industry, although utilities must make every effort to reduce controllable losses.

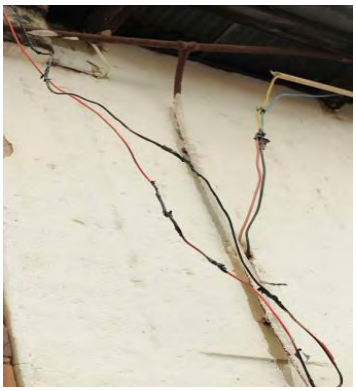
During the period under review, a total of 19.29% total actual losses were achieved against the target of 12%.

Contributing factors to losses are **e**scalating theft and vandalism of the electricity infrastructure, incorrect billing and non-billing of accounts, Illegal decalibration of meters, Customers without meters.

Going forward the following will be done: Initiatives with R&CRM to improve performance, Continuous replacement of faulty meters, automation of process to acquire new customers and change of meters, utilisation of anonymous" hotline" to report theft and vandalism, performing random targeted audits followed by removal of illegal connections and normalisation of supply.

Below are photos of illegal connections removed and stolen copper found in a scrap yard

Stolen copper found in a scrap yard



City Power has developed and engaged in a comprehensive strategy to reduce non-technical losses, which includes, amongst others:

- Continuously implement customer education programmes in targeted areas
- Work with JMPD, SAPS, Hawks and community policing forums to remove illegal connections
- Roll-out of protective structures to reduce tampering with conventional meters and street light poles
- Installation of alarms on overhead lines and vending stations
- Promote alignment with CoJ's debt write-off and indigence support programmes
- Installation of prepaid meters
- Meter audits, due diligence investigations
- Joint operations at scrap metal dealers, crime prevention operations in hotspot areas

Summonses were issued to all illegally connected customers. Audits and joint operations are conducted with the assistance of the JMPD and SAPS.

Prosecutions on network related incidents

A number of suspects arrested were successfully prosecuted, although successful prosecution remains a challenge. The prosecuting authorities understand the impact of cable theft and prosecute offenders accordingly. In June 2011 with the assistance from the SAPS and the prosecution, three cable thieves were successfully convicted and received a sentence of 10 years each.

Mitigations

- Various partnerships with Community Policing Forums – East Rand, Alexandra, Lombardy, Modderfontein and Bryanston etc.

- Joint Committee - City Power, Transnet, Eskom, Hawks (Focus on combat cable and component theft)
- Joint Planning Safety Committee (Inner City Region) JMPD City Safety Programme and SAPS, and to plan and execute operations relating to scrap yards, illegal connections etc. - ongoing
- Ongoing joint operations in a number of areas
- Intelligence teams were deployed in hotspot areas and pamphlets for educational awareness of cable theft and vandalism were distributed

Billing information

During the year under review, the billing information interface with the City of Johannesburg was also improved. The creation of a new Work order type (ZDAF) has improved the quality of reports on change meters and new service connections.

Performance against key focus area: Improve public lighting

City Power's public lighting division is responsible for installing, operating and maintaining Johannesburg's public lighting network, or streetlights. It also looks after the streetlights in certain areas supplied by Eskom, such as Soweto and Sandton.

Public lighting has had a very challenging year with regards to service delivery. The year saw a marked increase in the number of requests for streetlights across the various communities of the City of Johannesburg. The immediate challenges have been the delivery of streetlights and security lights to a growing constituency currently occupying informal settlements at the periphery of the precincts of the City of Johannesburg, despite the budget constraints.

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Maintenance of Public lights	%	95%	***92%***	New KPI	New KPI
Provision of new Public lights in the formal areas	Number	1,000	***546***	1,448	1,065
Provision of new Public lights in informal areas	Number	3,000	***3,511***	3,713	3,290

Public lighting installation

The provision of public lighting in the informal areas is mainly funded by Municipal Infrastructure Grants received from the City of Johannesburg.

In the formal areas, public lighting is installed per projects identified by ward councillors and other stakeholders. These projects are compiled from a number of petitions and requests received and are referred to as ad-hoc projects. These projects are mainly funded through Adopt-a-light funding.

Public lighting challenges

The backlog on street lights is growing faster than the rate of installation due to budget constraints. During the current year, City Power conducted an analysis of the backlog for new streetlights. The table below sets out the backlog per administrative region.

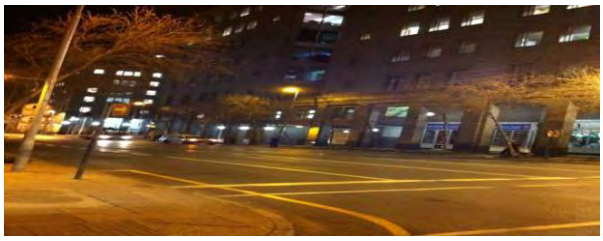
Region	Actual number of streetlights per area	Required number of streetlights per area	% Backlog	Budget required (present day cost)
A	9,934	26,393	73%	R 263,930,000
B	37,430	500	1%	R 5,000,000
C	23,596	12,555	35%	R 125,550,000
D	29,028	26,677	48%	R 266,770,000
E	25,934	28,025	52%	R 280,250,000
F	39,762	1,789	4%	R 17,890,000
G	14,166	22,305	61%	R 223,050,000
Eskom Areas	40,748	80,075	66%	R 800,750,000
Total	**220,598**	**198,319**	**47%**	R 1,983,190,000

Public lighting maintenance

Streetlights are proactively maintained by a "spotting and repair "schedule where suburbs and main roads are patrolled to identify defective street lights.

However, due to financial constraints and the need to control budgets this activity has been aligned with the available funding and this has adversely affected restoration performance.

During the 2010/11 year, City Power has managed to maintain 92% of the public lights against a target of 95%.



Street Lighting (Includes all activities associated with the provision of street lighting to the community)	Total Number	Cost (R)
Number of streetlights:	259,885	
Total bulk kilowatt hours consumed for street lighting:	**120GWh's**	**115 million**

Performance against key focus area: Improve asset management

Power outages

An outage is defined as a complete loss of electricity supply and arises due to a variety of reasons, some of which are outlined below:

- Network performance related (NPR) e.g. overloading, cable faults, equipment failure, etc.,
- External causes which are mainly due to third party activities e.g. tampering, theft, damage by civil contractors etc.

The duration and frequency of outages impact customers differently depending on the type of consumer (domestic, commercial, industrial), therefore, interruptions need to be properly managed as they are an inconvenience and sometimes lead to huge financial losses to customers. As a result, the provision of electricity within the CoJ is closely monitored to ensure that the quality of supply (QoS) provided meets acceptable standards.

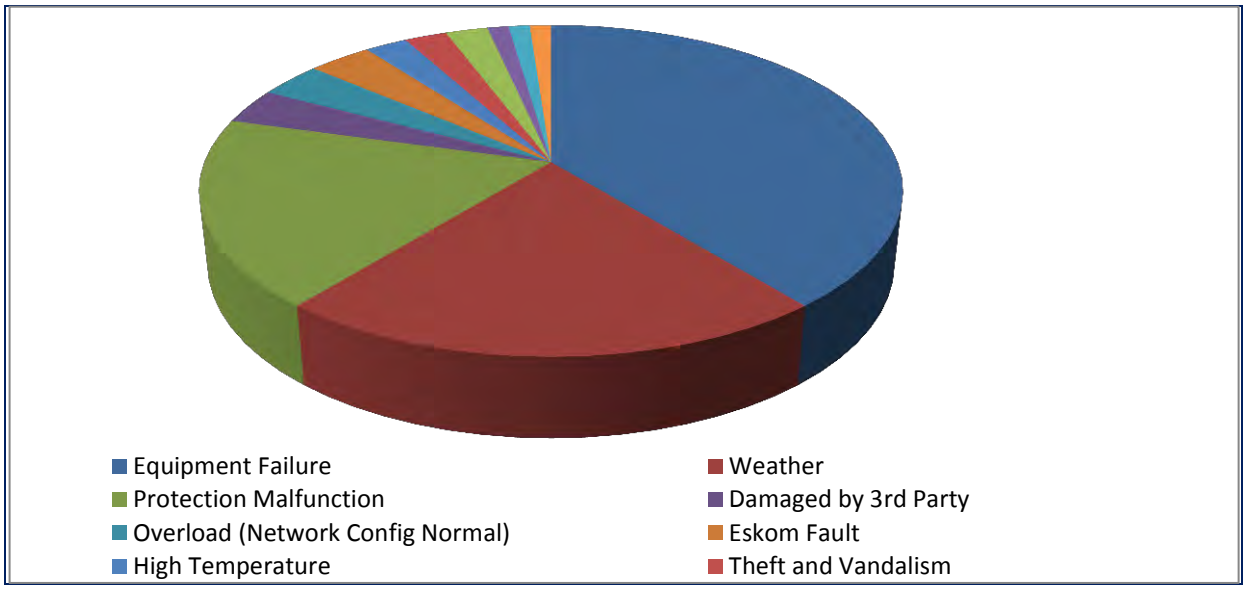
In terms of reporting, outages are classed as either High Voltage (HV) or Medium Voltage (MV). Only outages which are network performance related (see definition above) are reported on in terms of this document.

High Voltage (Bulk) outages

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
HV (High Voltage) Outages – NPR (Network Performance Related)	Number	80	**128**	76	71

This KPI shows the number of outages experienced on the high voltage network (HV) which is at voltages above 33kV. Outages on these networks generally affect large areas and as a result the maintenance of these networks and capital investment into these networks are always prioritized as to ensure that interruptions are kept to a minimum. During the current year 128 high voltage outages occurred, which exceeded the targeted number of outages by some margin. Most of the outages were due to faulty equipment, cable failures, weather, and to a lesser extent, protection malfunctions.

Typical root cause for HV outages



Medium Voltage (MV) outages

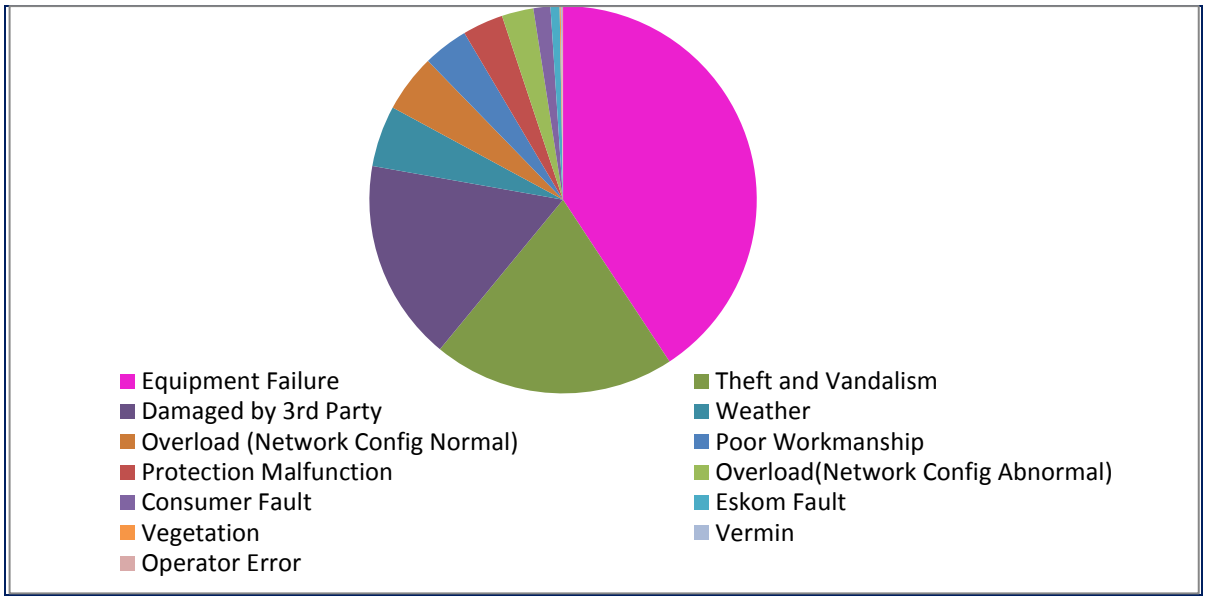
Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
MV (Medium Voltage) Outages – NPR (Network Performance Related)	Number	930	**1,150**	891	844

This KPI refers to the outages experienced on the medium voltage network (MV) which is at voltages between 1kV and 33kV. Outages on this network are more localised and, therefore, generally affect smaller areas and as a result are less severe than HV outages. However, due to the size and extent of the network, higher numbers of customers connected to the MV network normally experience more outages.

Most of these outages were due to:

- Upstream trips caused by obsolete switchgear failures at MV level,
- MV cable failures due to age,
- Ingress of water during the rainy season and
- Theft and vandalism.

Root cause for MV Outages



% Planned: unplanned maintenance

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
% planned: unplanned maintenance	Index	70/30	***59:41***	45/55	75/25

This KPI refers to Network maintenance focusing on planned maintenance against unplanned maintenance. For the current year an actual ratio of 59:41 has been achieved against a target of 70:30.

Condition monitoring of assets

City Power has entered into a partnership with Singapore Power which resulted in the purchase of innovative test equipment that is designed to assess the condition of the CoJ's electrical network. This will enable City Power to detect a fault on the equipment and rectify the fault before it results in an electrical failure. This will in turn improve the reliability and quality of electricity supply and limit the number of forced outages and downtime due to the occurrence of faults.

Performance against key focus area: Regulatory compliance

SAIDI reporting - low voltage (below 1kv)

Over the last couple of years, a new system to report network performance has been under development. This system will ensure that there is direct linkage between interruptions and the number of customers affected thus enabling City Power to report supply reliability more accurately.

Reporting on this new system is based on internationally recognised indices. The following indices are used:

- System Average Interruption Duration Index (SAIDI)
- System Average Interruption Frequency Index (SAIFI)
- Customer Average Interruption Duration Index (CAIDI)
- Customer Average Interruption Frequency Index (CAIFI)

The current year results are as follows:

Measure Indicator	Description of measure	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
SAIDI	Availability of supply index	Minutes per annum	9.70	***11.65***	9.73	0.14
SAIFI	Reliability of supply index	Number of interruptions per annum	0.034	***0.04***	0.04	0.02
CAIDI	Availability of supply index	Minutes per annum	260	***366.44***	258.58	6.16
CAIFI	Reliability of supply index	Number of interruptions per customer per annum	1.09	***1.12***	1.09	1

In most instances City Power's actual performance did not meet the set targets. In order to better this performance, City Power has engaged Singapore Power to assist in the improvement of network maintenance. As a consequence, City Power is moving away from time-based maintenance towards condition monitoring, which will assist to reduce interruptions.

Quality of service results

The measure of how quickly the electricity supply is restored after a forced interruption or power outage, gives an indication of a utility's performance. The NRS 047 index measures the faults restoration within a specified time frame as a percentage of the total number of faults reported and is widely used in the local electricity industry, which is regulated by NERSA (National Energy Regulator of S.A).

In terms of NRS 047 fault restoration, after forced interruptions, must be within the following parameters:

No	Time (hours)	NRS 047 (%)	Actual performance (%)
1	1,5	30	25.16
2	3,5	60	51.32
3	7,5	90	80.77
4	24	96	98.37

As NRS 047 is a regulatory standard used for the monitoring of quality of service in the South African electricity industry, it is important that revenue and customer relations management (R & CRM) achieve the target as stipulated in this regulation. Meeting and reporting on these targets is imperative for the well being of City Power's license.

City Power is experiencing challenges with reporting on NRS 047 as a result of challenges with system interface between City Power and SAP CRM. These issues are being addressed with R&CRM.

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Customer faults restoration within the specified time frame as a percentage of the total number of faults reported (NRS 047):					
- Within 1.5 Hrs	%	30	***25.16***	25.86	25.86
- Within 3.5 Hrs	%	60	***51.32***	66.23	66.23
- Within 7.5 Hrs	%	90	***80.77***	93.06	93.06
- Within 24 Hrs	%	98	***98.37***	98.84	98.84
Total number of calls answered in 30 seconds as a percentage of calls received	%	85	***13.05***	63.07	83.94
Number of customer complaints/queries resolved per total queries received SAP	%	95	***20.21***	74.13	96.54
Average time taken for City Power to resolve queries that are referred to them (As per NRS 047)	days	3	***21.75***	3.6	1.67
% Reduction in electricity consumption	%	10	***4.3***	3.7	New KPI

City Power has only met one of the customer faults restoration targets during the current year. City Power has launched a network connectivity accuracy data audit and cleanup project, which should result in improvements in the other categories in future.

City Power has set itself a target of 85% of all calls that should be answered in 30 seconds. The current year's performance was an actual percentage of 12.92%, however, it should be noted that this figure includes all services offered by the CoJ, and not only City Power.

According to NERSA guideline NRS 047, the percentage of customer complaints resolved is set at 95% of all customer complaints received. For the current year a total of 20.21% has been achieved, which is 79.79% below target. This is due to problems experienced on the SAP CRM system.

City Power has set an internal target for resolving customer queries at an average of 3 days compared to the baseline of 14 days as per NRS 047. Unfortunately, the actual performance of 21.75 days fell well short of this target.

Quality of supply

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
NRS 048 Compliance Category 4 – Domestic	%	100	***100***	100	100
NRS 048 Compliance Category 2 – Industrial	%	100	***96***	100	100
NRS 048 Compliance Category 3 – Rural	%	100	***100***	100	100

NRS048 is a regulatory standard used for the monitoring of quality of supply in the South African electricity industry. This standard acknowledges that quality of supply requirements differs between customer categories and per network type e.g. customers supplied by dense underground networks often enjoy a better quality of supply compared to their counterparts supplied by long rural feeders.

Similarly, the quality of supply requirements for industrial customers is more stringent than domestic customers.

Currently there are approximately 248 sites which are monitored continuously on the following quality of supply parameters:

- Voltage dips
- Voltage regulation
- Voltage imbalance
- Voltage harmonics (intake substation)

All sites have met the limits as specified by the regulator, thus implying that City Power is compliant.

Environmental issues

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Number of tasks undertaken to comply with CoJ environmental management framework	Number	10	***10***	8	5
ISO Management System compliance – SHEQ	Index	Unqualified audit with 2 minor findings	***Qualified audit***	New KPI	New KPI

Compliance to City of Johannesburg Environmental Management Framework

A total of 10 tasks have been targeted and met for the financial year end to comply with the City of Johannesburg Environmental Management Framework. Highlights of the performance are set out below:

Air quality and climate change

City Power has a strategy to address climate change by air quality monitoring with the assistance from the City of Johannesburg Carbon Emission Testing Machines from the Air Quality Department. During the current year City Power:

- Tested carbon emissions from the transformer oil recycling plant,
- Tested Robinson Deep landfill site air quality emissions, and
- Participated on Earth Hour 2011, to pledge against climate change.

During the coming financial year City Power will also be testing carbon emissions on all City Power vehicles and City Power gas turbines.

Natural resource management

Identified all substations with problematic oil leaking transformers and put mitigation plans in place to reduce or eradicate environmental pollution. City Power also identified all depots with vandalized oil leaking transformers and put objectives and targets in place.

Policy and management support

During the current year, City Power:

- Reviewed the integrated SHEQ Policy
- Reviewed and updated the legal register and the Environmental Impact and Aspect Register

Waste management

City Power implemented a waste management strategy and promotes the greening of the organization by implementing colour coded bins for waste separation and recycling.

Environmental Regulatory Services and MoE Service Delivery and Compliance

Environmental Impact Assessment studies are conducted for projects are undertaken. City Power also received environmental authorization for newly built substations. In addition, City Power urgently attends to any environmental issue, for example, bees, illegal dumping and oil and diesel pollution incidents.

ISO Status and outcome implementations

Status and outcomes of the implementation of the ISO 14001, OHS 18001 and 9001 management systems - City Power has retained the ISO Accreditation standard of requirements with regards to the following:

- ISO 9001: 2008(Quality Management System)
- ISO 14001: 2004(Environmental Management System)
- OHSAS 18001: 2007(Occupational Health and Safety)

Disaster management

The disaster management programme is still effective and aligned to the City of Johannesburg strategy. The framework is subject to review with the aim of developing and implementing the business continuity plan for the new financial year.

Economic development and job creation

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Job opportunities created as per EPWP (Expanded Public Works Program) policy: Temporary	Number	2,600	3,284	2,652	2,605

One of the City Power strategies in addressing unemployment and ensuring maximization of job creation has always been to minimize the use of excavating machinery and only use manual labour on all our CAPEX (Capital Expenditure) projects. During project implementation phase, City Power approaches the political heads (Councillors) in the area or political wards where these projects are being implemented. A list of candidates is then submitted to City Power's contractors as part of employment and selection process. The successful candidates are then temporarily employed by the contractors who provide on the job training and report on a monthly basis as part of City Power's EPWP contribution.

City Power has a yearend target to create 2,600 jobs in line with the extended public works programme. For the period under review a total of 3,284 jobs were created.

Performance against key focus area: Business model

Customer satisfaction and responsiveness

City Power aims to achieve a customer satisfaction index of 75%. The customer service results from a survey conducted by the City of Johannesburg during July 2010 indicated an overall customer satisfaction index of 65%. This is, however, not electricity specific, but incorporates all services offered by the City of Johannesburg.

BEE and engendered companies empowerment

City Power encourages Black Economic Empowered (BEE) business, engendered business ownership and joint ventures. During the current year all targets related to BEE and engendered business spending were exceeded.

Procurement policies and practices

Accreditation of suppliers and contractors is done on an ongoing basis by the BEE unit and reviewed regularly to ensure validity and correctness of information on the database. The Supply Chain Management Policy is in line with the City of Johannesburg Integrated Supply Chain Management Policy.

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Black economic empowerment spending	%	76	***80.55***	78.15	74.36
Engendered Company Spend	%	26	***28.35***	29.62	25.63

During the year under review, almost R1.2 billion was paid to BEE companies, which means that 80.55% of the total expenditure was made to BEE suppliers.

City Power also encourages engendered business ownership and joint ventures. During the current year, 28.35% of expenditure was made to engendered suppliers.

A total of 86.10% of the procurement budget was spent on BEE and Small and Medium Enterprises.

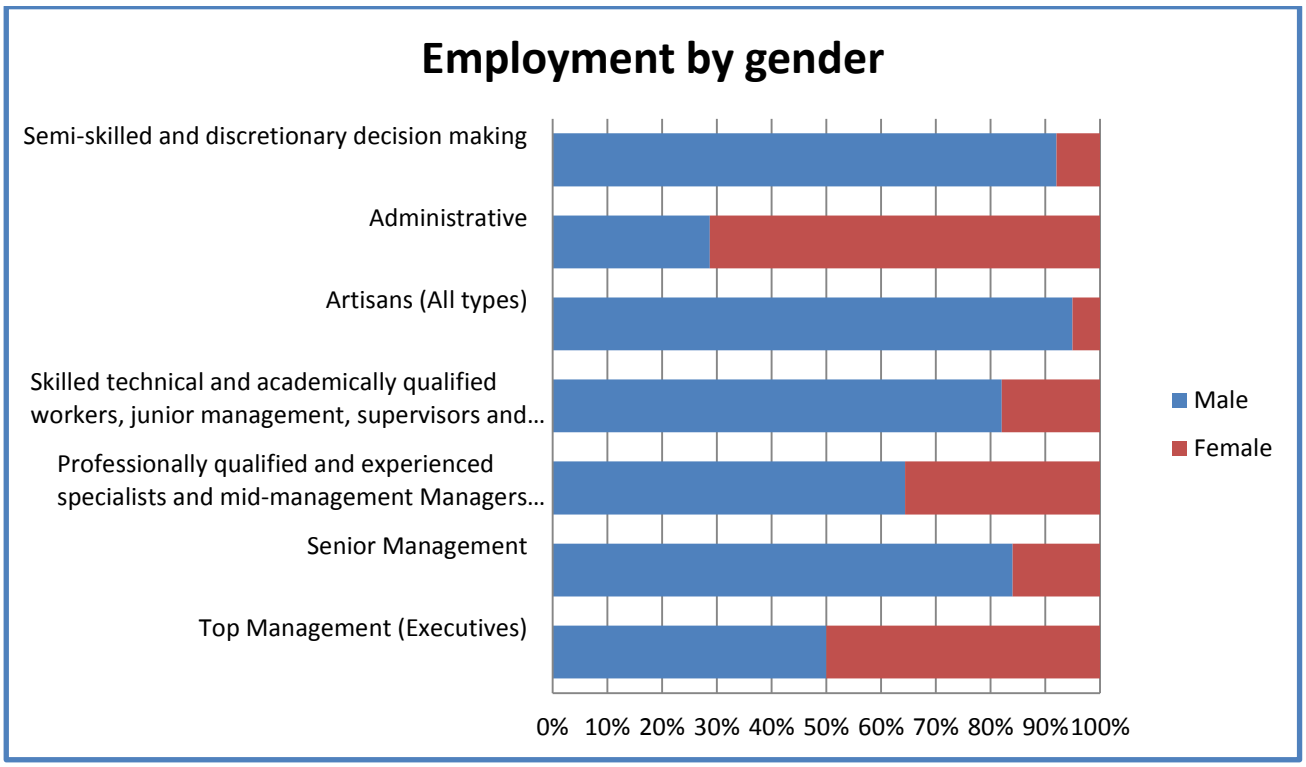
Performance against key focus area: Human capital investment

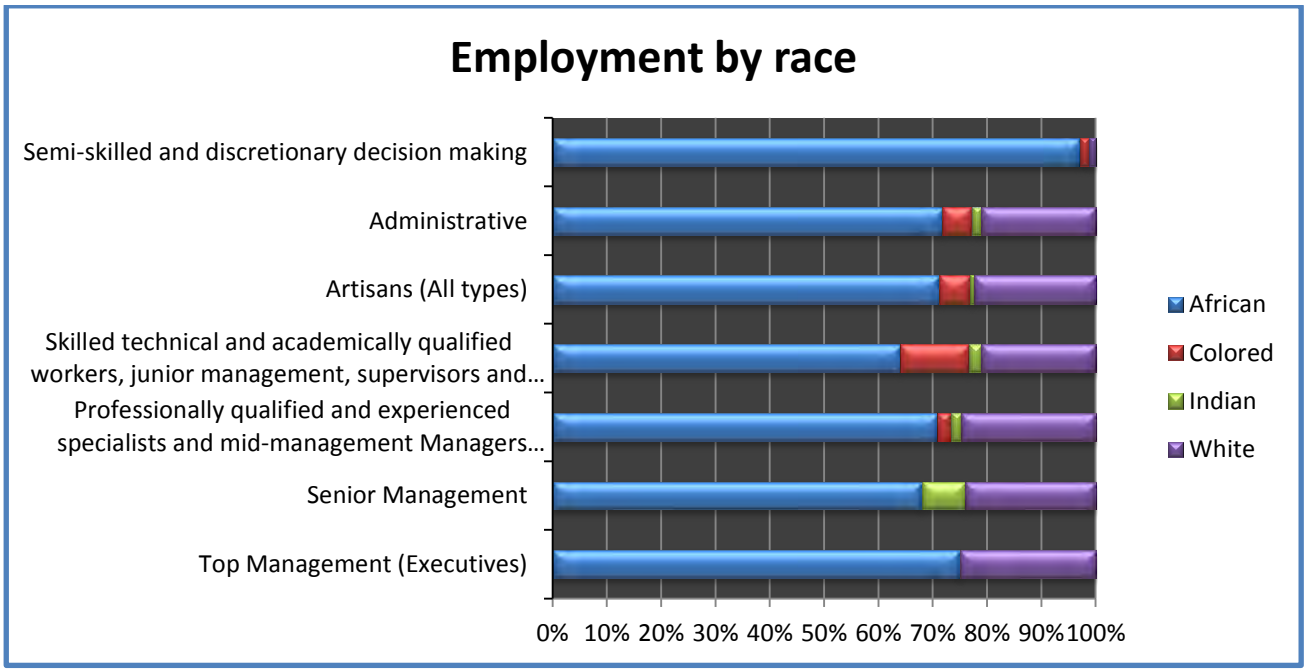
Measure Indicator	Measuring unit	Target	2010/11	2009/10	2008/09
Employment Equity (Affirmative Action Ratio)	%	70%	***88.38***	74.00	76.8
Employment Equity (Gender Equity Ratio)	%	20%	***20.14***	18.90	22.91
Number of Employees with Disabilities	Number	18	**48**	18	20

Staff Compliment

Total staff complement at 30 June 2011 inclusive of permanent and contract employees, is as follows:

Categories	Male				Male Total	Female				Female Total	TOTAL
	African	Colored	Indian	White		African	Colored	Indian	White		
Top management (Executives)	1	-	-	1	**2**	2	-	-	-	**2**	**4**
Senior management	13	-	2	5	**20**	5	-	-	-	**5**	**25**
Professionally qualified and experienced specialists and mid-management managers and professionals	123	8	5	70	**206**	105	-	1	9	**115**	**321**
Skilled technical and academically qualified workers, junior management, supervisors and technicians	84	19	4	31	**138**	24	2	-	4	**30**	**168**
Artisans (all types)	222	17	3	75	**317**	15	2	-	-	**17**	**334**
Administrative	38	3	-	6	**47**	85	6	3	30	**124**	**171**
Semi-skilled and discretionary decision making	584	9	-	6	**599**	45	2	-	1	**48**	**647**
Total (permanent and contract)	**1,065**	**56**	**14**	**194**	**1,329**	**281**	**12**	**4**	**44**	**341**	**1,670**





Employment Equity

City Power achieved a 76.83% affirmative action ratio for supervisory levels and above and a company-wide ratio (inclusive of all levels) of 88.38%, against a target of 70%. City Power has developed an attraction and retention strategy and the rollout to the entire business is in progress.

City Power achieved a 29.34% gender equity ratio for supervisory levels and above and a company-wide ratio (inclusive of all levels) of 20.42%. The target on gender equality for the 2010/11 financial year is 20%.

A total of 48 employees have been classified as People with Disabilities (PWD's), which equates to 2.88% of all employees.

Safety

City Power gives high priority to the safety and health of its employees and the company is extremely proud of its safety record. The number of workplace injuries has declined over the years and currently the measure for such injuries (DIFR) is at 0.46, compared to the international benchmark of 1. This measure refers to the ratio of work related injuries that prevent people from going to work or performing their work effectively on any day after the injury.There is an ongoing process to improve management practices and develop a culture of safety to ensure all possible accidents are prevented. City Power achieved accreditation for ISO 9001 - Quality Management System, ISO 14001 - Environmental and OHSAS 18001 - Occupational Health and Safety.

Measure Indicator	Measuring unit	Target	2010/11	2009/10	2008/09
Disabling Injury Frequency Ratio (DIFR)	Ratio	0.1	***0.46***	0.63	0.69
Employee job related fatalities	Number	0	**0**	0	0
Public Fatalities: Controllable	Number	0	**1**	0	0
Public Fatalities: Uncontrollable	Number	0	**2**	0	4
HIV/Aids workplace programmes in place	Number	1 Program + 3 projects	**1 Program +6 projects**	1 Program + 3 projects	1 Program +3 projects

Employee related fatalities

For the period under review, no employee fatalities were reported due to job related activities. To maintain such a performance, City Power ensures that its employees are properly trained to understand the dangers of their job fully, by ensuring adherence to work procedures so they can be responsible as required.

Public fatalities:

Controllable

This KPI refers to the number of public fatalities due to electricity related incidents caused by City Power negligence. To prevent this kind of fatalities, City Power has ongoing activities such as continuing enhancement of management practices and development of a safety culture to ensure that all possible accidents are prevented. Regrettably, an employee of a City Power contractor was electrocuted during the year.

Non-controllable

This KPI refers to the number of public fatalities due to electricity related incidents. Public fatalities are mainly due to electrocution as a result of various factors e.g. customer negligence, tampering with electricity installations, attempted theft of infrastructure, etc. To prevent this kind of fatalities, City Power conducts customer education and awareness campaigns to educate people of the dangers of electricity. Unfortunately there were two public fatalities that occurred due to theft and vandalism at Chrisville and Orlando power stations respectively.

City Power will intensify its already strong focus on safety of City Power employees, contractors and the public. Together with its suppliers, customers and contractors, sound safety practices are integrated into all operations. Contractors working under City Power supervision are expected to comply with City Power's safety policy. City Power is engaging with contractors in a form of contractor forums to ensure that the standard of safety management at City Power sites is in line with best practice.

HIV/AIDS Workplace Program

To ensure that loss of staff due to the HIV/AIDS epidemic is reduced and that those employees affected by the disease are assisted, City Power has an HIV/AIDS program in place. This program is aligned to the City of Johannesburg's policy and processes.

Globally, there have recently been some positive trends in the HIV/AIDS epidemic, e.g. the number of new infections is declining, the number of people receiving antiretroviral (ARV) treatment is rising and headway is being made in the fight to end discrimination against people living with HIV/AIDS.

HIV & AIDS is one of the main challenges facing South Africa and South Africa is regarded as the largest HIV-infected population and has the biggest ARV treatment programme in the world (according to Institute for Future Research – February 2011 edition).

City Power, in its endeavour as a caring organisation, provides HIV/AIDS intervention with the primary aim of reducing the impact of HIV & AIDS on the business, employees, families and the community by expanding access to appropriate treatment, care, support and education to those infected and affected by the virus.

Disease Management

Currently the number of clients registered on the in-house programme is 113 (one hundred and thirteen) and the breakdown is as follows:

- Ninety one (92) employees are on ARV's
- Twenty(21) employees on supportive therapy
- Fifteen(15) partners on supportive therapy
- Thirteen family members (13) on supportive therapy
- Ten(10) contractors on supportive therapy
- Six employees (6)are currently registered on SDSL (special dispensation sick leave)
- Employees on in-house TB supervision are seven (7)
- Number of condoms distributed on average per month – 20 000

Distribution of micronutrients

On a monthly basis, employees, contractors and partners registered on the in-house HIV/AIDS programme, including other primary health clients whose immune system is challenged, also receive micronutrients in the form of immune boosters, and vitamin supplement tablets. On average micronutrients (immune boosters and vitamin supplements) were given to 90 deserving clients.

Educational workshops

The educational campaigns are aimed at empowering employees with knowledge, reducing HIV/ AIDS sexual transmission (through behaviour modification and distribution of condoms) and to ensure that employees living with HIV live healthy and productive lives.

Education and awareness workshops were conducted entity-wide in the months of February and March 2011 and the following topics were covered:

- Reproductive health
- Tuberculosis

HIV counselling and testing (HCT) campaign

City Power conducted a company- wide HIV Counselling and Testing (HCT) campaign from 17 November to 1 December 2010 (World AIDS Day). The broad objective of the campaign was to:

- Mobilize employees to know their HIV status and CD4 count,
- Increase access to treatment, care and support services,
- Increase life expectancy.

The campaign was a success. 1,035 employees participated of which 147 employees tested positive.

World AIDS day Commemoration

World AIDS day was commemorated on 1 December 2010. The highlight of the day was the SABC's Ukhozi Radio Station's live broadcast from City Power Reuven regarding the HIV/AIDS work done by the organization for its employees and the community.

Currently City Power is continuing with case management where employees who declared their status have been put on a treatment program that includes immune boosters and ARV's. A prevalence study has also been completed and a process has been implemented to ensure that the results and recommendations are being assessed and integrated into a comprehensive action plan for dealing with the pandemic.

Transforming and empowering employees

Skills Development and Training

The ongoing development of employees in the workplace is a huge priority for City Power. Significant emphasis is currently being placed on the procurement of service providers for all legislative training requirements. These training requirements include fire fighting, first aid, aerial platform, truck mounted crane, overhead crane, fork lift, ladder, rigging & slinging, team leader development, etc. This initiative also directly supported the ISO certification and re-certification initiatives.

The skills development programs are in line with the Workplace Skills Plan as submitted to the Department of Labour. The Workplace Skills Plan is aligned to the business plan and focus is placed on occupational specific programs, management development and legal required training. Conferences, seminars and workshops are also utilised to stay abreast of new technology and other developments within the sector.

City Power currently has 24 learners studying towards N1 – N3 Electrical Courses.

There are currently 23 bursars enrolled with City Power. All students who have completed their studies are employed by the company.

There are currently a total of 80 learners in City Power at various levels of learning who rotate throughout the business. This ranges from apprentices to National Diploma students completing their P1 and P2.

Significant pressure is placed on mentors in the business due to the high number of learners that they need to accommodate.

Adult Basic Education and Training (ABET) intake for 2011:

Levels	African	
	Male	Female
Level 1	3	0
Level 2	10	0
Level 3	8	0
Level 4	27	1

Retention strategy

City Power is operating in a market where there is fierce competition in attracting and retaining critical skills such as engineers, electricians and technicians.

The following sub-strategies were included into the retention strategy and they directly support the attraction and retention of employees within the company:

- The company completed an exercise to move all existing employees to the 50th percentile of their job specific salary bands as determined in Deloitte's National Remuneration Survey. The company is currently busy with a costing exercise in order to determine the total budget required to move all existing employees on Grades 13 and above to the 50th percentile of their job specific salary bands as determined in Deloitte's National Remuneration Survey. This is strictly subject to the availability of budget.
- The largest portion of positions within the company has been evaluated in line with the TASK Job Grading System. Grading of outstanding positions or the re-grading of new or changed positions is an ongoing process. All positions are linked to the Remuneration Framework based on the grade allocated to the position. This directly supports internal parity in terms of clearly defined salary bands linked to TASK grades.
- The Attraction and Retention Strategy provides a holistic approach that addresses equitable remuneration practices.
- Internal and external equity in salary bands
- General training interventions targeting the development of core skills.

Employee Benefits

The company is a participating employer in one or more of the various retirement benefit schemes through which the City of Johannesburg and its associated Utilities, Agencies and Companies (UAC's) provide post-employment benefits to all their permanent employees through three defined contribution funds and five defined benefit funds.

The following funds provide pension benefits for the City Power employees:

- eJoburg Retirement Fund
- City Power Retirement Fund
- Municipal Employees Gratuity Fund
- Johannesburg Municipal Pension Fund
- City of Johannesburg Pension Fund
- Municipal Employees Pension Fund
- Joint Municipal Pension Fund.

Other benefits provided for by the Company:

- Medical Aid membership to all employees
- Health club membership (Managers and above)
- Sport club membership (Managers and above)

- Cell phone allowance (Managers and above)
- Group life insurance (All employees)
- Access to six professional counseling sessions per family per year

Other employee-related indicators

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Percentage (%) of total grants claimed back from E-Seta	%	50	***20.16***	New KPI	New KPI
Number of voluntary scarce / critical skills separations as a percentage (%) of total number of separations	%	48	***36***	New KPI	New KPI
Signed compacts in place as a percentage of total complement	%	75	***80***	New KPI	New KPI
Total number of performance scores based on performance discussions submitted as a percentage of total complement	%	75	***80***	New KPI	New KPI
Loss time rate:	%	2.5	***4.34***	New KPI	New KPI
Number of all leave days taken excluding annual leave x 100					
Total work days					
Individual absenteeism frequency rate:	%	2.3	***13.31***	New KPI	New KPI
Number of absences / (Average number of employees x annual individual working days) x 100					

Information technology related indicators

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Information systems: Network availability	%	100	***98***	New KPI	New KPI
Information systems: Applications availability	%	100	***98.9***	New KPI	New KPI
Data Recovery at PC level	%	100	***100***	New KPI	New KPI
Data Recovery at Application (server) level	%	100	***100***	New KPI	New KPI

Performance against key focus area: Effective financial management

Measure Indicator	Measuring unit	Target	Actual 2010/11	Actual 2009/10	Actual 2008/09
Direct costs	c/kWh	46.86	**47.70**	36.45	28.66
Turnover	Rm	8,896,701	**9,786,301**	7,235,256	5,510,304
Net Profit	Rm	97,315	**859,066**	1,001,292	214,366
Operating expenditure	Rm	2,454,210	**2,900,071**	2,290,424	1,597,610
Bad debts contribution	Rm	269,778	**851,248**	426,879	282,869
CAPEX: Controllable	Rm	796,000	**795,941**	443,647	744,887
CAPEX: Non-Controllable	Rm	293,892	**293,892**	369,659	324,867
Gross Margin	%	31	**40.22**	32.6	36.0
Net Cash Flow Position	Rm	772,546	**1,786,482**	1,241,180	-1,036,729

Opex spent on maintenance programmes as a percentage of overall Opex budget	%	16.3	**9.9**	12.29	13,19
Capex spent on network as a percentage of the overall Capex budget	%	95	**95**	98	96
% of ME's capital budget spent	%	100	**100**	99.6	100
% Variance against ME's operating budget	%	0	**310.6**	17.6	103
Reconciliation of intercompany balances with the CoJ	%	100	**100**	100	100
Reconciliation of intra company balances with other ME's	%	100	**100**	100	100
Fully SA GAAP compliant register of assets	%	100	**100**	100	100
Attainment of unqualified audit report	Index	Unqualified audit	**Qualified Audit**	Qualified audit opinion	Clean audit with matters of emphasis

OVERVIEW OF CITY POWER'S FINANCIAL PERFORMANCE

The information below is based on the annual financial statements and is presented in summarised format. The annual financial statements can be obtained from City Power's website: www.citypower.co.za.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Company five-year review

Key financial figures	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Total assets	11,554,129	9,002,705	7,102,670	6,056,339	5,480,091
Total equity	3,930,772	3,213,354	1,087,289	872,923	732,272
Total equity and liabilities	11,554,129	9,002,705	7,102,670	6,056,339	5,480,091
Short-term loan to shareholder	1,786,482	1,242,378	-	-	-
Bank balances	20	20	685,199	366,180	956,062
Capital expenditure	(1,089,833)	(813,306)	(1,069,754)	(1,034,909)	(929,357)
Municipal infrastructure grants (MIG)	54,516	45,410	46,856	14,218	26,493
Revenue	9,786,301	8,535,913	5,855,171	4,289,558	3,939,862
Grant and subsidies	147,799	29,636	22,732	9,352	21,013
Direct cost	(5,984,046)	(4,416,241)	(3,752,533)	(2,795,652)	(2,429,349)
Employee costs	(663,772)	(625,930)	(536,866)	(447,050)	(402,715)
Discounting included in revenue	(49,332)	(41,908)	(47,801)	(36,898)	96,276
Finance income	143,711	128,566	142,030	136,628	96,276
Finance costs	(400,187)	(393,714)	(403,547)	(364,605)	(314,547)
Surplus before tax	1,119,898	1,402,369	214,366	(48,510)	118,471
Income tax expense – deferred	(260,832)	(304,670)	-	-	(67,840)
Surplus for the year	859,066	717,641	214,366	(48,510)	50,631
Net cash from operating activities	1,837,304	1,568,445	942,310	161,920	684,769
Net cash used in investing activities	(1,270,662)	(1,056,400)	(1,069,678)	(1,036,729)	(942,120)
Net cash from financing activities	(566,642)	(512,045)	127,373	874,807	257,350

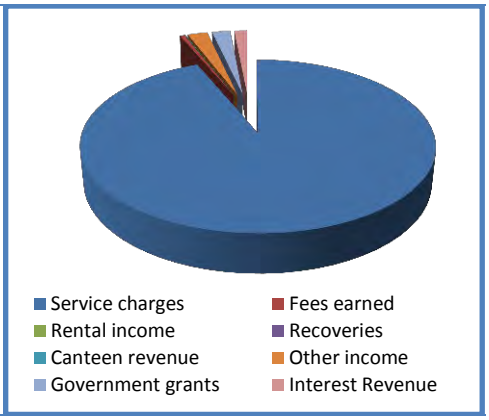
Financial ratios	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Liquidity	1,21:1	1,3:1	0,9:1	1,16:1	1,56:1
Solvency	8%	22%	5,5%	5,76%	6,48%
Total operating expenditure/revenue	27.9%	28.3%	28%	31%	30%
Interest coverage	3.80	3.42	1	0	1

Overall financial review

City Power generated an after tax surplus of R859 million during the current year, compared to R717.6 million during the 2010 financial year. The decrease in the after tax surplus can be attributed to a lower gross margin as a result of electricity sold to Eskom during the current year, as well as an increase in the contribution to the allowance for doubtful debt during the current year.

Revenue

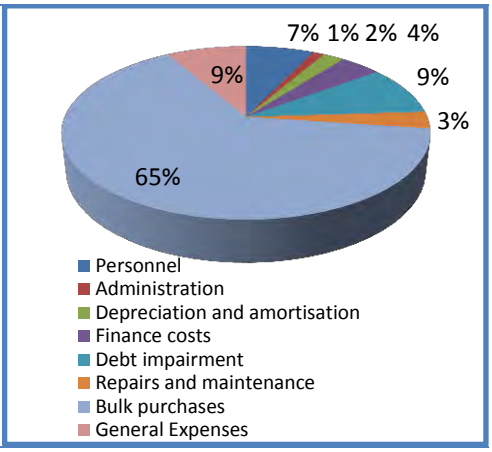
Revenue	% of total	2011 R'000	2010 R'000
Service charges	94.06%	9,786,301	7,235,256
Fees earned	0.00%	49,015	77,880
Rental income	0.00%	1,655	1,965
Recoveries	0.00%	-	30,863
Canteen revenue	0.04%	3,450	1,973
Other income	2.09%	217,755	284,237
Government grants	1.90%	202,315	325,838
Interest Revenue	1.38%	143,711	128,566
Total Revenue		**10,404,202**	**8,086,578**



The revenue for the year under review is significantly higher than the prior year and budgeted figures. This is mainly due to a short-term power supply contract with Eskom, whereby electricity generated by the Kelvin Power Station is sold to Eskom. Electricity to the value of R597 million was sold to Eskom during the period under review. Although the actual amount of electricity sold to customers decreased by 3.1% during the current year, an average tariff increase of 35% contributed to 26.6% growth in revenue.

Expenditure

Expenditure	% of total	2011 R'000	2010 R'000
Personnel	7.15%	663,722	625,930
Administration	1.17%	108,590	25,998
Depreciation and amortisation	2.23%	206,764	196,286
Finance costs	4.31%	400,187	393,714
Debt impairment	9.17%	851,248	426,879
Repairs and maintenance	3.15%	293,320	253,002
Bulk purchases	64.45%	5,984,046	4,416,241
General Expenses	8.37%	776,377	795,494
Total Expenditure		**9,284,304**	**7,133,544**



Energy costs

Direct energy costs increased from 36.45c/kWh in the 2010 financial year to 47.70c/kWh in the 2011 financial year. The slight reduction in electricity purchases during the year was offset by this increase, which resulted in an overall increase in energy costs of 35.5%.

Operating expenditure

Operating cost consisted of the following:

- Personnel costs:
  Employee numbers decreased from 1,697 to 1,670 because of natural staff attrition. Salary increases and overtime payments however resulted in a 24% increase in personnel costs, from R626 million to R664 million. Overtime payments exceeded the budget by some margin. This was necessitated by:
  - staff shortages;
  - unplanned outages;

  - theft and vandalism of the network;
  - additional costs incurred related to the World Cup; and
  - changes in conditions of service.

  City Power's workforce will need to grow in order to meet service delivery targets.

- Bad debts:

  Bad debts increased from R427 million in the prior to R851 million in the current year. Bad debt as a percentage of revenue increased from 5.6% to 9.3%.

- Depreciation and amortisation:

  Depreciation costs increased to R207 million compared to R196 million in the prior year due to an increase in capitalised property, plant and equipment.

- Repairs and maintenance:

  Repairs and maintenance costs increased by 15% compared to the prior year. This was, however, still below the budgeted figure. The increase from the prior year can be attributed to the Capex Budget cut, which led to the deferring of equipment upgrading and replacement. This in turn increased equipment failure and unplanned outages, leading to an increase in repairs and maintenance expenditure. In order to avoid overspending on the budget, planned maintenance was decreased.

- Other expenditure:

  General expenditure remained relatively constant. Administration expenditure increased by 318% from R26 million to R109 million. This is due to administration fees paid to the City of Johannesburg in respect the billing and account management of City Power's account customers.

- Finance costs:

  Finance costs are incurred on loans from the City of Johannesburg to fund capital expenditure. Finance costs increased to R400 million from R394 million in the prior year.

Finance costs

Finance costs are incurred on loans from the City of Johannesburg to fund capital expenditure. The net finance costs, after the capitalisation of borrowing costs, increased to R400 million from R394 million in the prior year. During the current year no borrowing costs were capitalised to property, plant and equipment (2010: R19 million).

Income Tax

As in the prior year, the income tax expense consists entirely of deferred taxes. No current tax was provided for as City Power has an assessed tax loss, which offsets the surplus generated during the current year.

Liquidity and cash flows

Extract from the cash flow statement:

Figures in Rand thousand	2011	2010
Operating cash flow before working capital changes	1,580,290	1,422,276
Working capital changes	257,014	146,168
Net cash flows from operating activities	1,837,304	1,568,445
Net cash flows from investing activities	(1,270,662)	(1,056,400)
Net cash flows from financing activities	(566,642)	(512,045)

Operating cash flow before working capital changes decreased substantially from the prior year. The working capital changes, however, showed an inflow of R257 million (2010: R146 million outflows). This is mainly due to the following changes in working capital:

Trade and other receivables increased by R163 million, and consumer debtors increased by R1, 289 million. This is offset by increases of R1, 3 billion of trade and other payables, deferred income of R10 million and R345 million of the VAT liability.

The cash used in investing activities increased by 20% to R1, 2 billion. This is mainly as a result of capital expenditure of R1,022 billion on property, plant and equipment, of which R851 million is attributable to network infrastructure. City Power met its capital expenditure targets during the current year. The balance of the cash flows used in investing activities is attributable to finance costs on loans to fund capital projects.

Cash used in financing activities are as a result of the repayment of the shareholders loan.

Working capital

The components of the working capital are set out below for the current and prior years:

Working capital	2011 R'million	2010 R'million
Inventories	29	71
Trade and other receivables	394	231
Consumer receivables	2,541	1,463
Trade and other payables	(2,777)	(1,252)
Vat payable	(699)	(354)
Net working capital	**(512)**	**159**

Non-current assets

Non-current assets consist of property, plant and equipment and intangible assets. The carrying values of these assets are set out below:

Non-current assets	2011 R'000	2010 R'000
Cost	7,867,619	6,855,881
Accumulated depreciation and impairments	1,065,150	860,833
Total non-current assets	**6,802,469**	**5,995,048**

During the current year, City Power had total additions of R1,022 billion, disposals of R7,7 million and depreciated its assets by R207 million.

For more information on property, plant and equipment and intangible assets, please refer to notes 9 and 10 of our annual financial statements.

Capital expenditure

City Power is committed to building additional capacity on the network while refurbishing the existing network. The age of assets, as well as the condition of assets, is considered to be important indicators of potential future network failures. Older assets that are in a poor condition are more likely to fail, resulting in higher maintenance costs and lower network performance. To

protect against these undesirable outcomes, City Power is developing detailed asset maintenance, refurbishment and replacement plans. City Power has to continue investing in infrastructure not only to meet the growing demand for electricity but also to replace aging infrastructure.

City Power distinguishes between controllable and non-controllable capital expenditure. This distinction is drawn based on the origin of the funding: controllable capital expenditure is funded from City of Johannesburg loans and own funding, whereas non-controllable capital expenditure is funded by capital grants and public contributions. Non-controllable capital expenditure is so called due to the fact that although there is a reasonable expectation that the funding will be received, there is no guarantee that it will indeed be received. This expenditure is therefore called non-controllable, because of the uncertainty relating to the expenditure in terms of funding and because the availability of the funding is not within the control of the responsible officials. This is contrasted to controllable funding where the funding is readily available and spending can generally be controlled by the responsible officials.

The total capital expenditure for the year under review is as follows:

Description of capital expenditure	2011 Budget	2011 revised Budget	Actual 2011	2011 variance
	R'000	R'000	R'000	R'000
Electrification	**166,271,973**	**217,567,749**	**217,567,749**	-
Service connections	129,065,000	74,493,032	**74,493,032**	-
Township reticulation	-	2,788,100	**2,788,100**	-
Upgrading of electrical network	88,242,454	177,155,410	**177,155,410**	-
Network development	300,000	-	**-**	-
Building alterations/ construction	652,000	2,057,229	**2,057,229**	-
Office equipment/computers	2,850,000	1,623,538	**1,623,538**	-
Computer software	11,385,000	16,404,686	**16,404,686**	-
Tools and loose gear	4,020,000	2,766,417	**2,766,417**	-
Plant and machinery	22,065,179	25,568,586	**25,568,586**	-
Meters and load management	176,315,000	73,119,179	**73,119,179**	-
Protection	17,068,502	13,114,756	**13,114,756**	-
Furniture	500,000	351,661	**351,661**	-
Public lighting	90,816,000	103,745,870	**103,745,870**	-
Refurbish of bulk infrastructure	372,029,892	344,543,708	**344,485,452**	58,256
Insurance	65,000,000	34,592,453	**34,592,453**	-
TOTAL	**1,146,581,000**	**1,089,892,374**	**1,089,834,118**	**58,256**

The tables below indicate some of the major projects undertaken during the year under review (2010/11 financial year). It must also be noted that some of the projects listed below commenced during the course of 2009/10 financial year and they are currently at their final stages of implementation and others will only be completed in the 2011/2012 financial year.

Bulk Infrastructure

Project description	Capex budget	Capex actual	% completion
Substation Beyers: 88/11Kv substation establishment, buildings Civil, switchgear and control and SCADA.	1,509,407	1,509,407	100%
Substation Olivedale: 88/11Kv substation upgrade, new 11Kv feeder board protection ,control and SCADA	558,126	558,125	100%
Fort TRFR refurbishment: Installation of new 88/11Kv transformer with protection and control and SCADA	5,091,971	5,075,719	95%
Olivedale upgrade: 88/11Kv substation upgrade, new 11Kv feeder board protection and control and SCADA	520,676	520,675	100%
Eikenhof TRF_R: Installation of new 88/11kv transformer with protection and control and SCADA.	1,937,163	1,936,924	90%
Hursthill Substation: 88/11kv substation upgrade, all civil and buildings, 88 and 11Kv equipment. All protection and control and SCADA. Included 3 off 88/11Kv Power transformers	1,248,175	1,218,247	90%
Westfield Substation: 88/11kV substation upgrade. 88/11kv power transformer, civil works and buildings, 11kv feeder board with protection and control and SCADA. Including 88kv outdoor equipment.	360,000	352,124	100%
Ennerdale Substation: Upgrade 88/11Kv substation. New 88/11kv Power transformers, 11Kv feeder board, protection and control and SCADA including all civil works and buildings.	12,514,365	11,210,103	95%
Prospect Sergi: Procurement and **Installation** of Sergi fire protection equipment and control.	1,987,000	1,985,965	98%
Khanyisa SS Co: Establishment of new 88/11kv substation, including all civil works and buildings 3 off 88/11kv Power transformers, 11kv feeder board with all protection and control and SCADA including 88kv outdoor equipment.	285,000	52,709	100%
Grand Central: 88/11Kv substation upgrade including all civil works and buildings. One 88/11kv Power transformer, 11kv feeder board with protection and control and SCADA.	3,005,264	3,004,835	100%

Project description	Capex budget	Capex actual	% completion
Rosebank SS Co: Upgrade 88/11Kv substation, new 11kv feeder board with protection and control and SCADA. New 88/11kv Power transformer.	1,874,983	1,577,909	100%
New Road SS co: New 88/11kv substation, all civil works and buildings, new 11kv feeder board with all protection and control and SCADA. New 88/11Kv Power transformers and 88kv indoor equipment.	1,778,342	1,629,835	100%
New Rd/: New installation of inter-connector cables between the two substations.	1,400,000	1,154,513	100%
Upgrade Kelvin /CYDNA OHL: Upgrade of the existing overhead lines with new Lisbon high temperature conductor all labour and materials cost.	53,656,000	53,655,714	98%
Upgrade Siemert S: Upgrading of the 88/11kv substation, new 11kv feeder board with all protection and control and SCADA. New 88kv outdoor equipment with all protection and control and SCADA. New 88/11Kv power transformer protection and control and SCADA.	7,364,837	7,363,828	100%
Upgrade Braamfontein Substation: Upgrade of the existing 88/11kv substation, new 11kv feeder and standby boards with protection and control and SCADA.	5,208,029	5,208,029	100%
Randburg SS co: Upgrade of the existing 88/11kv substation, new 11kv feeder board with protection and control and SCADA.	744,000	743,987	100%
Upgrade Northriding Substation: Upgrade of the existing 88/11kv substation, new 11kv feeder board with protection and control and SCADA.	530,000	268,146	100%
Upgrade Olivedale Substation: 88/11Kv substation upgrade, new 11Kv feeder board protection and control and SCADA	4,180,936	4,101,136	100%
Harley SS cont: 88/11kv substation upgrade 11Kv feeder board with protection and control and SCADA	39,000	38,480	100%
Upgrade Alex: 88/11kv substation upgrade, New 11kv feeder board with protection and control and SCADA. All outdoor 88kv equipment protection and control with SCADA. All civil works and buildings new 88/11Kv power transformers.	43,055,546	42,097,055	97%
Pennyville substation: Establishment of new 88/11kv substation with all civil works and buildings new 11kv feeder board with protection and control and SCADA New 88/11kv power transformers with protection and control and SCADA.	2,545,000	2,544,141	100%
Crown substation Establishment of new 88/11kv substation with all civil works and buildings new 11kv feeder board with protection and control and SCADA New 88/11kv power transformers with protection and control and SCADA.	2,413,947	1,591,886	100%
Soweto local: 88/11KV substation upgrade. New 11kv feeder board with protection and control and SCADA. Refurbished power transformers protection control and SCADA.	40,000	38,995	100%
Refurbish Hursthill: 88/11kv substation upgrade, all civil and buildings, 88 and 11Kv equipment. All protection and control and SCADA. Included 3 off 88/11Kv Power transformers	55,897,380	55,896,767	100%
C de Wet 11kv: 88/11KV substation upgrade. New 11kv feeder board with protection and control and SCADA. Refurbished power transformers protection control and SCADA.	10,500,000	9,074,554	95%
Extension of existing overhead lines	3,000,000	2,984,953	100%
Install temp transformer	8,315,107	8,251,699	100%
Insurance claims	3,403,304	3,403,303	100%
Transformer Refurbishment	5,000,000	3,816,095	98%
Transformer Refurbishment	3,585,196	1,494,457	95%

Project description	Capex budget	Capex actual	% completion
Transformer third ph upgrade	2,946,674	1,935,684	100%
Transformer Refurbishment	1,733,366	1,707,641	100%
New Market SS: Still in the planning environment	63,640	8,811	100%
Randburg : These were ESKOM costs confirm with planning	21,259,000	21,259,000	100%
OHL Refurbishment: Hursthill to Orlando OHL upgrade	30,500,000	30,110,118	100%
Transformer Refurbishment : Still in the planning environment	7,574,817	7,542,430	100%
Cydna double Bus bar: Still in the planning environment	2,000,000	1,679,868	100%
Dalkeith – Lutz: This project is still in the planning environment	1,044,454	1,044,454	100%
Prof fees Quotation: In planning environment	375,000	373,670	100%
Sebenza Substation: In planning environment	13,026,460	12,984,298	100%
Lufhereng S/S: Still in the planning environment	25,000,000	25,000,000	100%
Total	**371,072,165**	**360,006,289**	**99%**

Upgrade of Electrical Infrastructure

Description	Start Date	Completion Date	Budget 2010/2011	Actual Spent	% Complete
Replace feeder Cables & 6.6 kv load	22-Oct-10	Apr-11	R 7,500,000	R 7,227,763	100%
Upgrade Northcliff ,Rocky Drive	7-Sep-10	Apr-11	R 35,000	R 34,112	100%
Continuation Meredale Conversion	15-Nov-10	Jun-11	R 744,852	R 616,229	100%
Stauch Vorster	08-Nov-10	11-Jan-11	R 736,938	R 736,938	100%
Continuation Upgrade Northcliff Fairlands	19-Oct-10	May-11	R 1,112,109	R 1,000,698	100%
Continuation Fairlands, Kessel & Agnes	26-Oct-10	Apr-11	R 640,000	R 631,106	100%
Continuation Strengthening Harley Street	8-Nov-10	Apr-11	R 2,300,000	R2,101,588	100%
Continuation Bryanston North	16-Nov-10	-May-11	R 5,300,000	R4,311,508	100%
Continuation Houghton Dist	15-Nov-10	May-11	R 2,300,000	R 0	100%

Revenue Maximisation Programme (Metering)

Description	Start Date	Completion Date	Budget 2010/2011	Actual Spent	% Complete
Revenue Maximisation Project	26-Jan-11	Sept-11	R 46,433,385	R 46,433,385	78.57%

SUMMARISED ANNUAL FINANCIAL STATEMENTS

Detailed financial statement is attached as annexure- A

Summarised Statement of Financial Position

as at 30 June 2011

Figures in Rand thousand	Note(s)	2011	2010
ASSETS			
Current Assets	**1**	4,751,660	2,796,732
Non-Current Assets	**2**	6,802,469	5,995,048
Total Assets		**11,554,129**	**8,791,780**
LIABILITIES			
Current Liabilities	**3**	3,902,049	2,319,943
Non-Current Liabilities	**4**	3,721,308	3,400,131
Total Liabilities		**7,623,357**	**5,720,074**
NET ASSETS			
Share capital and share premium		112,466	112,466
Accumulated surplus		3,818,306	2,959,240
Total Net Assets		**3,930,772**	**3,071,706**

Summarised Statement of Financial Performance

for the year ended 30 June 2011

Figures in Rand thousand	Note(s)	2011	2010
Revenue	**5**	10,404,202	8,086,578
Expenditure	**6**	(9,284,304)	(7,133,544)
Taxation		(269.832)	(235,393)
Surplus for the period		**859,066**	**717,641**

Cash Flow Statement
for the year ended 30 June 2011

Figures in Rand thousand	Note(s)	2011	2010
Operating cash flow before working capital changes		1,580,290	1,422,276
Working capital changes		257,014	146,168
Net cash flows from operating activities		1,837,304	1,568,445
Net cash flows from investing activities		(1,270,662)	(1,056,400)
Net cash flows from financing activities		(566,642)	(512,045)
Net increase/(decrease) in cash and cash equivalents		**-**	**(1)**
Cash and cash equivalents at the beginning of the year		20	21
Cash and cash equivalents at the end of the year		**20**	**20**

Notes to the summarised financial statements
for the year ended 30 June 2011

Figures in Rand thousand	2011	2010
1. Analysis of current assets		
Inventories	29,455	70,770
Loans to shareholders	1,786,482	1,242,378
Trade and other receivables from exchange transactions	394,040	231,423
Consumer debtors	2,541,663	1,252,141
Cash and cash equivalents	20	20
Total current assets	**4,751,660**	**2,796,732**
2. Analysis of non-current assets		
Property, plant and equipment	6,613,944	5,831,698
Land	*3,544*	*3,544*
Buildings	*140,542*	*147,198*
Plant and machinery	*6,125,263*	*5,186,035*
Furniture and fixtures	*25,568*	*27,899*
IT equipment	*49,486*	*56,886*
Capital work in progress	*269,568*	*410,136*
Intangible assets	188,525	163,350
Total non-current assets	**6,802,469**	**5,995,048**
3. Analysis of current liabilities		
Loans from shareholders	382,990	460,294
Trade and other payables from exchange transactions	2,777,386	1,464,901
VAT payable	699,541	354,375
Provisions	42,132	40,373
Total current liabilities	**3,902,049**	**2,319,943**

4. Analysis of non-current liabilities

Loans from shareholders	2,794,953	2,738,914
Retirement benefit obligation	38,191	42,798
Income received in advance	10,187	-
Deferred tax	691,029	430,198
Consumer deposits	186,948	188,221
Total non-current liabilities	**3,721,308**	**3,400,131**

5. Analysis of Revenue

Service charges	9,786,301	7,235,256
Fees earned	49,015	77,880
Rental income	1,655	1,965
Recoveries	-	30,863
Canteen revenue	3,450	1,973
Other income	217,755	284,237
Government grants	202,315	325,838
Interest Revenue	143,711	128,566
Total Revenue	**10,404,202**	**8,086,578**

6. Analysis of Expenditure

Personnel	663,722	625,930
Administration	108,590	25,998
Depreciation and amortisation	206,764	196,286
Finance costs	400,187	393,714
Debt impairment	851,248	426,879
Repairs and maintenance	293,320	253,002
Bulk purchases	5,984,046	4,416,241
General Expenses	776,377	795,494
Total Expenditure	**9,284,304**	**7,133,544**

CHALLENGES AND FUTURE PRIORITIES

The key challenges of the business going into the future are identified as follows:

- **Finding a balance between satisfying the ever increasing development requirements (Additional capacity for new township development and rezoning application) and energy savings/reduction requirements**
- **Continue to reduce the average age of installed equipment to an acceptable technical useful lives (refurbishment programmes)**
- **Meeting electrification targets by 2012/14**
- **Continue to build electricity infrastructure to support City-wide major projects**
- **Roll out of Demand Side Management / Load Management**
- **Meeting the Mayoral priorities i.e. 90 day service deliver, Inner City, Alignment with the City GDS**
- **Upgrading of the networks to ensure a reliable supply**
- **Improve public lighting performance**
- **Reduce technical and non technical losses**
- **Reduce cable theft and theft of other equipment**
- **Network automation through smart technologies**
- **Improving revenue management and collection**
- **Increasing the use of renewable energy sources in line with the City's Growth and Development Strategy**
- **Forward planning of tariff structuring and implementation for both intake and supply side**

The key threats to the attainment of the above are identified as follows:

- Financial meltdown (impact on cash-flow and revenue)
- Loss of revenue as a result of illegal connections, theft and vandalism.
- Lack of sufficient funding to fund key company initiatives
- Aging and overloaded networks.
- Public exposure to dangerous equipment due to vandalism.

Long Term Plan

The electricity demand in City Power areas reached 3GW in 2010. It is predicted that the future demand, which excludes potential power-saving strategies and efficiency improvements, will reach 5.4GW in 2030.

During the past few years a detailed analysis was conducted on the network infrastructure in order to ascertain the capacity to meet current and future demand. This entailed the conduct of detailed audits in order to ascertain the condition of the network infrastructure and the development of network and electrification master plans to ascertain short and medium-term capacity requirements.

The result of the analysis indicated that extensive refurbishment, upgrades and expansion of the network were needed in order to meet the current and future demand. The average transmission

infrastructure has reached 63 % of accepted useful life, the average installed infrastructure (lines / cables) is currently utilized at 31.6 % during normal operations, and substations (transformers) are utilising installed capacity at 54.6 % and firm capacity at 103.1%.

Review of the business Model

City Power was established in 2001 according to the principles of the Egoli 2002 Plan. Ten years on, an assessment must be made as to whether the current business model is still relevant and is aligned to stakeholder expectations. In addition, the current business model needs to be reviewed in light of the creation of R&CRM unit at CoJ. In light of the changing energy landscape City Power must consider becoming a provider of alternative sources of energy. This strategic direction will impact on how the company performs its business going forward, requiring the need to review the business model. This will help redefine the company strategy and ensure alignment to the Growth and Development Strategy and IDP.

Alignment to the 2040 Growth Development Strategy

The review of the 2006 Growth Development Strategy was brought about by a shift in the light of climate change and natural resource scarcity. Natural resource scarcity affects both human and economic development. Without securing natural resources, cities cannot sustain human and economic development. “Cities are seeking new ways of overcoming critical natural resource constraints, ‘decoupling’ as a concept has emerged to assist national governments and cities to ‘decouple’ economic production and consumption from resource use. The emphasis has shifted in an important way, reframing economic and human development within the context of sustainability.” 2040 GDS

Several themes emerged from the document, which will impact on how City Power does business in the future, if it is to align itself to the goals of the City of Johannesburg:

- Improve the energy intensity of the CoJ and benchmark itself against "world class cities"
- Improve the current energy mix to enable a balanced and sustainable energy portfolio
- Develop and execute a strategy to tackle energy poverty
- Build long-term partnerships with citizens and stakeholders to change culture and paradigms through education and awareness
- To ensure long-term reliability and quality of electricity supply in existing areas
- Ensure availability of skills to drive the vision
- Develop and execute a strategy to ensure a profitable customer portfolio
- Efficiently meet the need for new electricity infrastructure and associated load growth
- These emerging themes place a huge pressure on City Power. Quantum changes are required, both strategically and operationally, if it is going to assist the CoJ in meeting these goals.

Network expansion

In an effort to proactively plan for the energy needs of the City Power Distribution Area, a study has been done on how to develop a master plan for energy supply in the areas from Midrand in the east to Roodepoort in the west and from Randburg in the north to Lenasia in the south.

The study provided City Power with a clear view and long-term plan on how to develop the electrical infrastructure required supporting the envisaged growth in demand. The study further clearly identified where new infrastructure should be located and what components, either existing or new, will be required. This has identified and documented expansion and strengthening projects

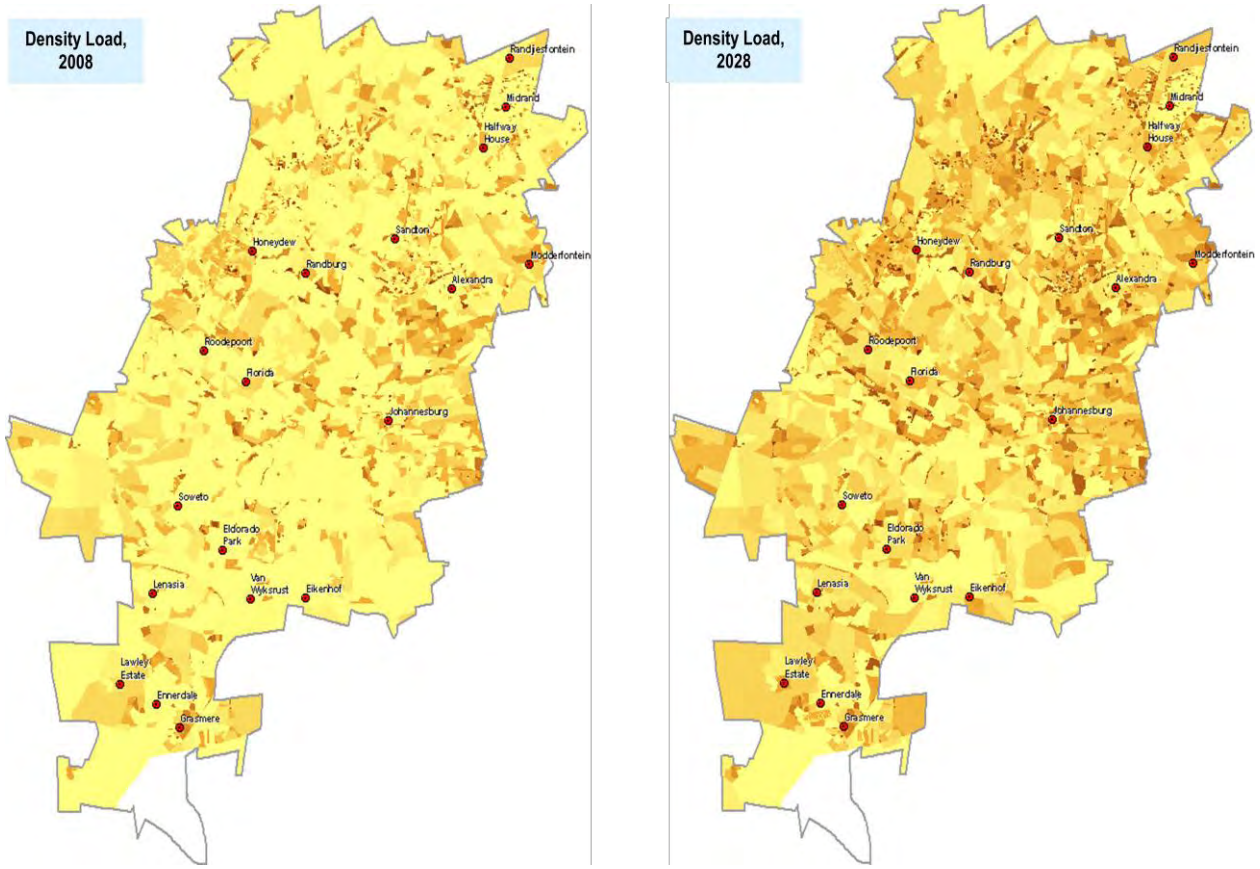
to ensure the adequate performance of the network within the short- and longer-term period. The Network Master Plan has been evaluated against a set of sustainability criteria to ensure that it is a sustainable development.

Focus was placed on the following tasks:

- Sufficient information was gathered and reviewed to provide a solid platform on which the Network Master Plan was to be based.
- Geographical load forecast was developed based on regional demographic and historical load growth patterns, taking into account futuristic economic information, demographic trends, available land use data and future development initiatives. The aim of load forecast was to determine the present and future electricity requirements of electrical end-users and to develop an economic and demographic model which forecasts the expected population and economic growth in the study area. These results were then converted into a spatial load forecast applications to produce the expected electricity needs of the study area. The anticipated long-term load forecast was directly used as input to the long-term expansion plan.
- Review generation-, transmission- and distribution expansion plans with the Network Master Plan for the region.
- Define the network problems by assessing the existing network capability and analysing the shortcomings in a coordinated manner. In this way all the existing network problems were identified, along with any potential future problems, within the study area. Different networks to supply the expected load were identified and analysed and evaluated properly to ensure that each alternative network complies with required standards and guidelines. A review on the adequacy of City Power Sub-transmission network through load flow and contingency analysis was done and. possible new transmission supply stations was also evaluated.

The overall Strategic Environmental Assessment (SEA) approach including the use of a multi-disciplinary team of experts and specialists that assessed the environmental consequences of the proposed Network Master Plan on the environment was required. Alternative plans and strategies formulated. Emphasis was placed on understanding the biophysical, social and economic environment and the values there-of. Opportunities, constraints and values of the study area, including the needs and wants of the relevant stakeholders, were assessed. This was formulated into a desired state of the environment that recognises appropriate development options. The Participation Process allowed for all relevant stakeholders i.e. local authorities, service providers and the property and business sectors to contribute meaningfully during the development of the Network Master Plan.

The illustration below demonstrates the predicted longer-term demand growth based on density and location:

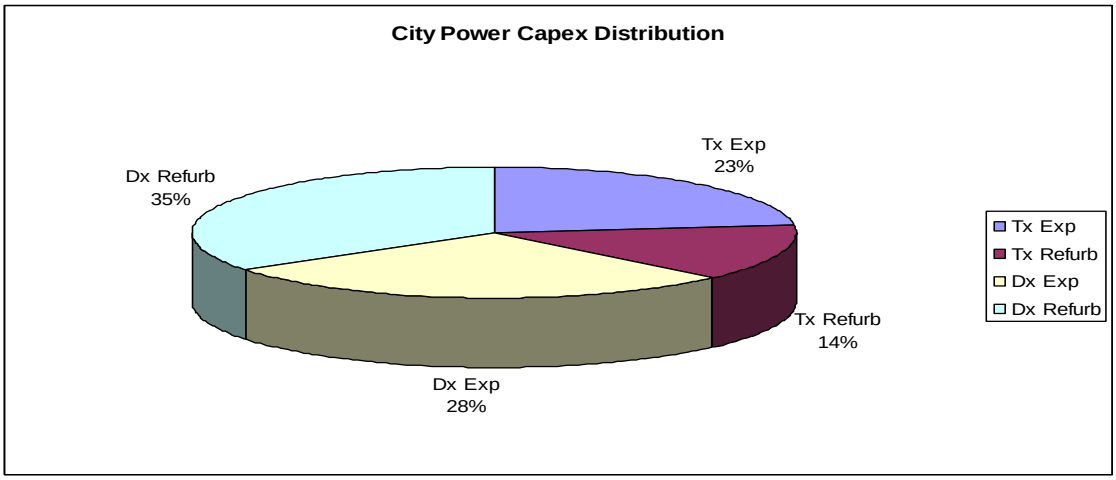


To meet current and future demand, City Power has developed a detailed asset management plan which covers network expansion and the continued maintenance and refurbishment of network assets over the medium and long term.

The 20 year capital expenditure plan required to ensure the sustainability of the network is estimated at R26.8bn. in respect of the following infrastructure projects:

- In order to support anticipated demand growth, the strengthening and expansion of the transmission and distribution networks are required.
- In order to reduce the failure rate and the average age of network infrastructure, refurbishment of the transmission and distribution networks are required.

Below is a graphic representation of the expected capital distribution between the projects.



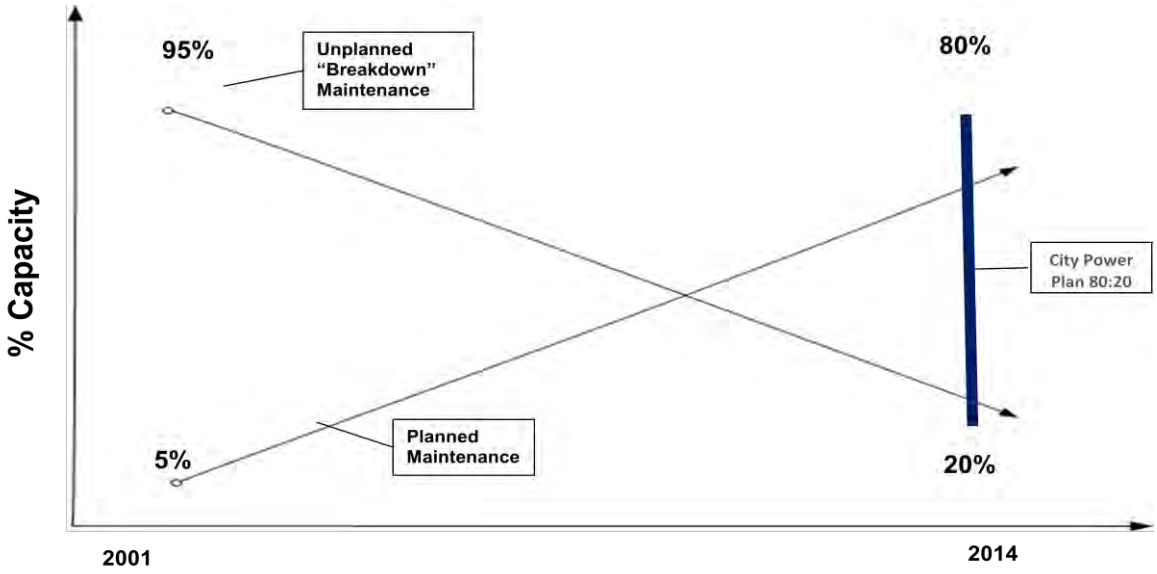
Medium term: Strategies

Asset maintenance management

In the medium term a five year infrastructure rolling plan to addresses the load growth and electrification and refurbishment needs was developed and put in place. This has been incorporated into the key focus areas of City Power.

- As part of the drive towards achieving a ratio of 80:20 planned vs. unplanned maintenance, City Power has developed a maintenance strategy based on condition monitoring in consultation with Singapore Power. The object of this maintenance strategy is to ensure that the organisation moves towards proactive maintenance, thereby improving the reliability of supply to the end customer.
- Reduction in maintenance and post failure repair costs.
- Extended equipment life and extension of intrusive maintenance intervals

The table below illustrates the asset maintenance management - planned vs. unplanned journey map:



Conferences of the Parties (COP) 17

The United Nations Framework Convention on Climate Change (UNFCCC or FCCC) is an international environmental treaty produced at the UN conference on Environment and Development (UNCED), informally known as the Earth Summit in 1992. The objective of the treaty is to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. The parties to the convention have met annually since 1995 in Conferences of the Parties (COP) to assess progress in dealing with climate change.

In 1997, the Kyoto Protocol was established this had a legally binding obligation for the developed countries to reduce their greenhouse gas emissions. COP 17 will be held in Durban in November 2011. It is anticipated that CoJ will want to be an active participant in reducing greenhouses gases. This could place additional challenges on City Power.

Short term plans

Operating budget

The approved budget for the 2011/12 financial year is as follows:

Details	Budget 2011 - 2012
Total Operating Income	**12,040,501**
Turnover	11,386,011
Other Income	142,973
Grants & DSM	511,517
Cost of Sales	8,256,687
Gross margin	**3,783,814**
Gross margin %	**28.4%**
Operating overheads	**2,306,626**
Operating Profit before interest and taxes	**1,477,188**
Net interest	(276,522)
Add Back Prior year adjustments	0
Profit before fair value adjustments	1,200,666
Net Fair Value Adjustment	0
Profit before tax	1,200,666
Taxation	(283,365)
Attributable income	917,301
Less Grants & DSM Levy	511,517
Profit	**405,784**

Capital budget

Source of Funds	Approved Revised Budget 2010/11	Approved Budget (2011/12)
	R'000	R'000
Loans	542,000	332,400
Cash (DSM)	230,000	250,000
National grant	97,000	105,000
MIG	54,516	45,000
Other Sources	223,065	141,065
TOTAL	**1,146,581**	**873,465**

Risk mitigation on capital budget reduction

- Reprioritization and re-allocation of the projects to ensure the budget is spent on critical service delivery projects.
- Sourcing of additional funding in the form of grants and project finance.
- More emphasis to be placed on the use of condition monitoring to ensure equipment condition is detected and attended to before it breaks.
- Increase number of customer education campaigns in order to educate customers and communities about the dangers and implications of illegal connections.

The Accelerated Service Delivery Program

With the appointment of the new Executive Mayor, the City of Johannesburg has introduced an Accelerated Service Delivery Plan, which runs over 90 days: from the beginning of July 2011 to the end of September 2011.

The 90-day service delivery plan has been formulated to improve customer confidence in the services provided by the City of Johannesburg and to create a positive image of the City. In aligning to the programme, City Power has identified the following service delivery challenges and has allocated interventions to address each challenge:

Service Delivery Challenge	Intervention	Objectives
Improve Public Lighting performance	Turnaround time on reactive and pro-active maintenance. Fixing of public lights in main arterials (group lamp replacement). Establish focus team to look at street light maintenance on M1, M2, R24, Golden Highway and all identified main routes.	Achieve 95% lights functioning properly on all hot spot areas and major routes.
Improve meter reading performance & revenue collection	Replacement of conventional domestic meters with Prepaid meters where there are no accesses. Replacement of faulty, bridged or bypassed prepaid domestic meters Replacement of LPU demand meters with AMR meters	Improve meter reading level. Improve accuracy of meters, Improve revenue and cash collection

	Replace all locks with City Power orange locks in all identified metering kiosks Install bulk meters Monitor and manage meter reader performance Install additional protective structures	
Reduce illegal connections	Removal of illegal connections on a continuous and sustainable basis	Reduction in illegal connections
Demand Side Management	Rollout ripple control devices to limit energy demand	Reduction in outages due to overload
Reduce high number of recurring failures due to age of network and vandalism	Provide onsite access per township (group of townships) with basic set of maintenance spares and technical staff. (explore local job creation) Replacement of Bare conductors with LV ABC	Reduce LV outages, illegal connections and poor public light in previously disadvantaged areas
Community Awareness Campaigns	Increase the following: • Media interviews • Advertorials • Press releases • Deployment of social media • Community awareness campaigns: including illegal connections and cable theft Proactive communication of City Power's initiatives and achievements	Effective and proactive communication. Improved company image

CONCLUSION

2010/11 has been a Interesting year for City Power. The company had great achievements and faced challenges. In spite of these challenges City Power has achieved most of its key performance indicators (KPI's) and service delivery targets.

.

Going forward a significant amount of effort will be spend by City Power to ensure that structures and processes are put in place to address the concerns raised in the audit report. City Power has identified and is implementing interventions as part of the Revenue Step Change project and is working with all its stakeholders to reduce non-technical losses.

City Power is committed to continually improving its performance and the company is confident that it will meet and exceed the expectations of all our stakeholders.

ABBREVIATIONS USED IN THIS REPORT

AA	Affirmative Action
AMR	Automated Meter Reading
BEE	Black Economic Empowerment
CAIDI	Customer Average Interruption Distribution Index
CAIFI	Customer Average Interruption Frequency Index
CAPEX	Capital Expenditure
CJMM	City of Johannesburg Metropolitan Municipality
CMIP	Consolidated Municipal Infrastructure Programme
CoJ	City of Johannesburg
DIFR	Disabling Injury Frequency Rate
DSM	Demand-side Management
EAP	Employee Assistance Program
EDI	Electricity Distribution Industry
EE	Employment Equity
EPWP	Expanded Public Works Programme
ESP	Expanded Social Package
FBE	Free Basic Electricity
GAAP	Generally Accepted Accounting Principles
GDS	Growth Development Strategy
GE	Gender Equity
GRAP	Generally Recognised Accounting Practices
HV	High Voltage
IAS	International Accounting Standards
IDP	Integrated Development Plan
IEP	Integrated Energy Planning
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
ISD	Infrastructure and Services Department
JDA	Johannesburg Development Agency
JMPD	Johannesburg Metro Police Department
JRA	Johannesburg Roads Agency
KPI	Key Performance Indicator
LPU	Large Power Users
LV	Low Voltage
MFMA	Municipal Finance Management Act
MOE's	Municipal Owned Entities
MSA	Municipal Systems Act
MV	Medium Voltage
MVA	Megavolt Amperes
NERSA	National Energy Regulator Of South Africa
NPR	Network Performance Related
OPEX	Operating Expenditure
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SALGA	South African Local Government Authority
SCADA	Supervisory Control and Data Acquisition
SHEQ	Safety, Health, Environmental and Quality
SHER	Safety, Health, Environmental and Risk
SOC	State Owned Company

ANNEXTURES

1. **ANNEXTURE A: Annual Financial Statements**

Attached

2. **ANNEXTURE B: Auditor-General's report on the annual financial statements**

Attached

3. **ANNEXTURE C: Outstanding amounts on Government accounts**

Attached