



Licence Number: LCE/COGEN/KZ291/2010

ELECTRICITY GENERATION LICENCE

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

This licence is issued to:

SAPPI MANUFACTURING (PTY) LTD

(Registration No: 1951/003180/07)

hereinafter referred to as "the Licensee" only for the purpose of generating and selling electricity generated at the facilities listed in Schedule 1 and Schedule 2 respectively.

Generation and selling of electricity under this licence is subject to the terms and conditions as contained in this licence and/or amendments to these conditions as imposed by the NERSA. These licence conditions must be adhered to at all times.

ISSUED at Pretoria on this 25th day of November 2010

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

**CHIEF EXECUTIVE OFFICER
NATIONAL ENERGY REGULATOR**



DEFINITIONS

In this licence:

“Act” means the Electricity Regulation Act, 2006 (Act No. 4 of 2006)

“Licensee” means Sappi Manufacturing (PTY) LTD

“Buyer” means Eskom Holdings Limited

“MTPPP” means Mid Term Power Purchase Programme

“STPPA” means Short Term Power Purchase Agreement

INTERPRETATION

In this licence words and phrases shall have the meaning ascribed to them in the Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. 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. In the computation of time under this licence, 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.

LICENCE CONDITIONS

1 AREA OF OPERATIONS

This generation licence is granted by NERSA to the Licensee in terms of section 4 of the Act, to allow the Licensee to generate its electricity from power generation stations listed in schedule 1 of this licence and to sell its electricity to the buyer listed in Schedule 2.

2 DURATION OF THE LICENCE

This licence came into force on 26 March 2008 and shall continue for a period of 15 (fifteen) years .Subject to the provisions of the Act, the term of this Licence may be renewed or revoked by NERSA.

3 DUTIES OF THE LICENSEE

- 3.1 The Licensee shall sell power produced by its Generating Stations to the Buyer pursuant to schedule 2.
- 3.2 The Licensee shall not change the capacity or generating process of any Generation Station, without the approval of NERSA.
- 3.3 The Licensee shall comply with any restrictions and conditions imposed by the relevant government environmental and safety agencies/ legislation.
- 3.4 Six (6) months before the lapse of the respective PPAs for generation stations, the Licensee shall secure another PPAs to cover the rest of the 15 year licence period.

4 ACCOUNTS OF THE LICENSEE

A Licensee shall:

- keep this licence and the licence conditions issued, or copies of these documents on its premises;
- maintain records of and provide, in the manner and form determined by NERSA, such information and documents as NERSA may require from time to time;
- maintain a separate information and statement of accounts for electricity generation business covered by this licence in the form prescribed by the Energy Regulator;

- provide NERSA with audited financial statements for each financial year in accordance with relevant legislations;
- 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;
- allow any person authorised by the Energy Regulator to inspect and verify the accounts of the trader and trader shall render all necessary assistance to such person.

5 STANDARD OF PERFORMANCE

The Licensee shall comply with the requirements of laws in force and, in particular, the Act, National Electricity Rules, relevant NRS standards, orders and directions issued by the Energy Regulator from time to time. In the event that the National Electricity Rules are inconsistent with the Code, then the National Electricity Rules prevail to the extent of such inconsistency.

6 SETTLEMENT OF DISPUTES

6.1 NERSA shall be entitled to settle disputes between the Licensee and any other supplier or customer regarding:

- the right to supply;
- the quality of such supply and the provision of services in connection therewith;
- the condition on and prices at which electricity is supplied;
- the installation and functioning of meters;
- the suitability of the equipment of the Licensee;
- delays in or refusal to supply electricity by the Licensee and
- Any other matter in respect of which the Licensee or its consumers requests the NERSA to act as mediator.

6.2 Any decision of the Energy Regulator on a dispute as contemplated in section above is binding on the parties to the dispute.

7 AMENDMENT OF A LICENCE

The conditions of this Licence may be amended by NERSA in accordance with the Act:

- with the agreement of the Licensee; or
- pursuant to and in accordance with any regulatory changes of general application related to national quality of supply and service standards.

8 REVOCATION OF LICENCE

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

9 CONTRAVENTION OF THE LICENCE

The Licensee must at all times comply with the conditions of this licence, the Act and the Rules, not act in any manner that is inconsistent with this licence. In the event of contravention of this licence by a Licensee, such contraventions shall be dealt with in terms of section 19 of the Act.

10 CHANGES IN THE DETAILS OF THE LICENSEE

10.1 The Licensee must notify NERSA of any changes with the details of any changes in the registered name, operation of the generation facility, registered address, contracts and other contact details.

10.2 The notifications contemplated in this section must be provided within 14 days of the event giving rise to them.

11 CORRESPONDENCE WITH NERSA

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

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

SCHEDULE 1

Generating Station	Location	Type	Installed Capacity (MW)
SAPPI SAICCOR	MILL SITE, THE FARM UMKOMAZI DRIFT	SPENT PULPING LIQUOR AND COAL	46MW
SAPPI TUGELA	KZN OLD MAIN ROAD MANDINI	SPENT PULPING LIQUOR AND COAL	10MW
SAPPI NGODWANA	MPUMALANGA MILL SITE FARM GROOTGELUK 477 N4	SPENT PULPING LIQUOR AND COAL	117MW

SCHEDULE 2


A: Generation Licence Approval

Power Purchaser	Contracted generation station	Duration of PPA	Contracted Capacity (MW)	Date Issued
ESKOM	SAPPI SAICCOR	12 MONTHS	46MW	26 March 2008
ESKOM	SAPPI TUGELA	12 MONTHS	10MW	26 March 2008

B: Generation Licence Amendment

Power Purchaser	Contracted generation station	Duration of PPA	Contracted Capacity (MW)	Date Issued
ESKOM	SAPPI SAICCOR	33 MONTH MTPPP	24MW	30 July 2010
ESKOM	SAPPI TUGELA	N/A	0MW	30 July 2010
ESKOM	NGODWANA	28 MONTH MTPPP	11MW	25 November 2010
ESKOM	NGODWANA	12MONTH STPPA		25 November 2010

Signed:



Mr Smunda Mokoena
Chief Executive Officer