



**BOTSWANA
ENERGY REGULATORY
AUTHORITY**

Regulating Energy with Integrity

2020

ANNUAL REPORT

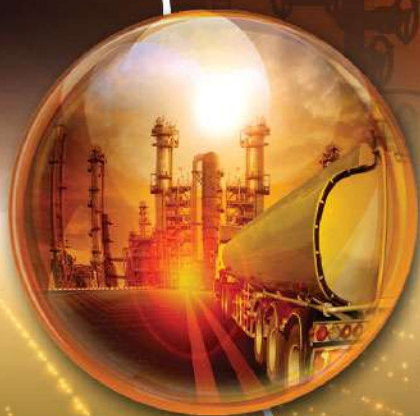




TABLE OF CONTENTS

Our Strategic Foundations	3
At a glance	4
Chairperson's Statement	7
Board Members	10
Chief Executive Officer's Report	15
Executive Management	18
Corporate Governance Report	22
Strategic Report	37
Business and Operational Review	41
Financial Statements	62

ABOUT US

BERA exists to regulate the energy sector to ensure a competitive environment in accordance with international best practice.

Our core responsibility is to provide an efficient energy regulatory framework for regulated sector with the primary mandate of providing the economic regulation of the sector.

Economic regulation will enable the private sector to play an active role in asset formation that will enable delivery of services that will be reliable, affordable and of good quality, not losing sight of the need to protect the environment. In addition to the primary mandate of economic Regulation, BERA also provides technical advisory role by prescribing standard operating procedures that licensees must comply with. As an independent energy Regulator of Botswana, we are also working to protect the interests of current and future energy consumers, customers and licensees.

The Botswana Energy Regulatory Act has a multi-sector focus and has tasked BERA with oversight over the electricity, petroleum products, coal, natural gas, bio-energy, solar energy and renewable energy resources. In terms of the Act, BERA shall be responsible for setting and maintaining service standards; ensuring sustainable and secure supplies in the energy sector; protecting and preserving the environment; and maintaining best international regulatory practice.

The Authority was established by the Botswana Energy Regulatory Act 2016 and started its operations on the 1st September, 2017. This is the second year in operation and also the first year of implementing our five - year strategic plan.



Our Strategic Foundations

VISION:

To be an independent, transparent, responsive and impartial energy regulator.

MISSION:

BERA exists to regulate the energy sector by ensuring a competitive environment in accordance with best international practices.

CORE VALUES

	Excellence: <i>We perform every activity to a high level of distinction and quality</i>
	Integrity: <i>All our actions are above board and beyond reproach</i>
	Teamwork: <i>We work together in everything that we do</i>
	Transparency: <i>We commit to conduct our business in an open manner</i>
	Accountability: <i>We own up and take responsibility for our actions</i>
	Courteousness: <i>We commit to be polite and well-mannered in our dealing with each other and our stakeholders</i>
	Fairness: <i>We treat all stakeholders equally without favouritism and discrimination</i>
	Independence: <i>Our actions and decisions are free from any external influence</i>

At a glance

Highlights on Botswana Energy Sector Structure

Highlights on Botswana Energy Sector Structure

Electricity Sub - Sector		Petroleum Sub - Sector	
		Liquid Fuels	Liquified Petroleum Gas
Transmission and Distribution BPC	Generation <ul style="list-style-type: none"> One Public Utility – Botswana Power Corporation (BPC) Independent Power Producers Small Scale Solar Photo voltaic generators 	Retailers 230 Petroleum Retailers	Retailers 250 LPG vendors
		Wholesalers <ul style="list-style-type: none"> Five International Oil Companies (Puma, Vivo, Total, Astron Energy and Engen) Local Companies (Botswana Oil Limited and Kwanokeng Oil) 	Wholesalers <ul style="list-style-type: none"> International Companies (Air Liquide, Easi Gas and Afrox) Local Companies (Quick Gases and Tswana Gas)

Highlights on National Energy Outcomes

Contribution to Gross Domestic Product (GDP) for the period under review

0.8 Electricity Supply Industry

0.2 Petroleum (Fuel) stations

Security of Electricity Supplies

Maximum Demand

- 600 MW in FY 18/19
- 610 MW in FY 19/20

Installed base load capacity

- 732 MW in FY 18/19
- 732 MW in FY 19/20

Local Generation

- 75% in FY 18/19
- 47.8% in FY 19/20, i.e. 1,910,110 MWh was generated locally whilst 2,086,525 MWh was imported

Carbon emission reduction level

- 9310.7 Gg of CO₂ in FY 18/19
- 9310.7 Gg of CO₂ in FY 19/20

% renewable energy contribution to the energy mix

- 2% in FY 18/19
- 2% in FY 19/20

Electrification rate

- 80% in FY 18/19
- 88% in FY 19/20

% Population with access to electricity

- 60% in FY 18/19
- 64% in FY 19/20



Fuel consumption per annum

Fuel Type	FY 2018/19	FY 2019/20
<ul style="list-style-type: none"> • Ground Fuel • Aviation Fuel • Liquefied petroleum gas 	<ul style="list-style-type: none"> • 1.2 billion • 20 million litres • 18000 metric tonnes 	<ul style="list-style-type: none"> • 1.2 billion • 20 million litres • 18000 metric tonnes

Fuel stocks days cover

Stock Type	FY 2018/19	FY 2019/20
<ul style="list-style-type: none"> • Strategic stocks • Commercial buffer stocks 	<ul style="list-style-type: none"> • 10 days against the preferred 18 • 5 days against the preferred 14 	<ul style="list-style-type: none"> • 10 days against 18 • 5 days against 14

Operational Highlights

% proportion of cleaner fuels (diesel 50 ppm or better) to total fuel consumption	<ul style="list-style-type: none"> • 64% in FY 18/19 • 81% in FY 19/20
% increase in number of market players	<ul style="list-style-type: none"> • 65% in FY 18/19 • 55% in FY 19/20
% operators compliant with regulatory requirements	<ul style="list-style-type: none"> • 70% in FY 18/19 • 42% in FY 19/20
% of Consumer complaints resolved	<ul style="list-style-type: none"> • 100% in FY 18/19 • 60% in FY 19/20



Financial Highlights

		2020	2019
		BWP	BWP
Comprehensive Income			
Grants and subventions		49,630,886	51,054,357
Other income		3,743,659	3,132,741
Operating expenses		(53,261,199)	(55,715,793)
Operating surplus / (deficit)		113,346	(1,528,695)
Finance income		195,694	98,295
Finance costs		(190,794)	-
Surplus / (deficit) for the year		118,246	(1,430,400)
Financial Position			
Total assets		32,743,844	26,198,869
Accumulated deficit			(753,216)
Total liabilities		33,378,814	26,952,085
Total funds and liabilities		32,743,844	26,198,869
Financial Ratios			
Subvention as a % of total income		99.62%	99.90%
% Revenue collected from the industry		-	-



CHAIRPERSON'S STATEMENT



I am delighted to welcome you to our latest annual report which charts another year of achievement in an increasingly testing economic environment

I am pleased to present our annual report for the financial year ended March 2020. We have continued to drive our 2018/23 Strategic plan, which commenced in April 2018. Our overall strategic intent is to stimulate sector growth and competitiveness in a manner that will create a positive difference for all energy consumers, now and in the future. This is in line with Botswana's Vision 2036 aspirations of improving the welfare of Botswana and achieving the National Vision of prosperity for all. To make this possible, the Authority continues to strengthen the energy regulatory framework as well as implementing various programmes, which are at different levels of implementation. The Authority has made significant strides and recorded notable achievement during this financial year despite the prevailing economic challenges locally, regionally and internationally.

Sound and Relevant Regulatory Framework

The approval of the BERA (Amendment) Act by Parliament on the 20 March 2020 is one of the notable milestones during the period under review. The BERA Act was not wholly reviewed, but due to structural challenges, only those provisions relating to the structure have been reviewed and amended. The review was intended to improve role clarity between management and the Board. In this regard, the Authority has been tasked to issue, renew or modify licenses instead of the Board. The provision for Full Time Board members was also amended as such the Board members is now composed of all Part Time members. The Ministry of Investment, Trade and Industry has amended Trade Act to ensure that licensing of petroleum products and filling stations is fully migrated to our Authority. In this regard, Councils are no longer issuing licenses for petroleum products and filling stations.

Sustainable and secure supplies in the Electricity Sector

The objective to ensure delivery of sustainable and secure energy supplies remains a priority for us since it is major driver for socio - economic developments in our country, Botswana. As the Energy Regulator, we continue to create an enabling environment that will catalyze growth and competitiveness of the sector. I am pleased to announce that, in November 2019 we issued the licenses for power generation to Independent Power Producers (IPPs) for the first time, one (1) was for local generation and two (2) for electricity exports. This is indeed, a notable achievement taking into consideration the low

participation of Independent Power Producers, even though the electricity law started allowing for participation of other players other than BPC at generation since 2007.

This is an indication that Botswana is open for investment for power projects that are for export. We also actively participated in the development of Integrated Resource Plan (IRP) and Roof Top Solar Guidelines. The IPP framework is underway to further facilitate competition in the electricity sector in implementing 2020-2040 Integrated Resource Plan for electricity. Technical assistance is currently being sought from African Development Bank (AfDB) for the development of the incentive package that will promote private sector investment in the electricity sub - sector. This is done through our parent ministry – the Ministry of Mineral Resources, Green Technology and Energy Security.

The envisaged support from the bank includes among others, development of Electricity Grid Codes, Cost of Service Study and IRP implementation support. When successfully implemented, the IRP will enable the country to deliver 760MW by 2030. AfDB will also assist us in drafting the relevant IPP/ PPP frameworks, regulations, and identification of potential projects for launching. A preliminary review of sector policies, laws and acts will also be conducted to identify gaps or inconsistencies that may impede full implementation.

The output of the cost of service study is envisaged to improve alignment of the costs of providing service at all levels (generation, transmission and distribution) of the electricity sector with tariffs. This will ensure that the power utility (BPC) or off taker come up with a strategy towards cost reflective tariffs, which will improve attraction of investors such as independent power producers (IPPs). The existence of electricity grid codes is critical so as to efficiently regulate the operations of the several operators who will be using the same Botswana electricity grid or network.

Sustainable and secure supplies in the Petroleum Sector

Botswana's over reliance on a single source and route for the supply of refined petroleum products, poses high risk to security of supply. In addition, the limited storage capacity for these products poses another risk in cases where there can be prolonged fuel shortages. As the Energy Regulator, we continue to timeously issue petroleum licenses to potential

The Authority commenced the LPG market study and Regulatory Impact Assessment (RIA) study on Aviation Fuels.

wholesalers as well as ensuring proper margins are awarded to ensure fair returns for these operators. Further to this, we have developed Key Performance Indicators (KPI's) framework for the petroleum sector, which will be used among others to monitor fuel supply situation. The draft Energy policy also seeks to facilitate among others, off-take of the biodiesel industry as a clean alternative source to liquid petroleum fuels. The Authority has partnered with the Department of Energy in creating an enabling environment to stimulate the local production of biofuels. The first expected milestone in this regard, is the delivery of biofuels guidelines and standards, which we are actively participating in their development. The guidelines will promote the development of biofuels industry, whilst the standards will be for the purpose of determining blending ratios.

Presently petrol, diesel and illuminating paraffin prices are regulated by BERA whilst the price for LPG is not regulated. The Authority commenced the LPG market study and Regulatory Impact Assessment (RIA) study on Aviation Fuels. The intention is to assess the entire value chain for LPG including, the review and recommendation of appropriate pricing methodologies through the LPG study, whilst the RIA study will be used to assess the impact of price regulation of aviation fuels in the industry, public and the overall economy.

Operational Excellence

Recognising the importance of financial independence in the overall regulatory independence, we started the journey of setting up the Authority's Fee structure which will be submitted to Cabinet for approval once finalised. I am happy to announce that significant progress has been made with regards to getting this finalised including completion of stakeholders' consultations on the matter. It our desire to achieve our financial independence in few years to come. Since inception, our Shareholder has been funding our operations fully through the annual subvention. I want to admit that there are structural deficiencies and we are addressing that. We have filled almost half of the total establishment pending the optimisation exercise for the Authority's organisational structure.

2020/21 Outlook

The coming year will see more emphasis on heightened regulatory activities that will enhance delivery of regulatory

outcomes subsequently impacting on the national outcome such as employment creation, citizen participation. We anticipate that more jobs will be created and citizen participation will be enhanced as a result of work performed by IPPs and Petroleum operators we license. Of particular interest is the planned Coal Bed Methane (CBM) power plant and fourteen Solar Power PV plants to be implemented by IPPs and BPC being the off taker. In addition to this, construction of significant infrastructure of petroleum storage facilities.

On a technical front, BERA will also heighten compliance and performance monitoring activities on the energy operators, with view to improve their financial performance, commercial quality of service and technical quality of supply. This is in line with the draft national Energy Policy objective of reliable, safe and affordable energy services.

We will also ensure that the approval of BERA's fee structure becomes one of our top priorities in the coming year. As I mentioned regarding the new developments emanating from the amended BERA Act, we will also optimise the Authority's organisational structure to align with these amendments and to keep pace with dynamic changes in the energy sector.

We are all conscious of the challenges we face, but very excited about the opportunities that lie ahead and our contribution to the economy of our country as we efficiently and effectively carry out mandate.

Appreciation

Finally, I would like to register a special thank you to my fellow Board members for their valuable contribution to the BERA success. None of the achievements presented in this report would have been possible without the support of the Management, and without the engagement of BERA staff. To them, my heartfelt thanks and wishes for even greater things to come. I also want to thank our Shareholder, for the continued valuable support to BERA including financial support through an annual subvention in an increasingly testing economic environment.



Board Chairperson

Board Members



MS BOINEELO LOBELO
Chairperson

**MR PELAELO
CHOROSI KGOMOTSO**
Board Member

**MR GEOFFREY SIMANYANA
SREBOLO**
Board Member





Board Members *(Continued)*



MR BATSUMI RANKOKWANE
Board Member

MS SEIPATI G. OLWENY
Board Member

**MR THUSO CYRIL
MATSHAMEKO**
Board Member



Board Profiles

MS BOINEELO LOBELO BOARD MEMBER

Ms Lobelo graduated with BSc in Chemistry and Environmental Science from the University of Botswana, MA in Business Management with majors in Safety, Health and Environment from the University of Southern Queensland, Australia. She also holds Certificate in Enterprise Risk Management from Botswana Accountancy College.

Ms Lobelo is affiliated to South African Bureau of Standards, British Standards Institute and United States Department of Overseas Security Advisory Council. Her career started in 2006 whose vast experience spans over 14 years in health and environmental services. Ms Lobelo is currently a Project Director – Environmental Advisor at the Ministry of Mineral Resources, Green Technology and Energy Security. She worked as a Regional HSSE Manager at Vivo Energy Botswana and Namibia for three years. She also served as a SHE Officer at Debswana Jwaneng Mine. Ms Lobelo facilitated the execution and completion of Environmental Management Plans for Shell Oil Botswana sites ensuring compliance with requirements of the Environmental Impact Assessment (EIA) Act No. 6 of 2011. She was also involved in the development of Environmental Management Standard ISO 14000 and Occupational Health and Safety OHSAS 18001 standards. Ms Lobelo is a member and Secretariat of the evaluation team for procurement of Independent Power Producers (IPP) for the construction of Morupule B Units 5 and 6 and the Remediation of Morupule B Power Station Units 1 to 4.

MR PELAELO CHOROSI KGOMOTSO BOARD MEMBER

Pelaelo Chorosi Kgomo is a Master of Science graduate in Electrical Power Engineering (with Power System Economics) from the University of Manchester Institute of Science and Technology (UK). He also holds a Bachelor's degree in Electrical Engineering from the University of Sheffield (UK). He is a member of the Institution of Engineering and Technology, London, UK. He is currently a Green Energy Manager at Botswana Energy Regulatory Authority (BERA) having

previously worked for Botswana Power Corporation (BPC) for more than two decades where he held various senior positions in power systems operations and maintenance, planning, project management and procurement, technical services (protection, metering, geographical information systems, transport services), customer services and revenue management. Mr Kgomo has been involved in the energy sector for more than twenty five years including being in task teams on Botswana Electricity Tariff Review (2009); Bankable Feasibility Study of a 200MW Concentrating Solar Thermal Plant (2010); Renewable Energy Feed-In Tariffs For Botswana (2011); Establishment of the Energy and Water Regulator (2010).

MR GEOFFREY SIMANYANA SEREBOLO BOARD MEMBER

Mr Geoffrey Simanyana Serebollo possesses MA from American University (Washington DC) and BA from University of Botswana. Mr Serebollo has various short courses including Advanced training in Applied Statistics (Food Policy) attained from Munich Centre for Advanced Training in West Germany, Certificate in Project Management (BIAC), Certificate in Environmental Impact Assessment (UB), Certificate in Development Coordination and Management (UB), Change Agent Training and Leadership Strategies (Oregon State University, USA), Certificate in Botswana Code, King III and Corporate Governance and numerous training courses on Performance Management offered by Government of Botswana.

Mr Serebollo worked for various Government institutions from 1982 and retired from the Public Service in 2010. He worked as a District Commissioner and served in different committees including District Health Committee, District Development Committee, District Land Use Planning Committee. He was also a Board Member at Bathoen II Conservation Trust in 2011. From 2013-2019, he was appointed Chairperson of the Human Resource Committee of Forest Conservation of Botswana. He also served as a Member of Ngwaketse Land Board from 2017-2019.



Board Profiles *(Continued)*

MR BATSUMI RANKOKWANE **BOARD MEMBER**

Mr Batsumi Rankokwane graduated with Master of Science in Environmental Assessment and Management from the University of East Anglia, United Kingdom. He also possesses a Bachelor of Arts in Environmental Sciences from the University of Botswana. Mr Rankokwane completed a rigorous Management Development Programme in Petroleum Economics; Global Oil Industry and Petroleum Products Pricing; and Utility Regulation and Strategy. He has more than 15 years' experience in the public sector (Office of the Auditor General, National Strategy Office and Department of Energy) and private sector (Centre for Applied Research and Ecosurv Environmental Consultants). Mr Rankokwane is currently serving as Board Member and Treasurer in the Board of Directors of Anne Stine School for the Disabled in Molepolole. Mr Rankokwane is a recipient of the Swedish National Audit Office and the African Organisation of Supreme Audit Institutions Award for the Best Performance Audit Report in Africa (2010); Author of the Best Performance Report (2012) and Inspirational Leader Award (2016). He has published a journal article with the Netherlands' Geojournal. Mr Rankokwane is a certified Public Private Partnerships Professional and a Member of the Institute of Environmental Management and Assessment.


MS SEIPATI G. OLWENY **BOARD MEMBER**

Ms Seipati Olweny has a BSc (Hons) – Consumer Service attained from University of Cardiff in Wales and a Diploma in Secondary Education from Molepolole College of Education. She has over 31 years of experience in the Public Service having started her career as a Teacher in 1989. Ms Olweny is currently the Director of Trade and Consumer Affairs in the Ministry of Investment, Trade and Industry.

MR THUSO CYRIL MATSHAMEKO **BOARD MEMBER**

Mr Thuso Cyril Matshameko was appointed an interim Board Member from the period 1st November 2019 to 30th April 2020. He holds a Bachelor of Engineering (Electrical and Electronics) from the University of Botswana and a Master's Degree in Energy Systems and the Environment from the University of Strathclyde in Scotland, United Kingdom. He has also attended a number of leadership and management development courses. Mr. Thuso Cyril Matshameko is a Professional Engineer registered with the Engineers Registration Board, Botswana. He is employed as Deputy Director, Department of Energy under the Ministry of Mineral Resources, Green Technology and Energy Security. He has been involved in the energy sector for over 24 years. Mr. Thuso Cyril Matshameko is also a member of the Departmental Industrial Advisory Board – Department of Mechanical, Energy and Industrial Engineering, BIUST and a Board member of Mining, Minerals Beneficiation, Energy and Construction Immigrants Sector. He has been appointed to serve in various Committees amongst others Ministerial Audit Committee, National Petroleum Fund Management Committee and National Electrification Fund Management Committee.





“ Recognising the importance of financial independence in the overall regulatory independence, we started the journey of setting up the Authority's Fee structure which will be submitted to Cabinet for approval once finalised. ”

Board Chairperson

Chief Executive Officer's Statement



It is pleasure for me to present BERA 2019/20 annual report and to introduce our major achievement over the past year – a fantastic and a great year indeed.

It gives me great pleasure to present this annual report, which outlines a summary of strategic and operational achievements during the reporting period. We have had a fantastic and great year in that we had positioned the Authority to strategically deliver on its mandate. This period was preceded by an intensive setting up period, which had lasted for twenty (20) months. The latter period was characterised by achievements and teething problems especially limited budget to execute mandate and structural deficiencies/governance issues that have adverse effects on execution of the mandate. During this financial year, the Authority made significant strides in the regulated sector in light of strengthening the regulatory governance and substance.

Enhancing Energy Regulatory Framework

We participated for the first time this year, in the Electricity Regulatory Index (ERI) survey administered by African Development Bank (AfDB). This gives me comfort in that we are heading in the right direction with regards to enhancing energy regulatory governance and substance subsequently delivering desired regulatory outcomes. My team continue to work tirelessly to enhance the regulatory framework for sector competitiveness and growth is developed as well as closing gaps that has been identified by ERI survey.

The amendment of the BERA Act was approved by Parliament on the 20 March 2020. One of the tangible results emanating from amended Act, already being realised is the shortened turnaround times for processing license applications. The Petroleum Products Regulations, Complaints Settlement Procedure & LPG Regulations were passed to AGC and are currently being considered. Key Performance Indicators frameworks for performance monitoring of operators in the electricity and petroleum sectors are also at the verge of completion.

Stimulating participation of Independent Power Producers (IPPs) in power generation

It is pleasure for me to present BERA 2019/20 annual report and to introduce our major achievement over the past year – a fantastic and a great year indeed .

As we strive towards sustainable and secure energy supplies, the Authority continues to create an enabling regulatory

environment for stimulating private sector participation in the renewable and cleaner energy sources. In this regard, the Authority has issued three (3) of these licenses to Independent Power Producers (IPPs). Two of the IPPs (Sese Power and ENRC) licenses are for export of power. One of the IPPs (Tlou Energy) is for the local consumption under the government's Coal Bed Methane (CBM) power generation programme.

Ensuring Cost reflective electricity tariffs

The Authority's tariff review process also seeks to ensure that electricity tariffs are cost reflective since this will enable further investment in the sector, sustainable provision of service by the utility and efficient use of electricity. During this financial year, we carried out the BPC tariff review for 2020/21. A decision of increasing tariffs by 22% was reached due to the prevailing high import electricity costs.

Ensuring fair, competitive and affordable fuel prices

The Authority continues to review the petroleum products prices on monthly basis to ensure that prices are fair, competitive and affordable, whilst petroleum margins are reviewed on annual basis in order to provide a fair return for the financial sustainability of the industry.

Ensuring Consumer protection

We continue to be expeditious in resolving consumer complaints reported to us at the same time ensuring that interests between consumer, customer and licensee are adequately balanced. Three (3) out of the five consumer disputes reported in FY 2019/20 were resolved and these focused mainly on the following: property (i.e. business equipment and building) damaged by fire due to unstable/intermittent power supply by BPC; high power connection costs outside the standard cost programme - (National Electricity Standard Connection (NESC) Cost.

Compliance and Performance monitoring

The Authority inspected 140 facilities and only 59 were found to be compliant while the rest were not. This low compliance level has led to BERA closing two (2) filling stations in the North East district during February 2020. The non - compliance issues

included: Poor capacity building at the petroleum facilities; illegal exportation of fuel; and Lack of internal quality assurance systems at regulated entities. In a quest to enhance voluntary compliance and competitiveness of the petroleum sub sector we are also developing a Star Rating Program for the petroleum service stations. This program will allow for consumers to participate in assessing performance of the service stations through a consumer feedback system administered by BERA. It is envisaged that this program as well as others such as the KPI's will assist in growing and transforming the petroleum sub sector in line with my Government's transformational agenda.

Strategic positioning and partnerships

The energy sector is very critical to the economy of this country and improving quality life of Batswana. It is in the best interest of the Government to ensure energy supplies are cleaner, secure and sustainable in this country as well as ensuring that energy services are accessible, reliable and affordable to all Batswana. In this regard, our strategy continues to evolve to drive national priorities and transform energy sector as a leader in the region amidst the current local and regional challenges.

As such, during this year's strategy review session, which was held in March 2020; we implored technical assistance from our strategic partners to enhance the relevance and robustness of our strategy to drive national priorities. These partners are: Regional Energy Regulatory Association (RERA), USAID- Southern Africa Energy Programme (SAEP), African Development Bank and Botswana Communications Regulatory Authority (BOCRA). Furthermore, we have continued to benefit on capacity building and benchmarking from RERA, an association for regulators in the SADC region. We also received assistance from international organisations to help it establish all the required tools for effectively executing its mandate. These include technical support from organisations such as USAID, COMESA and regional regulators.

Stakeholder Management and Corporate Social Responsibility

As Regulator, we recognise that decisions we make and the actions we take in performing our regulatory roles affect wide range of stakeholders. In this regard, we are committed

to continuously improving the quality of engaging all the key stakeholders impacted by our work. More importantly, we recognise that our regulatory process should deliver outcomes that reflect stakeholder's needs and interests. A communication strategy is currently being developed and it is intended to provide a structure that will allow stakeholder's needs and interests to be consistently, transparently and meaningfully considered in our activities. Various stakeholder management activities were undertaken and implementation level is 90% as of March 2020. We also conducted four (4) Corporate Social Responsibility activities of which three (3) of them were done in conjunction with ministry.

2020/21 Outlook

This year has been a great and a challenging year indeed; and I believe that as we consider the lessons learnt from this year, we will enrich further our business plan for the upcoming year. Top in the priority is the enhanced investors' facilitation; and heightened compliance and performance monitoring of the energy operators. This will be made possible through enhanced regulatory framework and increased operational excellence achieved through strict adherence to set governance framework and streamlined automated processes.

Appreciation

All of the above would not have been possible had it not been for the dedication and the professionalism of BERA staff over the past year, even in the midst of challenges we encountered. I believe pulling together in the same spirit will enable us to face our future challenges and foster ahead to transform Botswana's energy sector at the same time keeping pace with the dynamic changes in the sector, locally regionally and internationally.



**Chief Executive
Officer**



Executive Management Members



MS ROSE SERETSE

Chief Executive
Officer

**MR DUNCAN
MOROTSI**

Chief Operations
Officer

**MS CHAWADA
MACHACHA**

Director Finance
And Procurement

**MS NNOSANG
MHUTSIWA**

Director Human
Resource



Executive Management Members *(Continued)*



MR NGELE G. NGELE
Internal Audit Manager

MR YAMIKANI PATSON
Board Secretary

MS GOSEGO PHELE
Strategy Manager



Executive Management Profiles

MS ROSE SERETSE **CHIEF EXECUTIVE OFFICER**

Mrs. Rose Nunu Seretse graduated with a Bachelor of Science in Construction Engineering and Management from Ferris State University in Michigan USA. Mrs Seretse also possesses a Master of Public Administration from the University of Botswana. She is a Certified Ethics Officer. Mrs. Seretse was the first woman to head the Botswana Anti-Corruption Agency called the Directorate on Corruption and Economic Crime where she was the Director General for eight years. Prior to working for the Anti-Corruption Agency, Mrs Seretse served in the Local Authorities in the Building and Engineering Units at Kgatleng District Council and Lobatse Town Council as Technical and Senior Technical Officer respectively. Seretse has been awarded many honours and awards throughout her career including Sigma Lambda Chi – Ferris State University, Africa's most Influential Woman – CEO Global; Certificate of Recognition – Commonwealth Secretariat and Certificate of Appreciation – International Law Enforcement Academy. Mrs. Seretse is one of the recipients of Presidential Order of Honour of 2018.

MR DUNCAN MOROTSI **CHIEF OPERATIONS OFFICER**

Duncan Morotsi graduated from the University of Botswana, Lesotho and Swaziland with an LLB Degree in 1984. Mr Morotsi joined the Attorney General Chambers as State Counsel from 1984 to 1986. He started a Law Firm in Francistown operating as Duncan Morotsi and Partners until 2006 when he joined CEDA as Company Secretary and Legal Advisor until 2008. In 2009 he rejoined the Public Service as Chief State Counsel in the Ministry of Home Affairs advising on Labour, marriage, citizenship and Trade Union Laws. In 2011, he joined the newly formed Competition Authority as Director of Legal and Enforcement during which he gained an in-depth knowledge of competition law and economic regulation. Currently he serves as a Board Member of the National Environmental Fund and Chairman of its Project Assessment Committee. He is also Patron of Mokibe Primary School in Shoshong. Moreover, Mr Morotsi is involved in Charity Projects in Shoshong Village.

MS CHAWADA MACHACHA **DIRECTOR FINANCE AND PROCUREMENT**

Chawada is ACCA qualified with a Master's in Business Administration from The University of Derby. She has over twenty-three (23) years of extensive experience spanning across Audit, Financial and Administrative Management, Training and development, Management consultancy, Corporate Performance Management Strategic Planning and Internal Controls Assessment. Chawada is also an accredited Human Resource practitioner. Prior to joining BERA, she worked for Clearlit group of companies as its Managing Director where she was responsible for the organization's entire operations. Before Clearlit she worked at Botswana Examination Council as its Finance Manager where she spearheaded the successful establishment of the Councils Finance and procurement department. Prior to BEC she lectured at the Botswana Accountancy College for over seven years with a subject portfolio spanning: Information Systems and Organizational Management, Financial Accounting and Management, Business and Analysis with an emphasis on Strategy and People Management on the CIMA and ACCA programs respectively. Chawada has been consulted by many organizations and individuals in Botswana assisting them in various capacities. In her social capacity Chawada serves as a Pastor and a Board member of the Healing Jesus International.

MS NNOSANG MHUTSIWA **DIRECTOR HUMAN RESOURCE AND ADMINISTRATION**

Ms. Nnosang Mhutsiwa holds a Master's in Public Administration and Bachelor of Social Science majoring in Public Administration and Economics both from the University of Botswana. Nnosang has attended several strategic management short courses and Executive Leadership Programs. She is a professional member of Botswana Institute of Human Resource Management and Society for Human Resource Management. Nnosang has previously served in the Public Service for almost two decades in different ministries, including Agriculture, Office of the President, Youth, Sports and Culture and Ministry of Education and Skills Development. She

Executive Management Profiles *(Continued)*

started her career as a Personnel Officer in the Department of Local Government Services Management for a short stint before joining the Central Government as an Administration Officer under the Ministry of Agriculture. She progressed over the years to the posts of Director Ministry Management, Senior Manager Corporate Services and Director of Youth prior to her appointment as Deputy Permanent Secretary – Corporate Services in April 2014 until August 2017 when she resigned from the Public Service to join BERA. She has served in different Boards including Public Service Bargaining Council on the Employer side (Botswana Government) whereby she once acted as Chief Negotiator, Botswana National Productivity Centre, Sir Ketumile Masire Teaching Hospital and Botswana National Gender Commission. At international level, she has served as the Secretary General of the Botswana National Commission for United Nations Educational, Scientific and Cultural Organisation (UNESCO). She is currently serving as a member of the University of Botswana Governing Council.

MR YAMIKANI PATSON **BOARD SECRETARY**

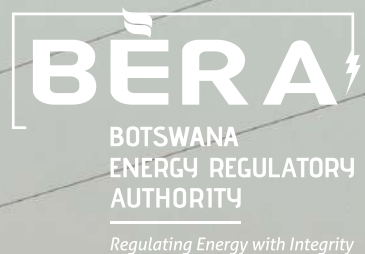
Mr. Yamikani Patson is an admitted attorney of the High Courts of Botswana with 16 years' experience in the legal profession having graduated with an LL.B at the University of Botswana. He has served as a legal advisor for body corporate s including among others Local Authorities (Councils) and Land Boards advising the Councils and committees that he served in. He has also previously served under the Attorney General of Botswana under civil litigation as a State Counsel. Mr. Patson had also served in the private practices as a Legal Practitioner of both Mr. Maphakwane & Partners and Lerumo Mogobe Legal Practitioners. Before serving at BERA he was head of Legal Education and Public Relations at Legal Aid Botswana. Mr. Patson is also currently serving in the Board of Directors as a non-executive member of Get Bucks Botswana a company registered on the Botswana Stock Exchange. He is also chairperson of its subsidiary; Get Sure.

MR NGELE G. NGELE **INTERNAL AUDIT MANAGER**

Mr Ngele is a qualified accountant and auditor. He is a Fellow Chartered and Certified Accountant (FCCA) UK, MBA from the University of Derby and a graduate in Governance, Risk, Compliance and Management (GRCM). He is a Risk Based Auditor (RBA), Certified Risk Analysts (CRA) and a member of the Institute of Internal Auditors Botswana chapter (IIA Botswana). Mr Ngele is also a Management Development Programme (MDP) graduate with the University of Cape Town. Mr Ngele worked for more than 10 years in the Finance field as Management Accountant, Head of Treasury, Finance Manager, Chief Accountant Business Support and Group General Manager Finance in organisations that included KBL, BTC and Botsnet. He has more than 20 years' experience in the audit environment having worked for Deloitte, PWC, Debswana, NDB, KBL, Botswana Post, The University of Botswana, Botswana Power Corporation and BERA where he held various executive positions responsible for the Audit function.

MS GOSEGO PHELE **STRATEGY MANAGER**

Gosego Phele possesses MSc in Strategy Management from University of Derby and BSc in Computer Science from University of Cape town. She also possesses professional qualification in strategy management, project and risk management and finance & accounting. Gosego Phele has more than 12 years' experience in the Strategy, risk and performance management field. She has a strong background on Information Technology, Finance and Strategy, risk and performance management. She has worked in various organisations in private sector (IT and Accounting Firms), Government (Ministry of Minerals, Energy and Water resources; and Ministry of Health) and parastatals (National Development Bank and Civil Aviation Authority of Botswana). Before serving at BERA she was the Chief Corporate Planning officer at Civil Aviation Authority of Botswana. She is also serving as a Board of Director at Robin Wood Consulting (Pty) Ltd and Wealth Club (Pty) Ltd.



Corporate Governance Report



Corporate Governance Report

King IV™ application report

Botswana Energy Regulatory Authority (BERA) adopted for application the King III and King IV Code on the 5th December 2019. Below is a summary of the application of the King IV Report on Corporate Governance TM in South Africa 2016 (King IV) during the financial year 2019/2020. The King IV was adopted immediately after the removal of the inception Board by the Minister for breakdown in corporate governance;

PRINCIPLE	APPLICATION	INTERNAL POLICY DOCUMENTS/ PROCESS REFERENCE
PRINCIPLE 1: The governing body should lead ethically and effectively	<p>The Board Members conduct the business of the affairs of the Authority in a transparent manner, holding each other accountable for their actions. Members disclose conflict of interest at every meeting of the Board before making decisions.</p> <p>Members who have conflict of interest do not participate in decision making over matters they are conflicted upon.</p> <p>The Board Secretary provides independent guidance to the Board as a collective and as individuals on their fiduciary duties and draws attention to the Board on relevant legislations and Policies.</p> <p>The Board ensures disclosure of how it exercises its governance role through Annual Reports.</p>	<ul style="list-style-type: none"> - Board Charter - Code of Conduct - Botswana Energy Regulatory Authority Act
PRINCIPLE 2: The governing body should govern the ethics of the organization in a way that supports the establishment of an ethical culture	<p>The Board sets the tone at the top and is responsible for monitoring the governance and ethics of the Authority.</p> <p>The Board has recommended disciplinary actions for members of staff who had contravened the ethical code of conduct expected of them and thus inculcated a culture of accountability and discipline as envisaged by King IV TM</p>	<ul style="list-style-type: none"> - Board Charter - Code of Conduct for staff. - Procurement Policy
PRINCIPLE 3: The governing body should ensure that the organization is and seen to be a responsible citizen	<p>Management has through the values inculcated by the Board been spearheading corporate social responsibility activities and reporting same to the Board.</p> <p>The Board approves Strategy of the Authority that espouses the values of a responsible corporate citizen. The Board itself deals with matters of ensuring that the organization is and is viewed as a responsible citizen.</p>	<ul style="list-style-type: none"> - BERA Strategy Document

Corporate Governance Report

King IV™ application report (Continued)

PRINCIPLE	APPLICATION	INTERNAL POLICY DOCUMENTS/ PROCESS REFERENCE
PRINCIPLE 4: The governing body should appreciate that the organization's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creations process	<p>The governing body should assume responsibility for organisational performance by steering and setting the direction for the realisation of the organisation's core purpose and values through its strategy.</p> <p>The formulation and development of the organisation's short, medium and long-term strategy is delegated to Management for formulation and same is approved by the Board.</p> <p>The governing body ensures that it approves the policies and operational plans developed by management to give effect to the approved strategy. The governing body has delegated to management the responsibility to implement and execute the approved policies and operational plans while the governing body exercises oversight.</p>	<ul style="list-style-type: none"> - Board Charter - Botswana Regulatory Authority's Act - BERA strategy Document
PRINCIPLE 5: The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessment of its performance and its short-medium- and long term prospects	<p>The governing body should assume responsibility for the organisation's reporting by setting the direction for how it should be approached and conducted. (including reporting standards) to be used, taking into account legal requirements and the intended audience and purpose of each report.</p> <p>The governing body oversees that reports such as the annual financial statements, sustainability reports, or other online or printed information or reports are issued, as is necessary, to comply with legal requirements, and/or to meet the legitimate and reasonable information needs of material stakeholders.</p> <p>The governing body oversees that the organisation issues an integrated report at least annually</p> <p>The governing body oversees that the following information is published on the organisation's website, or on other platforms or through other media as is appropriate for access by stakeholders:</p> <ul style="list-style-type: none"> - Corporate governance disclosures required in terms of this Code (refer to Part 3: <i>King IV Application and Disclosure for more detail</i>). - Annual financial statements and other external reports. 	<ul style="list-style-type: none"> - BERA Annual report - BERA Website www.bera.co.bw - ToR Audit and Risk Committee
PRINCIPLE 6: The governing body should serve as the focal point and custodian of corporate governance in the organization	<p>The governing body exercises its leadership role by:</p> <ul style="list-style-type: none"> - steering the organisation and setting its strategic direction; - approving policy and planning that give effect to the direction provided; - overseeing and monitoring of implementation and execution by management; and - ensuring accountability for organisational performance by means of, among others, reporting and disclosure. <p>The governing body ensures that its role, responsibilities, membership requirements and procedural conduct are documented in a charter which it regularly reviews to guide its effective functioning.</p> <p>The governing body has approved the protocol to be followed by its non-executive members for requisitioning documentation from, and setting up meetings with, management.</p> <p>The governing body discloses the following the number of meetings held during the reporting period, and attendance at those meetings.</p>	<ul style="list-style-type: none"> - Board Charter - BERA Annual Report 2019/20 - ToR Audit & Risk Committee



Corporate Governance Report

King IV™ application report *(Continued)*

PRINCIPLE	APPLICATION	INTERNAL POLICY DOCUMENTS/ PROCESS REFERENCE
PRINCIPLE 7: The governing body should comprise of the appropriate balance of knowledge, skill, experience, diversity and independence for it to discharge its governance role and responsibility objectively and effectively	<p>The governing body could not assume responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities the appointment was done by the Minister of Mineral Resources, Green technology and Energy Security.</p> <p>On account of the appointments having been done by the Minister, the governing body could not on its own;</p> <ul style="list-style-type: none"> - promote diversity in its membership across a variety of attributes relevant for promoting better decision-making and effective governance, including field of knowledge, skills and experience as well as age, culture, race and gender. - set targets for race and gender representation in its membership. - establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity. - establish a succession plan for its membership which include the identification, mentorship and development of future candidates. - The Chair of the governing body was independent 	Botswana Energy Regulatory Authority Act
PRINCIPLE 8: The governing body should ensure that its arrangement for delegation within its own structures promote independent judgment and assist with balance of power and the effective discharge of its duties	<p>The governing body delegated to committees and this was recorded by means of a formal terms of reference that were approved and are reviewed annually by the governing body.</p> <p>The delegation ensured</p> <ul style="list-style-type: none"> - Effective collaboration through cross-membership between committees, where required; coordinated timing of meetings; and avoided duplicity or fragmented functioning - a balanced distribution of power in respect of membership across committees, so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual. <p>The following were disclosed in relation to each committee of the governing body:</p> <ul style="list-style-type: none"> - Its overall role and associated responsibilities and functions. - Its composition, including each member's qualifications and experience. - Any external advisers or invitees who regularly attend committee meetings. - Key areas of focus during the reporting period. - The number of meetings held during the reporting period and attendance at those meetings. - Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. 	Board Charter Audit & Risk Committee ToR Procurement Committee ToR Regulatory Committee ToR Human Resource Committee ToR BERA Annual report 2019/20

Corporate Governance Report

King IV™ application report *(Continued)*

PRINCIPLE	APPLICATION	INTERNAL POLICY DOCUMENTS/ PROCESS REFERENCE
PRINCIPLE 9: The governing body should ensure that the evaluation of its own performance and its committee, its chair and its individual members, support continued improvement in its performance and effectiveness	The governing body could not assess its performance as the inception Board was suspended and subsequently removed before it could undertake an assessment. The subsequent board that was appointed was only for a period of six months which was short of a year for an effective assessment to be undertaken.	King IVTM Board Charter
PRINCIPLE 10: The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibility	<p>The governing body has appointed the CEO who is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the governing body.</p> <p>The CEO is accountable, and reports to, the governing body. The CEO is not a member of the remuneration, audit or nomination committees, but attends by invitation any meeting, or part thereof, if needed to contribute pertinent insights and information.</p> <p>The CEO and the governing body have agreed that the CEO should not take up additional professional positions, including membership of other governing bodies outside the organisation.</p> <p>The governing body is yet to approve the succession plan for the Authority.</p> <p>The governing body hereby makes the following disclosures;</p> <ul style="list-style-type: none"> - The notice period stipulated in the CEO's employment contract and the contractual conditions related to termination is three months notice or pay in lieu of notice - The CEO has no other professional commitments outside the organization. - succession planning is not yet in place for the CEO position. <p>The governing body has in compliance with the Botswana Energy Regulatory Authority Act and as a matter of leading practice, Board Secretary, to provide professional corporate governance services to the governing body.</p>	Board Charter Botswana Energy Regulatory Authority Act King IVTM
PRINCIPLE 11: The governing body should govern risk in a way that supports the organization in setting and achieving strategic objectives	<p>The governing body treats risk as integral to the way it makes decisions and executes its duties.</p> <p>The governing body has evaluated and agreed on the nature and extent of the risks that the organisation should be willing to take in pursuit of its strategic objectives. It has approved in particular:</p> <ul style="list-style-type: none"> - the organisation's risk appetite, namely its propensity to take appropriate levels of risk; and - the limit of the potential loss that the organisation has the capacity to tolerate. <p>The governing body exercises ongoing oversight of risk management.</p>	Board Charter Risk management Policy ToR Audit and Risk Committee



Corporate Governance Report

King IV™ application report (Continued)

PRINCIPLE	APPLICATION	INTERNAL POLICY DOCUMENTS/ PROCESS REFERENCE
PRINCIPLE 12: The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives	The governing body has assumed responsibility for the governance of technology and information by setting the direction for how technology and information should be approached and addressed in the organisation.	Information Security Policy
PRINCIPLE 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen.	<p>The governing body has assumed responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed in the organisation.</p> <p>The governing body has delegated to management responsibility for implementation and execution of effective compliance management.</p>	<p>Board Charter</p> <p>Botswana Energy Regulatory Authority Act</p>
PRINCIPLE 14: The governing body should ensure that the organization remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term	The governing body is yet to approve the remuneration policy, this has been deferred to await the organizational restructuring.	
PRINCIPLE 15: The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for external decision making and of the organization's external reports	<p>The governing body has delegated to the audit committee, the responsibility for overseeing that and achieving the following objectives:</p> <ul style="list-style-type: none"> - Enabling an effective internal control environment. - Supporting the integrity of information used for internal decision-making by management, the governing body and its committees. - Supporting the integrity of external reports. 	Board Charter

Corporate Governance Report

King IV™ application report *(Continued)*

Statement of Application of King III and King IV Report on Corporate Governance for South Africa 2016

In its quest to improve corporate Governance, following the learnings from the challenges that had affected the Authority and its performance, BERA at its meeting of the 5th December 2019 Adopted the King III and King IV Report on Corporate Governance For South Africa 2016 for immediate application.

Disclosures Regarding Directors [Inaugural Board]

In September 2019, the Minister of Mineral Resources, Green Technology and Energy Security removed the following inaugural Board Members of BERA;

BOARD MEMBER	DATE OF APPOINTMENT	DATE REMOVED	REASON REMOVED	PROFESSION	ACADEMIC QUALIFICATION
Mr. Bernard Ndove	1st May 2017	24th June 2019	Resigned	Entrepreneur	<ul style="list-style-type: none"> Master's in Business Administration Master of Commerce Programme and Project Management Post Graduate Diploma in Project Management Diploma in Project Management Diploma in Information Systems
Mr. Omphile Madimabe	1st May 2017	24th June 2019	Resigned	Chartered Accountant	<ul style="list-style-type: none"> Executive Development Program (EDP) with University of Stellenbosch Board Leadership Program with University of Pretoria
Mr. Sydney M. Mogapi	3rd August 2017	5th September 2019	Misconduct	Economist	<ul style="list-style-type: none"> Masters of Commerce (Economics) from University of Cape Town Bachelor of Arts in Social Science majoring in Economics from the University of Botswana
Ms. Kelebogile Moremi	13th July 2017	5th September 2019	Misconduct	Attorney	<ul style="list-style-type: none"> Bachelors of Laws Degree from University of Botswana Masters Degree in Advanced Legislative Studies from IALS, University of London



Corporate Governance Report

King IV™ application report *(Continued)*

Disclosures Regarding Directors [Inaugural Board] *(continues)*

BOARD MEMBER	DATE OF APPOINTMENT	DATE REMOVED	REASON REMOVED	PROFESSION	ACADEMIC QUALIFICATION
Mr. Matsapa Motswetla	13th July 2017	5th September 2019	Misconduct	Engineer	Bachelors of Engineering (Civil) From University of Botswana
Mr. Kenneth Kerekang	13th July 2017	5th September 2019	Misconduct	Petroleum Economist	<ul style="list-style-type: none"> Bachelors of Arts in Social Sciences majoring in Economics from University of Botswana Masters of Science in Energy Management from New York University of Technology
Mr. Raza Chitita	1st May 2017	5th September 2019	Misconduct	Quantity Surveyor	<ul style="list-style-type: none"> BSc (Hons)Quantity Surveying Professional Qualifications with RICS (MRICS), SACQPS (PrQS) and CIARB (MCIArb)
Ms. Kelebogile Moremi	3rd August 2017	5th September 2019	Misconduct	Lawyer	<ul style="list-style-type: none"> Bachelors of Arts in Social Science from University of Botswana Professional Qualifications like ACI Certificate in Dealing. Certificate in Proficiency (Long Term) and Corporate Governance

Disclosures Regarding Directors [second Board]

Following the removal and resignation by some of the Board Members of the inaugural Board of BERA, the Minister then proceeded to appoint a new Board for a period of six months from the 1st November 2019 to 31st April 2020. The Board had six members. Two of the six Board members were female with four being male. The Board had 3 non-executive members and three non-executive members, two of the non-executive were independent members. The Board did not have more independent members as per the principles of the King III and King IV Code.

Corporate Governance Report

King IV™ application report (Continued)

Disclosures Regarding Directors [second Board] (Continues)

NAME	Organization/ Company (Current Employment)	Current Job Title at Organization	Date of First Appointment	Date of Re- appointment (extension)	Date of Expiry	Academic Qualification
Ms. Boineelo Lobelo	Ministry of Mineral Resources, Green technology & Energy	Project Director - Environmental Advisor	1 November 2019	1 May 2020	1 May 2023	<ul style="list-style-type: none"> MBA in Business Managements (Safety & Health environment) BSc in Chemistry and Environmental
Ms. Sepati Grace Olweny	Department of Trade & Consumer Affairs	Director – Trade & Consumer Affairs	1 November 2019	1 May 2020	1 May 2023	<ul style="list-style-type: none"> BSc (Hons) – Consumer Science
Mr. Pelaelo C. Kgomo	Botswana Energy Regulatory Authority	Manager – Green Energy	1st November 2019	n/a	31st April 2020	<ul style="list-style-type: none"> MSc Electrical Power Engineering with Power Systems Economics (The University of Manchester/Institute of Science and Technology) BEng Electrical Engineering (The University of Sheffield) Post Graduate Certificate - finance for Non Finance Managers (Botswana Accountancy College) Post Graduate Certificate - Senior Management Development Programme (Stellenbosch University)
Mr. Batsumi Rankokwane	Botswana Energy Regulatory Authority	Commercial Manager – Petroleum	1st November 2019	n/a	31st April 2020	<ul style="list-style-type: none"> Msc Environmental Assessment and Management (University of East Anglia) BA Environmental Sciences (University of Botswana)
Mr. Thuso Cyril Matshameko	Department of Energy	Deputy Director	1st November 2019	n/a	31st April 2020	<ul style="list-style-type: none"> MSC Energy Systems and the Environment Bachelors of Engineering – (Electrical and Electronics)



Corporate Governance Report

king IV™ application report *(Continued)*

Board Assessment (Appraisal)

The Board at its shareholder's brief held on the 28th June 2020 advised the Minister of Mineral Resources, Green Technology and Energy Security that it could not assess its performance because it had been in office for a short period of time.

Board Training

The Board had its training on Corporate Governance on the 31 October 2019 at Gaborone. The Training was facilitated by Ambassador Mumba Kapumba of MSKAdvocates. The Board was scheduled to attend a conference in Corporate Governance provided by Advantage Training in Cape Town South Africa but due to the outbreak of COVID-19 this was postponed indefinitely.

Disclosures Regarding Directors [Current Board]

Pursuant to the term lapse of the second BERA Board, the Minister of Mineral Resources, Green Technology and Energy Security then appointed a third Board for BERA effecting on the 1st May 2020. The Board has a total of six members, while another member awaits to be appointed. The gender balance of the Board has three females and three males. Following the amendment of the Botswana Energy Regulatory Authority Act, the members are all Part Time members and has amended the provision for Full Time Board members. There are currently four independent members with two non-independent members;

COMPOSITION OF BOARD COMMITTEES

The second Board established and delegated some committees with responsibilities as below;

REGULATORY COMMITTEE

The Board after assessing the existing committees resolved to merge some of the sectoral committees (Electricity Committee, Petroleum and Gas Committee, Legal & Licensing Committee and Compliance & Monitoring Committee) into a Committee known as Regulatory committee. The reason for merging the said Committees was because of their overlapping mandate which at times conflicted and resulted in duplicity. Members of the Regulatory Committee from the 25 November 2019 to the 31st April 2020 were;

Member	Status	Date of Membership
Thuso Cyril Matshameko	Full Time Board Member (Chairperson of Committee)	18 November 2019
Batsumi Rankokwane	Full Time Member	18 November 2019
Pelaelo C. Kgomotso	Full Time Member	18 November 2019

Corporate Governance

Report *(Continued)*

The Terms of Reference of the Committees were;

- 1.1. to consider all license applications for regulated activities.
- 1.2. to consider applications for the transfer of licences.
- 1.3. to consider reviews to licences or authorizations where these have been requested by the relevant authorities in accordance with the relevant regulations.
- 1.4. to grant, approve, review, refuse, revoke, renew, transfer or vary any licence, registration, certificate, consent, permit, approval or authorisation, except where such function is within the terms of reference of another committee or sub-committee;

The committee met on the 25 November 2019, 4 February 2020, and 11 March 2020.

HUMAN RESOURCE COMMITTEE

The second Board of BERA maintained the Human Resource Committee, and its members from the 25 November 2019 to the 31 April 2020 were;

Member	Status	Date of Membership
Geoffrey S. Serebalo	Part Time Board Member (Chairperson of Committee)	18 November 2019
Seipati G. Olweny	Part Time Member	18 November 2019
Thuso Cyril Matshameko	Full Time Member	18 November 2019
Ms. Mmamotse Monageng	Co-opted Member	02 March 2020

In order to augment the expertise of the BERA Board and to strengthen the oversight over Management, the Board exercised its authority under section 22(1) of the BERA Act to co-opt specialized members to the Human Resource Committee. Ms. Mmamotse Monageng, an HR Specialist who is currently in the employment of Botswana Telecommunication Corporation as an HR specialist, was the co-opted member.

The committee met on the 25 November 2019, 16 & 24 March 2020, and 31 January 2020.



Corporate Governance

Report *(Continued)*

PROCUREMENT COMMITTEE

The second Board of BERA also did establish a procurement committee from the 25 November 2019 to the 31 April 2020 composed of the following members;

Member	Status	Date of Membership
Seipati G. Olweny	Part Time Board Member (Chairperson of Committee)	18 November 2020
Batsumi Rankokwane	Full Time Member	18 November 2020
Pelaelo C. Kgomotso	Full Time Member	18 November 2020

The Terms of Reference of the committee were;

- 1.1. call for, adjudicate and authorize acceptance or otherwise of tenders for the Authority's requirements of goods and services for values within their limits of authorisation in accordance with these Regulations having satisfied itself that adequate budgetary provision exists or that specific approval to the expenditure to be incurred has been given by the Board as appropriate;
- 1.2. Approve final selection and award contracts to successful bidders.
- 1.3. Authorise in special circumstances, waiver of Tender Procedures for values within their limits of authorisation;
- 1.4. Ensure that the general policy laid down by the Board from time to time on the procurement of works, supplies and services for the Authority is adhered to;
- 1.5. to standardise goods, equipment and services procured for the Authority in the interest of efficiency, economy, quality and reliability and ease of maintenance;
- 1.6. Promote the participation of citizen-owned companies, firms and organisations in tenders as guided by the government citizen economic empowerment policies.
- 1.7. Maintain compliance with the procurement frameworks, ethical standards, policies, plans and procedures, and with laws and regulations.

The Committee met twice and Ms Olweny could not attend one meeting only of the 10 March 2020.

Corporate Governance

Report *(Continued)*

FINANCE, AUDIT AND RISK COMMITTEE

The second Board of BERA also did establish an Audit & Risk Committee from the 25 November 2019 to the 31 April 2020 composed of the following members;

Member	Status	Date of Membership
Geoffrey S. Serebolo	Part Time Board Member (Chairperson of Committee)	18 November 2020
Seipati G. Olweny	Part Time Member	18 November 2020
Thuso Cyril Matshameko	Full Time Member	18 November 2020

FINANCE, AUDIT AND RISK COMMITTEE

The Terms of Reference of the committee were;

- 1.1. the implementation of an effective policy and plan for risk management that will enhance the Organisation's ability to achieve its strategic objectives;
- 1.2. the comprehensive, timely and relevant disclosure regarding risk;
- 1.3. The performance of the internal and external audit functions;
- 1.4. Management of responsibilities to ensure that there is in place an effective system of controls, designed to reasonably;
 - 1.4.1 safeguard the assets and income of BERA,
 - 1.4.2 monitor the operation of adequate systems.
 - 1.4.3 Maintain compliance with the governance frameworks, ethical standards, policies, plans and procedures, and with laws and regulations.

The Finance, Audit and Risk Committee met four (4) times and in all instances had a full complement of the members.

Allowances of the Board

The BERA Board in terms of the Revised Categorisation and sitting allowances for statutory/ non statutory Board/ Councils/ Committees effected on the 1st April 2017 is categorized under A, its members draw sitting allowances as follows;



Corporate Governance

Report *(Continued)*

a. Chairperson of the Board	P2250
b. Part Time Members	P1800

The Chairperson of the Board, Ms. Boineelo Lobelo being an employee of the Ministry executing the mandate of BERA could not draw an allowance for the entire membership of the Board.

The Full Time Board Members (Thuso C. Matshameko, Batsumi Rankokwane and Pelaelo C. Kgomotso) are employees of the Authority and were not being compensated for being in the Board.

The other members (Geoffrey S Serebolo and Seipati G. Olweny and the Co-opted Member, Mmamotse Monageng) were the ones drawing sitting allowance as per their responsibilities across their respective committees.







Strategic Report

OUR STRATEGIC AGENDA

Our overall strategic intent is to stimulate sector growth and competitiveness in a manner that will create a positive difference for all energy consumers, now and in the future and go a long way towards improving the welfare of Batswana and achieving the National Vision of prosperity for all. Our strategic aspirations as the Energy regulator are aligned with pronouncements of the Act, as it is a primary source of its mandate as well as the Ministry and Government Priorities.

The Authority's 2018/23 strategic plan is being implemented through annual business plans.

Our strategic themes and objectives

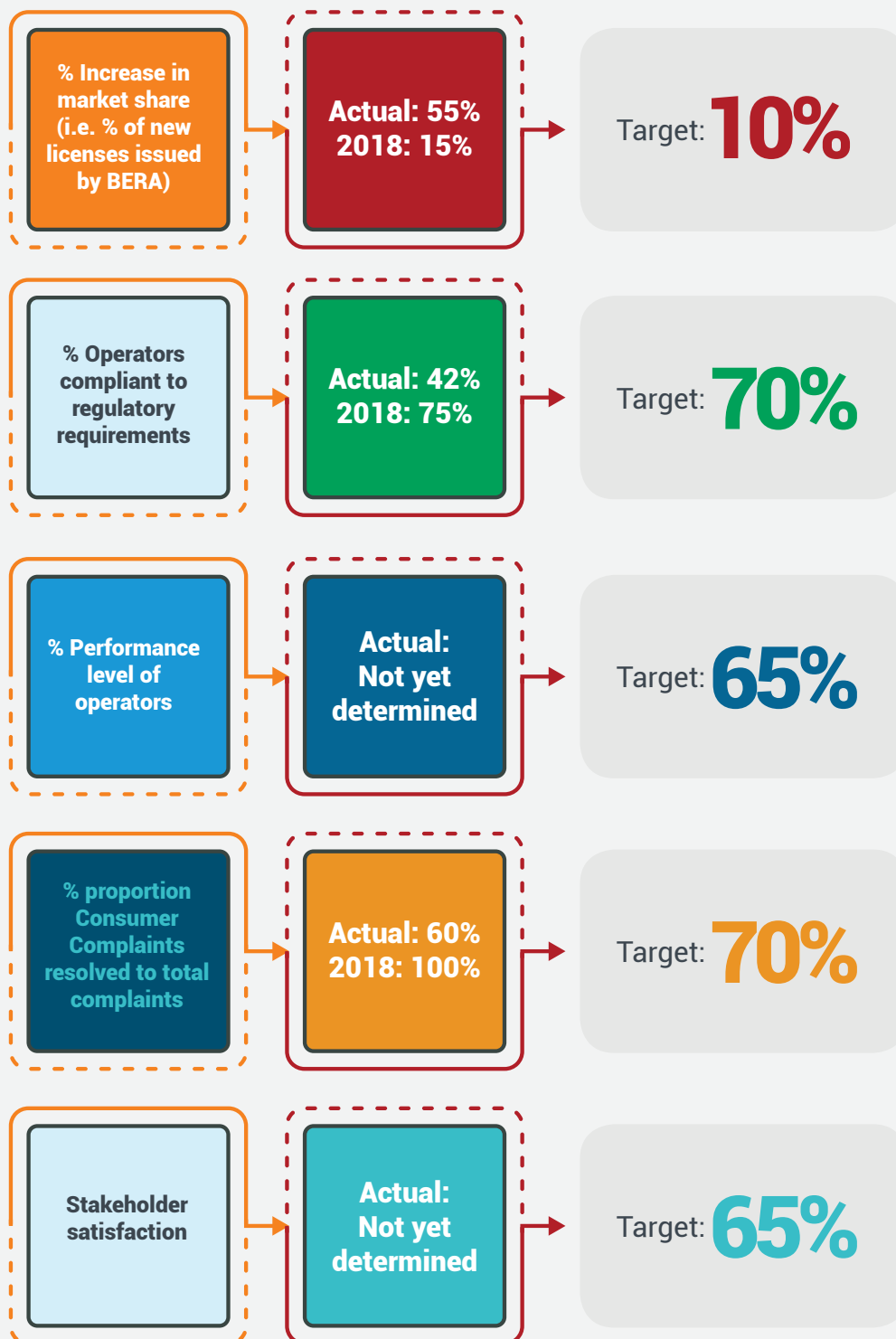
The Authority has recorded notable achievements since the inception of this strategic plan as a build-up on its performance reported during its inaugural year. The update for its strategic theme and the associated strategic objectives has been provided below.

Stakeholder Engagement and Satisfaction		
We achieve this by:	Our Key Achievements in 2019/20	2020/21 Priorities and Outlook
<ul style="list-style-type: none"> Improving competitiveness of the energy sector by enhancing its regulatory governance and substance. Effective monitoring of Financial performance of Licensees in order to determine their financial position and sustainability. This will facilitate the determination of cost reflective electricity tariffs and petroleum margins; this refers to total tariff revenue adequate enough to cover the total operation and maintenance costs as well as debt service obligations. Ensuring consumer protection Creating an excellent experience for the energy consumers, customers and licensees consequently satisfying the shareholder – Botswana Government. 	<ul style="list-style-type: none"> Reviewed the BPC electricity tariff for the financial year 2020/21, and a 22% tariff increase was awarded to BPC Petroleum wholesale and retail margins were adjusted upwards and Fuel pump prices were adjusted downwards Issued 24 licenses this financial year making a cumulative total of 68 licenses since BERA's inception. Of these 24 licenses, 3 were for electricity generation plants for; Tlou Energy (Pty) Ltd, Sese Power (Pty) Ltd and Energy and Natural resources Corporation Botswana (Pty) Ltd. 140 facilities were inspected for compliance with regulatory requirements against the targeted 110 facilities, and 59 facilities were found compliant. KPI framework for Electricity sector completed and initiated the KPI framework for Petroleum sector. 	<ul style="list-style-type: none"> Continue developing other regulatory tools or finalize the ongoing ones. Timely licensing of Independent Power Producers for Renewable Energy Projects among other sources of generation. Increased understanding on cost of electricity services through a study Enhanced Sector compliance and performance monitoring. Implement enabling policy environment and regulatory framework to promote access such as Solar rooftop solar guidelines, Net metering rules, and models of wheeling agreements Increase stakeholder engagement with Government to enable favourable legal framework.

Strategic Report

(Continued)

Key Performance Indicators or Industry Performance

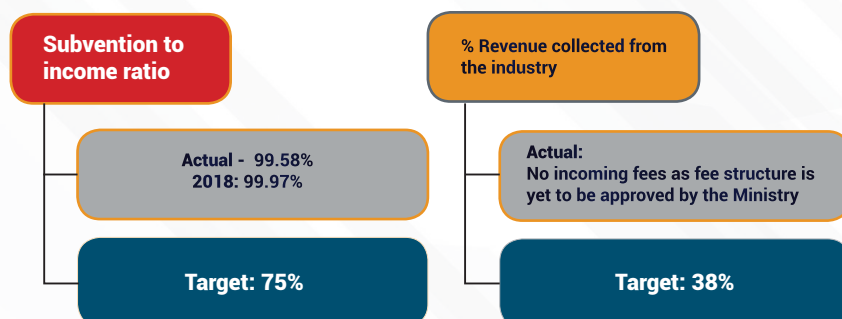


Strategic Report

(Continued)

Financial Sustainability		
We achieve this by:	Our Key Achievements in 2019/20	2020/21 Priorities and Outlook
<ul style="list-style-type: none"> Strengthening the Organizational Financial Position by finding ways of self-funding its activities without depending on the Government Subvention. One way of doing such is for the Authority to commence levying fees on the licensees. Furthermore, the Authority will also embrace a "profitability mindset" ensuring the necessary productivity whilst containing costs. It is of critical importance that BERA achieve financial and budgetary independence. This is further enhanced if the Authority has control of its input resources such as through stable and adequate source of funding. 	<ul style="list-style-type: none"> BERA's fee structure proposal was completed and is currently going approval structures. Started engaging with AfDB for technical support and funding to promote private investment in the electricity sector 	<ul style="list-style-type: none"> Establishing the Authority's stable and sustainable funding model to ensure its financial and budgetary independence. This will be achieved by getting the Fee structure approved

Key Performance Indicators or Industry Performance

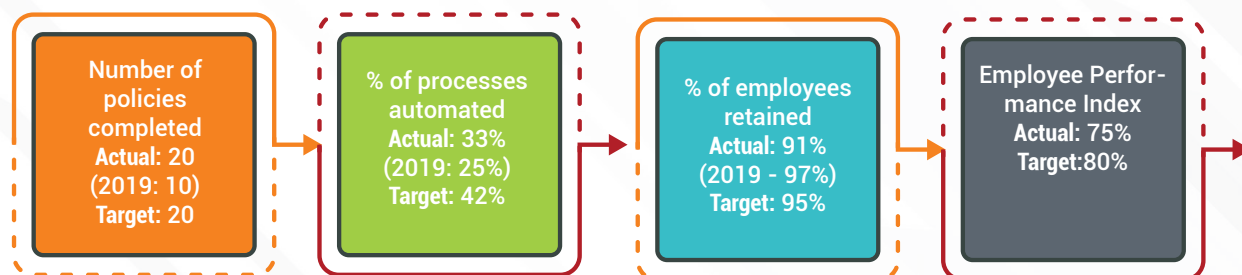


Operational Excellence		
We achieve this by:	Our Key Achievements in 2019/20	2020/21 Priorities and Outlook
<ul style="list-style-type: none"> Improving Authority's operational Efficacy by establishing a robust corporate governance framework including enterprise risk management. Furthermore, automation and continuous improvement/ re-engineering of processes will be done where possible. Improve Employee attraction and Retention by developing and implementing Employee Value Proposition Enhance Employee Performance by inculcating a high-performance culture and ensuring that right leadership traits are enhanced and nurtured by the Authority. Furthermore, adherence to the Performance management and rewards policies will be promoted. Other approaches will be adopted such as talent management strategy, succession planning as well as targeted training and development 	<ul style="list-style-type: none"> The Authority developed 10 policies to govern and guide internal operations. 12 key processes have been identified for this strategic period. During the period under review, three (3) were automated. A recruitment drive which commenced in 2017/18 continued and resulted in thirty employees assuming duty at the beginning of 2018/19 financial year. 	<ul style="list-style-type: none"> Finalise development of the remaining critical Policies Reengineering and Automation of key processes especially those that are customer facing.

Strategic Report

(Continued)

Key Performance Indicators or Industry Performance



BUSINESS AND OPERATIONAL REVIEW



Business And Operational Review

ELECTRICITY DEPARTMENT

Setting and Review of Electricity Tariffs

The Authority uses the Rate of Return methodology to assess tariff applications from the power utility, (i.e. Botswana Power Corporation). During this financial year the Authority reviewed a tariff application seeking an upward adjustment for the year 2020/21. The assessment was done and the Authority determined that an increase was needed. The current power supply situation is that of an inadequate local generation due to the low availability of the 600MW Morupule B power station. This leads to a substantial amount of power being imported from the region. The imported power comes at a high cost and hence the need to adjust tariffs upwards. A decision of increasing tariffs by 22% was reached due to the prevailing high import electricity costs.

The Authority also produced an Annual Tariffs Review Plan to facilitate timely submission of any tariff application by the utility, set out the timing for the tariff hearings and align with the annual government budgeting process. In order to assist in working out the disaggregated costs of electricity supply in the country, the authority has developed the Terms of Reference for a Cost of Service of Electricity to assist it in determining among others, costs associated with production, transmission and distribution on supply of electricity. Due to financial constraints the Authority is still sourcing for funding for this project.

Electricity Licensing and Project Development

The Authority received license applications for large scale power production during the course of the year. Three (3) applications were successfully processed and issued with licenses. The details of these licenses are as follows:

Name of Applicant	Operation Capacity (MW)	Market	Power Purchase Agreement (between Applicant and BPC)	Resource Technology
Tlou Energy	2	Botswana	Assessed and Approved by the Authority	Coal bed methane
Sese Power	220	External	Not applicable	Coal
ENRC	600	External	Not applicable	Coal

Tlou Energy came under the Government programme of power procurement from Coal Bed Methane (CBM). The license granted for 2 MW assists Tlou Energy to further explore the CBM resource potential while at the same time utilising the CBM from the current wells to generate electricity rather than flaring it. The Authority assessed and approved the power purchase agreement (PPA) with modifications. Sese Power and ENRC are two prospective producers utilising the coal as their resource. They are both geared for the export markets in the region.

During the financial year, the Authority worked under the leadership of the parent Ministry to develop the Integrated

Resource Plan for Electricity (IRP) 2020-2040. It is expected that in the coming financial year the Government will approve this plan. This will open more opportunities for power generation activity to cater for the identified needed capacity for both local consumption and export.

On the smaller scale electricity production, the Authority received applications from one type of renewable energy i.e. Solar Photo Voltaic (PV). All of these were from commercial and industrial customers. Their sizes ranged from 100 to 300 kW.

Business And Operational Review *(Continued)*

Year	Number of Licenses Issued	Total Capacity Licensed (MW)	Total Capacity in Operation (MW)	Resource Technology	Cumulative Capacity in Operation
2018/19	2	2.783	2.2	2.783	2.2
2019/20	2	0.4088	0.2	3.1918	2.4

During the financial year the Authority has been working under the leadership of the parent Ministry to develop the Roof Top Solar Programme which is aimed at encouraging power generation using renewables, albeit on the small-scale range. It should be noted that the IRP will be the vehicle for increase of generation capacity at a large scale using all feasible resource technologies including renewables. Standby generators above 100kW were also issued licenses.

Supervision and Compliance Monitoring

The Authority spent the year developing tools to assist it in carrying out this function. In this regard it started work on the development of the Terms of Reference for Botswana National Grid Codes. This is critical to be in place as the country moves towards the establishment of Independent Power Producers (IPP's) and more trading with the region. Funding for the Botswana National Grid Codes is currently being pursued from any possible sources of finance. The Authority also developed the Key Performance Indicators (KPI's) framework to be used to assess the operational efficacy of the power utility. The

conclusion and the operationalisation of the KPIs is expected in the following financial year. Work on an Electricity Inspection and Audit Manual was started and will be concluded in the following year. This manual will guide both the Authority and the electricity licensees, especially BPC when it comes to carrying out compliance inspections and audits.

INSPECTIONS, SUPERVISION AND ENVIRONMENTAL COMPLIANCE

The Inspections, Supervision and Environmental Compliance department is charged with monitoring and enforcing compliance to all regulatory requirements. These include among others; adherence to technical standards, legal requirements, fuel quality specifications and general performance of the licensees. In this regard the department conducts inspections and audits for various purposes such as licensing, consumer complaints investigation and general compliance monitoring. The Authority also supervises project development authorised in line with section 41 of the Act. To this end the department conducts inspections of authorised facilities for various stages of construction.

42%
compliance
of retail
facilities
against 70%
target

140
facilities
inspected
against
110 planned

90%
fuel
quality
compliance

Business And Operational Review *(Continued)*

Compliance level of Operators

One hundred and forty (140) petroleum retail facilities were inspected against the planned one hundred and ten (110). However, the compliance level of these facilities was found to be at 42% against a target of 70%. The breakdown of the areas that were assessed that led to this result are as follows;

- **Capacity building 52% fail rate**
- **Environmental 50% fail rate**
- **Quality of service 11.5% fail rate**
- **Safe Operation 3.8% fail rate.**

Fuel Quality

Fifty-five (55) samples out of seventy (70) planned were collected from 18 filling stations for testing. Of these 90% were complaint to the set specifications whilst 10% failed due to reasons such as cross mixing of products, flash point outside the specified limits and water content above the set limit.

Surveillance Activities

Various operations to curb illegal activities were conducted in collaboration with other law enforcement agencies. These led to closure of two (2) retail facilities in the North East District. Illegal activities included among others; trading without a

licence, filling unprescribed containers with fuel and smuggling of fuel. To this end at least three (3) persons were charged for various offences during these operations.

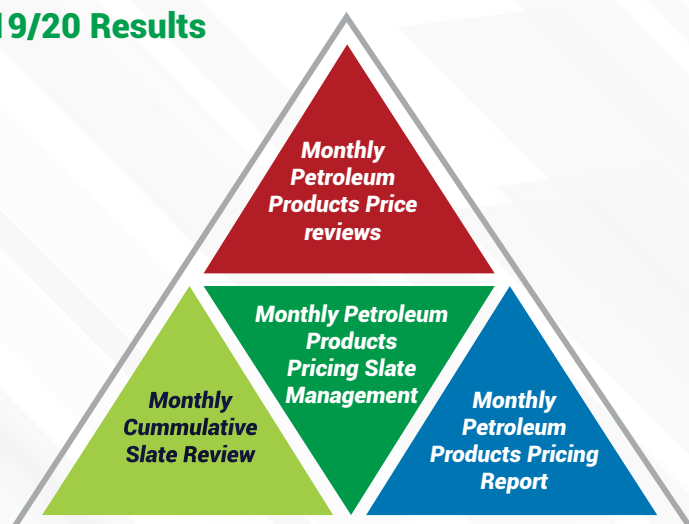
Addressing the challenges

The Authority has planned to implement key performance indicators for monitoring performance of licensees and star rating program in the next financial year. These projects are expected to encourage voluntary compliance and reduce non-compliances. The Authority will also improve the fuel quality testing through purchasing a new mobile laboratory and refurbishing the existing one in order to enhance its testing capacity.

PETROLEUM AND GAS

The Petroleum and Gas department is responsible for the technical and economic regulation of Petroleum products and gas. In this regard the department establishes technical standards and codes of practice as well as pricing methodologies and reviews prices from time to time. The department plays a critical role in the licensing process by assessing licence applications to ensure economic viability and technical capacity of the application.

2019/20 Results



Business And Operational Review *(Continued)*

The department has continued to attain a 100% compliance level for Monthly Petroleum Products reviews. These entail production of a monthly petroleum products pricing slate, review of the cumulative slate and production of a monthly petroleum products pricing report. These reviews inform the petroleum products price adjustments from time to time.

Liquefied Petroleum Gas (LPG)

The Authority has initiated an LPG market study which is aimed at assisting in restructuring the LPG market as well as providing appropriate LPG pricing models. The study which will be completed in the next financial year is one of the critical projects that the department is undertaking to ensure fair treatment of the consumer and financial sustainability of licensees.

Natural Gas

Currently there is no activity in the downstream stage of natural gas. However, the Authority is closely monitoring the upstream activities and preparing the regulatory environment for the advent of natural gas. As part of its preparations, the Authority is actively participating in the development of the Regional Gas Master Plan (RGMP) which is driven at SADC level. This plan is not only intended at encouraging the growth and use of natural gas in the region but also ensuring harmonising the regulatory instruments within the region. At implementation, the plan will ensure that there is adequate infrastructure for the use of natural gas.

Biofuels

The Authority recognises the need to encourage use of green technology and renewable energy in order to ensure protection of the environment. In this regard the Authority benchmarked with Brazil in order to understand how production and use of biofuels can be encouraged, promoted or even incentivised. To this end the Authority produced a position paper on regulation of biofuels which proposes to introduce a much more friendly regulation e.g. without requiring authorisation for construction. The Authority has therefore taken a key role in a project that is funded by UNDP which is aimed at developing Biofuel Guidelines for Botswana.

LEGAL AND LICENSING DEPARTMENT

Strengthening Regulatory Framework

During the period under review, the Ministry reviewed the Botswana Energy Regulatory Authority (BERA) Act. The review of BERA Act is intended to enhance operational excellence and improved governance of the Authority. Parliament approved the amendments to the BERA Act in March 2020. The Petroleum Products Regulations, Complaints Settlement Procedure & LPG Regulations which will enhance the regulation of the energy sector, are at advanced stages of drafting at the Attorney General Chambers. The legal department also developed and reviewed other regulatory tools, which are at various stages of implementation. The table below provides an overview of current and envisaged legal instruments by which the Energy sector is regulated.

Name of Instrument	Nature	Purpose	Status
Legislation and Draft Bills			
Botswana Energy Regulatory Authority Act, Cap 74:11	Legislation	To provide for the establishment of Botswana Energy Regulatory Authority, its mandate, the regulation of the energy sector, and for matters incidental thereto.	In operation
Botswana Power Corporation Act, Cap 74:01		To provide for the establishment of a corporation to be known as the Botswana Power Corporation for the generation and supply of electric power and to provide for matters incidental thereto and connected therewith.	In operation

Business And Operational Review *(Continued)*

Name of Instrument	Nature	Purpose	Status
Legislation and Draft Bills			
Electricity Supply Act, Cap 73:01	Legislation	To make provision for the licensing and control of undertakings for generation and supply of electricity and for matters connected therewith and incidental thereto	In operation
Petroleum Bill	Bill	To provide for the manufacturing, supply, storage, distribution retail and use of the petroleum products, and related matters	Under development
Regulations			
Electricity Supply (Licensing) Regulations, S.I. 116, 1993	Regulations	These regulations shall apply to all undertakings for the generation or supply of electrical energy, other than such undertakings as are not required to be licensed in accordance with the provisions of section 3 (2) of the Electricity Supply Act.	In operation
Electricity (Supply) Regulations, S.I. 52, 1988	Regulations	These regulations shall apply to all undertakers and to all works of and all supplies of energy given by such undertakers whether brought into use or commenced before or after the date of publication of these Regulations.	In operation
Factories (Electricity) Regulations, S.I. 44, 1974	Regulations	These regulations shall extend and apply to the generation, transformation, conversion, switching, controlling, regulating, distribution and use of electrical energy in any factory and in any premises, place, process, operation or work to which the provisions of Part VII of the Electricity Supply Act, with respect to regulations for safety, health and welfare are applied by the Act, or by any order made thereunder.	In operation
Petroleum Products Regulations	Regulations	These regulations shall regulate the activities related to petroleum products manufacturing, petroleum wholesale business, petroleum retail operations business, petroleum consumer installation operations and related matters in Botswana.	Awaiting finalisation by AGC
Liquified Petroleum Gas (LPG) Regulations	Regulations	These regulations shall regulate the activities related to LPG business; wholesale, retail, storage, transportation and consumer installation.	
BERA Complaints Settlement Procedure Regulations	Regulations	These regulations shall govern the procedure related to the settlement of complaints received by the Authority in relation to the regulated sectors and for other related matters.	



Business And Operational Review *(Continued)*

Name of Instrument	Nature	Purpose	Status
Policies			
Energy Policy	Policy	To guide the management and development of Botswana's energy sector, especially the penetration of new and renewable energy sources into the country's energy mix in order to attain energy self-sufficiency and increased security of supply.	Approved by Cabinet, awaits Parliament approval
Renewable Energy Strategy	Strategy	To have a plan or roadmap (2018 – 2030) to guide a structured development of both on and off grid renewable sources of energy in Botswana	In operation
National Energy Efficiency Strategy for Botswana	Strategy	To have a plan or roadmap (2017 – 2032) to guide a structured implementation of energy efficiency initiatives in Botswana	In operation
Sustainable Energy For all Action Agenda	Strategy	To present Botswana's strategy for meeting SDG7. It sets national targets and identifies the priority actions to be taken to achieve these targets by 2030.	In operation
Oil and Gas Strategy	Strategy	To provide policy direction on the development of the oil and gas subsectors.	In operation
Integrated Resource Plan for Electricity	Plan	To show the country's projected generation capacity to be procured annually from 2020 to 2040 and the generation technologies that will be used to satisfy this need; the goal being to ensure that the country has enough generation to meet future electricity needs.	Approved by Cabinet
BERA Rules, Codes, Standards, Procedure and Guidelines			
Botswana Power Corporation (Electricity) Bye -laws, S.I. 123, 1979	Bye - laws	To establish contractual relationship between BPC and its customers in terms of processes and procedures for connectors, meter readings, use of electricity and charges/tariffs for electricity	In operation
Rooftop Solar Guidelines	Guidelines	Guide the consumers, power utility, regulator and other parties of their roles and responsibilities in Rooftop Solar Programme	Approved by Minister
Rooftop Solar Rules	Rules	To enhance the Rooftop Solar Guidelines by detailing requirements, processes etc	Under development
Guidelines for Power Purchase Agreement (PPA)	Guidelines	To guide electricity producers and offtakers on the technical, commercial and legal issues to encompass/ include in a PPA	Under development

Business And

Operational Review *(Continued)*

Name of Instrument	Nature	Purpose	Status
BERA Rules, Codes, Standards, Procedure and Guidelines			
Guidelines for Power Purchase Agreement (PPA)	Guidelines	To guide electricity producers and off-takers on the technical, commercial and legal issues to encompass/ include in a PPA	Under development
Annual Tariff Review Plan	Process	To assist the concerned parties (BERA, BPC and Ministry) to carry out the activities they are responsible for at the agreed times during the annual tariff review	In Operation
Electricity Supply (Licensing) Regulations, S.I. 116, 1993	Regulations	These regulations shall apply to all undertakings for the generation or supply of electrical energy, other than such undertakings as are not required to be licensed in accordance with the provisions of section 3 (2) of the Electricity Supply Act.	In operation
Biofuel guidelines	Guidelines	To guide the development of biofuels industry in Botswana.	Under development
Licensing Guidelines	Guidelines	To bring clarity and consistency to the Authority's licensing processes in terms of Sections 34 to 45 of the BERA Act.	Under development
Enforcement guidelines	Guidelines	To bring clarity and consistency to the Authority's enforcement processes in terms of Section 46 of the Act.	Under development
Key Performance Indicators (KPIs) framework for electricity sector	Framework	To define a set of KPIs that can be used to monitor performance of power utility within the region to advance the provision of reliable electricity within Botswana and Southern Africa.	Under development
KPIs framework for petroleum sector	Framework	To define a set of KPIs that can be used to monitor performance of licensees in the petroleum retail outlet operation business.	Under development
BERA methodologies			
Tariff Determination procedures and information requirements	Internal BERA methodology	To guide the power utility in its application for a tariff review i.e. process and procedure to follow; components of the revenue requirement for the utility, allowed and disallowed expenditure etc;	In operation
Discount rate Methodology	Internal BERA methodology	To guide in the calculation of the weighted cost of capital (WACC) more especially for a power utility	In operation
Forecasting electricity demand for Botswana using Error Correction Model	Internal BERA methodology	To forecast the electricity demand	Completed



Business And Operational Review *(Continued)*

Name of Instrument	Nature	Purpose	Status
Other instruments planned for during the strategic period			
Gas Bill	Bill	To provide for the development and operation of upstream and downstream activities such exploration, production, supply, storage, distribution, retail and use of the gas products, and related matters	Not yet started
National Electricity Grid codes	Codes	To establish the requirements, procedures, practices and standards that govern the development, operation, maintenance and use of the transmission/distribution systems of Botswana with the purpose to provide fair, transparent and non-discriminatory access to the grid by all potential users and stakeholders. The development of the national electricity transmission system	Not yet started
Models of Wheeling agreement	Guidelines	To enable the power producers to transport their electricity through a third-party owned/operated network.	Not yet started
Guidelines of coal supply agreements for Electricity Generators	Guidelines	To guide electricity producers and coal suppliers on the technical, commercial and legal issues to encompass/include in their coal supply agreements	Not yet started
Licensing framework	Framework	To provide technical and financial conditions to obtain the license, rights and obligations of Licensee and environmental standards.	Not yet started

Licensing of regulated activities

The Authority is mandated to issue licences of regulated activities. To this end the Authority has issued ninety - nine (99) licences and rejected two (2) applications only since its inception as tabulated below.

No.	Activity Licensed	Number of Licensed issued
ELECTRICITY SUB-SECTOR		
1	Independent Power Producers	5
2	Solar Rooftop	5
3	Standby Generator	33
Sub Total – Electricity subsector		43



Business And Operational Review *(Continued)*

No.	Activity Licensed	Number of Licensed issued
PETROLEUM AND GAS SUB-SECTOR		
5	Construction and operation of petroleum retail	24
6	Service stations	23
7	Import of petroleum products	5
8	Export of petroleum products	3
9	Construction of petroleum storage facilities/depots	1
Sub Total – Petroleum and Gas subsector		56
TOTAL		99



Business And Operational Review *(Continued)*

BERA LICENSED ACTIVITIES SINCE INCEPTION UP TO MARCH 2020 ELECTRICITY SECTOR

INDEPENDENT POWER PRODUCERS	
1.	Tlou Energy Limited
2.	Energy & Natural Resource Corporation Botswana (Pty) Ltd
3.	Sese Power (Pty) Ltd
4.	Thobo Energy (Pty) Ltd
5.	Botswana Ash (Pty) Ltd (license renewal & conversion)

SOLAR ROOFTOP	
1.	Botho Park (Pty) Ltd
2.	Feune (Pty) Ltd
3.	Bank of Botswana
4.	Okavango Diamond Trading Company
5.	Diamond Trading Company Botswana

STANDBY GENERATORS	
1.	Botswana Fibre Networks (BOFINET)
2.	Bank of Botswana x 4
3.	Water Utilities Corporation x 3
4.	Capri Bakery (Pty) Ltd
5.	DBN Development Partnership
6.	Engen Partnership – Maun
7.	Engen Partnership – Palapye
8.	Cresta, Maun Resort Hotel
9.	Barloworld Motors (Pty) Ltd
10.	Debswana Diamond Company
11.	Wheki Investments Botswana (Pty) Ltd
12.	Smart Partnerships Enterprises (Pty) Ltd
13.	Town Lodge t/a City Lodge Hotels
14.	Motor Vehicle Accident Fund (MVA)
15.	SDDS (Pty) Ltd
16.	Botswana Public Officers Pension Fund (BPOPF)
17.	Khoemacau Copper Mine x 11
18.	Local Enterprise Authority (Kutla Incubation Centre)

Business And Operational Review *(Continued)*

PETROLEUM SECTOR

CONSTRUCTION AND OPERATION OF PETROLEUM RETAIL SERVICE STATIONS	
1.	Sorry For That (Pty) Ltd
2.	Petrohyper – Tonota
3.	Petrohyper – Francistown
4.	Avaseko Investment (Pty) Ltd T/A Engen Thamaga
5.	Thrust Bore (Pty) Ltd
6.	White Coral (Pty) Ltd
7.	Tswana Fuel (Pty) Ltd
8.	Raksglo (Pty) Ltd
9.	Platinum Icons (Pty) Ltd
10.	Petrohyper (Pty) Ltd
11.	Gold Cape (Pty) Ltd
12.	Hillman Consultants (Pty) Ltd
13.	Omega Service Station (Pty) Ltd
14.	Sefalana Cash and Carry Ltd
15.	Engen Tonota t/a Daatshubi Enterprises
16.	Londwana Investments (Pty) Ltd
17.	Bilateral Complex (Pty) Ltd
18.	Prime Move
19.	Mount Meru (Pty) Ltd – Lobatse
20.	Ducat Holdings (Pty) Ltd
21.	Shylilan Investments (Pty) Ltd
22.	Pholo Pitso
23.	Lab-Care Diagnostics (Pty) Ltd
24.	Bayward (Pty) Ltd

IMPORT OF PETROLEUM PRODUCTS	
1.	Kwa Nokeng Oil (Pty) Ltd
2.	Lereko Oil Deals (Pty) Ltd
3.	Hebevest (Pty) Ltd
4.	Blue Boot Haven (Pty) Ltd
5.	Rethroi (Pty) Ltd
6.	Lead Mocean (Pty) Ltd

Business And Operational Review *(Continued)*

PETROLEUM SECTOR

IMPORT OF PETROLEUM PRODUCTS	
7.	Mizpha Holdings (Pty) Ltd
8.	Petrohyper (Pty) Ltd
9.	DSL (Pty) Ltd
10.	Tough Tale Supplies (Pty) Ltd
11.	Afermax (Pty) Ltd
12.	Molopo Transport (Pty) Ltd
13.	Mercury Energy (Pty) Ltd
14.	Brengen (Pty) Ltd
15.	Geo Cam Energy (Pty) Ltd
16.	AIPB Botswana (Pty) Ltd
17.	Amartures Coming (Pty) Ltd
18.	Kesephile Investments (Pty) Ltd
19.	Otokom Technology (Pty) Ltd
20.	Sky Bridge Capital (Pty) Ltd
21.	Seth Resources (Pty) Ltd
22.	Sasakwe Resources (Pty) Ltd
23.	Lab-Care Diagnostics (Pty) Ltd

EXPORT OF PETROLEUM PRODUCTS	
1.	Red Potatoes (Pty) Ltd
2.	Lereko Oil Deals (Pty) Ltd
3.	Vivo Energy
4.	Brengen (Pty) Ltd
5.	Mercury Energy (Pty) Ltd

CONSTRUCTION AND OPERATION OF PETROLEUM RETAIL SERVICE STATIONS	
1.	Afritech (Pty) Ltd
2.	Sky Bridge Capital (Pty) Ltd
3.	N.C.I (Botswana) (Pty) Ltd

Business And Operational Review *(Continued)*

CONSTRUCTION AND OPERATION OF LIQUIFIED PETROLEUM GAS (LPG) FILLING PLANTS

1.	Logsys (Pty) Ltd
----	------------------

BERA REJECTED APPLICATIONS SINCE INCEPTION UP TO SEPTEMBER 2020

CONSTRUCTION AND OPERATION OF PETROLEUM RETAIL SERVICE STATIONS

1.	Botswana Oil (Exclusive Import Licence)
2.	Vivo Energy (Retail Service Station Training Sites)

Consumer Protection and Dispute Resolution

The Authority continue to be expeditious in resolving consumer complaints reported to us at the same time ensuring that interests between consumer, customer and licensee are adequately balanced. Three (3) out of the five consumer disputes reported in FY 2019/20 were resolved and these focused mainly on the following: property (i.e. business equipment and building) damaged by fire due to unstable/intermittent power supply by BPC; high power connection costs outside the standard cost programme - (National Electricity Standard Connection (NESC) Cost.

FINANCE DEPARTMENT

The Finance department consists of two (2) Units, being Finance and Information Technology (IT), following relocation of the Procurement Unit to the Office of the COO in February 2020. During the period under review, three (3) approved policy documents were developed and approved by the Board. On the Finance Unit side, we have the Financial Regulations, which is effectively a Finance Procedures and Policy Manual. On the IT Unit side, we have two (2) policies being; Information Security Policy; and IT Change Management Policy.

The Authority has embarked on a project to enhance the IT infrastructure, including security, storage, backups and disaster recovery through an advanced and integrated solutions. The project kick-off meeting was held on 16th April

2020. Procurement of supplies by the contractor is on-going, albeit delays experienced due to Covid-19. The ICT strategy document has been finalised. It awaits consultation process for adoption and approval by the Board.

HUMAN RESOURCES AND ADMINISTRATION

Development of Policies and Procedures

During the third year of operation of BERA, the Department continued to develop Human Resource and Administration Policies and procedures. These are geared towards an establishment of a legislative framework through which the Authority uses to manage its human resource. The policies and procedures which were developed and approved includes; Amendment of the Disciplinary Policy, Amendment of the Code of Conduct, Safety, Health and Environment Policy, Employee Performance Management Policy.

Employee attraction and retention

In an effort to ensure adequate staffing levels for the effective delivery of the BERA mandate, the Authority has hired five managers so as to pursue functions which are critical to the organisation such Information technology, Strategy, Internal audit, tariff pricing and financial management. The Authority retention rate reduced to from 97% to 91% as a result of involuntary exit of four employees.

Business And Operational Review *(Continued)*

Training

For the purpose improving organisational effectiveness through capacity building of employees and mapping processes, the following training interventions were carried out for employees: Customer Care, Public Utility Regulation, lean Six sigma, Energy Pricing and other core business related programmes. These courses were prioritised since they provided a foundation for the Authority to formulate critical and necessary tools in executing BERA mandate. Benchmarking and attachment of BERA employees were done to other regulatory Authorities such as Namibia, Kenya etc.

Review of the Organisational structure

With the established challenges in the organizational structure and operations of the authority, a decision was taken to review of the organisational structure. The project includes review of the relevant job positions and roles. The overall goal is to ensure that the Authority delivers its mandate more effectively and efficiently.

Future engagements

The Human Resources and Administration Department will continue to provide valued services and programs to help employees succeed at every stage of employment. As such, the Human Resources department will add more leadership development, team building and employee engagement programs as a way of enhancing the quality and caliber of employees in the Authority in the next financial year.

CORPORATE COMMUNICATION

A communication strategy is currently being developed and it is intended to provide a structure that will allow stakeholder's needs and interests to be consistently, transparently and meaningfully considered in our activities. Various stakeholder management activities were undertaken and implementation level is 90% as of March 2020. The Authority also conducted four (4) Corporate Social Responsibility activities of which three (3) of them were done in conjunction with ministry.

STRATEGY AND RISK

The strategy and risk functions were established in July 2019 upon commencement of duty by the Strategy Manager. The Enterprise Performance Management (EPM) policy was developed during this financial year. This policy outlines the Authority 's performance management principles to ensure effective enterprise performance management, which will enable the Authority to successfully execute its strategic agenda and achieve its goals amidst an evolving and challenging external environment locally, regional and globally. During this year's strategy review session, which was held in March 2020, the corporate scorecard was amended. The review took into consideration the following: Ministry's input, RERA peer review recommendations, benchmarking information, past year's performance and resources. The corporate performance level for the period under review is at 75% as per Out of the eight (8) active objectives, six (6) key performance measures scored satisfactory performance or above whilst two (2) are below standard and the four (4) will be measured in FY 2020/21. The Authority also established an Enterprise Risk Management policy and Risk appetite statement, during this reporting period. Further to this an enterprise risk management plan was developed and the implementation level of this plan is 80% against the targeted 90% as of March 2020, whereby four (4) out of the five (5) planned activities were completed.

INTERNAL AUDIT UNIT

The Internal Auditing function was established in May 2019 upon commencement of duty by the Internal Audit Manager. The unit currently has a compliment of two (2) members, The Internal Audit Manager and the Personal Assistant and as part of the broader BERA setup, is expected to undergo and benefit from the envisioned Authority's restructuring. The Internal Audit function had completed two audits and one was in progress as at 31st March 2019. The incomplete audit has been carried over into financial year 2020-21 owing to the sudden outbreak of the Corona pandemic. There were 30 audit recommendations from both internal and external audit. Management was able to close 5 (17%) of the recommendations, 18 (60%) are being addressed through various interventions and the remaining 7 (23%) were rejected.

Business And Operational Review *(Continued)*

DELIVERING VALUE BY EMBEDDING THE RISK MANAGEMENT CULTURE

We are committed to continually improving our risk management framework, capabilities, and culture across the Authority to ensure maximising of shareholder's and enhance BERA's competitive advantage and long-term survival and growth

Risk Management Policy and Framework

Botswana Energy Regulatory Authority is a risk conscious organisation, committed to effectively managing risks at all levels across the organisation to enhance its ability for value creation and achieving its strategic agenda. BERA has an Enterprise Risk Management (ERM) policy which has been approved by the Board. This policy sets the framework for a comprehensive risk management process and approach, ensuring a robust assessment of the risks facing the Authority, including emerging risks. The framework governs the management of risk across the Authority and is consistent with the ISO 31000 Risk Standards; and 2017 COSO ERM framework, which integrates the relationship between risks, strategy and performance.

Risk Governance

The Authority's Board has an overall responsibility for ensuring that BERA has an appropriate risk management framework, including the determination of the nature and extent of the risk is willing to take to achieve its strategic objectives. It has oversight of the Authority 's operations to ensure that internal controls are in place and operate effectively. Management is responsible for the execution of the agreed plans. All the Authority's employees are responsible for managing risk as part of their daily responsibilities in an accordance to the established ERM framework. The Authority operates a 'three (3) lines of Defence' governance model whereby risk is owned and managed by operational management (first line), supported and facilitated by a second line Risk Management function and independently assured by a third line Internal Audit function.

Risk Appetite

The Authority's risk appetite as set by the Board, drives the focus of risk management activities and risk tolerance limits in each identified risk category. The Authority has summarised its risks into four (4) broad categories: Strategic risk, Operational risk, Financial and Economic risk, Regulatory and Compliance risk. The risk appetite statements for each risk category and risk tolerances are listed below.

- **Strategic Risk:** The Authority has low appetite for activities that do not align with its strategic objectives, but moderate appetite for responsiveness to changes in the external operating environment such as support for responsible innovation that allows BERA to remain competitive. BERA will also maintain stakeholder confidence by not accepting any negative impact on its reputation. The Authority will only tolerate minimum exposure, for example; minor negative media coverage, no impact on employees and no political impacts.
- **Regulatory and Compliance Risk:** BERA has no appetite for safety, health and environmental exposure that could result in injury or loss of life to public, consumers and workforce. Thus, the Authority will not compromise energy regulation outcomes in pursuit of financial outcomes. Safety and Sustainable development drive all major decisions in BERA, as such all safety, health and environmental key performance indicators must be met and improved on yearly basis. BERA has no risk appetite for non-compliance with applicable laws and regulations but has low appetite for impingement on its statutory independence and interpretation of human capital guidance and contractual obligations. Where we have discretion, the Authority will accept slightly more risk to remain nimble in responding to the changing landscape.
- **Operational Risk:** In delivering operational performance targets, BERA will only tolerate low to moderate gross exposure. The Authority has no appetite for lapses in physical security; low appetite for weaknesses in employee conduct, business continuity planning, governance processes such as vendor oversight, and internal controls, and high appetite for innovation and creativity in our pursuit of more efficient operations. Employees are the most valuable asset critical to achieving BERA's strategic agenda and mandate. The Authority is committed to



Business And Operational Review *(Continued)*

attracting, developing and retaining highly motivated, diverse, talented, and empowered work force. As such BERA has no appetite for risks that jeopardize compliance with Labour laws, workplace safety laws and regulations, ethical standards, or other matters that could compromise our integrity. In addition to this, BERA will accept more risk in executing Strategic human capital management activities or decisions by considering internal and external factors such as best practices, innovation, changes in economic or market conditions, and industry trends. Such activities include; manpower planning, training, retention, compensation, career and leadership development, succession planning, and performance management.

- Financial and Economic Risk: BERA will keep its financial risk, low in recognition of the operational risks within the business by doing the following:

- not pursuing additional income generating or cost saving initiatives unless returns are probable.
- Delivering stable earnings growth
- Maintaining capital adequacy and ensuring stable and efficient access to funding and liquidity.
- Meeting its payment obligations under extreme but plausible liquidity stress scenarios.
- Accept low appetite for weaknesses in financial stewardship, internal controls, reporting, and resource utilization and expenditures that impair completion of mission-critical functions.
- Accept moderate appetite for short-term financial risk that occurs in response to external factors.

METRIC	INDICATORS
Quantitative indicators	
Operational Risk	<ul style="list-style-type: none"> Operational losses should not exceed 0.4% of the breakeven point. Assets impairment of less than 10%
Financial Risk	<ul style="list-style-type: none"> Adherence level to Annual Financial Budget should not be below 95% % proportion of Income generated by the Authority to Government Subvention should not fall below 2%.
Unable to manage growth effectively	Monitor indicators for early warning signs of non-sustainability of growth such as process delays, system constraints, system downtime, staff turnover on key personnel, etc. This to be done through Key Risk Indicators.
Business or activities	Limit our business activities to energy regulation whilst minimising the safety, security and environmental impacts in our operation.
Safety, Health and Environmental Incidents	The lowest levels of error acceptable that will not lead to safety, health or environmental issues.
Zero Tolerance risks	
Compliance of operators or licensees with regulatory requirements	<ul style="list-style-type: none"> Zero tolerances for Non compliance to regulatory requirements by operators or licensees
Regulatory, Safety, Health and Environmental (SHE) compliance	<ul style="list-style-type: none"> Zero tolerance on Safety, Health and Environmental exposure that could result in catastrophic injury or loss of life to public, consumers and workforce and environment No Significance Safety or Environmental Concerns No regulatory breaches, fines or sanctions No Statutory breaches
Business Transactions	<ul style="list-style-type: none"> No breach of delegated authorities No fraud No corruption



Business And Operational Review *(Continued)*

Risk Management process

The Authority has set its risk management process, which articulates how risk is identified, measured, controlled or treated and reported across different levels in the organisation. The Authority identifies and assesses risks that affect the ability to achieve its strategic objectives, and prioritizes and responds to them according to their severity and considering its risk appetite. The authority's portfolio of risk exposures – its risk profile – is continually monitored. To ensure effectiveness of the process and reinforce the culture of accountability, risk management at BERA is an iterative, inclusive and interactive process. The risk management process also enables risks to be managed in a structured and consistent manner across the organisation.

Performance Analysis of the Top Corporate Risks

Corporate risk register is maintained and updated quarterly, and risk profile assessed to prioritise mitigation factors. Amongst those profiled, five (5) were rated as high risk, three (3) medium risks and two (2) low risks. During the period under review, there was no risk level reduction for all the top corporate risks that were identified and recorded in the Corporate risk register. This is due to slow implementation of mitigation measures and inadequate monitoring, which is expected to improve as the risk function is now resourced. None of the risk mitigation were achieved in this financial year, whilst 65% activities were ongoing. The compliance to approved risk appetite statements and risk tolerance levels was not gauged as the Risk appetite statement was only approved by the Board in April 2020. The development was completed January 2020 and was taken through approval structures starting with management in February 2020.

BERA's Risk Heat Map







	Almost Certain - High Probability of recurring within 6 months.	5					
	Likely - Will probably occur in the next 12 months.	4					
	Probable - Likely to occur in a 1 - 2 year timeframe.	3					
	Unlikely - Not likely to occur more than once in 3 years.	2					
	Rare - Not likely to occur within a 5 year timeframe. Only likely to occur in exceptional circumstances.	1					
			1	2	3	4	5
		Financial	less than or equals 0.01% of operation	above 0.01% of OB but less than 0.02% of OB	above 0.02% of OB but less than 0.04% of OB	above or equals 0.03% of OB but less than 0.045% of OB	above or equals to 0.045% of OB
	Low - Under control; managed by the department/unit	Regulatory	No regulatory enforcement	Isolated compliance issues. No impact to business as usual	Formal private regulatory warnings or Findings	Public condemnation (Major findings) by the regulator	Suspension of business by regulatory fine
	Medium - risk is likely to ruin public perception about BERA or attract the regulator's attention, result in a significant loss; escalated to BERA Operational risk Committee	Reputational	No National media coverage	Isolated adverse nation media coverage	Short term adverse media coverage	Sustained adverse national media coverage	Sustained adverse national and international media coverage

Business And Operational Review *(Continued)*

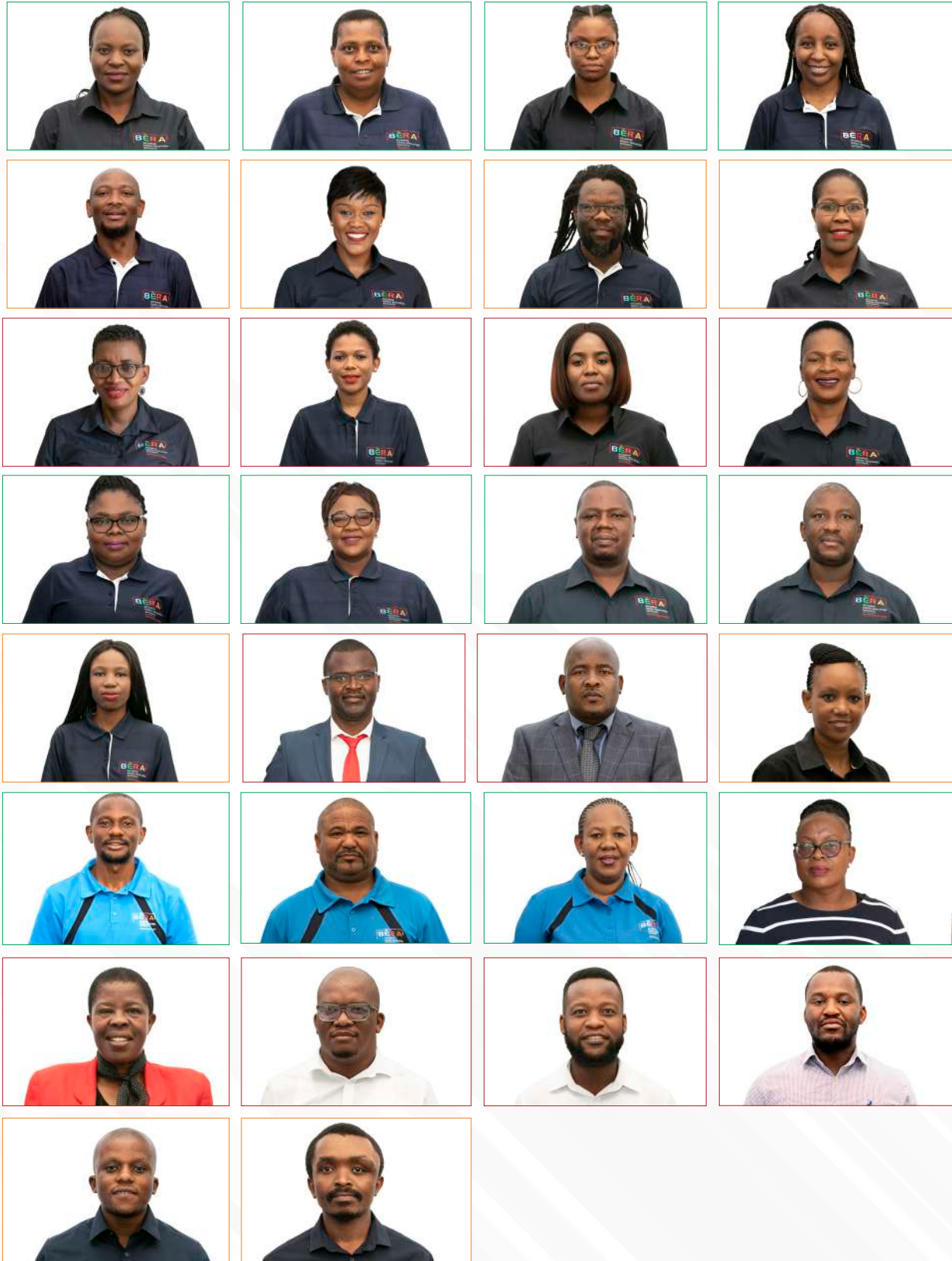
BERA's Risk Heat Map

High - the risk ruins public perception about BERA results in regulators interventions or regulatory fines, results in a significant loss or death; Escalated to ARC and the Board	Customer and Staff	Isolated customer complaints	Insignificant increase in customer complaints	Moderate increase in customer complaints, informal regulatory enquiry.	Significant increase in customer complaints, formal regulatory enquiry or investigation, criminal or civil investigation or proceedings against BERA's managers or junior staff	Very Significant increase in customer complaints, formal regulatory intervention and fines, material criminal or civil investigation or proceedings against BERA, the Executive Committee and the Board
	Health and Safety	Minimal Impact	Minor injury	Treatment by a medical practitioner required	Irreversible disability to one or more persons	Death and/ or severe irreversible disability of one or more persons
1. Impact of the event occurring						

Key - Risk Names	
No	Risk Name
1	Reputational risk (5,5)
2	Lack of Financial Independence and sustainability (5,5)
3	Failure to comply with Regulatory requirements by the regulated entities (5,4)
4	Failure to open market for competition in the electricity sector (4,5)
5	Failure to adequately attract competent human resource (3,4)
6	Failure to promote awareness on BERA mandate (4,5)
7	failure to effectively implement mandate (2,4)
8	Inadequate decision making independence on tariff regulation (2,4)
9	Stakeholder Dissatisfaction (3,3)
10	Lack of buy-in by staff (3,3)
11	Failure to operate envisaged energy infrastructure by the licensed operators within the expected timeliness (3,3)

No	Risk Name
	New risk
	Existing risk
	Remove risk
	6 months forward status
	Risk level increased
	Risk level increased
	Risk level remains broadly the same

BERA Staff





BERA Activities and CSR





ANNUAL FINANCIAL STATEMENTS

For the year ending
31 March 2020



Annual Financial Statements

For the year ending 31 March 2020

Authority Information

Botswana Energy Regulatory Authority (BERA) is a Government Parastatal formed to regulate the energy sector including Petroleum, Gas and Electricity. The address of the Authority is Plot 8842, Extension Town Centre, Lobatse, Botswana.

Botswana Energy Regulatory Authority was established under the Botswana Energy Regulatory Authority Act, 2016 to regulate energy in Botswana

Registered address:

Plot 8842
Extension Town Centre
Lobatse

Board of Director

Bernard Ndove (Chairman) (Resigned - 24/06/2019)
Omphile Madimabe (Resigned - 24/06/2019)
Raza Chitita (Removed - 05/09/2019)
Jonathan Moseki (Removed - 05/09/2019)
Matsapa Motswetla (Removed - 05/09/2019)
Kelebogile Moremi (Removed - 05/09/2019)
Sydney Mogapi (Removed - 05/09/2019)
Boineelo Lobelo (Chairperson) (Appointed - 01/11/2019)
Geoffrey Serebolo (Appointed - 01/11/2019)
Grace S. Olweny (Appointed - 01/11/2019)
Cyril T. Matshameko (Appointed - 01/11/2019)
Pelaelo C. Kgomo (Appointed - 01/11/2019)
Batsumi Rankokwane (Appointed - 01/11/2019)
Rose Nunu Seretse

Secretary:

Yamikani Patson

Postal address:

Private Bag 111, Lobatse
Botswana

Auditors:

PricewaterhouseCoopers

Bankers:

ABSA Bank Botswana
First Capital Bank Botswana

Statement of Responsibility by The Board Of Directors

For the year ending 31 March 2020

The Board of Directors of Botswana Energy Regulatory Authority ("Authority"), is responsible for the annual financial statements and all other information presented therewith (Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Funds and Statement of Cashflows). Their responsibility includes the maintenance of true and fair financial records and the preparation of the annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Energy Regulation Authority Act, 2016.

The Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of Authority's assets. The Board of Directors is also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the period under review.

The going concern basis has been adopted in preparing the annual financial statements. The Board of Directors have no reason to believe that the Authority will not be a going concern in the foreseeable future, based on the continuous support by the Government of Botswana through the Ministry of Mineral Resources, Green Technology and Energy Security.

Our external auditors conduct an examination of the annual financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The annual financial statements on pages 70 to 100 and supplementary information on Annexure 1 were authorised for issue on 25th May 2021 by the Board of Directors and are signed on its behalf by:



Director



Director



Independent Auditor's Report



Independent auditor's report

To the Minister of Mineral Resources, Green Technology and Energy Security

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Energy Regulatory Authority (the "Authority") as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Botswana Energy Regulatory Authority's financial statements set out on pages 70 - 100 comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirle
Partners: R Binedell, A S Edirisinghe, L Mahesan, I D Molebatsi, S K K Wijesena

Independent Auditor's Report (Continued)



Key audit matter

Accounting for government subventions and capital grants

The subvention from the Botswana Government ("Government") is the most significant portion of income received by the Authority on an annual basis. The amount is awarded to the Authority to defray operating costs.

Capital grants are received from the Government for the acquisition of property, plant and equipment. The Authority must spend such money on the assets budgeted and approved for purchase. The grants are recognised as capital grants in the statement of financial position in the period in which the underlying asset is bought and is subsequently recognised as other income in the statement of comprehensive income to match the depreciation of the related assets.

The subvention received from the Government is recognised as revenue in the statement of comprehensive income.

The accounting for subvention and capital grants received from the Government was considered to be a matter of most significance to our current year audit due the following:

- The accounting for the use of the subvention and capital grants received from the Government involved a degree of judgment by management. Depending on the nature of the expense incurred, management made a decision on whether the amount was spent on capital expenditure or operating expenditure which would determine the recognition of capital grants or revenue. The amount spent on capital expenditure was recognised as capital grants in the statement of financial position and the amount spent on income expenditure was recognised as revenue in the statement of comprehensive income in accordance with International Accounting Standard (IAS) 20 - *Accounting for Government Grants and Disclosure of Government Assistance*; and

How our audit addressed the key audit matter

We performed the following procedures:

- We agreed all of the subvention and capital grants received from the Government to deposits recorded in the Authority's bank accounts. We also agreed the total of the subvention and grants received to the amounts disclosed in the notes to the financial statements. No exceptions were noted.
- We obtained a confirmation from the Ministry of Mineral Resources, Green Technology and Energy Security confirming the subvention and capital grants amounts that were paid to the Authority. We agreed the confirmed amount to the amount recorded in the general ledger.
- We tested the acquisition of a sample of property, plant and equipment financed through the capital grants to underlying documentation, including supplier invoices. No exceptions were noted.
- We compared the total value of capital grants received in respect of the current year to the total value of property, plant and equipment acquired during the current year. The differences noted were adjusted for by management in the financial statements.
- On a sample basis, we tested the classification of expenses to assess whether these were accurately classified as operating expenses and corresponding revenue, by agreeing these to underlying documentation. No exceptions were noted.
- We recalculated the depreciation expense of all property, plant and equipment financed through the capital grants using the approved depreciation rates and compared our results to that of management. The differences noted were adjusted for by management in the financial statements.
- We compared the amortisation of capital grants to the depreciation as per the fixed



Independent Auditor's Report (Continued)



<ul style="list-style-type: none"> Subvention and capital grants received were considered to be material to the Authority's financial statements, both quantitatively and qualitatively. <p>The disclosures associated with subvention received and capital grants are set out in the following notes to the financial statements:</p> <ul style="list-style-type: none"> Accounting policy 2.11 – Government subvention and capital grants; Note 4 - Critical accounting estimates and judgments. Treatment of grants received; Note 5 - Grants and subventions; Note 6 - Other income; and Note 17 - Capital grants. 	<p>asset register, calculated on those assets that were acquired through funds received as part of the capital grants. The differences noted were adjusted for by management in the financial statements.</p>
--	---

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "*Botswana Energy Regulatory Authority Annual Financial Statements for the year ended 31 March 2020*". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent Auditor's Report (Continued)



In preparing the financial statements, the directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report (Continued)



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with Section 30 (3) of the Botswana Energy Regulatory Authority Act, 2016 ("the BERA Act") we confirm that:

- We have received all the information and explanation which, to the best of our knowledge and belief, were necessary for the performance of our duties as auditors;
- The accounts and related records of the Authority have been properly maintained;
- The Authority has complied with all financial provisions of the BERA Act with which it is the duty of the Authority to comply with; and
- The financial statements of the Authority were prepared by the Authority on basis that is consistent with that of the preceding year.

Pursuant to Section 31 (1) of the BERA Act, we report that:

The audited financial statements of the Authority were not submitted to the Minister within six months after the Authority's financial period end.

Individual Practicing Member: Butler Phirie
Registration Number: 19900312

Gaborone
04 June 2021

Statement of Comprehensive Income

For the year ending 31 March 2020

	Note	2020 P	2019 P
Grants and subventions	5	49,630,886	51,054,357
Other income	6	3,743,659	3,132,741
Operating expenses	7	(53,261,199)	(55,715,793)
Operating surplus / (deficit)		113,346	(1,528,695)
Finance income	9	195,694	98,295
Finance costs	13	(190,794)	-
Net finance income		4,900	98,295
Surplus / (deficit) for the year		118,246	(1,430,400)
Other comprehensive income		-	-
Total comprehensive surplus / (deficit) for the year		118,246	(1,430,400)



Statement of Financial Position

as at 31 March 2020

	Note	2020 P	2019 P
ASSETS			
Non-current assets			
Property, plant and equipment	12	14,180,396	15,926,412
Right-of-use-assets	13	4,289,108	-
Intangible assets	14	124,727	224,123
		<u>18,594,231</u>	<u>16,150,535</u>
Current assets			
Trade and other receivables	15	1,020,746	588,034
Cash and cash equivalents	16	13,128,867	9,460,300
		<u>14,149,613</u>	<u>10,048,334</u>
Total assets		<u>32,743,844</u>	<u>26,198,869</u>
FUNDS AND LIABILITIES			
Funds			
Accumulated deficit		(634,970)	(753,216)
		<u>(634,970)</u>	<u>(753,216)</u>
Non-current liabilities			
Capital grants	17	14,305,123	16,199,565
Lease liability	13	3,422,066	-
		<u>17,727,189</u>	<u>16,199,565</u>
Current liabilities			
Lease liability	13	1,132,896	-
Deferred revenue	18	5,478,210	-
Trade and other payables	19	9,040,519	10,752,520
		<u>15,651,625</u>	<u>10,752,520</u>
Total liabilities		<u>33,378,814</u>	<u>26,952,085</u>
Total funds and liabilities		<u>32,743,844</u>	<u>26,198,869</u>

Statement of Changes in Funds

For the year ending 31 March 2020

	Accumulated surplus P	Total funds P
For the year ending 31 March 2019		
Balance at 1 April 2018	677,184	677,184
Comprehensive income		
Deficit for the year	(1,430,400)	(1,430,400)
Balance at 31 March 2019	(753,216)	(753,216)
For the year ended 31 March 2020		
Balance at 1 April 2019	(753,216)	(753,216)
Comprehensive income		
Surplus for the year	118,246	118,246
Balance at 31 March 2020	(634,970)	(634,970)



Statement of Cash Flows

For the year ending 31 March 2020

	Note	2020 P	2019 P
Cash flows from operating activities			
Operating surplus / (deficit) for the year		113,346	(1,528,695)
Adjusted for:			
Non cash items:			
Amortisation of capital grants	17	(3,556,376)	(3,080,087)
Amortisation of intangible assets	14	99,396	124,398
Depreciation on property, plant and equipment	12	3,456,980	2,955,689
Depreciation on right-of-use asset	13	1,255,349	-
(Profit) / loss from disposal of fixed assets		(1,121)	4,297
Unamortised portion of disposed assets	17	(89,410)	-
Changes in working capital:			
(Increase) / decrease in trade and other receivables		(432,712)	469,622
(Decrease) / increase in trade and other payables		(1,712,001)	8,091,494
Increase in deferred income		5,478,210	-
Cash generated from operating activities		4,611,661	7,036,718
Interest paid	13	(190,794)	-
Net cash generated from operating activities		4,420,867	7,036,718
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(1,751,344)	(5,806,083)
Proceeds from property, plant and equipment		41,501	44,733
Interest received	9	195,694	98,295
Net cash used in from investing activities		(1,514,149)	(5,663,055)
Cash flows from financing activities			
Capital grant received during the year	17	1,751,344	5,806,083
Principal payment of lease payments	13	(989,495)	-
Net cash generated from financing activities		761,849	5,806,083
Net increase in cash and cash equivalents		3,668,567	7,179,746
Cash and cash equivalents at beginning of the period		9,460,300	2,280,554
Cash and cash equivalents at the end of the period	16	13,128,867	9,460,300

Notes to the Annual Financial Statements

For the year ending 31 March 2020

1 General information

Botswana Energy Regulatory Authority ("Authority") is a governmental organisation which was established under the Botswana Energy Regulatory Authority Act, 2016 to regulate energy in Botswana. The address of its registered office is Plot 8842, Extension Town Centre, Lobatse, Botswana.

The annual financial statements set out on pages 70 to 100 were approved by the Board of Directors on 25th May 2021.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements have been prepared under the historical cost convention.

The preparation of annual financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Board of Directors' best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Authority's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in Note 4.

2.1.1 Adoption of standards in the current financial year

(a) Application of IFRS 16, Leases

In the current year, the Authority has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(a) Application of IFRS 16, Leases (continued)

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases.

The impact of the adoption of IFRS 16 on the Authority's annual financial statements is described below.

The Authority has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Authority applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 April 2019. In preparation for the first-time application of IFRS 16, the Authority has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Authority.

Leases where the Authority is lessee

Leases previously classified as operating leases

IFRS 16 changes how the Authority accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

The Authority undertook the following at the date of initial application for leases which were previously recognised as operating leases:

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(a) Application of IFRS 16, Leases (continued)

Leases where the Authority is lessee (continued)

Leases previously classified as operating leases (continued)

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate at the date of initial application;
- recognised right-of-use assets measured at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss.

The Authority applied IAS 36 Impairment of assets to consider if these right-of-use assets are impaired as at the date of initial application.

The Authority applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17 Leases. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the Authority applied a single discount rate to that portfolio;
- leases which were expiring within 12 months from 1 April 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application;
- for leases which contained a non-lease component, a practical expedient of allowing entities not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease component as a single lease component was applied; and
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On adoption of IFRS 16, the Authority recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17: Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.81%. There were no leases previously classified as finance leases by the Authority as at 31 March 2019.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(a) Application of IFRS 16, Leases (continued)

Leases where the Authority is lessee (continued)

Leases previously classified as operating leases (continued)

Impact on financial statements (continued)

The total lease liability recognised on 1 April 2019 can be reconciled back to the operating lease commitments at 31 March 2019 as follows:

	2019 P
Operating lease commitments disclosed at 31 March 2019	6,045,739
Less: Unwinding of discount - IFRS 16	(501,282)
Restated operating lease commitments at 31 March 2019	5,544,457
Lease liability on 1 April 2019 per IFRS 16	5,544,457
	2019 P
Current lease liabilities	989,495
Non-current lease liabilities	4,555,962
Total	5,544,457

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by any prepaid or accrued lease payments relating to leases recognised in the balance sheet as at 31 March 2019 where applicable. The recognised right-of-use assets relate to the following types of assets:

Description	31 March 2020 P	01 April 2019 P
Office building	4,289,108	5,544,457
Total right-of-use assets	4,289,108	5,544,457

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(a) Application of IFRS 16, Leases (continued)

Leases where the Authority is lessee (continued)

Leases previously classified as operating leases (continued)

Impact on financial statements (continued)

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019. Statement of financial position at transition*:

	Balance at 31 March 2019 P	IFRS 16 effect P	01 April 2019 P
Assets			
Non-current assets			
Right-of-use assets	-	5,544,457	5,544,457
Liabilities			
Non-current liabilities			
Lease liabilities	-	989,495	989,495
Current liabilities			
Lease liabilities	-	4,555,962	4,555,962

* Only those line items affected by IFRS 16 have been included above.

There was no impact on retained earnings from the adoption of IFRS 16 on 1 April 2019.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(b) New and amended standards applicable to the current period

A number of International Financial Reporting Standards, Interpretations and amendments have become effective for the first time for the year ended 31 March 2020.

The Authority has applied the following amendment for the first time for the current reporting period that had a significant impact on the current and prior period:

- Amendments to IFRS 9 – ‘Financial instruments’ on prepayment features with negative compensation and modification of financial liabilities. The narrow-scope amendment covers two issues: (1) the amendments allow entities to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities and (2) how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings. This amendment was effective on 1 January 2019 and has no impact to the financial statements of the Authority.
- IFRS 16 – Leases - This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. This amendment was effective on 1 January 2019.

This new standard has a significant impact on the financial statements of the Authority. Refer to note 13 for more details.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.1.1 Adoption of standards in the current financial year (continued)

(c) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Authority

The following new standards, amendments and interpretations to existing standards are mandatory for the Authority. These are not yet effective and have not been early adopted by the Authority.

- Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material. These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: (i) use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate some of the guidance in IAS 1 about immaterial information will be effective on or after 1 January 2020. From the initial assessment, these will not have material impact on the financial statements of the Authority.
- Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform. These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. These amendments will be effective on or after 1 January 2020. From the initial assessment, these will not have material impact on the financial statements of the Authority.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the annual financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The annual financial statements are presented in Botswana Pula, which is the Authority's functional and presentation currency.

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement within 'Other gains/(losses) – net'.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.3 Property, plant and equipment

Property, plant and equipment are included at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

- Office Furniture	6-7 years
- Fixtures and Fittings	6-7 years
- Motor Vehicles	5 years
- Household Furniture	5 years
- Office Equipment	4 years
- Computer Equipment	4 years
- Cellphones and Ipads	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.4 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Purchase costs that are directly attributable to software products controlled by Authority are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;

Directly attributable costs that are capitalised as part of the software product include the software purchase costs. Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Computer software costs recognised as assets are amortised over their estimated useful lives from the time its ready for the intended use, which do not exceed five years.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.5 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.6 Financial Instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The Authority recognises financial assets and financial liabilities at the trade date when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial instruments are grouped into classes that are appropriate taking into account the characteristics and risks of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

The Authority generally does not reclassify financial instruments between different categories subsequent to initial recognition.

Classification

Financial assets

Financial assets are classified into the following categories:

- Amortised cost;
- At fair value through other comprehensive income; debt investments or equity investments;
- At fair value through profit or loss.

A financial asset is measured at amortised cost if:

- The financial asset is held in order to collect contractual cash flows
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost comprise of trade and other receivables and cash and cash equivalents.

Financial liabilities

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.6 Financial Instruments (continued)

Financial liabilities at amortised cost

Financial liabilities are classified as measured at amortised cost using the effective interest method and comprise of trade and other payables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Authority's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

Impairment

The Authority recognises a loss allowance for the expected credit losses as per IFRS 9 on trade and other receivables.

The amount of expected credit losses is updated at each reporting date. The Authority measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivables.

Write off policy

The Authority writes off a receivable when there is information indicating that the counterparty is in severe financial difficult and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Authority recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

De-recognition

Financial assets

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Authority de-recognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.6 Financial Instruments (continued)

Reclassification

Financial assets

The Authority only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

2.7 Trade receivables

Classification

Trade and other receivables, excluding, when applicable, prepayments, are classified as financial assets and subsequently measured at amortized cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Authority's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognized when the Authority becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. Subsequently they are measured at amortized cost.

The amortized cost is the amount recognized on the receivables initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.9 Trade and other payables

Classification

Trade and other payables, excluding, amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

Recognition and Measurement

Trade and other payables are recognized when the Authority becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. Trade and other payables are subsequently measured at amortised cost using the effective interest method.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.9 Trade and other payables (continued)

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

2.10 Provisions

Provisions claims are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.11 Government Grants

Government grants are assistance by government in the form of transfers of resources to the Authority in return for past or future compliance with certain conditions relating to the operating activities of the Authority.

Government subventions relating to a particular period are recognised in the respective period at their cost where there is a reasonable assurance that the subventions will be received and the Authority has complied with the conditions attached to them.

Grants relating to the acquisition of property, plant and equipment ("capital assets") are recognised as capital grants in the statement of financial position in the period in which the underlying asset is bought. Grants, for which the underlying asset has been bought, is subsequently recognised in the statement of comprehensive income to match the depreciation of the related assets, as other income.

When an asset financed through capital grants is disposed of, the total unamortised portion of the capital grant relating to the asset is recognised in the statement of comprehensive income, as other income.

Operating grants are recognised in the statement of comprehensive income in the period in which the related expenditure is incurred. Grants received for which the related project have not commenced are included in current liabilities as deferred income.

2.12 Employee benefits

The Authority contributes to a defined contribution pension plan for its permanent citizen employees. The Authority's contributions are charged to income statement in the year in which they accrue and the Authority has no further liability.

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Authority pays gratuity to contracted staff in accordance with their respective contracts of employment.

Employees' entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.13 Revenue from contracts with customers

The major source of revenue of the Authority is government grants. At the moment the Authority does not have contracts with customers hence IFRS 15 is not applicable.

2.13.1 Government subvention and grants

Please refer to accounting policy number 2.11.

2.13.2 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.14 Leases

The Authority assesses whether a contract is, or contains a lease, at the inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Authority has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

The Authority as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Authority is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Authority recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Authority applies a practical expedient which allows entities to account for a lease contract which contains both lease and non-lease components as a single lease contract.

Details of leasing arrangements where the Authority is a lessee are presented in note 13.

The current lease payments included in the measurement of the lease liability comprise the fixed lease payments and not subject to any variable rents.

Lease liability

The lease liability is presented as a separate line item in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest method, and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.14 Leases (continued)

The Authority remeasures the lease liability, when applicable, in accordance with the following table:

Lease liability remeasurement scenario	Lease liability remeasurement methodology
Change to the lease term.	-discounting the revised lease payments using a re-vised discount rate.
Change to the lease payments as a result of a change in an index or a rate.	-discounting the revised lease payments using the ini-tial discount rate unless the lease pay-ments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
Change in expected payment under a residual value guarantee.	-discounting the revised lease payments using the initial discount rate.
Lease contract has been modified and the lease mod-ifi-cation is not accounted for as a separate lease.	-discounting the revised payments using a re-vised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item in the Statement of Financial Position.

The right-of-use assets are measured at the amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Authority incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over useful life of the underlying assets on a straight-line method.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

2.14 Leases (continued)

Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

2.15 Related parties

A party is deemed related to the Authority if it is a director, member or entity under common control. Related party transactions are disclosed in Note 20 to the annual financial statements.

3 Financial risk management

3.1 Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and other price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. Risk management is carried out under policies approved by the board of directors.

(a) Market risk

(i) Foreign currency risk

In the normal course of business, the Authority may enter into transactions denominated in foreign currencies. Foreign exchange risks arise when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Authority had no assets and liabilities or significant committed future transactions denominated in foreign currencies at year end.

(ii) Cash flow and fair value interest rate risk

Fluctuation in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

(iii) Price risk

The Authority is not exposed to price risks such as equity price risk, prepayment risk, and residual value risk.

(b) Credit risk

Financial assets of the Authority, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and financial institutions and receivables from customers. Cash deposits are held with high-credit-quality financial institutions. The credit quality of the customers is assessed by credit control, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. The utilisation of credit limits is regularly monitored.

The credit quality of financial assets is disclosed in Note 11.2

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Authority manages its liquidity risk by maintaining adequate cash resources and through the effective management of working capital in order to meet its commitments as they fall due.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The amounts disclosed in the table below are the contractual undiscounted cash flows. The analyses of financial liabilities into relevant maturity groupings are based on the remaining period at the reporting date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2020	Less than 1 year P	Between 1-3 years P	Above 3 years P	Total P
Trade and other payables	9,040,519	-	-	9,040,519
Lease liabilities	1,283,211	2,906,642	675,597	4,865,450
Total	10,323,730	2,906,642	675,597	13,905,969

At 31 March 2019	Less than 1 year P	Between 1-3 years P	Above 3 years P	Total P
Trade and other payables	10,752,520	-	-	10,752,520
Total	10,752,520	-	-	10,752,520

3.2 Capital risk management

The Authority is a parastatal body with the main object being to regulate energy in Botswana. As such all operations of the Authority are funded by Government and therefore not subject to capital risk.

3.3 Fair value estimation of financial instruments

Financial instruments consist of trade receivables, bank and cash balances and other accounts payable resulting from normal business operations. The nominal value less impairment provision of trade receivables and accounts payable are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. At the reporting date there are no assets that are either carried at fair value or where the fair value has been disclosed.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

Residual value and useful lives of property, plant and equipment

The Authority determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its services and the ability of the Authority to penetrate a sufficient portion of that market in order to operate profitably. The Authority increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

Treatment of grants received

Taking into account its nature and substance, the Authority considers amounts that it receives from the Government to fall within the scope of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. In reaching this conclusion, the Authority considers the terms attached to each of the grants received and the current practice adopted by other parastatals in Botswana. Accordingly, the Authority recognises the amounts received in accordance with the accounting policy as included in note 2.11.



Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

	Note	2020 P	2019 P
5 Grants and subventions			
Botswana Government		49,630,886	51,054,357
		<u>49,630,886</u>	<u>51,054,357</u>
Total grants received during the year			
Capital grants received during the year (Note 17)		1,751,344	5,806,083
Government subvention towards the recurrent budget		49,630,886	51,054,357
Deferred revenue (Note 18)		5,478,210	-
		<u>56,860,440</u>	<u>56,860,440</u>
6 Other income			
Amortisation of capital grants (Note 17)		3,556,376	3,080,087
Tender fees		35,477	30,000
Other income		151,806	22,654
		<u>3,743,659</u>	<u>3,132,741</u>
7 Expenses by nature			
The following items have been charged in arriving at the (deficit) / surplus for the period:			
Expenses by nature			
Advertising		544,691	1,413,789
Amortisation of intangible assets		99,396	124,398
Auditor's remuneration		158,309	93,694
Bank charges		65,350	73,966
Board expenses		373,863	387,875
Computer expenses		955,279	2,147,701
Consulting fees		718,107	272,671
Depreciation on property, plant and equipment		3,456,980	2,955,689
Depreciation on right-of-use asset		1,255,349	-
Donations		78,841	30,002
Employee costs (Note 8)		33,676,898	33,323,040

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

	Note	2020 P	2019 P
7 Expenses by nature (continued)			
Insurance		544,622	345,745
Legal fees		928,912	230,884
Motor vehicle expenses		239,971	253,474
Office expenses		452,401	492,016
Operating lease rentals		-	1,688,099
Printing and stationery		62,740	111,681
Recruitment		289,744	354,995
Repairs and maintenance		56,565	39,319
Security		566,379	441,552
Staff welfare		4,899	42,152
Subscriptions		875,129	592,984
Telephone and fax		1,240,876	1,318,251
Training		2,037,496	1,644,844
Accommodation and travel expenses		3,844,991	5,972,429
Workshops, seminars, retreats and conferences		513,667	958,987
Other expenses		219,744	405,556
Total administrative expenses		53,261,207	55,715,793

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

	Note	2020 P	2019 P
8 Staff costs			
Salaries and wages		26,858,962	25,387,752
Leave pay		973,008	2,008,786
Gratuity		3,524,971	3,592,646
Pension		1,832,692	1,903,728
Medical expenses		487,265	430,128
		<u>33,676,898</u>	<u>33,323,040</u>
 Average number of employees		 <u>45</u>	 <u>43</u>
9 Finance income			
Interest from banks		195,694	98,295
		<u>195,694</u>	<u>98,295</u>

Finance income represents interest earned from Barclays Call Account.

10 Income tax expense

No provision for income tax is required as the Authority is exempt from taxation in terms of Section Schedule, Part 1 of the Income Tax Act (Cap 52:01).

11 Analyses of financial instruments

11.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2020 P	2019 P
Assets as per the statement of financial position		
-Loans and receivables:		
Other receivables (Note 11.2)	337,775	143,971
Cash and cash equivalents (Note 16)	13,128,867	9,460,300
	<u>13,466,642</u>	<u>9,604,271</u>
 Liabilities as per the statement of financial position		
-Other financial liabilities at amortised cost:		
Other payables (Note 19)	<u>9,040,519</u>	<u>10,752,520</u>

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

11 Analyses of financial instruments (continued)

11.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Ratings	2020 P	2019 P
Deposits		10,000	10,000
Other receivables	Not rated	327,775	133,971
		<u>337,775</u>	<u>143,971</u>
Cash at bank			
First Capital Bank	Not rated	7,283,308	9,432,741
ABSA Bank Botswana	Not rated	5,844,893	25,719
		<u>13,128,201</u>	<u>9,458,460</u>

There are no credit ratings available in Botswana. The above banks have reported sound financial results and continued compliance with minimum capital adequacy requirements set by their regulator. None of the financial assets that are fully performing have been renegotiated during year ending 31 March 2020.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

12 Property, plant and equipment

	Fixtures and fittings P	Motor vehicles P	Office furniture P	Office equipment P	Computer equipment P	Cellphones and Ipads P	Household Furniture P	Total P
Year ended 31 March 2019								
Net book amount at 1 April 2018	5,720,987	5,241,113	415,324	465,691	488,871	213,087	579,978	13,125,051
Additions	4,755,807	-	554,380	186,323	214,757	94,816	-	5,806,083
Disposals	-	-	-	-	(23,888)	(56,067)	-	(79,955)
Depreciation on disposals	-	-	-	-	7,372	23,550	-	30,922
Depreciation charge	(1,094,331)	(1,108,707)	(136,025)	(157,640)	(177,499)	(160,300)	(121,187)	(2,955,689)
Net book amount at 31 March 2019	9,382,463	4,132,406	833,679	494,374	509,613	115,086	458,791	15,926,412
As at 31 March 2019								
Cost	10,625,961	5,543,535	1,006,149	684,633	720,316	318,609	599,870	19,499,073
Accumulated depreciation	(1,243,498)	(1,411,129)	(172,470)	(190,259)	(210,703)	(203,523)	(141,079)	(3,572,661)
Net book amount at 31 March 2019	9,382,463	4,132,406	833,679	494,374	509,613	115,086	458,791	15,926,412
Year ended 31 March 2020								
Net book amount at 1 April 2019	9,382,463	4,132,406	833,679	494,374	509,613	115,086	458,791	15,926,412
Additions	1,467,311	10,960	125,554	5,448	119,826	22,245	-	1,751,344
Disposals	-	-	-	-	(59,867)	(203,989)	-	(263,856)
Depreciation on disposals	-	-	-	-	21,203	202,273	-	223,476
Depreciation charge	(1,799,758)	(998,760)	(155,508)	(126,466)	(145,161)	(110,233)	(121,094)	(3,456,980)
Net book amount at 31 March 2020	9,050,016	3,144,606	803,725	373,356	445,614	25,382	337,697	14,180,396
As at 31 March 2020								
Cost	12,093,272	5,554,495	1,131,703	690,081	780,275	136,865	599,870	20,986,561
Accumulated depreciation	(3,043,256)	(2,409,889)	(327,978)	(316,725)	(334,661)	(111,483)	(262,173)	(6,806,165)
Net book amount at 31 March 2020	9,050,016	3,144,606	803,725	373,356	445,614	25,382	337,697	14,180,396

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

13 Leases

Right-of-use assets

Year ended 31 March 2020

Opening net book amount
 Adoption of IFRS 16 (Note 2.1.1(a))
 Opening net book value at 1 April 2019
 Depreciation
 Closing net book amount

Cost
 Accumulated depreciation
Net book amount

Office building	Total
P	P
-	-
5,544,457	5,544,457
5,544,457	5,544,457
(1,255,349)	(1,255,349)
4,289,108	4,289,108
5,544,457	5,544,457
(1,255,349)	(1,255,349)
4,289,108	4,289,108

Lease liabilities

Opening balance
 Adoption of IFRS 16 (Note 2.1.1(a))
 Opening balance at 1 April 2019 (Note 2.1.1(a))
 Finance costs incurred
 Lease payments
Year ended 31 March

Current
 Non-current
Year ended 31 March

2020	2019
P	P
-	-
5,544,457	-
5,544,457	-
190,794	-
(1,180,289)	-
4,554,962	-
1,132,896	-
3,422,066	-
4,554,962	-

The statement of comprehensive income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

Office building

Interest expense

Interest expense (included in finance costs)

Lease cash outflows

Interest paid
 Principle paid

2020	2019
P	P
1,255,349	-
190,794	-
190,794	-
989,495	-
1,180,289	-

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

13 Leases (continued)

The Authority leases an office building. The rental contract is for a fixed period of 6 years with an option to renew with consent of both parties.

Lease agreements may contain both lease and non-lease components. The Authority has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Right-of-use asset is depreciated over useful life of the underlying assets on a straight-line method.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

14 Intangible assets

	Intangible assets	Total
	P	P
Year ended 31 March 2019		
Net book amount at beginning of the period	348,521	348,521
Amortisation charge	(124,398)	(124,398)
Net book amount at end of the period	<u>224,123</u>	<u>224,123</u>
As at 31 March 2019		
Cost	373,232	373,232
Accumulated amortisation	(149,109)	(149,109)
Net book amount at 31 March 2019	<u>224,123</u>	<u>224,123</u>
Year ended 31 March 2020		
Net book amount at beginning of the period	224,123	224,123
Amortisation charge	(99,396)	(99,396)
Net book amount at end of the period	<u>124,727</u>	<u>124,727</u>
As at 31 March 2020		
Cost	373,232	373,232
Accumulated amortisation	(248,505)	(248,505)
Net book amount at 31 March 2020	<u>124,727</u>	<u>124,727</u>

Intangible assets include Sage 300, Sage VIP payroll and Microsoft Office 365

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

15 Other receivables

	2020 P	2019 P
Staff debtors	232,640	124,786
Deposits and prepayments	692,971	444,063
Other debtors	95,135	19,185
	1,020,746	588,034

The carrying amount of receivables are denominated in Botswana Pula and approximates the fair value due to their short term nature. All receivables are unsecured and do not attract interest.

16 Cash and cash equivalents

	2020 P	2019 P
Cash on hand	666	1,840
Cash at bank	13,128,201	9,458,460
	13,128,867	9,460,300

For the purpose of the statement of cash flows the period-end cash and cash equivalents comprise of following:

	2020 P	2019 P
Cash on hand	666	1,840
Cash at bank	13,128,201	9,458,460
	13,128,867	9,460,300

17 Capital grants

	2020 P	2019 P
Balance at beginning of the period	16,199,565	13,473,569
Capital grant received during the period	1,751,344	5,806,083
Transfer to statement of comprehensive income (Note 6)	(3,556,376)	(3,080,087)
Unamortised portion of disposed assets	(89,410)	-
Balance at end of the period	14,305,123	16,199,565

Capital grants represent government grants given to the Authority to finance the purchase of property, plant and equipment. Capital grants are transferred to the statement of comprehensive income in a manner that represents the economic benefits generated through the usage of the related assets.

18 Deferred revenue

	2020 P	2019 P
Balance at beginning of the period	-	-
Subvention received during the period	56,860,440	56,860,440
Transfer to statement of comprehensive income	(49,630,886)	(51,054,357)
Transfer to capital grants	(1,751,344)	(5,806,083)
Balance at end of the period	5,478,210	-

The Authority has P5,478,210 (2019: Nil) of deferred income from Botswana Government for activities that do not fall within the budgetary period and is yet to be utilised as at year end.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

19 Trade and other payables

19.1 Other payables

	2020 P	2019 P
Provisions (note 19.2)	6,849,179	7,229,676
Accruals	1,890,667	1,639,851
Pension payable	300,673	1,880,090
PAYE payable	-	2,903
	9,040,519	10,752,520

The carrying value of trade and other payables approximate the fair value due to their short-term nature.

19.2 Provisions

	Leave pay P	Gratuity P	Total P
31 March 2019			
Balance at beginning of the year	574,117	1,719,453	2,293,570
Provision for the year	2,008,786	3,587,736	5,596,522
Payments made during the year	(207,359)	(453,057)	(660,416)
Balance at end of the period	2,375,544	4,854,132	7,229,676
	Leave pay P	Gratuity P	Total P
31 March 2020			
Balance at beginning of the year	2,375,544	4,854,132	7,229,676
Provision for the year	973,008	3,524,971	4,497,979
Payments made during the year	(1,791,852)	(3,086,624)	(4,878,476)
Balance at end of the year	1,556,700	5,292,479	6,849,179

Gratuity

Employees receive terminal gratuities in accordance with their contracts of employment.

An accrual is made for the estimated liability towards such employees up to the end of the reporting date.

Leave pay

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

Notes to the Annual Financial Statements (Continued)

For the year ending 31 March 2020

20 Related party transactions

The following transactions were carried out with related parties.

Government grants

Ministry of Mineral Resources, Energy Security and Green Technology

Revenue and development subvention (gross of deferred income)

Botswana Oil Limited

Transportation costs for impounded products

Remuneration of board members and other key management

Salaries and other benefits

Gratuity

Leave pay

	2020 P	2019 P
	56,860,440	56,860,440
	-	14,679
	5,849,091	8,338,625
	1,318,623	2,754,111
	732,395	872,803
	7,900,109	11,965,539

21 Contingencies

There were no contingent liabilities as at year end (2019: Nil).

22 Events after the reporting period

Subsequent to the reporting period, a pandemic of Covid-19 occurred which required personal isolation and a national lockdown period for all entities with the exception of entities which provide essential services. The directors concluded that though the pandemic had impact on the operations of the Authority, no adjustments are required to be made in the financial statements.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of issuing these financial statements.

23 Commitments

The Authority had no capital commitments as at 31 March 2020 (2019: P989,388).

24 Going concern

The directors of the Authority had assessed the impact of the Covid-19 outbreak on the business and its ability to continue as a going concern. Risks identified had been recorded and relevant controls implemented to mitigate these risks. The directors believe that the necessary measures were implemented to ensure business continuity.

The directors believe that the Authority has adequate financial support from the Government of Botswana (its only shareholder) for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.



Detailed Income Statement

For the year ending 31 March 2020

Annexure 1

	2020 P	2019 P
Grant and subventions		
Grant and subventions	49,630,886	51,054,357
Other income		
Amortisation of capital grants	3,556,376	3,080,087
Tender fees	35,477	30,000
Other income	151,806	22,654
	3,743,659	3,132,741
Administrative expenses		
Advertising	544,691	1,413,789
Amortisation of intangible assets	99,396	124,398
Auditor's remuneration		
Current year	158,309	93,694
Bank charges	65,350	73,966
Board expenses	373,863	387,875
Computer expenses	955,279	2,147,701
Consulting fees	718,107	272,671
Depreciation on property, plant and equipment	3,456,980	2,955,689
Depreciation on right-of-use asset	1,255,349	-
Donations	78,841	30,002
Employee costs	33,676,898	33,323,040
Entertainment	-	54,357
Electricity and water	156,883	175,560
Insurance	544,622	345,745
Legal fees	928,912	230,884
Magazines, books and periodicals	20,134	126,928
Motor vehicle expenses	239,971	253,474
Office expenses	452,401	492,016
Operating lease rentals	-	1,688,099
Other expenses	32,273	37,733
Postage	11,575	6,681
Printing and stationery	62,740	111,681
Recruitment	289,744	354,995
Repairs and maintenance	56,565	39,319
Security	566,379	441,552
Staff welfare	4,899	42,152
Subscriptions	875,129	592,984
Telephone and fax	1,240,876	1,318,251
Training	2,037,496	1,644,844
Accommodation and travel expenses	3,844,991	5,972,429
Workshops, seminars, retreats and conferences	513,667	958,987
(Profit)/Loss on disposal of fixed assets	(1,121)	4,297
Total expenses	53,261,199	55,715,793
Operating surplus / (deficit)	113,346	(1,528,695)

"This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 3 to 7."





Annual Financial Statements
For the year ending 31 March 2020



**BOTSWANA
ENERGY REGULATORY
AUTHORITY**

Regulating Energy with Integrity

Plot: 8842, Extension Town Centre, Lobatse
Tel: +267 533 0932, Fax: +267 533 0880
Private Bag 111, Lobatse, Botswana
email: info@bera.co.bw | www.bera.co.bw

