

Mr Ronnie Watson / Sakhi Dumakude
Project Manager
Unit 10A
Highway Gardens Office Park
77 Minauch Road
EDENVALE
1609

31 March 2014

Enquiries:
Tembi Plaatjie
Tel : +2743 703 5335

Ref No.IPP: 103293133

Dear Mr Dumakude

COST ESTIMATE LETTER FOR THE CONSTRUCTION OF WORKS TO CONNECT A GENERATOR TO THE DISTRIBUTION SYSTEM FOR INYANDA ROODEPLAAT WIND FARM – 140MW

Thank you for your application for a cost estimate letter dated **11 September 2013** relating to the construction of works to connect your generation Facility, situated near **Port Elizabeth Area, Eastern Cape** to the Eskom Distribution System, and/or the possible impact on Eskom's Distribution System of connecting your generator that is embedded within a plant. Eskom has assessed your requirements and herewith provides an estimate of the cost of providing the works and connection. It is based on engineering assumptions and provided in order to assist in making a decision whether or not you should proceed to request a budget quotation.

This cost estimate letter is not an offer for a contract. It is purely illustrative and in anticipation of a request for a budget quotation. No information contained in this cost estimate letter shall be deemed to form part of any contract between Eskom and any party.

Furthermore, if based on this cost estimate letter you request a budget quotation, any information recorded in this cost estimate letter will lapse immediately (even if a budget quotation is eventually not provided or accepted) and Eskom will not be bound to perform in terms of it in any way.

Eskom will require certain documents and approvals, set out herein, and payment of a quotation fee in order to provide a budget quotation.

1. DEFINITIONS AND INTERPRETATION

The words and expressions in this cost estimate letter shall have the meanings ascribed to them in the Electricity Regulation Act, the South African Grid Code and the Distribution Code, each as amended from time to time. The Codes are obtainable from the National Energy Regulator of South Africa's website. Log onto www.nersa.org.za and then follow the link to 'Electricity' and then to 'Technical Standards'.

The following capitalised words and expressions shall have the meanings as assigned to them and cognate expressions shall have corresponding meanings:

- 1.1. **'Act of Insolvency'** means, in relation to either Party, that (a) that Party passes a resolution or files any application for action for relief under any insolvency Law, or (b) proceedings are started for an order (whether provisional or final, voluntary or involuntary) to be made for its winding-up, liquidation or business rescue or for the appointment of a business rescue practitioner, liquidator or similar officer in relation to it or a material part of its assets, or (c) it convenes a meeting with its creditors for the purposes of making any arrangement, compromise or composition for the benefit of its creditors or agrees, or declares a moratorium or reorganisation in respect of its debts.

- 1.2. **'Code(s)'** means the Distribution Code, the South African Grid Code, the Wind Code or any other code, published by NERSA, as applicable and as amended, modified, extended, replaced or re-enacted from time to time.
- 1.3. **'Connection'** means the physical connection of the Facility to the Distribution System or Transmission System;
- 1.4. **'Connection Charge'** means the charges recouped or to be recouped by Eskom from the Customer for the cost of the Eskom Connection Works in compliance with the Code which shall include (a) a **Distribution** Standard Connection Charge if the connection is a Standard Connection and (b) a **Distribution** Premium Connection Charge, if the connection is a Premium Connection.
- 1.5. **'Connection and Use-of-System Agreement'** means the agreement(s), required by the Code, to be entered into, in writing, between Eskom and the generator to physically connect to Eskom's **Distribution** System and to allow the generator access to and use of Eskom's Distribution or Transmission System.
- 1.6. **'Connection Site'** means the land or property on, over or under which the Eskom Connection Assets is constructed or on which Eskom requires land rights, including for access to the Eskom Connection Assets.
- 1.7. **'Contract Works'** means the portion of the Connection to be undertaken by the CUSTOMER in accordance with the conditions of the Self-Build Agreement to be concluded between the CUSTOMER and ESKOM;
- 1.8. **'Customer'** means **Inyanda Energy Projects**
Registration number: 2002/031625/07
- 1.9. **'Dedicated Connection Equipment'** means those assets forming part of the Eskom Connection Equipment that are created for the sole use of the Customer at the time of construction, to meet the Customer's technical specifications and are unlikely to be shared in Eskom's planning horizon by any other customers.
- 1.10. **'Deep Connection Equipment'** means Eskom Connection Equipment that are not Dedicated Connection Equipment.
- 1.11. **'Distribution'** means the regulated business unit through which Eskom constructs, owns, operates and maintains Eskom's Distribution System in accordance with its Licence and the Code.
- 1.12. **'Distribution System'** means Eskom's network infrastructure operating at a nominal voltage of 132 kV or less.
- 1.13. **'EA'** means environmental authorisation(s).
- 1.14. **'Eskom'** means Eskom Holdings SOC Limited (Registration Number 2002/015527/06);
- 1.15. **'Eskom Connection Equipment'** means the plant, facilities, equipment and assets set forth in paragraph [3] to connect the Facility to the **Distribution** System, which shall be constructed in accordance with the Eskom budget quotation and owned, operated and maintained by Eskom. The Eskom Connection Equipment shall include the Point of Utility Connection in cases, where this equipment is owned, operated and maintained by Eskom.
- 1.16. **'Eskom Connection Works'** means the works as described in paragraph 3.1 required to be constructed, changes or enabled on the **Distribution** System side of the Point of Connection, save as may be otherwise provided herein, and all related activities by which the Eskom Connection Equipment shall establish a Connection between the Facility and the Distribution System, including if applicable any Upstream Works and Monopoly Works but excluding the Contract Works.

- 1.17. **'Facility'** means the Customer's plant, situated at **Skilpad substation**, together with Facility Connection Equipment for the safe, efficient and optimal operation of the plant, up to the Point(s) of Connection, which shall be designed, constructed, installed, operated and maintained by or on behalf of the Customer, but excluding the Eskom Connection Equipment whether or not located at the Connection Site.
- 1.18. **'Facility Connection Equipment'** means the Facility equipment, including the Point of Generator Connection, to connect the Facility to the **Distribution System**, which shall be constructed, owned, operated and maintained by the Customer. The Facility Connection Equipment shall also include the Point of Utility Connection in cases where this equipment is owned, operated and maintained by the Customer.
- 1.19. **'HV'** means high voltage.
- 1.20. **'Maximum Export Capacity'** means the maximum capacity at the Point(s) of Supply notified by the Customer, as set out in paragraph 2.1, and accepted by Eskom for the delivery of electrical energy between the Facility and the Distribution or Transmission System.
- 1.21. **'NERSA'** means the National Energy Regulator of South Africa established in terms of the National Energy Regulator Act (Act no 4 of 2004) or its successor-in-title.
- 1.22. **'NRS 048'** means the quality of supply standards issued by the South African Bureau of Standards, as revised from time to time or as replaced by another standard.
- 1.23. **'Point of Generator Connection (PGC)'** means the circuit-breaker and associated ancillary equipment (instrument transformers, protection, isolators) that connects a generator to any electrical network. *The location of the PGC will be defined in the budget quotation if applicable.*
- 1.24. **'Point(s) of Measurement'** means the physical point(s) on an electrical network where the electricity supplied to the Customer by Eskom or where the electricity supplied by the Customer to Eskom, is measured. *The location of the POM will be defined in the budget quotation if applicable*
- 1.25. **'Point(s) of Supply (POS)'** means the physical point(s) on an electrical network from where electricity is supplied to the Customer by Eskom or from where the Customer supplies electricity to Eskom. *The location of the POS will be defined in the budget quotation if applicable*
- 1.26. **'Point of Utility Connection (PUC)'** means one or more circuit-breakers and associated ancillary equipment (instrument transformers, protection, isolators), entirely independent of any PGC, that connects the Facility to the Distribution or Transmission System. *The Point of Utility Connection will be at in the budget quotation if applicable.*
- 1.27. **'Premium Connection'** means a Connection based on the Customer's requirements that are in excess of the specifications of a Standard Connection for a more reliable and secure connection.
- 1.28. **'Premium Connection Charge'** means a charge payable for costs associated with Premium Connection Assets included in the scope of the Eskom Connection Works to meet customer specific requirements in excess of what is considered as the least life-cycle cost investment. The Premium Connection Charge comprises the Premium Connection/Conversion Fee (where applicable) and the Premium Up-front Connection Charge.
- 1.29. **'Premium Connection Equipment'** means the Eskom Connection Equipment to be constructed, or to be installed if the Customer elects a Premium Connection which equipment is in addition to and/or in place of the equipment installed in the case of a Standard Connection.

- 1.30. **'Self-Build'** means the planning, financing, insuring, land rights acquisition, design, engineering, procurement, supply, fabrication, construction, erection, installation, inspection, pre-commissioning, testing, completion and commissioning of the Contract Works by the Customer, and on completion of the Contract Works the handover of the plant, facilities, equipment, assets and related designs, material guarantees/warranties, deeds and other documentation by the Customer to Eskom;
- 1.31. **'Self-Build Agreement'** means the agreement between Eskom and the Customer pertaining to the Contract Works undertaken by the Customer, and the Monopoly Works falling under the responsibility of Eskom.
- 1.32. **'Standard Connection'** means a connection made or to be made between the Facility and Eskom's network based on the lowest life-cycle cost design that meets the specifications of the Code and applicable standards for a technically acceptable solution.
- 1.33. **'Standard Connection Charge'** means a charge that is payable for costs associated with Standard Connection Equipment. The Standard Connection Charge comprises the Standard Connection/Conversion Fee (where applicable) and the Standard Up-front Connection Charge.
- 1.34. **'Standard Equipment'** means the Eskom Connection Equipment to be constructed or to be installed if the Customer elects a Standard Connection which works or equipment meets the specifications of the Code and applicable standards for a technically acceptable solution. The Standard Equipment shall comprise the equipment listed in paragraph [3].
- 1.35. **'Transmission System'** means all Eskom's lines and substation equipment where the nominal voltage is above 132 kV. All other equipment operating at lower voltages are either part of the Distribution System or classified as transmission transformation equipment.
- 1.36. **'Use-of-System Charges'** means at any time, monthly charges payable by the Customer as may be levied by Eskom to the Customer for the use of the Transmission and/ or Distribution System as determined in accordance with the Code and approved by NERSA from time to time. Eskom's prevailing Schedule of Standard Prices at any time shall serve as prima facie evidence of the **Distribution Use-of-System Charges** applicable at that time.
- 1.37. **'Year'** means Eskom's financial year which is a period of 12 calendar months commencing on 1 April in a calendar year and ending on 31 March in the subsequent calendar year.

2. TECHNICAL CONDITIONS

- 2.1. The Maximum Export Capacity (MEC) of the Facility will be **140 MW** at a voltage level of **132kV**.
- 2.2. The Customer shall pay all of the costs associated with the Eskom Connection Works in compliance with the Code, including if applicable, any actual costs for upstream investment.
- 2.3. The Customer shall provide the relevant protection, synchronising and control equipment at the Customer's Point(s) of Utility Connection which is compatible with the protection standard as required by Eskom's **Distribution** Division. For **Distribution** System connected generators refer to the Distribution Standard for the Interconnection of Embedded Generation (Annexure D).
- 2.4. Prior to the connection of the Facility to the **Distribution** System, the Customer shall comply with all applicable laws including but not limited to those governing the electricity supply industry including regulations, the Codes, directives and guidelines, failing which Eskom may refuse to allow the Connection, or disconnect the Connection until such time as there is compliance with such laws.
- 2.5. The Customer shall be responsible for ensuring that the Facility complies with the Occupational Health and Safety Act (Act 85 of 1993) and relevant safety legislation. The Customer is also required to forward to Eskom the details of the section 16 (2)-appointee delegated in terms of the Occupational Health and Safety Act and a valid certificate of compliance.

2.6. The estimated duration of completing the Eskom Connection Works will be negotiated upon acceptance of the budget quotation.

2.7. Network performance and quality of supply

2.7.1. Eskom is required to provide a standard of quality of supply, which complies with NRS 048 as is required by NERSA. The Customer shall comply with the quality of supply limits determined in accordance with NRS 048-4:2009.

2.7.2. Eskom shall use its reasonable endeavours to furnish the Customer with reliable and continuous network availability. However, Eskom does not guarantee that the continuity and voltage quality of the Connection will always be maintained under all contingencies. It will be incumbent on the Customer to take adequate measures to protect the Facility against any damage and / or losses that could arise from voltage or supply interruptions, voltage dips or any other variations in the voltage quality.

2.7.3. Eskom generally contracts with customers for a Standard Connection in terms of which no specific voltage dip or interruption limits will be specified in the contract. Indicative levels of voltage dip and interruption performance may be obtained on request from Eskom. In order to ensure greater levels of assurance on interruption (and in some cases dip) performance, generators may elect to:

2.7.3.1. Pay for the necessary infrastructure required to provide a Connection with higher levels of reliability; or

2.7.3.2. Pay for additional monitoring equipment to effect monitoring of performance at the supply point.

3. ASSUMPTIONS AND SCOPE

This cost estimate is based on the information provided by you in Part 1 of the application form (Annexure C) and assumes that the Facility will be the only one connected to the **Distribution** System in the area and includes the following technical assumptions:

3.1 Scope of Eskom Connection Works

3.1.1 Standard Connection Equipment (including the Dedicated Connection Equipment)

- Build Inyanda 132kV switching station
- Build Skilpad – Inyanda 132kV line
- Establish Skilpad 132kV feeder bay

3.1.2 Premium Connection Equipment N/A

3.1.3 Land development

- Developers are required to obtain their own servitude and EIA for any MV/ HV lines included in this Cost Estimate Letter.

3.1.4 Other assumptions

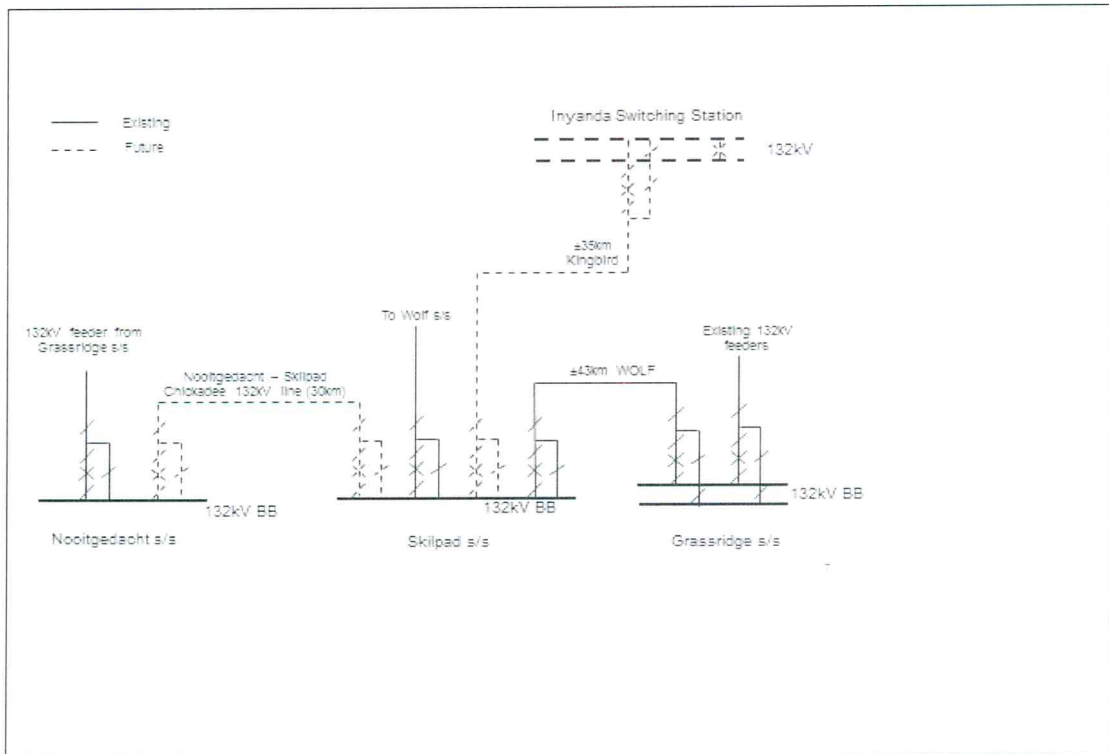


Figure 1 Inyanda Roodeplaat Network Connection Single Line Diagram

3.2 Connection timelines

3.2.1 Subject to the content of this cost estimate letter and the conditions of any budget quotation accepted later, Eskom may be able to finalise its portion of the Eskom Connection Works within **24 months** of the commencement of construction by Eskom. This date is not binding on Eskom in any way and will be finally agreed only upon acceptance of the budget quotation at an appropriate time.

3.3 Contract Works

If a Self-Build option is elected, the Customer shall be responsible for the portion of the Connection Works comprising the Contract Works and associated timelines in accordance with the terms and conditions of the Self-Build Agreement.

The above assumptions and scope set out in paragraphs 3.1 to 3.3 **do not make provision** for the Contract Works.

The approval of a Self-Build option by Eskom and the take-over of any Contract Works by Eskom will be subject to the conditions contained in Eskom's procedure for HV self-build projects (a copy will be made available on request) and the Self-build Agreement to be concluded, which *inter alia* include the following:

- 3.3.1 Contract Works will be limited to works in respect of Dedicated Connection Assets.
- 3.3.2 The Contract Works must be built according to the Eskom standards and Eskom will not under any circumstances take over and energise any asset that is not built according to the Eskom standards.
- 3.3.3 The Customer shall pay all costs incurred by Eskom in relation to all Monopoly Works (see Table 2).

In the event that the Customer plans to construct a portion of the Dedicated Connection Equipment itself, an application to do so must be submitted in writing. This will require a revised cost-estimate.

4 ESTIMATED COSTS

The estimated project costs in **2013/2014** Rand value, based on the above assumptions are:

4.1 Table 1 Costs of Standard Connection Equipment (Dedicated Connection Equipment)

Cost item e.g.	Excl VAT	Incl VAT
Build Inyanda 132kV switching station	R 13 561 160.00	R 15 459 722.40
Build Skilpad – Inyanda 132kV line	R 35 937 074.00	R 40 968 264.36
Establish Skilpad 132kV feeder bay	R 4 068 348.00	R 4 637 916.72
TOTAL	R 53 566 582.00	R 61 065 903.48

The above costs exclude overheads.

5 FINANCIAL

The applicable charges are set out in Table 2.

5.1 Connection Charges

5.1.1 The cost of the Eskom Connection Equipment will be charged in accordance with the investment criteria contained in the Code as follows:

- For a Standard Connection, the Customer must pay for all dedicated and Monopoly Works (if applicable) costs through a Standard Connection Charge. If applicable, Eskom may also recover upstream costs through the Standard Connection Charge from the Customer.
- For a Premium Connection, the cost of additional dedicated assets, plus a pro-rata share of the upstream network, associated with providing a requested Premium Connection must be paid by the Customer through a Premium Connection Charge.

5.1.2 The Customer shall pay the Connection Charges at the time of accepting the budget quotation or as otherwise agreed with Eskom.

5.2 Connection Charge Guarantee

5.2.1 If the Connection Charge is not paid up front, but rather through phased payments, the Customer shall provide a connection charge guarantee. This guarantee amount will be decreased by each payment received in terms of the agreed payment schedule. A bank guarantee may be provided, for which a blank guarantee form is available on request.

5.3 Early Termination Guarantee [For major projects only]

5.3.1 Not all costs associated with the Eskom Connection Equipment will be payable as a Connection Charge. An early termination guarantee shall be required to cover the risk of early termination for costs that are not funded by the Connection Charge.

5.3.2 The amount of the early termination guarantee will decrease with 1/10th (one tenth) per year, starting 4 (four) years after this Connection is made available and will be completely extinguished after 13 (thirteen) years. The amount is either payable in cash or a bank guarantee may be provided, for which a blank guarantee form is available on request.

5.3.3 If the project is cancelled before connection or if an Act of Insolvency occurs in relation to the Customer before connection of the Facility to the **Distribution** System or if the Connection and Use-of-System Agreement is terminated before the thirteen-year period has lapsed, Eskom shall be entitled to call up the early termination guarantee without any notice to the Customer.

5.4 Use-of-System Charges

The following charges are payable, once the Facility is connected:

- 5.4.1 The Customer shall pay the monthly Use-of-System Charges for the use of the Transmission or Distribution System, subject to the terms and conditions set out in the Connection and Use-of-System Agreement. The current pricing structure is set out in the pricing annexure "B" attached to this letter.
- 5.4.2 The Use-of-System Charges shall be based on the location of the Facility, the voltage of the Point of Supply, the amount of energy exported by the Facility and the Maximum Export Capacity.

5.5 Table of charges

The estimated figures for the Connection Charges described in 5.1 are as follows:

Table 2 Estimated charges and guarantees

CHARGE	ESTIMATED VALUE
Distribution Standard Connection Charge	R 59 057 156.66 + VAT = R 67 325 158.59
Quotation Fee	R 4 903 500.00 + VAT = R 5 589 990.00
Early Termination Guarantee	N/A
Use-of-System Charges Security	Refer to par 5.4

The values are stated in 2013/2014 Rand values and include overheads.

6 BUDGET QUOTATION

Eskom shall provide a budget quotation to the Customer, subject to the conditions set out below and provided that payment of the quotation fee and the documentation/information set out in this paragraph 6 is received within 12 (twelve) months from the date of this letter:

6.1 Budget quotation conditions

- 6.1.1 Where the Customer intends to submit bids in a programme regulated by the Electricity Regulations on New Generation Capacity:
- 6.1.1.1 The entity responsible for procurement (currently the Department of Energy) must pre-qualify applications to receive a budget quotation based on the published pre-qualification criteria.
- 6.1.2 Where the Customer does not intend to submit a bid as part of a regulated bid programme, the Customer shall submit:
- 6.1.2.1 A letter from NERSA confirming receipt of an application for a licence.
- 6.1.2.2 Proof of land ownership or permission to use the land intended.
- 6.1.2.3 EA progress – at least a letter of confirmation from the Department of Environmental Affairs, approving the scoping report and appointment of an environmental consultant to conduct the studies necessary to obtain environmental approvals or permits.
- 6.1.2.4 Proof of reasonable viability of the proposed technology regarding the primary energy source.
- 6.1.3 The Customer shall complete and submit Annexure A: Request for budget quotation to Eskom.
- 6.1.4 The Customer shall complete and submit Part 2 of the application form to Eskom.
- 6.1.5 The Customer shall pay the quotation fee once the applicant has been pre-qualified in terms of paragraph 6.1.1.1 and/or satisfied the required conditions in paragraph 6.1.2.

6.2 Quotation fee

- 6.2.1 Eskom will incur costs, such as survey, environmental impact assessments, and detailed design, in providing a budget quotation. These costs are payable upfront as a quotation fee before Eskom will proceed with the budget quotation.
- 6.2.2 If the Customer qualifies to receive a budget quotation, the quotation fee will, in present terms, amount to **R 4 903 500.00 + VAT = R 5 589 990.00**. This quotation fee will be valid for a period of 12 months from the date of this letter, where after the cost estimate and quotation fee may be revised by Eskom.
- 6.2.3 After acceptance of any budget quotation, the quotation fee will be deducted from the project costs and subsequently the Connection Charge will be adjusted accordingly. Should the Customer decide not to accept the budget quotation, the quotation fee will be forfeited to offset costs.

7 LEGAL

- 7.1 Eskom may not connect the Facility to the **Distribution** System unless the Customer has obtained approval or a license from NERSA and complies with the prevailing law in general. Any costs incurred by Eskom, at or after providing the budget quotation, is payable by the Customer irrespective of whether these approvals are obtained or not.
- 7.2 If you wish Eskom to proceed to provide a budget quotation the Customer must complete the "Request for a Budget Quotation" letter, attached to this cost estimate letter as annexure "A" and forward the request together with the quotation fee and other required documentation, to Eskom, within 12 months of the date of signature of this letter.
- 7.3 Any changes to the assumptions and scope must be clearly indicated to Eskom, which will result in a revised cost estimate or budget quote and may result in a new quotation fee being payable.
- 7.4 Before the Facility is connected to the **Distribution** System, the Customer shall enter into a written Connection and Use-of-System Agreement with Eskom related to the connection of the Facility to the **Distribution** System. Such agreement shall regulate the terms upon which the Facility may be connected to the **Distribution** System.
- 7.5 Where the Customer has requested to exercise the Self-Build option, a Self-Build Agreement will be required to be signed with Eskom. If the Customer fails to construct the Contract Works Equipment in accordance with the required Eskom Standards and specifications, Eskom will not be obligated to take ownership of these assets or to energise it. In this instance, the Customer will retain ownership and manage the Contract Works Equipment itself until such time as the Customer has brought these assets in line with the required standards and specifications.
Should the Customer fail to meet this requirement, Eskom can provide to the Customer a new quotation to complete the project and take over the assets.
- 7.6 If the Customer intends also to consume electricity at the Facility, which is to be supplied by Eskom, and the Customer does not have an electricity supply agreement or the terms and conditions of the Customer's existing electricity supply agreement will change due to the establishment of the Facility, the Customer shall be required to sign an electricity supply agreement that will regulate the supply of electricity to the Facility. Please contact **Tembi Plaatjie** at telephone number **+27 43 703 5335** if this is the case.
- 7.7 The Customer shall be liable to pay any taxes and/or levies relating to the subject matter hereof, which may be imposed in terms of any existing and/or future legislation or as approved by NERSA.
- 7.8 The terms and conditions of this letter are subject to the provisions of the Code, the Electricity Regulation Act (No 4 of 2006) and the rules and regulations issued thereunder, including any rules and regulations pertaining to an electricity conservation or a rationing programme or -scheme, and of Eskom's licences and schedule of standard prices, as amended or re-enacted from time to time and any other applicable laws.

7.9 The information contained in this cost estimate letter should not be used for anything other than its intended purpose. Eskom accepts no liability, contractual or otherwise, as a result of any reliance on this information and the Customer accordingly indemnifies Eskom against any liability emanating from the use of this information.

Eskom's bank account details for direct deposits or bank transfers are available on request.

For any information, enquiries or confirmation, please contact **Tembi Platjie** at telephone number **+27 43 703 5335**.

I thank you for the opportunity of allowing Eskom to provide this service and trust that your favourable written reply will reach this office shortly.

Yours sincerely



.....
Gabriel Kgabo

SENIOR MANAGER: GRID ACCESS UNIT

01/04/2014
.....
Date

ANNEXURE A
REQUEST FOR BUDGET QUOTATION

Mr Sakhi Dumakude
Project Manager
Unit 10A
Highway Gardens Office Park
77 Minauch Road
EDENVALE
1609

Date:

Eskom Holdings SOC Limited (Reg No: 2002/015527/06)
Tembi Plaatjie
Senior IPP Executive
Fax number: 086 665 1780
Private Bag X1
Beacon Bay
5205

Dear Mrs Plaatjie

REQUEST FOR BUDGET QUOTATION FOR CONSTRUCTION OF WORKS TO CONNECT A GENERATOR TO THE DISTRIBUTION SYSTEM FOR INYANDA ROODEPLAAT WIND FARM – 140MW

I have read and understood the terms of the cost estimate letter dated 31 March 2014, reference number **IPP 103293133**. I hereby request Eskom to prepare a budget quotation for my consideration.

I acknowledge that I intend to exercise the self-build option and herewith submit an application to do so. *OR* I do not intend to exercise the self-build option [*strike through the option which is not applicable*].

Attached please find payment/proof of payment of the quotation fee of **R 4 903 500.00 + VAT = R 5 589 990.00**. The quotation reference number (reflected on page 1) will be stated when making any payments.

Please find herewith also the documentation/information required by Eskom as set out in the cost estimate letter to proceed with the budget quotation.

Budget quotation conditions

Where the Customer intends to submit bids in a programme regulated by the Electricity Regulations on New Generation Capacity:

The entity responsible for procurement (currently the Department of Energy) must pre-qualify applications to receive a budget quotation based on the published pre-qualification criteria.

Where the Customer does not intend to submit a bid as part of a regulated bid programme, the Customer shall submit:

- A letter from NERSA confirming receipt of an application for a licence.
- Proof of land ownership or permission to use the land intended.

- EA progress – at least a letter of confirmation from the Department of Environmental Affairs, approving the scoping report and appointment of an environmental consultant to conduct the studies necessary to obtain environmental approvals or permits.
- Proof of reasonable viability of the proposed technology regarding the primary energy source.

The Customer shall complete and submit Annexure A: Request for budget quotation to Eskom.

The Customer shall complete and submit Part 2 of the application form to Eskom.

The Customer shall pay the quotation fee once the applicant has been pre-qualified in terms of paragraph 6.1.1.1 and/or satisfied the required conditions in paragraph 6.1.2.

All future correspondence must be addressed as follows:

 _____code_____

Signed for and on behalf of on **2014** by
 in my capacity as (who confirms that I am duly
 authorised).



USE-OF-SYSTEM SCHEDULE OF STANDARD PRICES FOR DISTRIBUTION CONNECTED GENERATORS (RURAL) – 1 APRIL 2013 TO 31 MARCH 2014*

1. STANDARD PRICES

The standard prices contained in this schedule to be charged by Eskom for electricity supplied or made available by Eskom to customers, shall, subject to the provisions of the Electricity Regulation Act (Act No 4 of 2006), or its successor-in-title, be as set out hereunder.

These terms, conditions and prices contained in this schedule are approved by NERSA and are valid until Eskom's next price increase or tariff changes as approved by NERSA from time to time.

2. DEFINITIONS

Account means the invoice received by a customer for a single **point of delivery** or if consolidated, multiple points of delivery for electricity supplied and/or use of the **system**.

Administration charge means the fixed charge payable per **point of delivery/premise** to recover administration-related costs such as meter reading, billing and meter capital. It is based on the **monthly utilised capacity** or **maximum export capacity** of each **point of delivery/premise**.

Distribution means the regulated business unit through which ESKOM constructs, owns, operates and maintains Eskom's **Distribution System** in accordance with its licence and the Code.

Distribution use-of-system charges (DUOS) means the network tariffs charged for making capacity available, connecting to and for the use of the **Distribution system**. The **DUOS** charges are the source of the **Distribution** network charge components in the retail tariff structures.

DUoS charge (generators) means the **DUoS** charges payable by generators. These **DUoS** charges for generators comprise the network access charge based on **maximum export capacity**, the **network charge rebate**, the **reliability service charge**, the **service charge** and the **administration charge**.

Generator Any entity that generates electricity. Where the generation unit(s) is owned by the customer, a generator shall mean generation unit(s) that is connected either directly to Eskom's Distribution or Transmission System.

Generator customer means a customer that is provided a connection that synchronises the generated electricity with the System

Loss factors mean the factor indicating the cost or benefit of technical energy losses on the **Transmission** and **Distribution** systems. The **Distribution loss factors** differ per voltage category and per rural and urban categories. The **Transmission loss factors** differ for generators and loads and are based on **Transmission zone**.

Maximum export capacity the maximum capacity at the Point(s) of Supply notified by the Customer and accepted by Eskom for the transmission of electrical energy between a Generator and the **Transmission or Distribution System**.

Premise or point of delivery means either a single point of supply or a specific group of points of supply located within a single substation, at which electricity is supplied to the customer at the same declared voltage and tariff. *Note: This can be a metering or summation point.*

Reliability service charge means the charge that recovers the cost of providing ancillary services by the **System Operator**.

Rural_p means areas classified as rural by Eskom for the purposes of tariff design and classification.

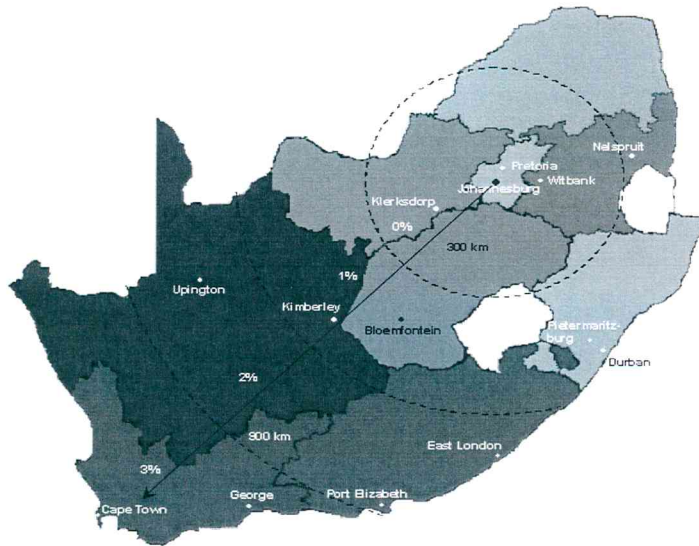
Service charge means the fixed charge payable per **account** to recover service-related costs and is based on the sum of the **monthly utilised capacity** or **maximum export capacity** of all premises linked to an **account**.

System means the **Transmission** and **Distribution** network infrastructure consisting of all lines and *substation* equipment.

Transmission zone means the geographic differentiation applicable to **transmission** network charges and **loss factors** as indicated in paragraph 3, to indicate the costs associated with the delivery and **transmission** of energy.

3. TRANSMISSION ZONES

≤ 300 km	0%
> 300 km and ≤ 600 km	1%
> 600 km and ≤ 900 km	2%
> 900 km	3%



4. VAT

All charges are subject to the prescribed VAT rate of 14%. The charges and rates shown are excluding VAT. The rates (excluding VAT) are used in the monthly electricity account to calculate the individual tariff components thereafter VAT is added on. This is done for the convenience of the customer so as to facilitate the claiming of input tax where applicable and to allow for part exemptions and zero rating.

5. CHARGES PAYABLE MONTHLY

All electricity accounts payable by a customer in terms of this Schedule shall be rendered monthly by Eskom and shall be payable monthly in accordance with the provisions of the electricity supply agreement. If, in terms of the electricity supply agreement, meter readings are made at three-monthly intervals, Eskom shall render provisional accounts for the months in which no meter reading is made, based upon the monthly consumption in the previous three-monthly period or upon an estimated amount, and a final account incorporating an adjustment of the provisional accounts, based upon the actual consumption for the period.

If the commencing date or the termination date of any supply is such that the supply was available for a portion of a month then the monthly charges payable in terms of this Schedule shall be calculated pro rata to the portion of a month of 30 (thirty) days during which the supply was available.

In addition to the charges payable in terms of this Schedule, a connection charge may be raised for costs not recovered through the tariff charges for the provision of new or additional capacity.

6. USE-OF-SYSTEM CHARGES CHARACTERISTICS FOR DISTRIBUTION CONNECTED GENERATORS

The following charges shall apply:

- A R/day **service charge** for each electricity account, payable every month whether electricity is used or not, based on the daily rate set out in the table below and the number of days in the month.
Note: Where applicable, this charge will be based on the sum of the maximum export capacity of all premises linked to an account.
- An R/day **administration charge** for each point of delivery/ premise, which charge shall be payable every month whether any electricity is used or not, based on the applicable daily rate as set out in the table below and the *number of days in the month*.
Note: Where applicable, this charge will be raised for each premise linked to an account based on maximum export capacity of each premise.
- A c/kWh **Reliability service charge** applied on the higher (in rand value) of the total active energy produced in the month based on the voltage of the supply applicable during all time periods.
- **Loss factors:** The loss factors for Distribution connected generators are given in the table below.

Distribution loss factors		
Voltage	Urban loss factor	Rural loss factor
< 500V	1.1111	1.1527
≥ 500V & < 66kV	1.0957	1.1412
≥ 66kV & ≤ 132kV	1.0611	
> 132kV	1.0000	

Transmission loss factors for loads		
Distance from Johannesburg	Zone	Loss factor
≤ 300km	0	1.0107
> 300km & ≤ 600km	1	1.0208
> 600km & ≤ 900km	2	1.0310
> 900km	3	1.0413

7. RATES:

7.1. Service and administration charges

Customer categories	Service charge [R/account/day]		Administration charge [R/POD/day]	
		<i>VAT incl</i>		<i>VAT incl</i>
≤ 100 kVA	R 12.03	<i>R 13.71</i>	R 3.42	<i>R 3.90</i>
> 100 kVA & ≤ 500 kVA	R 41.04	<i>R 46.79</i>	R 19.02	<i>R 21.68</i>
> 500 kVA & ≤ 1 MVA	R 126.23	<i>R 143.90</i>	R 29.19	<i>R 33.28</i>
> 1 MVA	R 126.23	<i>R 143.90</i>	R 54.18	<i>R 61.77</i>
Key customers	R 2,473.98	<i>R 2,820.34</i>	R 54.18	<i>R 61.77</i>

7.2. Reliability service charges

Reliability service charge Rural _p	Charge [c/kWh]	
		<i>VAT incl</i>
< 500V	0.27	<i>R 0.31</i>
≥ 500V & ≤ 22kV	0.27	<i>R 0.31</i>

- oOo -

Annexure C

Application for connection of a generator to the Eskom network



IPP 140MW Grid
Application Form_Rev

Annexure D

Distribution Standard for the Interconnection of Embedded Generation

..\Annexure DST 34-1765r0 EG Interconnection Standard 1.pdf