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Dr Louis van Heerden
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Dear Dr van Heerden

REVISED ELECTRICITY GENERATION LICENCE AND LICENCE CONDITIONS

On 26 April 2012, the Energy Regulator issued electricity generation licence to KaXu Solar One (Pty) Ltd for the operation of 100MW Concentrated Solar Power plant to be constructed in ScuitKlip Farm in Pofadder, Northern Cape.

After consideration of the concerns and issues raised by licensees and the Department of Energy (DoE) , a need to review the template of the generation licence and licence conditions for the Renewable Energy IPP projects was undertaken.

In terms of section 16(1) of the Electricity Regulation Act, 2006 (No. 4 of 2006) ('the Act') the Energy Regulator amended your generation licence conditions and aligned them with the DoE's commercial agreements.

Kindly find enclosed, your amended generation licence which replaces the existing generation licence.

Yours sincerely



Phindile Nzimande
Chief Executive Officer

Date: 30/07/2012



Licence Number: **NER/IPP/NC/658-137**

LICENCE FOR THE OPERATION OF A GENERATION FACILITY

This licence is issued by the National Energy Regulator of South Africa, hereinafter referred to as "NERSA", in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006).

This licence is issued to

Ka Xu Solar One (Pty) Ltd

(Company Registration No: 2011/109767/07)

hereinafter referred to as "the Licensee", only for the purpose of the operation of the Generation Facility referred to in Schedule 2.

The operation of the generation facility permitted under this licence is subject to the conditions listed in Schedule 1.

ISSUED at Pretoria on this 26th day of **April 2012**.

A handwritten signature in black ink, appearing to read 'A. Gumede', is written over a horizontal line.

**CHIEF EXECUTIVE OFFICER
NATIONAL ENERGY REGULATOR OF SOUTH AFRICA**



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Schedule 1 Licence conditions

1 Definitions and interpretation

1.1 The following terms as defined hereunder will be used in these licence conditions, terms not defined shall carry similar meaning as the definitions in the Commercial Agreements:

Approvals means any permission, permit, approval, consent licence, authorisation, registration, grant, acknowledgement, exemption or agreement to be obtained from any Competent Authority by the Licensee under any law to enable the Licensee to undertake its obligations in respect of the Project;

Buyer means Eskom Holdings SOC Limited or any successor in law;

Codes means as applicable, any code in respect of electricity distribution or transmission as published by NERSA from time to time;

Commercial Agreements means Power Purchase Agreement (PPA), Implementation Agreement (IA), Direct Agreement (DA), and Connection Agreement;

Commercial Operation Date has the meaning ascribed to it in the PPA;

Contracted Capacity means the anticipated Capacity of the Generation Facility, measured at the Delivery Point and expressed as AC power capacity, net of own consumption and electrical losses between the generator terminals and the Delivery Point;

Delivery Point means the physical point where the Generation Facility connects to the System and where the Energy Output is to be delivered by the Licensee to the Buyer;

Energy Regulator/ NERSA means the National Energy Regulator of South Africa, established in terms of the national Energy Regulator Act;

Environmental Policy means the environmental authorisation granted by the Department of Environmental Affairs in respect of the Licensed Activities, as amended from time to time;

Generation Facility means the generation facility referred to in Schedule 2;

Financial year means a period starting from the date immediately following the last day of the preceding accounting period up to and including the last day of the accounting period;

Generation means the production of electricity by any means, and **generate** and **generating** have corresponding meanings;

Generation Licence means a licence issued in terms of the Act;

Health and Safety Policy means the measures taken by the Licensee in accordance with applicable laws, to protect the health and safety of the general public and persons employed by the Licensee from the effect(s) of the Licensed Activities;

Licensed Activities	means the activities licensed hereunder, as set out in clause 4.1 of this licence;
Licensee	means Ka Xu Solar One Proprietary Limited;
Rules	means Rules made by NERSA in terms of the Act;
Term	means duration of licence or period within which a licence is in force;
The Act	means the <i>Electricity Regulation Act, 2006 (Act No 4 of 2006)</i> , and includes Regulations made under the Act;

2 Interpretation

In these licence conditions, unless otherwise specified:

- 2.1 Words and phrases shall have the meaning ascribed to them in the Act;
- 2.2 Words of phrases importing the singular shall include the plural and vice versa;
- 2.3 Headings are for convenience only and shall not affect the interpretation of the licence;
- 2.4 Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document;
- 2.5 Any reference to a numbered section is a reference to the section bearing that number in which the reference occurs;
- 2.6 In the computation of time, where there is a reference to a number of days between events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an event expires on a holiday, the event may be done on the next day that is not a holiday.

3 Term of Licence

- 3.1 The licence shall commence on the Commercial Operation Date (COD) and continue to be in force for a period of 20 years, as may be extended in accordance with the terms and conditions of the PPA. The provisions of this clause 3 do not prevent the Licensee from operating the Generation Facility during the Early Operating Period subject to the terms and conditions of the Commercial Agreements.
- 3.2 Subject to the provisions of the Act, the term of this licence may be renewed on application by the Licensee to cover the term of the PPA, variations to the terms in the PPA or lifespan of the Generation Facility.
- 3.3 The Energy Regulator may set different licence conditions upon granting an approval for renewal.

4 Licensed activities

- 4.1 This Generation Licence is issued to operate the Generation Facility and to sell its electricity to the Buyer.
- 4.2 The entitlement of the Licensee to conduct the Licensed Activities is subject to all Approvals having been obtained.

5 Prohibited activities

- 5.1 The Licensee shall not increase the installed capacity (as set out in Schedule 2) or change the generating process of the Generation Facility without the approval of the Energy Regulator.
- 5.2 The Licensee shall not sell electricity from the Generation Facility to third parties without the approval of the Energy Regulator.

6 Standard performance

The Licensee shall:

- 6.1 keep this Generation Licence or a copy at the Generation Facility;
- 6.2 comply with the Act and Regulations, Rules, guidelines, directives and standards issued by NERSA from time to time;
- 6.3 save for exemptions approved by the Energy Regulator, comply with the provisions of the Codes as varied, supplemented or replaced from time to time;
- 6.4 comply with the economic development commitments provided for in the Implementation Agreement, subject to the terms and conditions of that Agreement;
- 6.5 Comply with restrictions and conditions imposed by any relevant government department, agency and/or authority which its decision can have an impact on the existence of this licence.

7 Commercial agreements

- 7.1 The Licensee shall at all times comply with its obligations under the Commercial Agreements, subject to and in accordance with the terms and conditions of those Commercial Agreements.
- 7.2 The Licensee shall keep Commercial Agreements or copies of these documents at its premises.
- 7.3 The Licensee shall at all times provide a Connection Agreement for each Delivery Point as and when required to do so or provide a copy of a current and valid Connection Agreement to NERSA.
- 7.4 Modifications of Power Purchase and Connection Agreements shall not be made without the prior written approval of the Energy Regulator.

8 Tariff

- 8.1 The Licensee shall sell electricity from the Contracted Capacity to the Buyer, at the tariff stipulated in the PPA.
- 8.2 Any variations to the tariff in the PPA, other than escalation of such tariff in accordance with the PPA, will be subject to approval by the Energy Regulator.

9 Payment of licence levies

The Licensee shall pay to NERSA the levies in respect of this Generation Licence determined by the Minister under the prevailing legislation.

10 Provision of information

The Licensee shall:

- 10.1 maintain records of the operation of the Generation Facility and provide, in the manner and form prescribed by NERSA, such information and documents as NERSA may require from time to time for the purpose of performing functions assigned or transferred to it under the law. Records shall include but not limited to Regulatory Reporting Manuals (RRMs) and generation performance reports.
- 10.2 maintain a separate information and statement of accounts for electricity generation business covered by this licence in the form prescribed by NERSA.
- 10.3 keep audited records of accounts relating to social development commitments. These records must at all times be available to NERSA or its appointed agent.
- 10.4 provide NERSA with audited financial statements for each financial year in accordance with relevant financial legislations.
- 10.5 submit to the Energy Regulator copies of the accounting statements and auditor's report within 180 days of the end of the Licensee's financial year.

11 Health and safety

The Licensee shall comply with health and safety legislation, subordinate legislation and such other requirements as may be applicable.

12 Environmental

The Licensee shall comply with applicable environmental legislation, subordinate legislation and such other requirements as may be applicable.

13 Inspection(s)

The Licensee shall:

- 13.1 consent to inspection at all reasonable times to be conducted by NERSA or authorised persons on its behalf for the purpose of ascertaining the condition of the Generation Facility and operational standards.
- 13.2 allow any person authorised by the Energy Regulator to inspect and verify the financial accounts of the Generation Facility and shall render all necessary assistance to such person.

14 Investigation(s)

- 14.1 The Licensee shall consent to investigations at all reasonable times to be conducted by NERSA or authorised person on its behalf for the purpose of ascertaining a complaint or failure to abide by its licence conditions.
- 14.2 On completion of the investigation the Energy Regulator may:
 - (1) Refer the investigation report to the Director of Public Prosecutions of the area concerned; and
 - (2) If a Licensee is involved, act on the matter in accordance with the provision of the Act.

15 Assignment of licence

- 15.1 The Licensee shall not assign, cede or transfer this licence or any power or duty granted or imposed under this licence, to any other person without the prior consent of the Energy Regulator. The provisions of this clause 15.1 do not prevent the appointment or functioning of an Appointed Representative on the terms and conditions of the Direct Agreement.
- 15.2 In deciding whether to give its consent to assignment, ceding or transfer of this licence, the Energy Regulator shall:
- (1) apply the same criteria as it would apply if it were deciding whether to grant a corresponding licence to the Assignee; and
 - (2) the Energy Regulator may require the Assignee to provide the same information as it would require if the Assignee were applying for the corresponding licence.

16 Change in control of Licensee

- 16.1 The Licensee shall ensure that there is no Change in Control in the Licensee unless such Change in Control has been approved in terms of the Implementation Agreement.
- 16.2 A Licensee must at all times notify NERSA with the details of any changes in the registered name, operation status of the Generation Facility, registered address and other contact details.
- 16.3 A Licensee must notify NERSA of any changes in control of the Licensee.
- 16.4 The notification must be provided within 14 days after the event.

17 Amendment of licence

This licence may be amended by NERSA in accordance with the Act and the Rules.

18 Revocation of licence

This licence may be revoked by NERSA in accordance with the provisions of the Act and the Rules.

19 Contravention of licence

- 19.1 The Licensee shall not act in any manner that is inconsistent with the Act, Rules and this licence.
- 19.2 In the event of contravention, such contravention shall be dealt with in terms of the Act.

20 Correspondence with NERSA

- 20.1 All official communication with NERSA must be in writing, unless directed otherwise by NERSA.
- 20.2 The communication can be sent by any means possible including post, fax, email and hand delivery.
- 20.3 The Licensee must, in all correspondence with NERSA, quote the licence reference number, as it appears on the licence certificate.

21 Whole licence

This licence constitutes the entire licence and supersedes all prior understandings and agreements between the Licensee and NERSA.

22 Dispute resolution

Save for the provisions of the PPA:

- 22.1 NERSA shall act as mediator if so requested by both the Licensee and the buyer to settle the dispute; or
- 22.2 NERSA may appoint a suitable person to act on its behalf towards the settlement of the dispute and any action or decision of a person so appointed is deemed to be an action by or decision of the Energy Regulator.

Schedule 2
Details of the Generation Facility

Generating Station	Location	Type	Installed Capacity (MW)
Ka Xu Solar One	Portion 4 Of The Farm Scuitklip 92 Pofadder, Northern Cape GPS Coordinates: S28.88258 E19.59366	Concentrated Solar Power (CSP) Trough with Storage	100

**Schedule 3
Trading Agreements**

Power Purchaser (Buyer)	Contracted generation station	Duration of PPA	Contracted Capacity (MW)	Date Issued
Eskom Holding SOC Limited	Ka Xu Solar One	20 Years	100	01 May 2012