



# CENTLEC (SOC) Ltd. BUSINESS PLAN 2024 - 2027

**OFFICIAL SIGN-OFF**

It is hereby certified that this Multi-Year Business Plan:

- Was developed by CENTLEC's management in consultation with Mangaung Metropolitan Municipality as the sole parent municipality.
- Considers all the relevant policies, legislations, and other mandates for the Company which CENTLEC (SOC) Ltd is responsible for.
- Accurately, reflects the strategic outcome-oriented goals and objectives which the Company will endeavour to achieve over the period of this plan.



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**Mr. MS Sekoboto**  
**Chief Executive Officer**  
**Centlec (SOC) Ltd**

Date: 2024/05/17



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**LIST OF ACRONYMS**

<b>BEE</b>	Black Economic Empowerment
<b>CEO</b>	Chief Executive Officer
<b>DER</b>	Distributed Energy Resources
<b>DSM</b>	Demand Side Management
<b>EDI</b>	Electricity Distribution Industry
<b>ERP</b>	Enterprise Resource Planning
<b>EXCO</b>	Executive Committee
<b>FS</b>	Free State
<b>ICT</b>	Information, Communication and Technology
<b>MGDS</b>	Mangaung Growth & Development Strategy
<b>kV</b>	Kilo Volt
<b>LV</b>	Low Voltage
<b>MFMA</b>	Municipal Finance Management Act
<b>MMM</b>	Mangaung Metro Municipality
<b>MV</b>	Medium Voltage
<b>MW</b>	Mega Watt
<b>MWh</b>	Mega Watt hour
<b>NRS</b>	National Rationalisation Specifications
<b>PV</b>	Photo Voltaic
<b>R&amp;D</b>	Research & Development
<b>RE</b>	Renewable Energy
<b>SCADA</b>	Supervisory Control and Data Acquisition
<b>SOB</b>	Sale of Business
<b>SOPA</b>	State of the Province Address
<b>SUPE</b>	System Utilisation & Process Engineering
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats
<b>V</b>	Volt
<b>FBE</b>	Free Basic Electricity
<b>MTREF</b>	Medium-term Revenue and Expenditure Framework
<b>IDP</b>	Integrated Development Plan
<b>TID</b>	Token identification

## **1. EXECUTIVE SUMMARY**

CENTLEC (SOC) LTD embarked on a thorough evaluation of its business strategy in the latter part of 2023, responding to directives from the Board of Directors. This initiative was prompted by the recognition of the need to reassess the organisation's current trajectory in light of various factors impacting the electricity distribution industry. The strategic analysis aimed to not only understand but also proactively respond to the evolving landscape, ensuring that CENTLEC remains aligned with industry dynamics and well-positioned for sustained success.

In directing the strategic focus, it was imperative to address key considerations vital to the organisation's success. These critical factors, which formed the cornerstone of the strategic plan, encompassed supply dynamics, revenue generation, infrastructure resilience, and workforce management.

### **SUPPLY DYNAMICS AND DEPENDENCY ON ESKOM**

A significant aspect of CENTLEC's strategic evaluation revolved around the vulnerability of its supply value chain, primarily rooted in the organisation's dependency on Eskom. This reliance underscored a substantial business concern that necessitated strategic attention and mitigation in the comprehensive planning process. By acknowledging the external variables affecting Eskom's operations—such as load shedding, tariff fluctuations, and infrastructure challenges—CENTLEC aimed to fortify its resilience against potential disruptions.

Furthermore, the observed decline in the performance of Eskom's coal fleet and the nation's proactive shift towards renewable energy solutions posed additional challenges. The impending need to replace ageing coal fleets presented a considerable challenge for CENTLEC, requiring strategic interventions to navigate and adapt to the evolving energy landscape effectively. Addressing these challenges demanded innovative solutions and forward-thinking strategies to ensure CENTLEC's operational continuity and adaptability.



## **REVENUE GENERATION CHALLENGES**

Another significant focus area of CENTLEC's strategic assessment was the decline in sales volume, attributed to various factors impacting revenue generation. This decline posed a considerable challenge to the organisation's financial sustainability, warranting strategic efforts to mitigate its impact. The consistent rise in tariffs, mandated by the National Energy Regulator of South Africa (NERSA), further exacerbated financial pressures, affecting both operational costs and customer affordability.

The discrepancy in tariff increases between Eskom and municipalities, coupled with the resultant impact on consumption patterns, necessitated a nuanced approach to revenue management. CENTLEC recognized the importance of addressing these complexities to ensure financial sustainability and uphold customer satisfaction, emphasizing the need for proactive measures and innovative solutions.

## **INFRASTRUCTURE INTEGRITY AND OPERATIONAL RESILIENCE**

CENTLEC's strategic assessment also highlighted the significant threats posed by infrastructure vandalism and load shedding to the organisation's operational resilience. Incidents of vandalism not only caused immediate operational disruptions, but CENTLEC also incurred substantial financial implications for asset repair and replacement. Moreover, the consequences of load shedding impacted not only the reliability and stability of power supply but also introduced complexities in managing customer expectations and contractual commitments.

Recognizing the imperative of proactive measures, CENTLEC emphasized the importance of addressing and mitigating the impacts of load shedding to ensure operational resilience and maintain customer satisfaction.

This involved a multifaceted approach, encompassing infrastructure upgrades, maintenance, and robust contingency planning to minimize the impact of operational disruptions.

## **INVESTMENT IN DIGITIZATION AND WORKFORCE DEVELOPMENT**

At the heart of CENTLEC's strategic approach was the recognition of the need for substantial investment in digitization and workforce development. Embracing a comprehensive process of digitization across all organizational levels was essential to align with dynamic changes in the contemporary business landscape. This strategic imperative aimed to foster agility, efficiency, and innovation in operations, enabling CENTLEC to adapt to evolving industry trends and customer needs efficiently.

Additionally, addressing skills and training initiatives actively and proactively was crucial, particularly considering the impending retirement of key personnel possessing critical skills within the organisation. CENTLEC recognises the importance of nurturing talent and fostering a culture of continuous learning to ensure organizational resilience and long-term success.

CENTLEC's strategy outlines a clear foundation and alignment with the developmental and strategic agenda of the Mangaung Metropolitan Municipality (MMM), emphasising autonomy and adherence to the organization's vision, mission, and values. Let's break down and analyse the key components:

### **ALIGNMENT WITH MMM DEVELOPMENTAL AGENDA**

The strategy emphasizes the importance of CENTLEC's alignment with the developmental agenda set forth by MMM. This alignment ensures that CENTLEC's initiatives and activities support the broader objectives outlined in MMM's Integrated Development Plan (IDP) and Service Delivery & Budget Implementation Plan (SDBIP). By aligning with national and provincial developmental goals such as the National Development Plan (NDP), Medium Term Strategic Framework (MTSF), and Free State Growth & Development Plan (FSGDP), CENTLEC contributes to the overall socio-economic development of the municipality and the area in which it operates.



## **CRITICAL ROLE OF CENTLEC**

As a municipal-owned Company, CENTLEC plays a crucial role in assisting MMM in achieving its developmental goals. CENTLEC's responsibilities extend beyond merely providing energy services; it also contributes to various areas such as improving access to basic services, job creation, skills development, efficient administration, infrastructure investment, financial capability enhancement, innovation promotion, and environmental sustainability.

## **SUPPORT AREAS FOR DEVELOPMENT PLANS**

The strategy identifies eight distinct areas where CENTLEC's proposed initiatives align with the broader development plans of MMM. These areas include improving access to basic services, ensuring a reliable and affordable energy supply, fostering job creation and skills development, promoting efficient administration and good governance, investing in infrastructure, enhancing financial capability and revenue generation, encouraging innovation, and contributing to environmental sustainability by reducing greenhouse gas emissions and improving energy efficiency.

## 2. LEGISLATIVE AND POLICY MANDATES

**Table 1: Legislative And Policy Mandates**

<b>Legislation</b>	<b>Policy Mandates</b>
Chapter 10 Municipal Finance Management Act, 56 of 2003.	<ul style="list-style-type: none"> <li>Legislative duties and responsibilities of CENTLEC (SOC) Ltd</li> </ul>
Section 86D (2) of Local Government: Municipal Systems Amendment Act 32 of 2000 as amended.	<ul style="list-style-type: none"> <li>States that a private company which is a municipal Entity must restrict its activities to the purpose for which it is used by its parent municipality in terms of section 86E (1)(a); and b) has no competence to perform any activity which falls outside the functions and powers of its parent municipality contemplated by section 8.</li> </ul>
Service Delivery Agreement (SDA) entered by and between Mangaung Metropolitan Municipality and Centlec (SOC) Ltd	<ul style="list-style-type: none"> <li>The Entity is responsible for electricity distribution, which shall include the following obligations:</li> <li>Development of an integrated detailed service plan within the framework of Mangaung Metropolitan Municipality's Integrated Development Plan.</li> <li>Operational planning and management of electricity distribution services in line with NRS047, NRS048 and NRS097.</li> <li>Undertaking social and economic development that is directly related to the provision of electricity distribution services.</li> <li>Developing a customer management plan.</li> <li>Managing its own accounting, financial management, budgeting, and investment activities within a framework of transparency, accountability, reporting, and financial control determined in terms of the SDA and applicable municipal finance management legislation.</li> <li>Levying service delivery fee to customers in accordance with the NERSA approved tariffs.</li> <li>Provide its own Safety, Health, Environment, Risk and Quality (SHERQ) services; and</li> <li>Provide street and area lighting on behalf of Mangaung Metropolitan Municipality.</li> </ul>

### **3. BACKGROUND**

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CENTLEC (SOC) Ltd (hereinafter referred to as “CENTLEC”) was established as a Municipal Company wholly owned by Mangaung Metropolitan Municipality (hereinafter referred to as “MMM”). The Company was established both in terms of the Municipal Systems Act 32 of 2000 (hereinafter referred to as the “Systems Act”) and the Companies Act 71 of 2008 (hereinafter referred to as the “Companies Act”) and by virtue of being a Municipal Company, it is obliged to comply with the provisions of the Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the “MFMA”).

The Company is governed by the Board of Directors, duly appointed by MMM from time to time and its day-to-day business is conducted under the leadership of the Chief Executive Officer (CEO) and the Executive Committee (hereinafter referred to as the EXCO). The Board has an approved Charter which regulates the parameters within which it should operate and ensure the application of principles of good corporate governance in all its dealings on behalf of the Company.

CENTLEC (SOC) Ltd is one of the few municipal distributors that have embedded generation capacity. The Company is intending to resuscitate the use of the Power Station to generate alternatives energy supply such as the solar PV.

This is intended to be done through private partnership where options will be tabled on the best energy supply in terms of sustainability and cost efficiency to be carried forward. This is supported by the RFI on renewable energy models that was advertised by the Company. These new initiatives could see the Company reducing 100% reliance on Eskom bulk purchase.

**OVERVIEW OF CENTLEC (SOC) LTD STATISTICS**

The below picture depicts the Company's current customers, assets, revenue, infrastructure, and employee profile.

**Table 2: CENTLEC statistics customer, asset, revenue, infrastructure, and employee profile**

Revenue	Assets	Employees	Customers	Infrastructure
R3.1 billion	R6.2 billion	804	196 157	<ul style="list-style-type: none"> <li>• 118 KM – 132HV over headlines</li> <li>• 77.44 KM -33KV overhead lines</li> <li>• 97KM – 33KV underground cables</li> <li>• 2.5 million KM of 11KV lines and cables</li> <li>• 2.05 million KM of low voltage lines and cables</li> <li>• 42 distribution Centres</li> <li>• 1471 High mast lights</li> <li>• 31758 – public lighting</li> </ul>

#### 4. STRATEGIC OVERVIEW

##### Vision

**To be a reliable energy utility of choice that enables social and economic upliftment.**

Figure 1: Centlec’s Vision

##### Mission

**Mission**

To provide optimal service delivery as mandated by the Mangaung Metropolitan Council.	To strategically manage our operations in an effective, efficient, and financially prudent manner, as measured against relevant indicators.	To seek the most cost-effective and innovative energy solutions in partnership with relevant stakeholders in order to maximise shareholder value.	To achieve and maintain our operational autonomy as specified in the relevant legislation.	To train, develop, attract, and retain a highly skilled workforce and to promote sound relations with organised labour.	To ensure a safe and healthy environment for our workforce and the community	To be a socially responsible corporate citizen that is concerned with improving the lives of the community and the environment in which we operate.
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Figure 2: Mission



### **Values**

In working towards the achievement of its vision and mission, CENTLEC (SOC) Ltd subscribes to the following internal values which are in line with the Company’s strategy. The Company believes in providing excellent, efficient, and effective service to all customers and stakeholders. In terms of the values, an acronym was used to make it easier for the employees to remember and be able to identify with them. The acronym decided on was “CENTLEC”, as this would assist in entrenching the values into the Company. The values are as follows:



**Figure 3: Centlec's Values**





## **5. CORPORATE GOVERNANCE**

To ensure that accountability and governance arrangements are in place, Section 121(2) (c) of the MFMA supports the requirements of Section 18(1) (d) of the MSA: information on matters of governance should be communicated to communities. This should according to Sections 65(1) (a) of the MFMA and Section 46 of the MSA be undertaken through the compilation and publication of the Annual Report. The purpose of such an annual report is to show accountability to communities for decisions taken by the Board and matters relating to administrative structures, throughout a budget year.

CENTLEC (SOC) Ltd Board of Directors serve as the primary direct stakeholder influencing corporate governance. The Company's Board of Directors are appointed by the shareholder which is Mangaung Metropolitan Municipality. The Board is tasked with ensuring that high standards of corporate governance through the Company are upheld for the delivery of the Company's strategic objectives whilst ensuring shareholder value and long-term protection of stakeholder interest.

To stabilize corporate governance in the Company, the Shareholder has embarked on the recruitment process to appoint the Company's new Board of Directors.

## **6. PESTEL ANALYSIS**

The PESTEL analysis was used as a framework for the identification of external influences that affects the Company's competitive position and sustainability in the context of continuous change in the external environment. Pertinent areas that were discussed included aspects such as the effect of new digital technologies, distributed energy options, changes in customer expectation, changes in work environment, regulatory impact and the role of innovation were considered.

The aspects covered within a PESTEL analysis include the impact of politics, economics, social, technology, legal and environmental develops on the Company. Table 3 below depicts the aspects of external analysis.

**Table 3: PESTEL Analysis (External View)**

<b>POLITICAL LANDSCAPE</b>	The political landscape will always have a bearing on CENTLEC. It is an ever-changing environment, with frequent changes. administrations, and requires robust plans for service delivery. The contested energy transition creates a challenge for policy development, particularly in the slowed progress of gas-to-power initiatives due to NGO pressure. Additionally, there is a heightened risk of political instability post the 2024 elections.
<b>MACRO-ECONOMIC FACTORS</b>	South African competitiveness and international and national economic factors have a bearing on electricity demand, pricing of feedstock, and the cost of electricity. These factors influence CENTLEC's cost and revenue base. Eskom's above-inflation tariff increases are contributing to a significant rise in electricity costs, resulting in a larger share of South African household income being allocated to electricity expenses.
<b>SOCIAL FACTORS</b>	Aligning with Sustainable Development Goals in providing Free Basic Electricity (FBE) is crucial. However, challenging economic conditions contribute to a surge in Free Basic Electricity (FBE) demand, leading to escalated issues such as illegal connections, theft, and vandalism of critical electrical infrastructure. Additionally, the growing trend of urbanization further intensifies the demand for new electricity connections.
<b>ENVIRONMENTAL LANDSCAPE</b>	Shifting supply and demand patterns within the electricity and energy generation space have the potential to significantly alter the landscape, which would have an influence on CENTLEC's revenue base. The escalating concern about climate change is steering a significant shift towards renewable energy sources. This shift is further emphasized by the increasing recognition of greenhouse gas (GHG) footprints as a trade issue. South Africa has formally committed to a net-zero target in alignment with global environmental goals. This transition is also influenced by the active engagement of the environmental NGOs and various special interest groups advocating for sustainable practices and policies.
<b>Technology Landscape</b>	The rapid decline in the cost of renewable energy has fundamentally altered the electricity generation landscape. In addition, by leveraging technological advances such as smart grids, smart meters, and robotics for enhanced employee productivity, CENTLEC can achieve effective and efficient service delivery. The digitalization of processes across all aspects of CENTLEC's business further contributes to streamlined operations.



<p><b>Legislative Landscape and Regulatory Landscape</b></p>	<p>The legislative landscape is consistently changing both locally and internationally. The Renewable Independent Power Producer Program (REIPPP) aims to boost the national electricity grid capacity through private sector investments in wind, biomass, and small hydro projects. Internationally, COP26 and the Paris Agreement, focused on reducing greenhouse gas emissions and enhancing climate resilience, have profound implications for nations heavily dependent on coal plants. The Department of Mineral Resources and Energy has formally released amendments, lifting restrictions on embedded generation for private entities, thereby encouraging greater participation in the energy sector. It's notable that the National Energy Regulator of South Africa (NERSA) operates as a regulatory authority. NERSA's primary mandate encompasses the regulation of electricity, piped gas, and petroleum pipeline industries, guided by the Electricity Regulation Act 4 of 2006, Gas Act 48 of 2001, and Petroleum Pipelines Act 60 of 2003. A critical observation emphasizes that NERSA-mandated tariff increases for municipalities do not align with Eskom's tariff adjustments. This incongruity prompts a comprehensive examination in the strategic plan, considering both regulatory and operational aspects for resolution.</p>
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## 7. SWOT ANALYSIS

After a thorough institutional review, the Company was able to identify its strengths, weaknesses, opportunities, and threats as detailed on the table below.

**Table 4: SWOT ANALYSIS**



## **8. SERVICES RENDERED**

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CENTLEC as a Company provides the following services in its area of supply:

- **Electricity Distribution/Energy Services:** CENTLEC procures its energy from Eskom at 20 supply points in 18 towns in the Southern Free State and Mangaung Metropolitan Municipality (MMM).
- **Construction of Electrical Networks:** All new electrification networks, upgrading of existing networks is handled by the Company's design and construction sections and where additional capacity is required it is done through the tender process and appointment of private service providers.
- **Operation, Maintenance and Extension of Networks:** The maintenance of electricity distribution networks forms a large part of CENTLEC operations. A 24-hour standby service ensures that customers are not inconvenienced by long power outages. Ongoing evaluation is performed on existing networks to detect any overloading or failure, and this is addressed with upgrading and/ or extension of the network.
- **Metering, Pre-payment Vending and Billing Services:** Modern metering systems are employed to meter the various categories of customers. Prepayment and credit metering systems are in use. Extensive pre-payment vending facilities are available to customers to always ensure convenience and availability.

## **9. MARKET OVERVIEW**

### **Background**

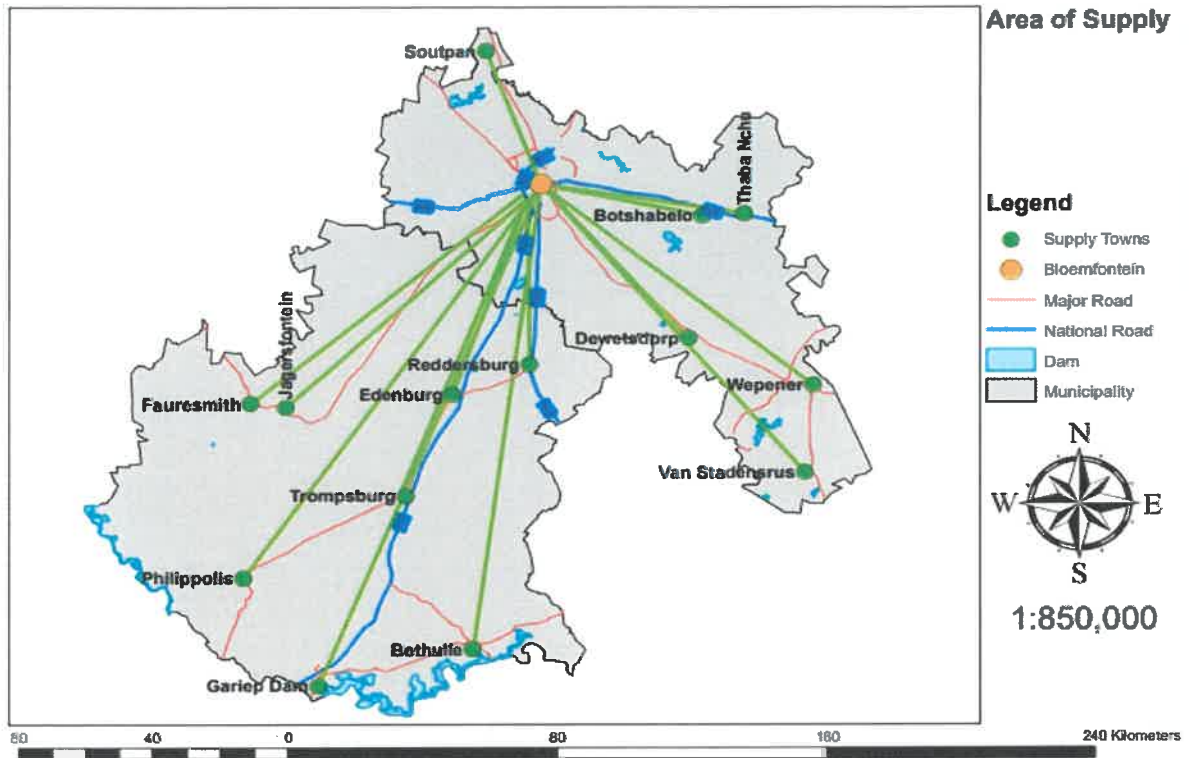
The Company distributes electricity to Mangaung Metropolitan and Kopanong local municipality. Ordinance 8 of 1962 was assigned to the Free State in 1994 and is the enabling regulatory framework which allows the provision of electricity distribution services outside MMM's political boundaries.

CENTLEC (SOC) Ltd is currently the license holder and distributes electricity to 196 157 customers in Mangaung Metropolitan Municipality and 9 494 in Kopanong Local Municipality as in depicted below in Table 5. CENTLEC's customer base consists of 98% domestic customers and 2% of both commercial and business users in Mangaung Metropolitan Municipality and 96% and 4%, respectively.

Through a 24-hour Call Centre and WhatsApp line, the Company has succeeded in maintaining a stable electricity network with far below national average power failure statistics and a quick response time according to NRS 048-2019 requirements. Tariffs have been kept comparatively low with many domestic customers, approximately 80% having been converted to pre-paid meters with customer access to an online vending system.

An automated metering system has been installed to service the top 1860 customers with readings taken every 24 hours and published on the Company's website to assist customers to manage their energy costs. All these customers are charged on a Time-of-Use Tariff system to promote efficient energy consumption and management of Large Power Users (LPU).

**Map area of operation**



**Figure 4: Area of operation**





**CUSTOMER CLASSIFICATION PER CATEGORY**

**Table 5: Customer tariff group**

Tariff Group: 2023-2024 baseline	Number of Consumers		
	MMM	KOPANONG	TOTAL
INDIGENT	39 695	2 375	42 070
INCLINING BLOCK	142 413	6 710	149 123
FLAT RATE BUSINESS	2 678	320	2 998
BULK RESELL 2	35	0	35
BULK RESELL 2 SFS	0	0	0
BULK RESELL 3	188	0	188
BULK RESELL 3 SFS	0	2	2
CENTLEC (SOC) LTD DEPARTMENTAL TOU	7	0	7
SFS DEPARTMENTAL TOU	0	7	7
COMFLEX - SINGLE PHASE	54	0	54
COMFLEX - THREE PHASE	638	0	638
COMFLEX - SFS SINGLE PHASE	0	7	7
COMFLEX - SFS THREE PHASE	0	41	41
ELECFLEX 1	3	0	3
ELECFLEX 2	172	0	172
ELECFLEX 2 - SFS	0	5	5
ELECFLEX 3	571	0	571
ELECFLEX 3 - SFS	0	16	16
HOMEFLEX - SINGLE PHASE	32	0	32
HOMEFLEX - THREE PHASE	170	0	170
HOMEFLEX - SFS SINGLE PHASE	0	2	2
HOMEFLEX - SFS THREE PHASE	0	7	7
SPORT STADIUMS	7	0	7
SPORT STADIUMS SFS	0	2	2
<b>TOTAL</b>	<b>186 663</b>	<b>9 494</b>	<b>196 157</b>



### Demand Analysis

The Company currently has an agreed Notified Maximum Demand (NMD) of 323 MVA with Eskom, constant monitoring of demand values is done to ensure that the demand does not surpass the NMD. However, as per the records and values outlined in the Table 6 below, it shows that annually there has been negative demand growth. The contributing factors associated with the decline in demand due to customer migration from the grid and the implementation of energy efficient initiatives. The Notified Maximum Demand (NMD) of 323MVA will be reduced to 260MVA as from the 18<sup>th</sup> of July 2024.

**Table 6: Maximum demand**

MAXIMUM DEMAND (MW) - VALUES											
Financial Year	2018/19	2019/20	% growth	2020/21	% growth	2021/22	% growth	2022/23	% growth	2023/24	% growth
<b>Month</b>											
July		259.86		253.46	-2.46%	253.46	0.00%	237.9	-6.14%	240.65	1.14%
Aug		239.73		243.39	1.53%	235.9	-3.08%	235.16	-0.31%	239.73	1.91%
Sep		222.35		230.58	3.70%	215.94	-6.35%	213.2	-1.29%	205.88	-3.56%
Oct	211.37	211.37	0.00%	200.39	-5.19%	196.73	-1.83%	193.07	-1.90%	193.98	0.47%
Nov	210.45	214.11	1.74%	195.81	-8.55%	191.24	-2.33%	185.75	-2.96%	182.09	-2.01%
Dec	220.52	220.52	0.00%	179.34	-18.67%	188.49	5.10%	178.43	-5.64%	176.6	-1.04%
Jan	225.09	201.3	-10.57%	194.9	-3.18%	183	-6.11%	186.66	1.96%	174.77	-6.80%
Feb	215.94	209.54	-2.96%	196.73	-6.11%	193.98	-1.40%	179.34	-8.16%	193.07	7.11%
Mar	213.2	204.96	-3.86%	195.81	-4.46%	192.15	-1.87%	186.66	-2.94%	200.39	6.85%
Apr	223.26	196.73	-11.88%	209.54	6.51%	216.86	3.49%	201.3	-7.73%	201.3	0.00%
May	232.41	239.73	3.15%	233.33	-2.67%	218	-6.57%	228.75	4.70%		
Jun	249.8	256.2	2.56%	255.29	-0.36%	251.63	-1.43%	244.31	-3.00%		



<b>MAXIMUM DEMAND (MW) - VALUES</b>											
Financial Year	2018/19	2019/20	% growth	2020/21	% growth	2021/22	% growth	2022/23	% growth	2023/24	% growth
Average (Yearly)	222.45	223.03	-2.43%	215.71	-3.33%	211.45	-1.86%	205.88	-2.27%	200.85	4.08%



## 10. HUMAN RESOURCE OVERVIEW

### Organisational Structure

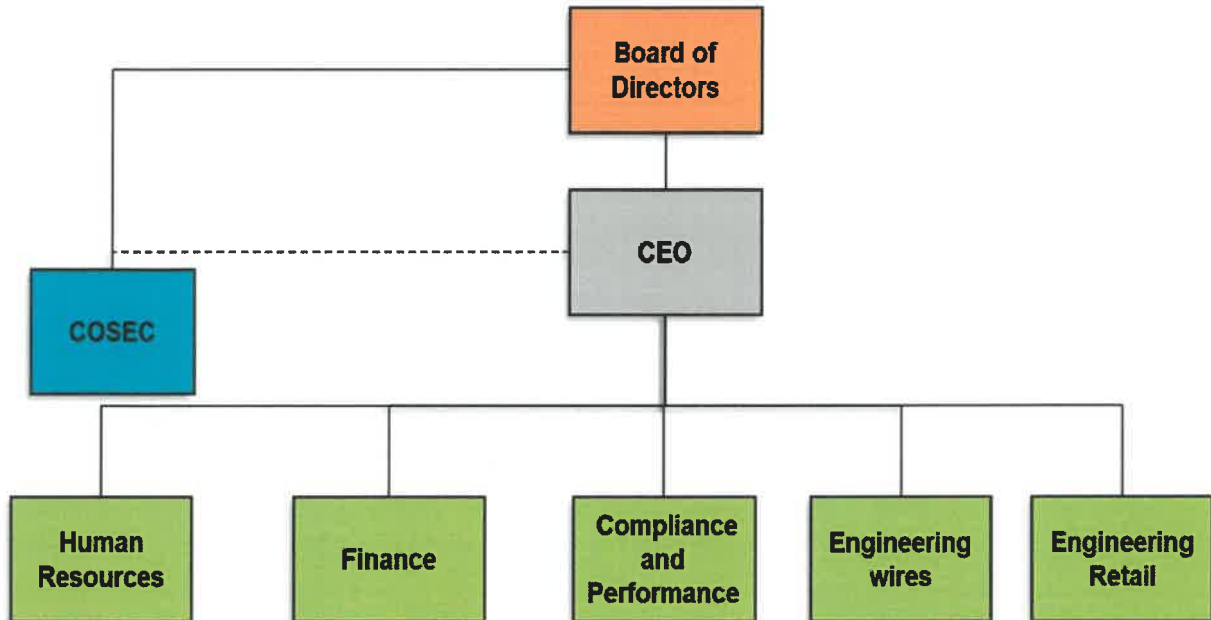


Figure 5: Organisational Structure

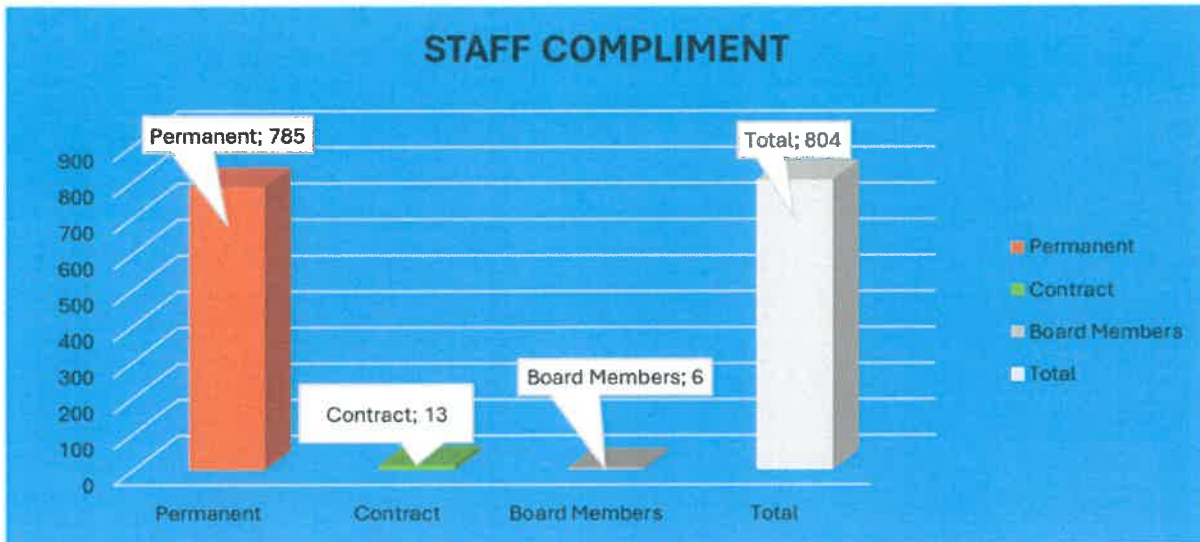
### HUMAN RESOURCES

The purpose of Human Resource Directorate is to ensure that the Company makes optimum use of its human resources. The Directorate ensures that the Company's employees are suitably skilled and competent to add value to the strategic goals and objectives of the Company. The functional areas of Human Resource Directorate are divided into Human Resources Management and Human Resources Development.

The Human Resource Management Directorate serves to support the implementation of the Company's strategies through human resources activities such as HR planning, attraction, recruitment, rewards, recognition, performance management, retention, succession, wellness, training, and development.

**Staff Compliment**

The current staff complement is eight hundred and four (804) employees, of which seven hundred and eighty-five (785) are permanent employees and thirteen (13) are contract employees, and six (6) board members.



**Figure 6: Analysis of Staff Compliment**

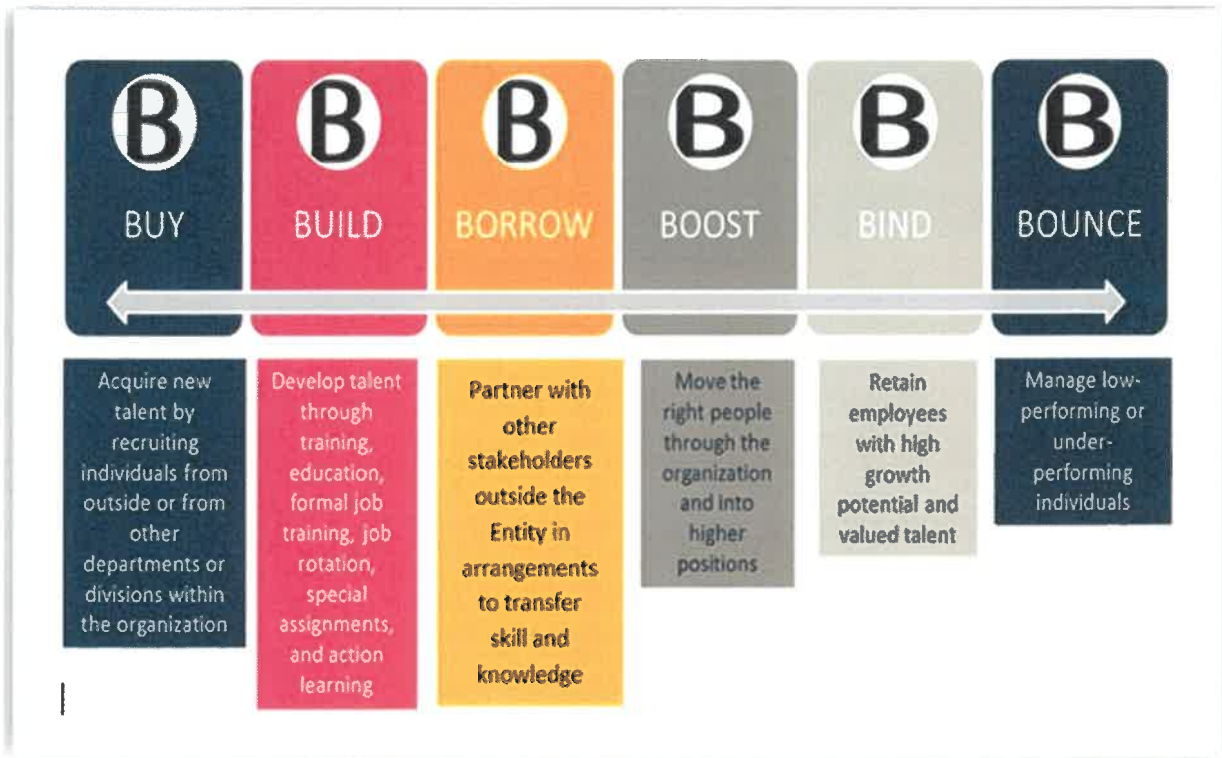
**WORKFORCE AGE ANALYSIS**

The workforce age analysis:

- Ten (10) employees are within and age group (19-23)
- Two hundred and forty - two (242) employees are with and age group (24 -39)
- Two hundred and ninety - nine (299) employees are within the age group (40-49)
- One hundred and eighty - Seven (187) employees are within the age group (50-59)
- Forty - seven (47) employees are within the age group (60-65)



**Human Resources Strategy**



**Figure 7: Human Resource Strategy source (Ulrich 2003)**



**BUY:** The Company, through the revisiting and the approval of the organogram, must embark in the process of recruitment and selection. Adverts must be drafted to ensure that the best candidate with the necessary skills and experience is attracted. It is advisable that the Company source external talent as far as possible to complement the internal skills that the employees already possess.

**BUILD:** The Company must ensure that opportunities are created to ensure that employees are skilled through formal training, on the job training, job rotations, and on the job training. The Training Centre must be utilised to provide theoretical and practical training to employees within the technical divisions to ensure that they are on par with their day-to-day functions. Divisions should ensure that technical employees are rotated within the Retail and Wires Directorate to ensure that employees know the Company's network to be able to perform their functions optimally.

Through personal development plans, the human resource development division together with the Finance Directorate should ensure that training providers are procured to facilitate training that cannot be performed in the Training Centre.

**BORROW:** In cases where the Training Officers lacks knowledge in a specific field, the Company will partner with other external stakeholders who have the know-how to enable the employees to be trained and capacitated effectively.

**BOOST:** As a way of motivating employees, the Company must ensure that deserving employees are promoted to higher positions whenever positions are advertised. This must be followed through normal recruitment and selection processes. This will improve and boost employees' morale within the Company.

**BIND:** The Company should develop retaining strategies to be able to retain skilled personnel with critical competencies to sustain institutional memory within the Company. This will assist in ensuring that there is business continuity.

**BOOST:** The Company through the performance management system should ensure that poor performance is addressed, and plans put in place to address non-performance. The Company should also have programmes to address the re-skilling of employees with old skills sets. Human Resource together with other Directorates within the Company should ensure that they work together to address this initiative.

**RETENTION STRATEGY**

The Company will strive to ensure that the retention plan is drafted and implemented. The Company should strive to ensure that there are extra benefits and incentives as a way of retaining its employees. There should be recognition of hard work by employees to motivate them to perform to the best of their ability. The Company should create a culture where there is respect amongst line managers and their subordinate to build on employees' self-esteem. Strides should be made to work towards maintaining a good working relationship between employees and management to ensure that the involved parties work towards achieving the Company's mandate.



**Figure 8: Retention Strategy**

### **Skills Development**

The Company intends to capacitate employees to be able to perform their functions effectively and be able to achieve its overall mandate.

The Company has received a discretionary grant from Energy and Water Sector Education and Training Authority (EWSETA) to develop thirty (30) of its employees in Renewable Energy which will start in July 2024. The qualification is a twelve-month programme that fits to the energy plan initiative within the Company's strategy. The Company further partnered with Motheo TVET College to develop its Trade Workers level four (4) in N2 Electrical Engineering.

CENTLEC (SOC) Ltd has received a discretionary grant for two programmes from Local Government Sector Education and Training Authority (LGSETA) to provide Adult and Education Training (AET) for twenty-five (25) and Artisan Recognition of Prior Learning (ARPL) for sixty- six (66) of its employees for the financial year 2023/2024 and 2024/2025.

The company has a partnership with Central University of Technology (CUT) with a specific aim of providing work integrated learning for their students, this is to fulfil its Corporate Social Responsibility (CSR).

The company has identified schools within CENTLEC area of supply to provide career guidance to learners, further to this there was a need for the Company to adopt technical schools for educational purposes.

The training committee continues to work closely with various directorates within the Company in ensuring that employees are trained and developed according to their skills needs. The Company anticipates broadening its partnerships with external stakeholders to explore other avenues in relation to training and development of its human capital.

## **12. RISK MANAGEMENT**

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The Company has established and maintained a system of Enterprise-Wide Risk Management Framework in accordance with the provisions of the Municipal Finance Management Act no 56 of 2003, the King IV report on Corporate Governance and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM Framework. Oversight over risk governance in CENTLEC (SOC) Ltd is carried out by the Board of Directors through the Audit and Risk Committee.

The Audit and Risk Committee meets on a quarterly basis and operates in accordance with approved Audit and Risk Charter. An annual risk assessment is conducted for strategic, ICT and Fraud risks, these risks inform the annual audit plan where risk controls are then tested. The risks are documented accordingly and monitored on an ongoing basis in relation to risk treatment strategies, relevance of existing risks and the identification of additional and new/emerging risks. Risk treatment plans are developed and implemented to ensure that strategic objectives and budgets are met. Each of the strategic risks is allocated to risk owners to ensure accountability and ownership.

Monitoring and review is done on quarterly basis and presented to EXCO and the Audit and Risk Committee exercising oversight as mandated by ARC Charter. The Company aims to be a risk intelligent organisation and, a maturity ranking tool has been developed to assess the current stage of Enterprise Risk Management culture within the Company. The current state of maturity indicates that foundational risk management elements are in place, but the Company needs to transition from risk management to management of risk.

Robust engagements with risk owners and increased accountability as well as, effective application of the framework as part of normal business will move the Company to systemic and risk intelligent stages.

### 13. TOP STRATEGIC RISKS

**Table 8: Top ten (10) Strategic Risks**

Ref	Risk Description	IMPACT	CURRENT MITIGATION(S)	FURTHER MITIGATION(S)
EWSR13/ PCSR34	Theft and vandalism of the Electrical Infrastructure.		Additional Security Service Providers were appointed to augment the current composition.  Partnership with the Community Policing Forum	The employment of Technology (e.g., Drones)
CEOSR02	Cyber Attacks		The introduction of the firewall. Installation of and implementation of Antivirus; Installation of and implementation of mail scanner Firewall Antivirus  Mimecast Encryption Software to only allow authorized USBs The use of the Authenticator on the Company Portal	Continuous monitoring and improvement of the current mechanisms according to the changes in the cyber environment
ERSR09	Decline in Revenue		Draft Energy Plan  Follow up on whistle blowing reported cases Routine monthly area visitation as per the schedule; Inspection of meters to uncovered tampering; Disconnection of offenders  Monitoring and reporting of energy losses within NERSA guidelines Disconnection of all reported illegal cases	Revival of Customer Relation Forum for top 20 customers;  Embarking onto the Alternative sources of energy  Embark on Renewable Technology to reduce the Electricity Tariff.  Cost of Supply Study Analysis  Raise awareness on illegal connections and meter tampering through media and public outreach
FINSR14	Revenue Forgone (Lost)		Installation of UPS and Batteries	Maintenance of the OFF-SITE Center.
FINSR20	Overtime claims beyond the norm		Skill Audit: Review of Org. Structure to identify critical posts and recommend for appointment or freeze if no critical	Reclassification of the overtime worked due to Disaster and works of God
CEOSR04	Loss of critical business information (Personnel and Customer)		Backup Storage on a different location (Design and Planning); Installation of the UPS; and The development of an OFF-SITE Recovery Centre (Commissioned)	Routine OFF-SITE Testing (Fail-over)
PCSR35	Non-Compliance with established Standards and Regulations		Checklists are used to monitor and track compliance for Finance related legislation.	The establishment of the Compliance Universe
CEOSR03	A collapse in Key Stakeholder Relations and desired Corporate Culture		The Board of Directors were appointed and are meeting as per the Board's annual schedule	Stakeholder Engagement in accordance with the CENTLEC's Strategy
PCSR26	Consistency: Objectives, indicators, and targets may		Approved Business Plan	

Ref	Risk Description	IMPACT	CURRENT MITIGATION(S)	FURTHER MITIGATION(S)
	not be consistent between planning and reporting documents		2023/2027	A comprehensive Performance Management System to be established
FINSR21	Inability to pay key Service Providers within the regulated timeframes		Implementation of the Disconnection and Connection policy	<p>Ensure that service charges are cost reflective</p> <p>Prioritize revenue generating projects over non-revenue generating activities</p> <p>Demand Management Re-alignment of expenditure with cash collection instead of revenue collection</p>
CEOSR09	Possible loss of benefits accompanied by the current changes within the industry		Engagements with possible Venture Partners	The establishment of the Solar Farm and venturing in other alternative renewable sources



## 14. STAKEHOLDER MANAGEMENT, COMMUNICATION AND PUBLIC PERCEPTION POSITIONING

### Relationship Management

The Company has developed a system that seeks to integrate different methods and approach towards the communication approach with specific focus to the Company's employees as well as the internal stakeholders such as labour and appointed service providers.

The strategy further caters to the aspirant needs of the Company's customers, key customers and the broader general communities it serves. This is done in various ways and interventions including all medium forms of communication such as regular and continues updating of the social age accounts, the use and partnering with local media houses, developing, printing of pamphlets and posters to keep employees and customers updated and informed.

Some of the internal methods of communication to be fully maintained by the Company relates to and not limited to:

- Monthly Newsletter to employees
- Wellness programmes
- Employee team building sessions.
- The use of online communications (emails, WhatsApp's, and Facebook)

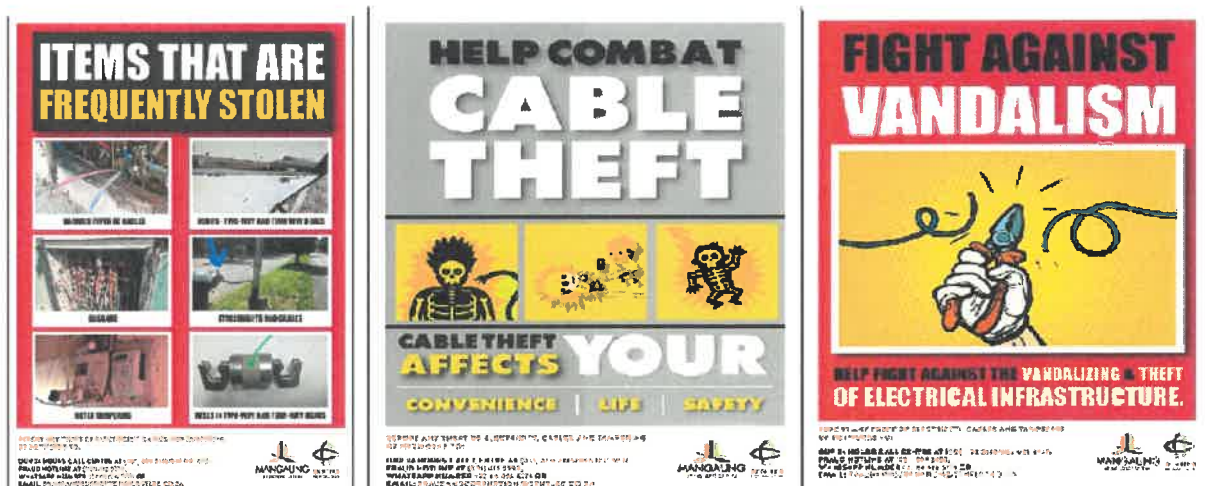


Figure 9: Internal and external communication



### **Integrated Communication Approach**

Engagements with various media houses have been one of the Company's key cornerstones, this relates to the kind of working relations we have built and the special working relationship we have with many of the local media houses. This has afforded the Company more opportunities to engage and reengage on various aspects of mutual interest such as marketing, advertising spaces, and coverage of the Company's programmes, projects, and the ability to communicate and give feedback to the Company's broader client base.

### **Media Relations**

The Company has established a vibrant, interactive stakeholder management programme and has done this through the process of identifying amongst its key customers a contact sessions and information sessions, on various services it offers and the establishment of a forum that allows the key customers an opportunity to interact and directly engage with the senior management up to the level of the CEO.

The forum is shared and led in the main by the Company's Chief Financial Officer, Executive Managers, and middle managers, who are able to give and provide immediate responses on matters raised by external stakeholders.

The Company has had engagements with community-based stakeholders, such as anti-crime groups who have initiated programmes to work with the Company towards combating and fighting cable and cooper theft including meter tampering. The Company is in the process of reviewing and finalising the memorandum of understanding with these interest groups.

The Company has further established an active participatory partnership with one of its strategic stakeholders and a very important arm of its operations which is the Councillors WhatsApp groups.

### **Stakeholder Management**

The Company has established a vibrant, interactive stakeholder management programme and has done through the process of identifying amongst its key customers a contact sessions and information sessions, on various services it offers and the establishment of a forum that allows our key customers and opportunity to interact and directly engage with the senior management up to the level of the CEO.

### **Internal Communication**

The system of internal communication is mainly based on various engagement platforms that the Company has created internally which allows and gives more user-friendly employer and employee relations. The Company has in its internal processes given an open platform to sectoral-based structures internally such as the labour unions to fully engage with members. The Company's internal communications services such as email communications, which seek to inform and update employees from time to time, the use of employees' intranet services as well as staff notices on noticeboards etc.

The Company has an in-house newsletter bulletin which also assists in communication and disseminating information to the employees. Many of the directorates have now formalized their engagement as both departmental and inter departmental through means of official WhatsApp links.

## **15. FINANCIAL PLAN**

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### **LEGISLATION COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **In-Year Reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 87 reporting to the Executive Mayor (within 7 working days) has progressively improved and includes monthly published performance on the municipality's website.

#### **Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **BUDGET PROCESS OVERVIEW**

In terms of section 87 of MFMA The board of directors of a municipal company must for each financial year submit a proposed budget for the company to its parent municipality not later than 150 days before the start of the company's financial year or earlier if requested by the parent municipality. This implies that the company's budget must be submitted to the Municipality on or before the end of 20 January each year. The parent municipality must then consider the proposed budget by the company, assess the entity's priorities and objectives and make recommendations.

The company must then consider these recommendations and, if necessary, submit a revised budget to the parent municipality not later than 100 days before the start of the financial year which is approximately on or before the 15<sup>th</sup> of March each year.

### **BUDGET APPROVAL OVERVIEW**

**Thereafter the following will lead to the approval of the budget:**

The mayor of the parent municipality must table the proposed budget of the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.

The board of directors of a municipal entity must approve the budget of the municipal entity not later than 30 days before the start of the financial year, considering any hearings or recommendations of the council of the parent municipality.

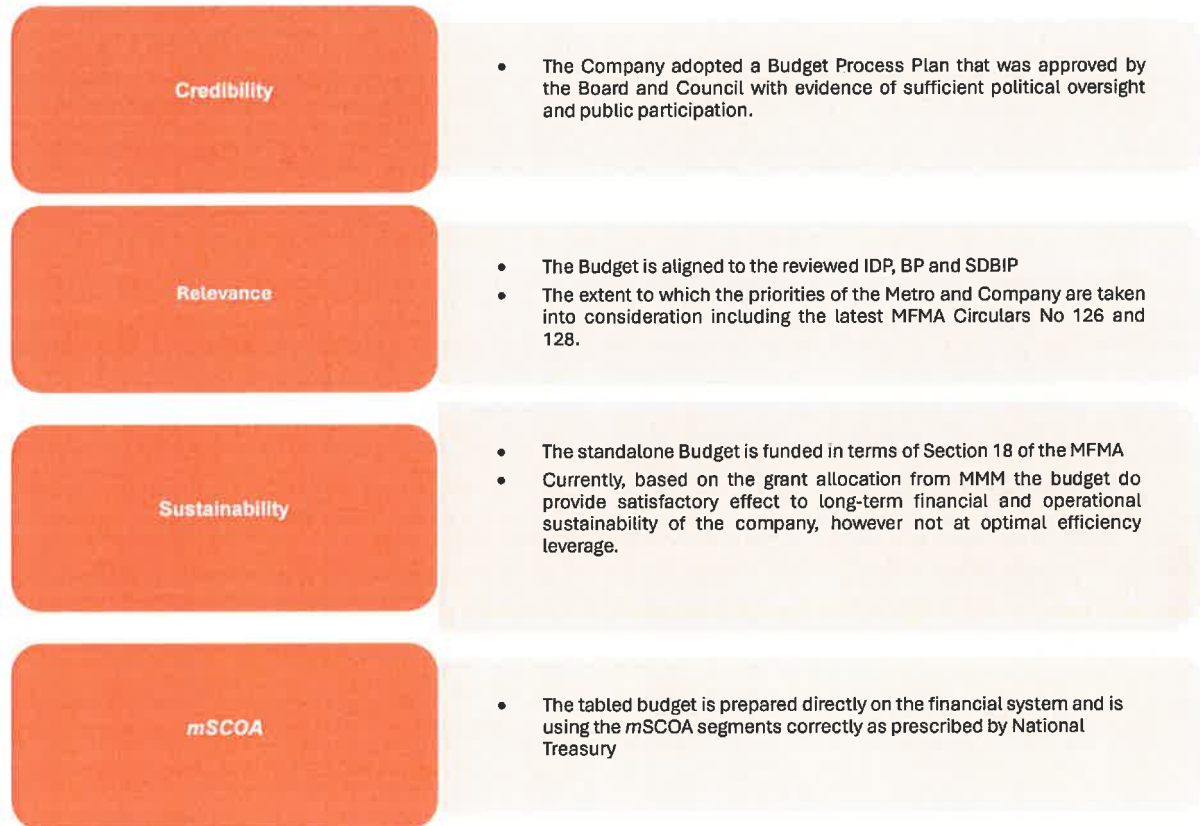
**The framework within which the budget must be compiled is as follows:**

- a) It must be balanced, deficit budget is not allowed;
- b) It must be consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality;
- c) It must be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;
- d) It must include a multi-year business plan for the entity that—sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
  - i. is consistent with the budget and integrated development plan of the entity's parent municipality.
  - ii. is consistent with any service delivery agreement or other agreement between the entity and the entity's parent municipality; and
  - iii. reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates;

The above prescripts are as per the MFMA and directly also relates to CENTLEC as a stated owned company.

**BUDGET ASSESSMENT CRITERIA**

The Budget Assessment Criteria as per the National Treasury Benchmarking Tool is used to ensure the Budget is compliant and funded



**Figure 10: Budget Assessment Criteria**



## **BUDGET PRINCIPLES:**

The following budget principles shall apply:

The budget shall be prepared on the cashed backed funded and combination method.

- The budget shall only be approved if it has been properly balanced.
- All expenses shall be cash funded.
- At least 7% of the operating budget component shall be set aside for maintenance.
- The budget for salaries, allowances and salaries-related benefits shall be separately prepared and shall not exceed 30% of the aggregate operating budget component of the annual budget. For purposes of applying this principle, the remuneration of the Board of Directors shall be excluded from this limit.

## **OVERVIEW OF BUDGET FUNDING**

**(a) The overview of budget funding must explain how the annual budget is to be funded, which must include at least the following –**

- (i) the funding of operating and capital expenditure;
- (ii) financial plans;
- (iii) reserves;
- (iv) the fiscal viability of the company;
- (v) the overall impact on rates and tariffs; and
- (vi) allocations from or distributions to the parent municipality;

The budget of the company will be funded from the revenue raised internally as well as conditional Grants from Department of Energy. It is important to note that the energy bulk purchases represent more than 70% of the company's operational budget. The revenue from the sale of electricity represents more than 96% of the operating revenue for the company.

**(b) Particulars of funding measures used to determine whether operating and Capital expenditure is funded in accordance with section 18 of the Act;**

- Details of the proposed tariffs on energy and Services are as per the NERSA approval.



**(c) Particulars of tariffs and other charges;**

- Details of the proposed service charges are cost reflective considering the economy outlook within the energy sector.

**(d) The debtors' collection levels that have been estimated;**

- Electricity debtors collection rate set at 98% factored in the revenue projection.

**(e) Particulars of planned savings and efficiencies for the medium term as detailed in the multi-year business plan;**

- Data Purification through big-data analytics as part of the AI-programs.
- Meter audits for maintenance.
- Conversion to pre-paid metering
- Effective implementation of Automated Meter Reading (AMR).
- Smart Streetlight Management (SSM).
- Seamless Integration of all standalone systems to a (ERP) reform.

**(f) Particulars of contributions and donations in cash or in-kind received planned to be received, specifically listing donor assistance secured by formal agreement or contract;**

- None

**(g) Particulars of planned proceeds from the sale of assets;**

- Retired fleet
- Obsolete and/or Redundant material
- Scrap

**(h) Particulars of planned proceeds from the lease of assets, where the period of the lease is three years or more;**

- None

**(i) Particulars of the planned use of previous years' cash backed accumulated surplus including –**

- (i) any shortfall between liabilities or provisions and cash reserves set side for this purpose.
- (ii) details of board decisions to set aside funds including time schedules for progressively meeting funding of provisions.

(iii) details of allowances made for working capital – defined as holding sufficient funds to meet any financial obligations as they fall due; and

(iv) details of non-statutory reserves.

- None

**(j) particulars of proposed future revenue sources;**

- All futuristic revenue streams to secure revenue as a strategic pillar is within the Integrated Energy Plan.

**(k) particulars of planned use of any bank overdrafts and reasons therefore;**

- None

**(l) particulars of any existing and any new borrowing proposed to be raised;**

- None

**(m) particulars of allocations from or distributions to from the parent municipality;**

- Urban Settlement Developmental Grant (USDG)
- Informal Settlements Upgrading Partnership Grant (ISUPG)

**(n) particulars of any other transfers and grants to the company.**

- None

## **16. COMPLIANCE AND IMPLEMENTATION OF MFMA**

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This section provides disclosure regarding progress in implementing various related legislation including the MFMA and how this affects the budget and budget process.

### **MFMA Implementation and Monitoring**

The Company complies with the implementation priorities as per the National Treasury implementation and monitoring checklist.

### **Budget Statements Reporting**

All monthly, quarterly, and annual MFMA reports are submitted by the Company to the parent municipality (MMM) as required.

### **Implementation of Supply Chain Management**

The supply chain management policy of the Company is reviewed annually and serves as the basis for all the procurement and disposal activities of the Company. All bid committees as required by the SCM regulations are in place, and the composition thereof is compliant with the Regulations. Supply Chain Management reporting is done on a monthly, quarterly, and monthly basis as prescribed by legislation.

### **Delegations**

Financial delegations and sub-delegations are not in place and are still to be developed and presented to the Board for approval.

## **17. MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) 2024/25 2026/27**

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The MTREF 2024/25 – 2026/27 represents the operating and capital budget of the Company over the medium term. The budget was developed in line with the requirements of Municipal Financial Management Act and Municipal Budgeting and Reporting Regulations, 2009.

The MFMA provide for uniform norms and standards for ensuring transparency, accountability, and appropriate lines of responsibility in the budgeting and reporting process within the Company.

This guiding principle is clearly defined in relevant legislation, with the Municipal Systems Act stating the following:

*73 (2) Municipal services must –*

*(b) be provided in a manner that is conducive to:*

*(i) the prudent, economic, efficient, and effective use of available resources; and*

*(ii) the improvement of standards of quality over time*

*(c) be financially sustainable*

## **18. BUDGET SUMMARY**

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A summary of the operating and capital budget proposals over the medium-term is provided in the schedules below. The tabled budget represents the projected financial proposal of this business plan over the medium term.

All the projects are derived from the parent municipality's integrated development plan and will be consolidated in the Municipal Budget. The company is positioned to continue to perform on its mandate of assisting the parent municipality achieve its goals of making energy accessible to all communities within the metro boundaries. Good governance and firm internal controls are maintained to ensure the retention of improved audit opinion from the Auditor General (AGSA) received in the previous year. The budget further takes cognizance of, and address issues raised by the AGSA in the previous financial years.

The 2024/25 MTREF is prepared within the parameters set by all applicable prescripts, legislation, assessment of parent municipality including the MTREF Budget MFMA Circulars No.126 & 128 Guidelines, the Recommendations on the Budget Benchmarking Assessment provided by National Treasury, the Assessment on the D-Forms by the National Energy Regulator of South Africa (NERSA) on energy tariffs to accelerate service delivery and strengthen the company's cash flow position are addressed in the proposed MTREF.

The purpose of the 2024/25 MTREF is to guide the company's allocated resources to achieve its service delivery objectives as required by the Act MFMA (No 56 of 2003). The MTREF is a financial plan to enable the company to achieve its vision and mission as articulated in the Strategic Business Plan.

The Budget serves to bring to light the current institutional priorities in align to the sustainable pillars as outline in the Financial Recovery Plan:

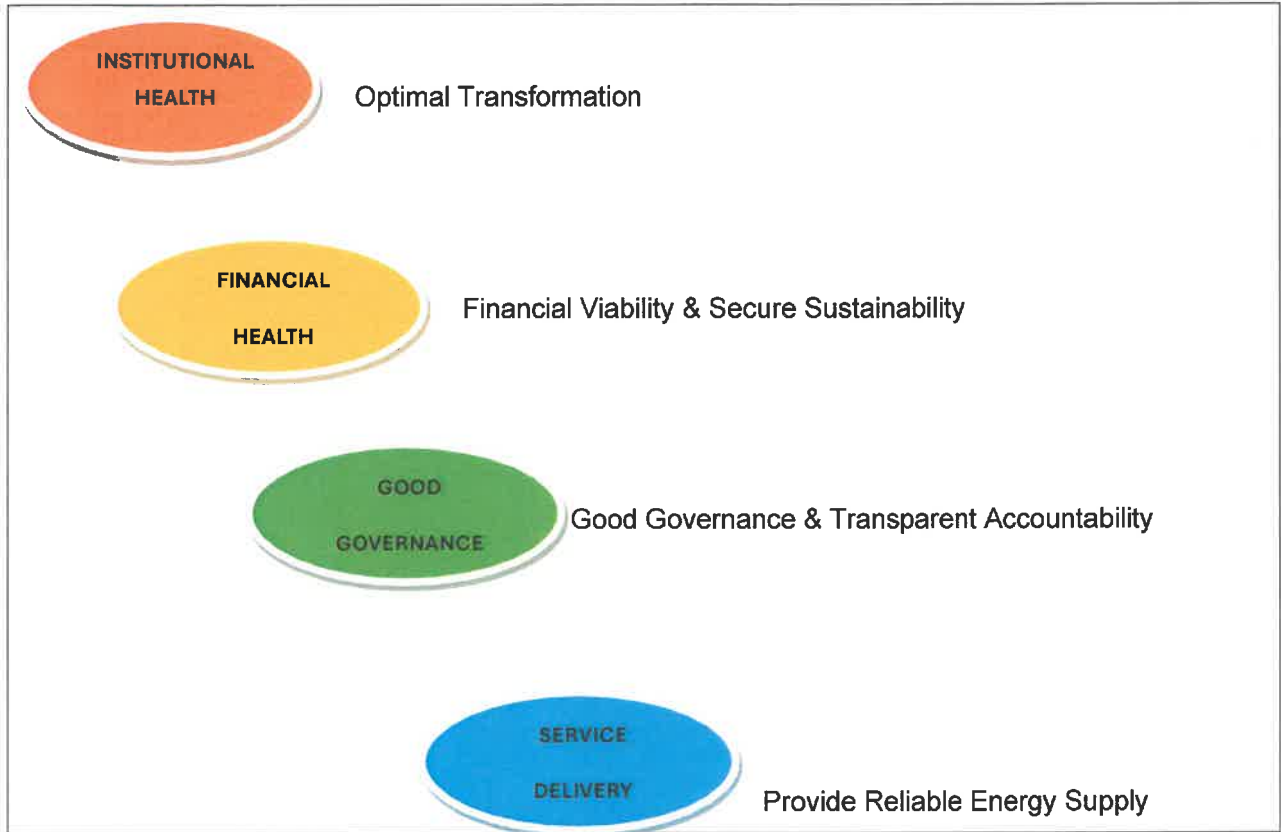


Figure 11: Financial Recovery Plan

We have fully deployed technology options to significantly reduce losses by 2025 and to have secured financial sustainability for CENTLEC by 2025.

The financial performance for the current period has experienced a decline when compared to the preceding period, for the entity. This downturn necessitates a thorough examination of the contributing factors and a strategic reassessment to identify areas of improvement and implement effective measures to restore and enhance overall financial health.

The second strategic priority for CENTLEC involves the reduction of revenue losses and the exploration of new avenues for revenue generation. This imperative recognizes the significance of safeguarding existing revenue streams while proactively seeking innovative opportunities to bolster overall financial performance.

This strategic focus aligns with the broader goal of optimizing the organization's financial sustainability and fostering growth in a dynamic business environment.

The drop in sales volume at CENTLEC, attributed to various factors, poses a formidable challenge. The impact on revenue collection is substantial and is a critical focal point for our business sustainability. Without this revenue, we face limitations in investing in essential infrastructure to guarantee an uninterrupted power supply.

In recent years, CENTLEC's revenue base has faced several challenges, including:

- a) a reduction in sales volume,
- b) the potential threat of embedded generation,
- c) a decrease in real margins, and
- d) the loss of revenue attributed to load-shedding events.

The compounding effects of challenges such as load shedding, rising tariffs, cable theft, vandalism, and evolving consumer behaviour underscore the need for a meticulous business management approach. These factors collectively contribute to the compression of profit margins.

Effectively mitigating the impact on margins demands strategic interventions that encompass operational efficiencies, cost optimization, and innovative solutions to sustain financial viability in a dynamic and challenging business environment. Recognizing and addressing these factors is integral to formulating a strategic response that safeguards the revenue base and positions CENTLEC for sustainable financial resilience in the evolving energy landscape.

Consequently, several proposed solutions are being considered to address these challenges and fortify the organization's financial resilience.

Strategies aimed at implementing measures to mitigate non-technical losses, meter tampering, and vandalism. The strategic imperative involves transforming the current business model to facilitate a broader offering by exploring options such as implementing feed-in tariffs for Small Scale Embedded Generation (SSEG) and allowing Independent Power Producers (IPPs) to wheel power across CENTLEC's grid to their customers.



These strategies are essential for safeguarding the integrity of the infrastructure and ensuring the reliability of the energy supply system. Addressing these challenges involves a multifaceted approach, incorporating technological advancements, community engagement initiatives, and enhanced security measures. By proactively targeting cable non-technical losses, meter tampering, and vandalism, the organization aims to fortify its operational resilience and seeks to strengthen the revenue of the entity. This transformation aims to enhance flexibility, optimize resource utilization, and capitalize on emerging opportunities in the dynamic energy landscape. By diversifying its business through a wheeling framework and facilitating the feed-in from embedded generation, the organization seeks to align itself with evolving market trends and position for sustained growth and competitiveness.

CENTLEC encounters specific complications, particularly in relation to revenue generation opportunities. These challenges encompass:

- a) Navigating the legislative landscape, specifically concerning NERSA tariff approvals;
- b) Addressing grid and infrastructure investments; and
- c) Securing stakeholder engagement, buy-in, and adherence to considerations outlined in the MFMA and Municipal Systems Act. Tackling these complexities demands a strategic approach that aligns with regulatory frameworks, infrastructure development, and effective stakeholder collaboration to optimize revenue-generation.

To actively secure revenue, there have been two opportunities formulated that are intended to be executed against in-parallel, namely Reducing Non-Technical Losses, and Broadening CENTLEC's Business Offering. Each opportunity has four primary phases which must be executed against programmatically.

Each phase consists of several high-level initiatives which will be executed against within the planned for timeframe, given that these timeframes will coincide with milestone events like Board and EXCO review sessions. Accountable roles for each phase and/or initiative will ensure that their teams execute against these phases and/or initiatives by employing best practice project management methodologies, ensuring that milestone and delivery dates are met successfully.

**Projected Financial Performance**

**Projected Revenue sources and Expenditure levels.**

- Table D2 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24			2024/25 Medium Term Revenue & Expenditure			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>Revenue</b>	1										
<b>Exchange Revenue</b>											
Service charges - Electricity		2 596,625	2 807,119	2 814,545	3 578,589	3 578,589	3 578,589		4 140,319	4 330,773	4 525,658
Sale of Goods and Rendering of Services		97,595	123,957	136,283	3,680	3,680	3,680		4,490	4,697	4,908
Agency services		6,444	5,942	6,228							
Interest earned from Receivables		638	784	2,347	4,727	4,727	4,727		5,688	5,960	6,217
Interest earned from Current and Non Current Assets		23,122	24,515	24,796	29,846	29,846	29,846		37,394	38,643	40,639
<b>Non-Exchange Revenue</b>											
Fines, penalties and forfeits					3,833	3,833	3,833		5,228	5,468	5,714
Operational Revenue		7,727	3,818	22,010	15,276	15,276	15,276		17,220	18,252	19,309
Gains on disposal of Assets					10,178	10,178	10,178		11,285	11,804	12,335
<b>Discontinued Operations</b>											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,732,351</b>	<b>2,966,136</b>	<b>3,006,208</b>	<b>3,646,128</b>	<b>3,646,128</b>	<b>3,646,128</b>	<b>-</b>	<b>4,221,624</b>	<b>4,415,588</b>	<b>4,614,781</b>
<b>Expenditure</b>											
Employee related costs		396,685	412,994	450,649	450,588	475,296	475,296		503,860	527,037	560,754
Remuneration of councillors		826	-	-	827	450	450		1,277	1,336	1,396
Bulk purchases - electricity	2	1,780,067	2,061,863	2,140,676	2,199,932	2,199,932	2,199,932		2,569,190	2,687,373	2,808,305
Inventory consumed	5	14,709	23,597	29,064	58,291	64,872	64,872		74,340	77,760	81,259
Debt Impairment	4	18,759	77,201	(56,752)	179,237	179,237	179,237		317,552	332,170	347,118
Depreciation and asset impairment		230,900	232,507	276,206	85,000	85,000	85,000		93,500	102,850	113,135
Finance charges		205,826	219,620	283,737	254	254	254		58	58	61
Contracted services		71,250	91,480	101,599	189,196	171,372	171,372		164,832	172,414	180,173
Transfers and subsidies					120,000	120,000	120,000		120,000	120,000	120,000
Operational costs	3	99,482	133,302	141,720	114,168	138,664	138,664		145,188	151,877	158,722
Losses on disposal of Assets		2,026	9,463	28,282							
<b>Total Expenditure</b>		<b>2,820,531</b>	<b>3,262,037</b>	<b>3,395,181</b>	<b>3,395,493</b>	<b>3,435,077</b>	<b>3,435,077</b>	<b>-</b>	<b>3,989,806</b>	<b>4,172,876</b>	<b>4,360,923</b>
<b>Surplus/(Deficit)</b>		<b>(88,180)</b>	<b>(295,902)</b>	<b>(388,973)</b>	<b>250,636</b>	<b>211,052</b>	<b>211,052</b>	<b>-</b>	<b>231,818</b>	<b>242,712</b>	<b>253,859</b>
Transfers and subsidies - capital (monetary allocations)		43,761	24,753	41,110	68,058	68,058	68,058		50,618	50,710	53,260
Transfers and subsidies - capital (in-kind)											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(44,419)</b>	<b>(271,149)</b>	<b>(347,863)</b>	<b>318,693</b>	<b>279,110</b>	<b>279,110</b>	<b>-</b>	<b>282,436</b>	<b>293,421</b>	<b>307,118</b>
Income Tax		(22,361)	(79,727)	(96,817)							
<b>Surplus/(Deficit) after income tax</b>		<b>(22,058)</b>	<b>(191,422)</b>	<b>(251,046)</b>	<b>318,693</b>	<b>279,110</b>	<b>279,110</b>	<b>-</b>	<b>282,436</b>	<b>293,421</b>	<b>307,118</b>
Share of Surplus/Deficit attributable to Joint Venture											
Share of Surplus/Deficit attributable to Minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(22,058)</b>	<b>(191,422)</b>	<b>(251,046)</b>	<b>318,693</b>	<b>279,110</b>	<b>279,110</b>	<b>-</b>	<b>282,436</b>	<b>293,421</b>	<b>307,118</b>
Share of Surplus/Deficit attributable to Associate											
Intercompany/Parent subsidiary transactions											
<b>Surplus/ (Deficit) for the year</b>		<b>(22,058)</b>	<b>(191,422)</b>	<b>(251,046)</b>	<b>318,693</b>	<b>279,110</b>	<b>279,110</b>	<b>-</b>	<b>282,436</b>	<b>293,421</b>	<b>307,118</b>

**Projected Financial Position**

**- Table D4 Budgeted Financial Position**

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>R thousands</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash and cash equivalents		15,821	3,013	24,295	31,099	31,099	31,099		32,529	34,026	35,693
Trade and other receivables from exchange transactions	1	551,955	512,823	533,983	589,107	589,107	589,107		616,205	644,551	676,134
Receivables from non-exchange transactions	1	103,765	132,878	147,360	93,330	93,330	93,330		97,623	102,114	107,117
Inventory	2	96,587	125,051	127,054	103,306	103,306	103,306		109,068	113,029	118,567
Other current assets		275	274	191							
<b>Total current assets</b>		<b>767,802</b>	<b>774,040</b>	<b>832,884</b>	<b>816,841</b>	<b>816,841</b>	<b>816,841</b>	<b>-</b>	<b>854,416</b>	<b>893,719</b>	<b>937,512</b>
<b>Non current assets</b>											
Investments	3		300	108							
Property, plant and equipment		6,324,672	6,219,525	6,087,345	6,213,973	6,213,973	6,213,973		6,191,959	6,168,932	6,471,210
Intangible assets	1	95,231	95,574	98,177	85,169	85,169	85,169		74,254	62,838	65,917
Other non-current assets		1,289,477	1,342,778	1,414,854	1,279,967	1,279,967	1,279,967		1,338,640	1,400,104	1,468,709
<b>Total non current assets</b>		<b>7,709,381</b>	<b>7,658,177</b>	<b>7,600,484</b>	<b>7,579,109</b>	<b>7,579,109</b>	<b>7,579,109</b>	<b>-</b>	<b>7,604,854</b>	<b>7,631,874</b>	<b>8,005,836</b>
<b>TOTAL ASSETS</b>		<b>8,477,183</b>	<b>8,432,217</b>	<b>8,433,368</b>	<b>8,395,950</b>	<b>8,395,950</b>	<b>8,395,950</b>	<b>-</b>	<b>8,459,270</b>	<b>8,525,594</b>	<b>8,943,348</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Financial liabilities		1,813	1,988	1,511	27,708	27,708	27,708		28,962	30,316	31,801
Consumer deposits		127,043	130,374	160,496	123,143	123,143	123,143		128,808	134,733	141,335
Trade and other payables from exchange transactions	4	523,017	655,760	602,132	886,159	886,159	886,159		926,922	969,561	1,017,069
Provision		1,831	2,489	613	39,823	39,823	39,823		41,654	43,571	45,706
VAT		169,842	217,130	247,523	-	-	-				
Other current liabilities		6,655	6,604	6,554	-	-	-				
<b>Total current liabilities</b>		<b>830,201</b>	<b>1,014,345</b>	<b>1,018,830</b>	<b>1,076,833</b>	<b>1,076,833</b>	<b>1,076,833</b>	<b>-</b>	<b>1,126,367</b>	<b>1,178,160</b>	<b>1,235,911</b>
<b>Non current liabilities</b>											
Financial liabilities	6	853,594	854,289	830,628							
Provision	7	2,214,852	2,188,379	2,446,141	1,465,600	1,465,600	1,465,600		1,532,185	1,603,631	1,682,209
<b>Total non current liabilities</b>		<b>3,068,445</b>	<b>3,042,668</b>	<b>3,276,769</b>	<b>1,465,600</b>	<b>1,465,600</b>	<b>1,465,600</b>	<b>-</b>	<b>1,532,185</b>	<b>1,603,631</b>	<b>1,682,209</b>
<b>TOTAL LIABILITIES</b>		<b>3,898,647</b>	<b>4,057,013</b>	<b>4,295,599</b>	<b>2,542,433</b>	<b>2,542,433</b>	<b>2,542,433</b>	<b>-</b>	<b>2,658,553</b>	<b>2,781,811</b>	<b>2,918,120</b>
<b>NET ASSETS</b>	2	<b>4,578,537</b>	<b>4,375,204</b>	<b>4,137,769</b>	<b>5,853,517</b>	<b>5,853,517</b>	<b>5,853,517</b>	<b>-</b>	<b>5,800,717</b>	<b>5,743,783</b>	<b>6,025,228</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated surplus/(deficit)	8	484,626	213,373	(37,673)	1,381,440	1,381,440	1,381,440		1,363,940	1,326,069	1,391,047
Reserves and funds	9	4,093,911	4,161,831	4,175,442	4,472,077	4,472,077	4,472,077		4,446,777	4,417,714	4,634,181
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>4,578,537</b>	<b>4,375,204</b>	<b>4,137,769</b>	<b>5,853,517</b>	<b>5,853,517</b>	<b>5,853,517</b>	<b>-</b>	<b>5,800,717</b>	<b>5,743,783</b>	<b>6,025,228</b>



**Projected Cash Flow Statement**

**Budgeted cash flow**

- Table D5 Budgeted Cash Flow

Description	Ref	2020/21	2021/22	2022/23	Current Year 2023/24				Medium Term Revenue and Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2026/27
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates											
Service charges		2,636,799	2,868,571	2,974,169	3,399,585	3,399,585	3,399,585	3,596,185	3,730,208	3,698,068	
Other revenue					20,560	20,560	20,560	21,567	22,659	23,674	
Transfers and Subsidies - Operational	1				67,300	67,300	67,300	70,598	73,845	77,168	
Transfers and Subsidies - Capital	1	51,488	28,571	63,120				-	-	-	
Interest		23,760	25,299	27,143	32,619	32,619	32,619	34,217	35,791	37,401	
<b>Payments</b>											
Suppliers and employees	2	(2,529,383)	(2,774,842)	(2,834,697)	(3,171,657)	(3,147,362)	(3,147,362)	(3,325,971)	(3,486,082)	(3,642,853)	
Finance charges		(11,863)	(9,675)	(49,144)	(229)	(229)	(229)	(240)	(251)	(262)	
Transfers and Subsidies					(120,000)	(120,000)	(120,000)	(125,980)	(131,670)	(137,595)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>170,800</b>	<b>137,925</b>	<b>180,591</b>	<b>228,177</b>	<b>252,473</b>	<b>252,473</b>	<b>-</b>	<b>240,455</b>	<b>244,400</b>	<b>255,501</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		275	275	274	9,285	9,285	9,285	9,740	10,188	10,646	
<b>Payments</b>											
Capital assets		(129,106)	(149,423)	(157,914)	(228,884)	(228,884)	(228,884)	(240,100)	(251,144)	(262,445)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(128,831)</b>	<b>(149,148)</b>	<b>(157,641)</b>	<b>(219,599)</b>	<b>(219,599)</b>	<b>(219,599)</b>	<b>-</b>	<b>(230,360)</b>	<b>(240,956)</b>	<b>(251,799)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Increase (decrease) in consumer deposits		(58,656)	(1,584)	(1,669)	(1,774)	(1,774)	(1,774)	(1,861)	(1,947)	(2,034)	
<b>Payments</b>											
Repayment of borrowing											
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(58,656)</b>	<b>(1,584)</b>	<b>(1,669)</b>	<b>(1,774)</b>	<b>(1,774)</b>	<b>(1,774)</b>	<b>-</b>	<b>(1,861)</b>	<b>(1,947)</b>	<b>(2,034)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	1	<b>(16,686)</b>	<b>(12,808)</b>	<b>21,282</b>	<b>6,804</b>	<b>31,099</b>	<b>31,099</b>	<b>-</b>	<b>8,234</b>	<b>1,496</b>	<b>1,667</b>
Cash/cash equivalents at the year begin:	2	32,508	15,821	3,013	24,295	24,295	-	24,295	24,295	32,529	34,026
Cash/cash equivalents at the year end:	2	15,821	3,013	24,295	31,099	55,394	31,099	24,295	32,529	34,026	35,693



## **19. REFERENCES**

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