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Mr Adam Treki
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2 Osborne Road
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7708

Dear Mr Treki

SOUTH AFRICA MAINSTREAM RENEWABLE POWER DROOGFONTEIN (PTY) LTD GENERATION LICENCE APPLICATION

The National Energy Regulator of South Africa (NERSA) is pleased to advise you that on 26 April 2012 the Energy Regulator made a decision to issue a generation licence to South Africa Mainstream Renewable Power (Pty) Ltd for the operation of a 50MW Solar Photovoltaic (PV) facility to be constructed in Droogfontein Farm, Kimberly District, Northern Cape.

Please find enclosed the generation licence and the Reasons for Decision (RfD) document. Kindly indicate which parts of the RfD you regard as confidential and communicate your response to us within fourteen (14) days of receipt of this letter. The Energy Regulator will make a ruling on your request for confidentiality before posting the RfD on the NERSA website.

Yours faithfully

Phindile Nzimande
CHIEF EXECUTIVE OFFICER

Date: 09/05/2012

Licence Number: NERSA/IPP/NC/822-31

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

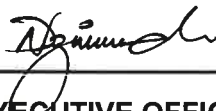
South Africa Mainstream Renewable Power Droogfontein Solar Farm (Pty) Ltd

(Company Registration No: 2009/002635/07)

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



CHIEF EXECUTIVE OFFICER
NATIONAL ENERGY REGULATOR OF SOUTH AFRICA



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SCHEDULE 1 – LICENCE CONDITIONS

1. Definitions

In these licence conditions, unless otherwise specified:

“Applicant”	means any person who files for a licence application to NERSA
“Approval”	means any permission, permit, approval, consent, licence, authorization, 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.
“Assignee”	means any person or party to whom an assignment, ceding or transfer of a licence is made.
“Buyer”	Eskom Holding 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 Agreement”	Means Power Purchase Agreement (PPA), Implementation Agreement (IA), Direct Agreement (DA), transmission or distribution agreement.
“Commercial Operation Date”	means the date upon which a generation facility is scheduled to commence operation or such date being scheduled date either through its specification in the construction programme or through an agreement between the Buyer and the Seller in accordance with the provision of the IA and PPA.
“Connection Agreement”	means an agreement entered into between the Licensee and the Transmitter or Distributor for the purpose of regulating the connection to and use of the Transmission or Distribution System.

"Contracted Capacity"	means the anticipated Capacity of the 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 Facility connects to the System and where the Energy Output is to be delivered by the Licensee to the Buyer.
"Direct Agreement"	means the direct agreement entered into (or to be entered into) between the Buyer, the Licensee(the Seller), the Department of Energy (DoE) and the Lenders (or their agent) in relation to the PPA and the Implementation Agreement.
"Distribution System"	means a distribution network of any Distributor which operates at a nominal voltage of 132 kV or less, as described in the Codes, as that system may be refurbished, modified, extended or developed from time to time (but, for the avoidance of doubt, not including any private network used by the Facility or customers of any Distributor).
"Energy Regulator"	means the National Energy Regulator of South Africa, established in terms of the National Energy Regulator Act.
"Environmental Policy"	means a written policy designed to protect the environment from the effect(s) of the Licensed Activities.
"Facility"	means the generation facility located at the Project Site and comprising all plant, machinery and equipment, all associated buildings, structures, roads on the Project Site that are not national, provincial or municipal roads, and other appurtenances, together with all required interfaces to be Constructed for the safe, efficient and timely Operation of that facility.
"Financial year"	means a period starting from the day 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 granted in terms of the Act.
“Generator”	means a person who generates electricity.
“Health, Safety Policy”	means a written policy designed to protect the health and safety of the general public and persons employed by the Licensee from the effect(s) of Licensed Activities.
“Implementation Agreement”	means an agreement entered into between the Department of Energy (DoE) and the Licensee (the Seller) for the purpose of regulating Government support, economic development and related matters.
“Licensee”	South Africa Mainstream Renewable Power Droogfontein Solar Farm (Pty) Ltd
“Power Purchase Agreement”	means an agreement entered into by the Licensee and the Buyer for the purpose of regulating the purchase and sale of energy output from the Facility.
“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 Electricity Regulation Act, 2006 (Act No. 4 of 2006), and includes Regulations made under the Act.
“Transmission system”	means the national transmission system consisting of all lines and substation equipment which operate at a nominal voltage of above 132 kV, as that system may be refurbished, modified, extended or developed from time to time.

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 or 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. Validity of Licence

This licence shall come into force provided all applicable approvals are granted by any relevant government, agency and authority. The approvals shall include but not limited to environmental authorization, water acquisition rights and civil aviation authority approvals.

4. Term of Licence

- 4.1. The licence shall commence on scheduled Commercial Operation Date ("COD") and continue in force for a period of 20 years. The COD and the period of this licence shall be aligned with the duration of the PPA.
- 4.2. 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 terms in the PPA or lifespan of the generation facility.
- 4.3. The Energy Regulator may set different licence conditions upon granting an approval for renewal.

5. Licensed Activities

This generation licence is issued by NERSA to the Licensee in terms of the Act, to generate electricity from the generation facilities listed in schedule 2 of this licence and to sell its electricity to the Buyer listed in Schedule 3.

6. Prohibited Activities

- 6.1. The Licensee shall not change the capacity or generating process of any generation facility without the approval of the Energy Regulator.
- 6.2. The Licensee shall not sell electricity from the licensed facility to third parties without the approval of the Energy Regulator.
- 6.3. In the case of a Licensee owning transmission or distribution connection works to the system, the Licensee shall not operate the connection of the generation facility to the system without a transmission or distribution licence or an exemption to hold such a licence from the Energy Regulator.

7. Standard of Performance

The Licensee shall:

- 7.1. keep this licence and the licence conditions issued, or copies of these documents at its premises.
- 7.2. comply with the Act and regulations, rules, guidelines, directives and standards issued by NERSA from time to time.
- 7.3. Save for exemptions approved by the Energy Regulator, the Licensee shall comply with the provisions of the codes as varied, supplemented or replaced from time to time.
- 7.4. comply with the economic development commitments listed in Schedule 4.
- 7.5. 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.

8. Commercial Agreements

- 8.1. The Licensee shall at all times comply with provisions of the Commercial Agreements.
- 8.2. The Licensee shall keep Commercial Agreements or copies of these documents at its premises.
- 8.3. 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.
- 8.4. Modifications of Power Purchase and Connection Agreements shall not be made without the prior written approval of the Energy Regulator.

9. Tariff

- 9.1. The Licensee shall sell electricity from the Contracted Capacity listed in Schedule 3 to the Buyer in schedule 2 at the tariff stipulated in the PPA.
- 9.2. Any variations to the tariff in the PPA will be subject to approval by Energy Regulator.

10. Payment of Licence Levies

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

11. Provision of Information

The Licensee shall –

- 11.1. 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.
- 11.2. maintain a separate information and statement of accounts for electricity generation business covered by this licence in the form prescribed by NERSA.
- 11.3. keep audited records of accounts relating to social development commitments. These records must at all times be available to NERSA or its appointed agent.
- 11.4. provide NERSA with audited financial statements for each financial year in accordance with relevant financial legislations.
- 11.5. 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.

12. Health and Safety

The Licensee shall comply with Health and Safety standards and requirements in the operation of its generation facility.

13. Environmental

The Licensee shall comply with Environmental standards and requirements in the operation of the generation facility.

14. Inspection(s)

The Licensee shall-

- 14.1. consent to inspections 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.
- 14.2. 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.

15. Investigation(s)

- 15.1. The Licensee shall consent to investigations at all reasonable times to be conducted by NERSA or authorised persons on its behalf for the purpose of ascertaining a complaint or failure to abide by its licence conditions.
- 15.2. On completion of the investigation the Energy Regulator may:
 - 15.2.1. refer the investigation report to the Director of Public Prosecutions of the area concerned.
 - 15.2.2. if a Licensee is involved, act on the matter in accordance with the provision of the Act.

16. Assignment of Licence

- 16.1. The Licensee shall not assign, cede or transfer any such power or duty to any other person ("Assignee") without the prior consent of the Energy Regulator.
- 16.2. In deciding whether to give its consent to assignment, ceding or transfer of this licence, the Energy Regulator shall:
 - 16.2.1. apply the same criteria as it would apply if it were deciding whether to grant a corresponding licence to the Assignee; and
 - 16.2.2. 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.

17. Change in Control of Licensee

- 17.1. 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.
- 17.2. 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.
- 17.3. A Licensee must notify NERSA of any changes in the control of the licence.
- 17.4. The notification must be provided after 14 days of the event giving rise to them.

18. Amendment of Licence

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

19. Revocation of Licence

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

20. Contravention of Licence

20.1. The Licensee shall not act in any manner that is inconsistent with the Act, Rules and this licence.

20.2. In the event of contravention, such contravention shall be dealt with in terms of the Act

21. Correspondence with NERSA

21.1. All official communication with NERSA must be in writing, unless directed otherwise by NERSA.

21.2. The communication can be send by any means possible including post, fax, email and hand delivery.

21.3. The Licensee must, in all correspondence with NERSA, quote the licence reference number, as it appears on the licence certificate.

22. Whole Licence

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

23. Dispute Resolution

Save for the provisions of the PPA,

23.1. NERSA shall act as a mediator if so requested by both the Licensee and the buyer to settle the dispute; or

23.2. 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 GENERATION FACILITY

Generating Station	Location	Type	Installed Capacity (MW)
South Africa Mainstream Renewable Power Droogfontein Solar Farm (Pty) Ltd	No 62 Droogfontein Farm – Kimberly, Northern Cape 28°38'8.88"South 24°44'32.20"East	SOLAR PV	50MW

SCHEDULE 3 – TRADING AGREEMENTS

Power Purchaser	Contracted generation station	Duration of PPA	Contracted Capacity (MW)	Date Issued
Eskom Holding SOC Limited	SA Mainstream Renewable Power Droogfontein Solar PV Farm	20 YEARS	48.5MW	01 May 2012

SCHEDULE 4 – ECONOMIC DEVELOPMENT COMMITMENTS

IPP PROCUREMENT PROGRAMME
ECONOMIC DEVELOPMENT SCORECARD

APPENDIX T2
PHOTOVOLTAIC ("PV")

		EDC ELEMENT OBLIGATIONS		Photovoltaic "pv"		
No.	Group	Description	Measurement	Threshold	Target	Bidder's Response
1.	Job creation	100-SR-01 RSA-Based Employees who are Citizens 100-SR-02 RSA-Based Employees who are Black Citizens 100-SR-03 Skilled Employees who are Skilled Black Citizens 100-SR-04 RSA-Based Employees that are Citizens from Local Communities 200-SR-01 Value of Local Content Spend	Number of Citizens employed *100 / Number of RSA Based Employees Number of Black Citizens employed *100 / Number of RSA Based Employees Number of Skilled Black Citizens employed *100 / Skilled Employees Number of Citizens from Local Communities employed *100 / Number of RSA Based Employees Value of Local Content Spend / Total Project Value	50.0% 30.0% 18.0% 12.0% 35.0%	80.0% 50.0% 30.0% 20.0% 50.0%	80.0% 50.0% 30.0% 20.0% 38.0%
3.	Ownership	300-PC-01 Shareholding by Black People in the Project Company 300-CC-01 Shareholding by Black People in the Contractor responsible for Construction 300-OM-01 Shareholding by Black People in the Operations Contractor ¹ 300-PC-02 Shareholding by Local Communities in the Project Company 400-SR-01 Black Top Management	Shareholding by Black people / Total Shareholding Shareholding by Local Communities / Total Shareholding	12.0% 8.0% 8.0% 2.5%	30.0% 20.0% 20.0% 5.0%	30.0% 20.0% 20.0% 8.0%
4.	Management control	400-SR-01 Black Top Management	Number of Black People in Top Management using the Adjusted Recognition of Gender *100 / Number of People in Top Management		40.0%	40.0%
5.	Preferential Procurement	500-SR-01 BBBEE Procurement Spend 500-SR-02 QSEs and EMEs Procurement 500-SR-03 Women Owned Vendors Procurement 600-SR-01 Enterprise Development Contributions 600-SR-02 Adjusted Enterprise Development Contributions 700-SR-01 Socio-Economic Development Contributions 700-SR-02 Adjusted Socio-Economic Development Contributions	Amount of Procurement Spend on BBBEE Contributors recognised in terms of BBBEE Recognition Levels * 100 / Total amount of Procurement Spend Amount of Procurement Spend on QSEs and EMEs * 100 / Total amount of Procurement Spend Amount of Procurement Spend on Women Owned Vendors * 100 / Total amount of Procurement Spend Enterprise Development Contributions * 100 / Revenue Adjusted Enterprise Development Contributions * 100 / Revenue Socio-Economic Development Contributions * 100 / Revenue Adjusted Socio-Economic Development Contributions * 100 / Revenue		60.0% 10.0% 5.0% 0.6% 0.6% 1.5% 1.0%	60.0% 10.0% 5.0% 0.4% 0.5% 1.1% 1.5%

Note:

1 = If no Operator, this shareholding requirement would fall away.

IPP PROCUREMENT PROGRAMME

BIDDER: SA Mainstream Renewable Power Droogfontein (Pty) Ltd
 Proposed Technology: Photovoltaic "PV"

DRAFT 7

ECONOMIC DEVELOPMENT MATRIX: TOTAL PROJECT

ECONOMIC DEVELOPMENT ELEMENT		CONSTRUCTION	OPERATIONS
100 JOB CREATION			
Employees:		Person-months	Person-months
Total Jobs created		872.0	8,640
- RSA Based Citizens		700.0	6,910
- RSA Based Black Citizens		436.0	4,320
- Skilled Employees		343.0	1,680
- RSA Based Skilled Black Citizens		103.0	504
- Citizens from Local Communities		174.0	1,728
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
100-SR-01	RSA Based Employees who are Citizens	80.0%	80.0%
100-SR-02	RSA Based Employees who are Black Citizens	50.0%	50.0%
100-SR-03	Skilled Employees who are Skilled Black Citizens	30.0%	30.0%
100-SR-04	RSA Based Employees who are Citizens from Local Communities	20.0%	20.0%
200 VALUE OF LOCAL CONTENT SPEND			
Local Content:		Rands	Rands
Total Project Value		1,062,994,000	-
Local Content:		403,937,720	-
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
200-SR-01	Value of Local Content Spend	38.0%	N/A
300 OWNERSHIP			
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
300-PC-01	Black Shareholding in Project Company	30.0%	30.0%
300-PC-02	Shareholding by Black People in Local Communities	6.0%	6.0%
300-CC-01	Shareholding by Black People in EPC Contractor	20.0%	N/A
300-OM-01	Shareholding by Black People in Operating Contractor	N/A	20.0%
400 BLACK TOP MANAGEMENT			
Top Management		Person-months	Person-months
Total		54.0	240.0
Black People		18.0	120.0
- Males		0.0	0.0
- Females		12.6	120.0
- Adjusted for Recognition of Gender		18.9	180.0
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
400-SR-01	Black Top Management	40.0%	40.0%
500 PREFERENTIAL PROCUREMENT			
Procurement:		Rands	Rands
Total procurement spend on:		328,118,300	267,250,000
- BBBEE		196,870,980	160,350,000
- QSEs and EMEs		32,811,830	26,725,000
- Women Owned Vendors		16,405,915	13,362,500
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
500-SR-01	BBBEE Procurement	60.0%	60.0%
500-SR-02	QSEs and EMEs Procurement	10.0%	10.0%
500-SR-03	Women Owned Vendors Procurement	5.0%	5.0%
600 ENTERPRISE DEVELOPMENT CONTRIBUTIONS			
Contribution:		Rands	Rands
Revenue		-	4,403,687,000
Enterprise Development		-	17,614,748
Localness factor: (Select from drop-down list)			
Based in Local Community		135%	135%
Adjusted Enterprise Development		-	23,779,910
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
600-SR-01	Enterprise Development Contributions	N/A	0.4%
600-SR-02	Adjusted Enterprise Development Contributions (Adjusted for Localness)	N/A	0.5%
700 SOCIO-ECONOMIC DEVELOPMENT CONTRIBUTIONS			
Contribution:		Rands	Rands
Revenue		-	4,403,687,000
Socio-Economic Development		-	48,440,557
Localness Factor: (Select from drop-down list)			
Based in the rest of RSA		135%	135%
Adjusted Socio-Economic Development		-	65,394,752
ECONOMIC DEVELOPMENT SUB-ELEMENTS			
Number	Description	Commitment	Commitment
700-SR-01	Socio-Economic Development Contributions	N/A	1.1%
700-SR-02	Adjusted Socio-Economic Development Contributions	N/A	1.5%