



WE ALIGN OUR PROJECTS WITH HIGH
ENVIRONMENTAL, SOCIAL AWARENESS
AND RESPONSIBILITY.

SunElex Solar Energy Projects Offering

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PUBLIC PARTICIPATION

Section 33 – Hearings

Date	Town	Ward	Venue	Time
21 May 2017	Ventersburg	All	Community Hall	14:00
22 May 2017	Thabong	30 and 31	Fun Park	17:00
23 May 2017	Odendalsrus	All	Community Hall	15:00
23 May 2017	Allanridge	36	Phahamisanang	16:00
24 May 2017	Thabong	26	Iketsetseng	16:00
25 May 2017	Henneman	2 and 3	Community Hall	16:00
26 May 2017	Virginia	4, 5, 6 and 7	Community Hall	15:00
27 May 2017	Welkom	27, 32, 33, 34, 35	Fredemia Hall	11:00
31 May 2017	Allanridge	19 (Optional)	Community Hall	14:00



SECTION 33 and 120 of the MFMA

Section 33 – Views and Recommendations

- Sections 33 and 43 applications submitted
- In terms of these sections, the municipality is obligated to seek the views and recommendations of National Treasury in respect of the project
- Effect of combined sections: the municipality's budget being redirected from procuring services from one service provider to another
- National Treasury response – 1st Response
- National Treasury response – 2nd Response (positive)



SECTION 33 - OUTCOME

In terms of section 33(1)(b)(iv) of the MFMA, the municipal council must consider the views and recommendations of National Treasury and, in this case, resolve that –

- it has considered the views and recommendations of National Treasury pursuant to the provisions of 33(1)(b)(iv) of the MFMA;
- the portion of its budget allocated for purchasing power, from Eskom, will be redirected to purchasing power from Sunelex in terms of the Power Purchase Agreement when the plant becomes operational;
- Sunelex be permitted to commence the construction of the solar plant as set out in previous resolutions and as more fully explained in the Power Purchase Agreement;
- the municipal manager and the steering committee are to give regular reports to the municipal council regarding the progress of the construction of the plant and any matter incidental thereto; and
- the municipal manager be authorised to do all things and sign all documents necessary to give effect to this resolution.



Public Private Partnership (section 120 MFMA)

- Application was submitted to National Treasury by the MM
- We engaged National Treasury on various occasions
- Engagements are on going
- Application is under review – from the documentation and procurement process, is similar to the section 33
- Anticipate positive outcome

OPPORTUNITIES FOR SMALL DEVELOPMENTS

Role of Small Businesses

1. Request for Information
2. Sunelex to provide scope of work (for the RFI)
3. Register on the municipal data base (with the assistance from SEDA, where applicable)
4. Sunelex to draw from the data base
5. Sunelex to make selection outside database in instances where expertise are lacking



EMPLOYMENT OPPORTUNITIES

- The project will employ approximately 2000 persons during the construction phase (phase 1 & 2, each expected to take 18 months) (overall construction period will cover 3 years)
- Request for Information (emphasis that the municipality is not the employer, but seeks to ensure fairness and equal opportunities)
- Person to provide CVs
- Register on the municipal employment data base
- Sunelex to make appointments: draw names from the data base



TRAINING TO ENHANCE CHANCES OF BEING EMPLOYED

- As indicated, Sunelex to make appointments: draw names from the data base
- Sunelex to offer training
- Training – focus on SETA leanership
- Issuing of certificates after training
- Issuing of certificates after construction



TRAINING TO ENHANCE CHANCES OF BEING EMPLOYED

Huawei Sunelex Partnership

- Sunelex requires 5 engineers from the Free State to be trained in China
- Huawei to build a Centre of Excellence
- Huawei to build a training facility on site (to part of the admin building)



TOWN PREPARATION PROGRAMME

Neighborhood Development Programme Grant

- Purpose – develop township in relation to a major project and raise funds for the municipality
- Municipal Manager recently requested assistance from National Treasury (the NDPG Unit)
- No approval required as the municipality was previously approved – now it is only the question of scope



INDEPENDENT POWER PRODUCERS

- Sunelex is the IPP, but does not offer power to Eskom
 - The municipality is the offtaker
 - Eskom is experiencing infrastructure limitations – inability to evacuate power where only Eskom power ‘suppliers’ are located
 - The project falls outside the DOE IPP
- Project not affected by Eskom's policy on power offtake



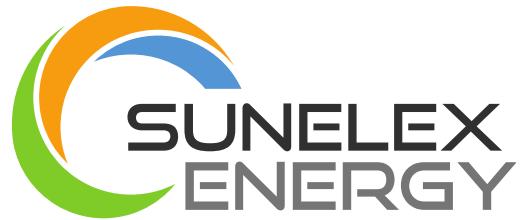
CURRENTLY IN PROGRESS

Permits

- Eskom Grid Connectivity License - submitted
- Environmental Impact Assessment – public participation – about to be undertaken
- Water application – forms part of the EIA process
- NERSA Power Generation License – ready for submission



THANK YOU



MATJHABENG

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OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlislo:	F Nieuwoudt
Room no / Kamer nr / Kamore ya:	1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona:	19/3/2/1
Date:	10 December 2014

FOR ATTENTION: Mr. J Robile

Sunelex Energy (Pty) Ltd
Office 4th Floor
Nelson Mandela Square
SANDTON
2191

Dear Sir

MATJHABENG; COUNCIL RESOLUTIONS ON THE SUNELEX PROJECT PROPOSAL

In relation to the further development and implementation of the SUNELEX Project in Matjhabeng, I hereby present you with the following Council's Resolutions in this regard:

RESOLUTION A74/2014 of 27 November 2012:

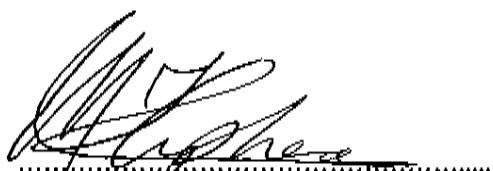
- “1. That the Council **SUPPORTS** the development of a 500 Megawatt Solar Power in Matjhabeng in principle as submitted by Sunelex PTY LTD subject to the outcome of the detailed feasibility study.

2. That the land in question **BE DISCLOSED** to Council for consideration.

3. That Council **CONSIDERS** concluding the power purchase agreement with Sunelex PTY LTD upon the outcome of the feasibility study.
4. That the Municipal Manager **MUST SUBMIT** quarterly reports to the Mayoral Committee and Council.
5. That the Municipal Manager **BE AUTHORIZED** to conclude the long term lease with the developer as will be determined by the dictates of the feasibility study for the land that will be required for the envisaged development for both the power generation plant as well as the solar manufacturing factory after Council pronounced itself on the land.”

I hope that you will find the above in order.

Yours faithfully



.....
ADV. M. LEPHEANA
MUNICIPAL MANAGER

A74/2014

PROJECT PROPOSAL FOR THE DEVELOPMENT OF 500 MEGAWATT SOLAR POWER AS WELL AS THE SOLAR PANELS MANUFACTURING FACTORY BY SUNELEX (LED) (19/3/2/1)

PURPOSE OF REPORT

To solicit the support of Council for the development of the 500 Megawatt Solar Power as well as the Solar Panel Manufacturing Factory;

To solicit the authority for the Municipal Manager to conclude the long term lease agreement with the Developer.

DISCUSSIONS

The Executive Mayor presented the item to Council

COUNCIL RESOLVED (25 NOVEMBER 2014)

1. That the Council **SUPPORTS** the development of 500 Megawatt Solar Power in Matjhabeng in principle as submitted by Sunelex PTY LTD subject to the outcome of the detailed feasibility study.
2. That the land in question **BE DISCLOSED** to Council for consideration.
3. That Council **CONSIDERS** concluding the power purchase agreement with Sunelex PTY LTD upon the outcome of the feasibility study.
4. That the Municipal Manager **MUST SUBMIT** quarterly reports to the Mayoral Committee and Council.
5. That the Municipal Manager **BE AUTHORIZED** to conclude the long term lease with the developer as will be determined by the dictates of the feasibility study for the land that will be required for the envisaged development for both the power generation plant as well as the solar manufacturing factory after Council pronounced itself on the land.

MATJHABENG

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Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1
Date: 11 August 2016

ESKOM: Chief Executive Officer

PO Box 1091
Johannesburg
2001

Dear Sir

MATJHABENG: COUNCIL RESOLUTIONS ON THE SUNELEX PROJECT PROPOSAL

In pursuit of the completion of the solar project, the Municipality request ESKOM to consider buying the excess power to be generated from this project as well as providing any support required for the successful implementation of this project. I hereby present you with the following resolutions of Council taken during the meeting of 20 July 2016 in this regard:

1. That Council **TAKES NOTE** of the SUNELEX progress report.
2. That the Municipal Manager, in his engagement with Sunelex, **SHOULD TAKE** cognisance of the following:
 - 2.1 That the Municipality **WILL ONLY BUY** the electricity from Sunelex in accordance with its needs and that the disposal of the excess energy produced will be the concern of and the responsibility of Sunelex.

- 2.2 That the Municipality will **ONLY PURCHASE** electricity from Sunelex if it is at a cheaper rate than Eskom's rate at that specific period of the day and **LESS THAN** the off-peak tariff of Eskom. It was further emphasized that averages **SHOULD NOT** be used by SUNELEX.
 - 2.3 That the clauses relating to Insurance, Guarantee and, Buyer's Responsibilities (as indicated in paragraph 8.2 of the draft Power Purchase Agreement) be revised and/or removed in the PPA where necessary.
 - 2.4 That the Maintenance of the Plant be done by Sunelex and not by the Municipality until the plant is handed over to the Municipality.
3. That **NO** other Agreements **SHOULD BE SIGNED** until the Power Purchase Agreement has been agreed to by the Municipality and the Developer.
 4. That the Municipal Manager **CAN CONCLUDE** the Power Purchase Agreement and the Land Lease Agreement.

I hope that you will find the above in order.

Yours faithfully



ADV. M. LEPHEANA
MUNICIPAL MANAGER

ATTORNEYS
ENGINEERS
TECHNOLOGIES
PTY LTD
ENGINEERS

CONSULTING
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SERVICES CONSULTANCY
ENGINEERS

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Beaufort
control of the depot
engineer, Kimberley South.

freight rail rail engineering pipelines port terminals national ports authority
XGNTBFR/RG/TM/7-14

MATJHABENG

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OFFICE OF THE MUNICIPAL MANAGER

GENERAL NOTICE

BACKGROUND:

- The Matjhabeng Local Municipality has received an application for an unsolicited bid for the Solar Photovoltaic Energy Power Project that is planned to be established on land belonging to the Municipality. The application is made in terms of section 37(2) of the Supply Chain Management Regulations, which stipulates that: 'If a municipality decides to consider an unsolicited bid received outside a normal bidding process, it may do so only if:
 - The product or service offered in terms of the bid is demonstrably proven a unique innovative concept;
 - The product or service will be exceptionally beneficial to or have exceptional cost advantage for the municipality;
 - The person who made the bid is the sole provider of the product or service; and
 - The reasons for not going through the normal bidding process are found to be sound by the accounting officer.'
- The municipality has decided to consider the application in terms of section 37(2) of the Municipal Supply Chain Management Regulations read in conjunction with section 113(2) of the Municipal Finance Management Act (Act No. 56 of 2003) as it has found the reasons for the application to be exceptionally beneficial with multiple advantages to both the municipality and the community in that the proposal will have the following benefits:
 - * Enable Matjhabeng Local Municipality to become a self-sufficient power generation entity;
 - * Reduce carbon emissions;
 - * Mitigate punitive peak load charges from the state distributor;
 - * Reduce dependency on external generating power producers thereby mitigating against operational disruptions;
 - * Sustainable job creation;
 - * Improve the skill profile of Matjhabeng Local Municipality labour force.

INVITATION TO THE PUBLIC

- In terms of section 37(3) of the Supply Chain Management Regulations read in conjunction with section 21 of the Local Government Municipal Systems Act, (Act No. 32 of 2000), the public or other potential supplier or service providers are hereby invited to submit written comments or representations within 30 days of notice.
- Any person who cannot write, may come to the Office of the Municipal Manager during office hours for assistance in transcribing his/her comments for representation.

FOR FURTHER INFORMATION

Contact: Mr Thabiso Tsoaeli (CFO)
057 391 3416

Notice No: 54/2014

MATJHABENG

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OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisiso: F Nieuwoudt
Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1
Date: 8 September 2015

FOR ATTENTION: Mr. J Robile

Sunelex Energy (Pty) Ltd
Office 4th Floor
Nelson Mandela Square
SANDTON
2191

Dear Sir

MATJHABENG: PROGRESS REPORT: PROJECT PROPOSAL FOR THE DEVELOPMENT OF 500 MEGAWATT SOLAR POWER AS WELL AS THE SOLAR MANUFACTURING FACTORY BY SUNELEX

In relation to the further development and implementation of the SUNELEX Project in Matjhabeng, I hereby wish present you with the following Council's Resolutions that were taking during Council's sitting on 1 September 2015:

1. That the progress with the development of the SUNELEX project BE NOTED.
2. That Council DECLARES the SUNELEX project as an emergency Economic Priority Project.
3. That ESKOM BE CONSULTED if the power will go through the ESKOM grid.

I hope that you will find the above in order.

Yours faithfully

.....
ADV. M. LEPHEANA
MUNICIPAL MANAGER

MATJHABENG

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Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/21
Date: 11 July 2016

Director General
Department of National Treasury
Private Bag
X115
Pretoria
0001

Sir

MATJHABENG: REQUEST FOR ASSISTANCE TO THE MATJHABENG MUNICIPALITY WITH THE APPOINTMENT OF A TRANSACTIONAL ANALYST

1. INTRODUCTION

The Matjhabeng Municipality hereby requests the Department's assistance with and for the procurement of a transactional analyst who can assist the Municipality with the financial analysis and advice in relation to the development and participation in a solar electricity generation project in the Matjhabeng area. Your assistance is further required for the registration of the project with the Department.

2. BACKGROUND: THE SUNELEX PROJECT

2.1 BACKGROUND

The project was initiated and presented to the Matjhabeng Council by the company Sunelex Energy (Pty) Ltd. The intent of the project is to establish a photovoltaic (PV) plant for a 200 MW (first phase) solar electric generating facility in Matjhabeng that will later be expanded with another 300 MW (Phase 2). A second project is also envisaged viz. a manufacturing plant for solar electricity components. The project has the potential to have a significant impact to stimulate growth in the local economy and to simultaneously enhance the financial position of the Municipality.

2.2 PROJECT DEVELOPMENT APPROACH

Project development and execution proposed by the developer is a sequential, structured process, comprising of several phases where outcome of previous one defines the input into next one. Pre-feasibility study is the initial phase, where all technical, commercial, financial and environmental conditions and inputs are required to assess viability and basic capacities of the project. Cost accuracy should be determined at +/-30%. Basic production requirements (production schedules, operating shifts), load profiles and client preferences are to be matched to the possible technologies. Report from this phase will clearly define the direction regarding what is required, and what is possible to do to address the requirement, technology-wise and cost-wise.

Full feasibility study will follow based on pre-feasibility report. It will comprise a full environmental study, financial modeling, technology basic design, tariff system, drafting project plan, PPA content and similar. This final outcome will give very good financial picture regarding cost and benefit, around 10% accurate. This will lead to project execution phase, where Project Team will be formed, Project Master Plan developed, project schedule as well. Detailed design and procurement will be followed by construction, commissioning and performance testing.

Such feasibility study will ultimately determine inter alia the following critical outcomes for further decision making regarding the implementation of the project:

- The economic feasibility of generating electricity in the Matjhabeng area.
- The optimal location and land requirements of the plant.
- The financial cost/benefits to deliver electricity to into the national grid, directly to the Municipality as client or any other potential client.

- All environmental aspects pertaining to the land as identified during the Environmental Assessment process.
- Confirmation to all legal requirements in relation to a generating permit.

The logical actions of the feasibility study will inter alia entail the following:

- Analysis of the electricity distribution grid in the area to obtain the optimal location for the electricity generation plant.
- Analysis of the economic feasibility for solar energy generation – potential clients etc.
- Evaluation and identification of suitable land in relation to the Matjhabeng Spatial Development Framework.
- Allocation of the land by the land owner,
- Environmental impact analysis in respect of the identified land,
- Application for a land use permit.
- Agreements with ESKOM, the Municipality etc.

2.3 APPLICABLE COUNCIL RESOLUTIONS

The resolutions already taken by the Mayoral Committee and Council of the Municipality to date are as follows:

2.3.1 THE MAYORAL COMMITTEE RESOLVED TO RECOMMEND: (12 NOVEMBER 2014)

1. That the establishment of the project in Matjhabeng BE SUPPORTED in principle and that Sunelex PTY LTD submits a proposed Memorandum of Understanding to Council which addresses all the responsibilities of the Municipality to assist with and in support of the feasibility phase of the project.
2. That subject to the APPROVAL of the Memorandum Understanding, Council will issue a letter of intent to issue a power purchase agreement to Sunelex.
3. That as soon as the most optimal portion of land for the project is identified Council WILL CONSIDER an unsolicited bid for the required land.

2.3.2 COUNCIL RESOLVED (25 NOVEMBER 2014)

1. That the Council **SUPPORTS** the development of 500 Megawatt Solar Power in Matjhabeng in principle as submitted by Sunelex PTY LTD subject to the outcome of the detailed feasibility study.
2. That the land in question **BE DISCLOSED** to Council for consideration.
3. That Council **CONSIDERS** concluding the power purchase agreement with Sunelex PTY LTD upon the outcome of the feasibility study.
4. That the Municipal Manager **MUST SUBMIT** quarterly reports to the Mayoral Committee and Council.
5. That the Municipal Manager **BE AUTHORIZED** to conclude the long term lease with the developer as will be determined by the dictates of the feasibility study for the land that will be required for the envisaged development for both the power generation plant as well as the solar manufacturing factory after Council pronounced itself on the land.

2.4 PROGRESS

The progress with the project to date can be summarized as follows:

a) MEMORANDUM OF UNDERSTANDING:

A MOU agreement between the Municipality and SUNELEX was signed on 4 March 2015.

b) LETTER OF INTENT:

A letter of intent, expressing Council's intent to purchase electricity generated by the SUNELEX project was signed by the parties on 8 May 2015.

c) IDENTIFICATION OF LAND:

After consideration of various alternatives, SUNELEX identified a suitable portion of land in the Matjhabeng area. A consultant team is currently investigating the suitability of the land and the layout of the solar farm.

d) POWER PURCHASE AGREEMENT

A draft Power Purchase agreement was submitted by SUNELEX which must now be evaluated and developed in consultation with SUNELEX.

3. SCOPE OF WORK

It will be expected that the service provider assist the Municipality in the following manner:

- a) To evaluate the financial model of the project as submitted by SUNELEX, also in relation to the proposed Power Purchase Agreement.
- b) To perform a cost/benefit analysis and to make a recommendation to the Municipality in relation to the financial risk and responsibilities.
- c) To evaluate the feasibility to sell the excess electricity in the open market and to assist the Municipality in a bid application to ESKOM.
- d) To assist the Municipal financial and negotiating teams throughout the development of the project.

Your urgent response regarding this request will be appreciated.

I hope that you will find the above in order.

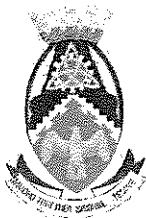
Yours faithfully



ADV. M. F. LEPHEANA
MUNICIPAL MANAGER

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Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1
Date: 15 December 2015

Director General
Department of National Treasury
Private Bag
X115
Pretoria
0001

For attention:

Sir

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2. That subject to the **APPROVAL** of the Memorandum Understanding, Council will issue a letter of intent to issue a power purchase agreement to Sunelex.
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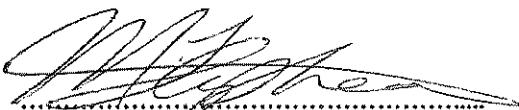
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Yours faithfully



ADV. M. F. LEPHEANA
MUNICIPAL MANAGER

MATJHABENG



Municipality
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OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisiso: HB Tihabani

Room no / Kamer nr / Kamore ya: 306

Date / Datum / Letsatsi: 19 January 2016

Your Ref / U Verw / Ho ya ka bona: Our ref / Ons Verw / Ho ya ka Rona: 19/3/2/1

For Attention: HOD: Electricity Licensing and Compliance.

NATIONAL ELECTRICAL REGULATOR OF SOUTH AFRICA (NERSA)

Po.BOX 403343
Arcadia
0007

Fax no: (012) 401 4600

Dear Sir,

MATJHABENG: REQUEST FOR ASSISTANCE TO THE MATJHABENG MUNICIPALITY WITH THE IMPLEMENTATION OF 500 MW SOLAR POWER (PV) PLANT AND WHEELING TO THE NATIONAL ESKOM GRID.

1. INTRODUCTION

The Matjhabeng Municipality hereby requests the National Regulator of South Africa (NERSA) for assistance in the development and implementation of the proposed solar electricity generation project in the Matjhabeng Municipal area.

2. BACKGROUND: THE SUNELEX PROJECT

2.1 BACKGROUND

The project was initiated and presented to the Matjhabeng Council by the company Sunelix Energy (Pty) Ltd. The intent of the project is to establish a photovoltaic (PV) plant for a 200 MW (first phase) solar electric generating facility in Matjhabeng that will later be expanded with another 300 MW (Phase 2). A second project is also envisaged viz. a manufacturing plant for solar electricity components. The

project has the potential to have a significant impact to stimulate growth in the local economy and to simultaneously enhance the financial position of the Municipality.

2.2 PROJECT DEVELOPMENT APPROACH

Project development and execution of the project proposed by the developer is a sequential, structured process, comprising of several phases where outcome of previous one defines the input into next one. Pre-feasibility study is the initial phase, where all technical, commercial, financial and environmental conditions and inputs are required to assess viability and basic capacities of the project. Cost accuracy should be determined at +/-30%. Basic production requirements (production schedules, operating shifts), load profiles and client preferences are to be matched to the possible technologies. Report from this phase will clearly define the direction regarding what is required, and what is possible to do to address the requirement, technology-wise and cost-wise.

Full feasibility study will follow based on pre-feasibility report. It will comprise a full environmental study, financial modeling, technology basic design, tariff system, drafting project plan, PPA content and similar. This final outcome will give very good financial picture regarding cost and benefit, around 10% accurate. This will lead to project execution phase, where Project Team will be formed, Project Master Plan developed, project schedule as well. Detailed design and procurement will be followed by construction, commissioning and performance testing.

Such feasibility study will ultimately determine inter alia the following critical outcomes for further decision making regarding the implementation of the project:

- The economic feasibility of generating electricity in the Matjhabeng area.
- The optimal location and land requirements of the plant.
- The financial cost/benefits to deliver electricity to into the national grid, directly to the Municipality as client or any other potential client.
- All environmental aspects pertaining to the land as identified during the Environmental Assessment process.
- Confirmation to all legal requirements in relation to a generating permit.

The logical actions of the feasibility study will inter alia entail the following:

- Analysis of the electricity distribution grid in the area to obtain the optimal location for the electricity generation plant.
- Analysis of the economic feasibility for solar energy generation – potential clients etc.
- Evaluation and identification of suitable land in relation to the Matjhabeng Spatial Development Framework.
- Allocation of the land by the land owner.
- Environmental impact analysis in respect of the identified land.
- Application for a land use permit.

- Agreements with ESKOM, the Municipality etc.

2.3 APPLICABLE COUNCIL RESOLUTIONS

The resolutions already taken by the Mayoral Committee and Council of the Municipality to date are as follows:

2.3.1 THE MAYORAL COMMITTEE RESOLVED TO RECOMMEND: (12 NOVEMBER 2014)

1. That the establishment of the project in Matjhabeng **BE SUPPORTED** in principle and that Sunelex PTY LTD submits a proposed Memorandum of Understanding to Council which addresses all the responsibilities of the Municipality to assist with and in support of the feasibility phase of the project.
2. That subject to the **APPROVAL** of the Memorandum Understanding, Council will issue a letter of intent to issue a power purchase agreement to Sunelex.
3. That as soon as the most optimal portion of land for the project is identified Council **WILL CONSIDER** an unsolicited bid for the required land.

2.3.2 COUNCIL RESOLVED (25 NOVEMBER 2014)

1. That the Council **SUPPORTS** the development of 500 Megawatt Solar Power in Matjhabeng in principle as submitted by Sunelex PTY LTD subject to the outcome of the detailed feasibility study.
2. That the land in question **BE DISCLOSED** to Council for consideration.
3. That Council **CONSIDERS** concluding the power purchase agreement with Sunelex PTY LTD upon the outcome of the feasibility study.
4. That the Municipal Manager **MUST SUBMIT** quarterly reports to the Mayoral Committee and Council.
5. That the Municipal Manager **BE AUTHORIZED** to conclude the long term lease with the developer as will be determined by the dictates of the feasibility study for the land that will be required for the envisaged development for both the power generation plant as well as the solar manufacturing factory after Council pronounced itself on the land.

2.4 PROGRESS

The progress with the project to date can be summarized as follows:

a) MEMORANDUM OF UNDERSTANDING:

A MOU agreement between the Municipality and SUNELEX was signed on 4 March 2015.

b) LETTER OF INTENT:

A letter of intent, expressing Council's intent to purchase electricity generated by the SUNELEX project was signed by the parties on 8 May 2015.

c) IDENTIFICATION OF LAND:

After consideration of various alternatives, SUNELEX identified a suitable portion of land in the Matjhabeng area. A consultant team is currently investigating the suitability of the land and the layout of the solar farm.

d) POWER PURCHASE AGREEMENT

A draft Power Purchase agreement was submitted by SUNELEX which must now be evaluated and developed in consultation with SUNELEX.

3. SCOPE OF WORK

It will be expected that the NERSA will assist the Municipality in the following manner:

- a) To assist with the process and procedures that must be followed and complied to register the proposed project as a Generating Entity with NERSA,
- b) To provide contact person(s) in NERSA which can be liaised with during the implementation of the project,
- c) To assist in negotiations with Eskom regarding Grid Integration,
- d) To assist in negotiations with Eskom regarding the Wheeling Agreement,
- e) To assist in negotiations with Eskom regarding the Connection Agreement,
- f) To provide direction and support with the development of the applicable tariff structures.

Your urgent response regarding this request will be appreciated.

Hope that you will find the above in order.

Yours faithfully

.....
ADV. M. LEPHEANA
MUNICIPAL MANAGER

MATJHABENG

Municipality
Umasipala
P O Box 708
Welkom, 9460
South Africa



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matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisico: F Nieuwoudt
Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1
Date: 30 June 2016

Director General
Department of National Treasury
Private Bag
X115
Pretoria
0001

Attention: HOD PPP Unit

PROJECT PROPOSAL FOR THE DEVELOPMENT OF 500 MEGAWATT SOLAR POWER PANELS MANUFACTURING FACTORY BY SUNELEX

With reference to the above I wish to inform you that Council at its meeting held on 29 June 2016 resolved as follows

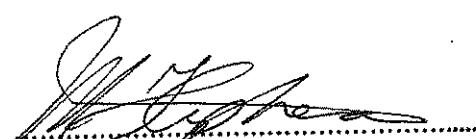
1. That the general progress with the development of the SUNELEX Project be noted.
2. That the Feasibility Study in relation to the project as was submitted by SUNELEX be noted.
3. That the Municipal Manager be authorized to engage on the outstanding legal agreements pertaining to the project subject to recommendations of the Transactional Advisor and the ratification by the National Treasury including:
 - a) Tripartite Agreement
 - b) Land Lease Agreement

- c) Power Purchase Agreement
 - d) Applications to ESKOM, NERSA and the Department of Energy.
4. That the Municipal Manager be authorized to negotiate the appropriate incentives with the developer in collaboration with National Treasury, the Department of Trade and Industry and the Department of Energy to optimize the benefit for the Municipality.

You are hereby invited to the **Executive Management Meeting** to be held on **Tuesday, 5 July 2016 at 10:00**, where Sunalex will make a presentation regarding the project. **Venue:** Matjhabeng Municipality, Main building, Room 428, 4th Floor.

I hope that you will find the above in order.

Yours faithfully



.....
ADV. M. LEPHEANA
MUNICIPAL MANAGER

Magda Taljaard

From: Magda Taljaard
Sent: 30 June 2016 04:26 PM
To: Lebogang.Nkadieng@gtac.gov.za
Subject: invitation letter
Attachments: national treasury.pdf; Letter re land evaluation and official correspondence to state departments (4).pdf

Please find documents in the dropbox

https://www.dropbox.com/sh/m5rnv944zl8ugbv/AAAxknNH_32ETNI_fj2k3tdYa?dl=0

Magda Taljaard
Matjhabeng Municipality
Department LED, Spatial Planning
Room 405, Fourth floor
Reinet Building, 1 Reinet street
'elkom, 9459
Tel 057-9164073



God Bless You

MATJHABENG

Municipality
Umasipala
P O Box 708
Welkom, 9460
South Africa



Mmasepala
Munisipaliteit
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Fax (057) 916 4076
E-mail: lcoetze@matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisiso: F Nieuwoudt
Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1
Date: 30 June 2016

The Director General
Department of Energy
Private Bag X96
PRETORIA
0001

Sir

**MATJHABENG: REQUEST FOR ASSISTANCE TO THE MATJHABENG MUNICIPALITY
WITH THE IMPLEMENTATION OF THE SUNELEX SOLAR POWER GENERATION
PROJECT**

1. INTRODUCTION

The Matjhabeng Municipality hereby requests the Department's assistance with the development and participation in the SUNELEX solar electricity generation project that is currently planned for implementation in the Matjhabeng area. I will further appreciate your advice in relation to available capital funding for the project, application procedures to be followed by the department and further assistance from your Department in this regard.

2. BACKGROUND: THE SUNELEX PROJECT

2.1 BACKGROUND

The project was initiated and presented to the Matjhabeng Council by the company Sunelex Energy (Pty) Ltd. The intent of the project is to establish a photovoltaic (PV) plant for a 200 MW (first phase)

solar electric generating facility in Matjhabeng that will later be expanded with another 300 MW (Phase 2). A second project is also envisaged viz. a manufacturing plant for solar electricity components. The project has the potential to have a significant impact to stimulate growth in the local economy and to simultaneously enhance the financial position of the Municipality.

2.2 PROJECT DEVELOPMENT APPROACH

Project development and execution of the project proposed by the developer is a sequential, structured process, comprising of several phases where outcome of previous one defines the input into next one. Pre-feasibility study is the initial phase, where all technical, commercial, financial and environmental conditions and inputs are required to assess viability and basic capacities of the project. Cost accuracy should be determined at +/-30%. Basic production requirements (production schedules, operating shifts), load profiles and client preferences are to be matched to the possible technologies. Report from this phase will clearly define the direction regarding what is required, and what is possible to do to address the requirement, technology-wise and cost-wise.

Full feasibility study has been done following the completion of the study.

The logical actions of the feasibility study will inter alia entail the following:

- Analysis of the electricity distribution grid in the area to obtain the optimal location for the electricity generation plant.
- Analysis of the economic feasibility for solar energy generation – potential clients etc.
- Evaluation and identification of suitable land in relation to the Matjhabeng Spatial Development Framework.
- Allocation of the land by the land owner.
- Environmental impact analysis in respect of the identified land.
- Application for a land use permit.
- Agreements with ESKOM.

Accordingly the draft feasibility study was presented to Council in its sitting on the 29th June 206 and it resolved as follows:

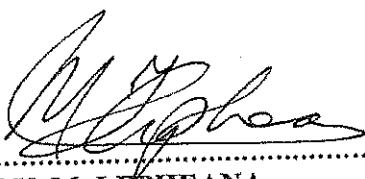
1. That the general progress with the development of the SUNELEX Project be noted.
2. That the Feasibility Study in relation to the project as was submitted by SUNELEX be noted.
3. That the Municipal Manager be authorized to engage on the outstanding legal agreements pertaining to the project subject to recommendations of the Transactional Advisor and the ratification by the National Treasury including:

- a) Tripartite Agreement
 - b) Land Lease Agreement
 - c) Power Purchase Agreement
 - d) Applications to ESKOM, NERSA and the Department of Energy.
4. That the Municipal Manager be authorised to negotiate the appropriate incentives with the developer in collaboration with National Treasury, the Department of Trade and Industry and the Department of Energy to optimise the benefit for the Municipality.

You are hereby invited to the **Executive Management Meeting** to be held on **Tuesday, 5 July 2016 at 10:00**, where Sunalex will make a presentation regarding the project. **Venue:** Matjhabeng Municipality, Main building, Room 428, 4th Floor.

I hope that you will find the above in order.

Yours faithfully



.....
**ADV. M. LEPHEANA
MUNICIPAL MANAGER**

Magda Taljaard

From: Magda Taljaard
Sent: 30 June 2016 04:25 PM
To: 'Nokuthula.Mbeje@energy.gov.za'
Subject: invitation letter
Attachments: Letter re land evaluation and official correspondence to state departments (4).pdf; dep energy.pdf

Please find documents attached in the dropbox

https://www.dropbox.com/sh/m5rnv944zj8ugbv/AAAxknNH_32ETNI_fj2k3tdYa?dl=0

Magda Taljaard
Matjhabeng Municipality
Department LED, Spatial Planning
Room 405, Fourth floor
Reinet Building, 1 Reinet street
Welkom, 9459
Tel 057-9164073



God Bless You

MATJHABENG



Municipality
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Welkom, 9460
South Africa

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Fax : (057) 357-4393
E-Mail mothusi.lepheana@matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatliso: HB Thlabani
Room no / Kamer nr / Kamore ya: 306
Date / Datum / Letsatsi: 25 April 2016
Your Ref / U Verw / Ho ya ka bona: 19/3/2/1 Our ref / Ons Verw / Ho ya ka Rona:

For Attention: Senior Advisor and Customer Services: MR Edgar Louw

ESKOM: GENERAL MANAGER FREE STATE OPERATING UNIT
Private Bag X16
WESTVILLE
3630
Fax no: (051) 404 25 20

Dear Sir,

MATJHABENG: REQUEST FOR ASSISTANCE TO THE MATJHABENG MUNICIPALITY WITH THE IMPLEMENTATION OF 500 MW SOLAR POWER (PV) PLANT AND WHEELING TO THE NATIONAL ESKOM GRID

1. INTRODUCTION

The Matjhabeng Municipality hereby requests Eskom for assistance in the development and implementation of the proposed solar electricity generation project in the Matjhabeng Municipal area.

2. BACKGROUND: THE SUNELEX PROJECT

2.1 BACKGROUND

The project was initiated and presented to the Matjhabeng Council by the company Sunelex Energy (Pty) Ltd. The intent of the project is to establish a photovoltaic (PV) plant for a 200 MW (first phase) solar electric generating facility in Matjhabeng that will later be expanded with another 300 MW (Phase 2). A second project is also envisaged viz. a manufacturing plant for solar electricity components. The project has the potential to have a significant impact to stimulate growth in the local economy and to simultaneously enhance the financial position of the Municipality.

2.2 PROJECT DEVELOPMENT APPROACH

Project development and execution of the project proposed by the developer is a sequential, structured process, comprising of several phases where outcome of previous one defines the input into next one. Pre-feasibility study is the initial phase, where all technical, commercial, financial and environmental conditions and inputs are required to assess viability and basic capacities of the project. Cost accuracy should be determined at +/-30%. Basic production requirements (production schedules, operating shifts), load profiles and client preferences are to be matched to the possible technologies. Report from this phase will clearly define the direction regarding what is required, and what is possible to do to address the requirement, technology-wise and cost-wise.

Full feasibility study will follow based on pre-feasibility report. It will comprise a full environmental study, financial modeling, technology basic design, tariff system, drafting project plan, PPA content and similar. This final outcome will give very good financial picture regarding cost and benefit, around 10% accurate. This will lead to project execution phase, where Project Team will be formed, Project Master Plan developed, project schedule as well. Detailed design and procurement will be followed by construction, commissioning and performance testing.

Such feasibility study will ultimately determine inter alia the following critical outcomes for further decision making regarding the implementation of the project:

- The economic feasibility of generating electricity in the Matjhabeng area.
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- All environmental aspects pertaining to the land as identified during the Environmental Assessment process.
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The logical actions of the feasibility study will inter alia entail the following:

- Analysis of the electricity distribution grid in the area to obtain the optimal location for the electricity generation plant.
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- Allocation of the land by the land owner.
- Environmental impact analysis in respect of the identified land.
- Application for a land use permit.
- Agreements with ESKOM, the Municipality etc.

2.3 APPLICABLE COUNCIL RESOLUTIONS

The resolutions already taken by the Mayoral Committee and Council of the Municipality to date are as follows:

2.3.1 THE MAYORAL COMMITTEE RESOLVED TO RECOMMEND: (12 NOVEMBER 2014)

1. That the establishment of the project in Matjhabeng **BE SUPPORTED** in principle and that Sunelex PTY LTD submits a proposed Memorandum of Understanding to Council which addresses all the responsibilities of the Municipality to assist with and in support of the feasibility phase of the project.
2. That subject to the **APPROVAL** of the Memorandum Understanding, Council will issue a letter of intent to issue a power purchase agreement to Sunelex.
3. That as soon as the most optimal portion of land for the project is identified Council **WILL CONSIDER** an unsolicited bid for the required land.

2.3.2 COUNCIL RESOLVED (25 NOVEMBER 2014)

1. That the Council **SUPPORTS** the development of 500 Megawatt Solar Power in Matjhabeng in principle as submitted by Sunelex PTY LTD subject to the outcome of the detailed feasibility study.
2. That the land in question **BE DISCLOSED** to Council for consideration.
3. That Council **CONSIDERS** concluding the power purchase agreement with Sunelex PTY LTD upon the outcome of the feasibility study.
4. That the Municipal Manager **MUST SUBMIT** quarterly reports to the Mayoral Committee and Council.
5. That the Municipal Manager **BE AUTHORIZED** to conclude the long term lease with the developer as will be determined by the dictates of the feasibility study for the land that will be required for the envisaged development for both the power generation plant as well as the solar manufacturing factory after Council pronounced itself on the land.

2.4 PROGRESS

The progress with the project to date can be summarized as follows:

a) MEMORANDUM OF UNDERSTANDING:

A MOU agreement between the Municipality and SUNELEX was signed on 4 March 2015.

b) LETTER OF INTENT:

A letter of intent, expressing Council's intent to purchase electricity generated by the SUNELEX project was signed by the parties on 8 May 2015.

c) IDENTIFICATION OF LAND:

After consideration of various alternatives, SUNELEX identified a suitable portion of land in the Matjhabeng area. A consultant team is currently investigating the suitability of the land and the layout of the solar farm.

d) **POWER PURCHASE AGREEMENT**

A draft Power Purchase agreement was submitted by SUNELEX which must now be evaluated and developed in consultation with SUNELEX.

3. SCOPE OF WORK

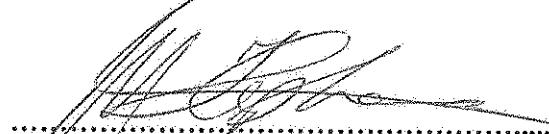
It will be expected that the Eskom will assist the Municipality in the following manner:

- a) Cost Estimate Letter
- b) Self-Built Design option
- c) Grid Integration
- d) Wheeling Agreement
- e) Connection Agreement

Further Eskom is hereby cordially invited to the up and coming Sunex Project Steering Meeting that stands to be held in Room 428 Civic Building Welkom CBD at 13h00 on the 28 April 2016.

I hope that you will find the above in order. Your urgent response regarding this request will be appreciated.

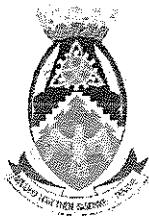
Yours faithfully



ADV. M. LEPHEANA
MUNICIPAL MANAGER

MATJHABENG

**Municipality
Umasipala**
P O Box 708
Welkom, 9460
South Africa



**Mmasepala
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Tel (057) 916 4137
Fax (057) 916 4076
E-mail: lcoetzee@
matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisiso:	F Nieuwoudt
Room no / Kamer nr / Kamore ya:	1 Reinet Street, Room 424
Our Ref / Ons Verw / Ho ya ka Rona:	19/3/2/1
Date:	25 April 2016

Director General
Department of Trade and Industry
Private Bag X 84
Pretoria
0001

Attention: Alfred Tau
Chief Director Regional and Spatial Economic Development

Sir

MATJHABENG: REQUEST FOR ASSISTANCE TO THE MATJHABENG MUNICIPALITY WITH THE IMPLEMENTATION OF THE SUNELEX SOLAR POWER GENERATION PROJECT

1. INTRODUCTION

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d) **POWER PURCHASE AGREEMENT**

A draft Power Purchase agreement was submitted by SUNELEX which must now be evaluated and developed in consultation with SUNELEX.

Your urgent response regarding this request will be appreciated.

I hope that you will find the above in order.

Yours faithfully



ADV. M. LEPHEANA
MUNICIPAL MANAGER

Municipality

Umasipala

P O Box 708

Welkom, 9460

South Africa



Mmasepala

Munisipaliteit

Tel (057) 916 4137

Fax (057) 916 4076

E-mail: lcoetzee@
matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries / Navrae / Dipatlisiso: F Nieuwoudt

Room no / Kamer nr / Kamore ya: 1 Reinet Street, Room 424

Our Ref / Ons Verw / Ho ya ka Rona: 19/3/2/1

Date: 04 December 2015

Department of Economic Development Tourism and Environmental Affairs

Environment House

473 Steve Biko

Arcadia

0083

For attention: Mr Agenbach

MATJHABENG SOLAR PARK: ENVIRONMENTAL IMPACT ASSESSMENT FOR THE DEVELOPMENT OF A 500 MEGAWATT SOLAR POWER PLANT BY SUNELEX ENERGY

The Matjhabeng Municipality recognizes the need to meet the energy requirements for the current electricity shortages and demand. "SunElex Energy" has been appointed to develop the 500MW Matjhabeng Solar Park situated in Welkom. In consultation with Council and the Executive Committee, the Matjhabeng Municipality has formally classified this project as an "Emergency Economic Priority Project" (*Attachment 1 – Council Resolution, January 2015*;

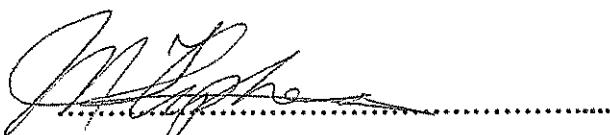
(Attachment 2 – Ordinary Council Minutes, September 2015; Attachment 3 – Emergency Project Letter).

The Feasibility Study, Geotechnical Study and EIA are at advanced stages at present and scheduled for completion by 30 April 2016. Lidwala Consulting Engineers have been appointed as Environmental Consultants for the EIA.

All specialist EIA studies for the scoping report and EIR are envisaged to be finalized by 21 March 2016. This will be followed by the public and authority consultative processes. Due to the emergency electricity requirements of the municipality and the tight timelines of the project (30 April 2016), we hereby appeal to the DEA for consent to reduce the public review timelines for the scoping report and EIR by 14 days, respectively. This will effectively allow for the overall achievement of the EIA Program (*Attachment 4 – EIA Program*).

I hope that you will find the above in order. Please do not hesitate to contact Matjhabeng Municipal offices for any enquiries.

Yours faithfully



ADV. M. LEPHEANA

MUNICIPAL MANAGER



MINISTER
ENERGY
REPUBLIC OF SOUTH AFRICA

Private Bag X96, Pretoria 0001, 7th floor, 192 Visagie Street, C/o Visagie & Paul Kruger Street, Pretoria 0001. Tel: (+27 12) 406 7612, Fax: (+27 12) 323 5651
Private Bag X9111, Cape Town 8000, Parliamentary Building, 7th floor, 120 Plein Street, Cape Town 8000. Tel: (+27 21) 469 6426, Fax: (+27 21) 469 5980

Mr Jacob Modise

Chairperson: NERSA
PO Box 40343
ARCADIA
0007

Dear Mr Modise

REQUEST FOR APPROVAL FOR MATJHABENG MUNICIPALITY IPP PROJECT TO BE DEVELOPED AND CONSTRUCTED BY SUNELEX ENERGY PTY LIMITED

I have received an application from Sunelex Energy Proprietary Limited for the re-allocation 200 MW from the Northern Cape Solar Project to the Matjhabeng Municipality PV project in the Free State, in addition, to allow for the generation of 200 MW in the same municipality consisting of PV and unconventional gas generation of 50 MW, which is included into the 200MW additional allocation.

Based on the reasons provided by the applicants, the mixing of technologies of PV and unconventional gas of the application, I can indicate that I have no objection to the issuing of the licences in regard to the above generation proposals. NERSA can therefore consider the awarding of respective licences to the project company.

Yours Respectfully

A handwritten signature in black ink, appearing to read "Tina Joemat-Pettersson".

(MS) TINA JOEMAT-PETTERSSON, MP
MINISTER OF ENERGY

DATE: 24/2/2017



Matjhabeng Municipality 450 MW Solar Project

Project Status Report

June 2017

The Project Status Report is used to highlight the status of the various activities associated with the 450 MW Solar Plant Project and is a progress monitor illustrating a simple visual indicator, with green indicating progress as per plan, orange showing areas of concern and red areas that are behind plan.

Work Package	Description	Status	Remarks	Responsibility
A: FINANCE				
Bankability Letter	The letter to confirm bankability of PPA	Yellow	<ul style="list-style-type: none">RMB – no progressTeam met with Nedbank on 12 June 2017. A few issues were raised by Nedbank including the ESKOM application for grid connection and National Treasury Guarantee. Being addressed by Sunelex.	Andile / Nico / Yaw/Duane
B: LEGAL				
Public Hearings	PPP and EIA Processes require public participation and the sessions are scheduled for the week 21 st -27 th May 2017	Green	Completed public participation very successfully: Report issued	Andile
NERSA Application	Application for a generation licence	Green	Application completed and ready for submission by 17 July 2017.	Bobby/Andile
PPP Submission to National Treasury	The process that will result in a Treasury guarantee to the project	Green	PPP submission made to GTAC/National Treasury. A meeting was held on 04 July 2017 with Treasury to discuss the process, they are currently	Andile/ Bobby/Richard/Yaw

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Work Package	Description	Status	Remarks	Responsibility
			reviewing the files and an expected response from them is due by 21 July 2017	
75MW application to National Treasury	Process allows for early commencement of construction		Submitted to National Treasury, expecting letter soon	Andile/Bobby/Yaw/Richard
EPC Contract	Project partners for the engineering, procurement and construction of the project development, negotiation and appointment of EPC		EPC Contract negotiations underway, to be concluded by 15 August 2017	Bobby/Andile/Nico
Equity	Various agreements including subscription agreement and shareholders' agreement		Discussions and draft agreement in progress, Shareholder's Agreement to be concluded by 31 July 2017	Andile/Nico/Jeff
EIA	Leading to full ROD		Lidwala account settled, full set of documents received. New service provider appointed to finalise ROD. Appointment and application to DEA expected next week 21 July 2017.	Bobby
Geotech	Full report needed for detailed design and costing		Preliminary report showed no any big problems with the soil. Final full report with lab analysis to be delivered after settling the account.	Andile/Bobby/Daniel/Nico
PowerX	Term Sheet and PPA Negotiations	Red	Collaboration agreement signed; Email sent to start Term sheet negotiations	Andile/Bobby
C: TECHNICAL				
ESKOM Application	ESKOM requirements discussions		Application was submitted 05 May 2017, Invoice for grid connection paid and awaiting Reference Number	Bobby

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Work Package	Description	Status	Remarks	Responsibility
Electrical Engineering, ICT and Security systems	Design development status, outline specification & Detailed Estimate Construction Cost	Green	Stage 2 achieved – project cost estimate and preliminary design. Outstanding costs for Civil Works security/fire system and SCADA.	Bobby/Jacob
D: INSURANCE				
Insurance Cover	Insurance certificates required for various aspects of the project to protect the project SPV and promoters from liabilities arising out of accidents and the need for commercial risk mitigation.	Red	Request for quotations, discussion and target September 2017 for firming up of service level agreement	Jeffrey/Andile
E: SOCIO-ECONOMIC DEVELOPMENT AND TRAINING				
Learnership	Required learnerships for sustainable Community Development	Green	A comprehensive consideration on identified learnerships required for broader community development and the plant has been developed	Simphiwe/Bobby
Short Skills	Required short skills for optimum Construction and Operation of the Plant, as well as sustainable Community Development	Green	A Draft of required short skill on Plant has been discussed and produced	Simphiwe/Bobby
Accreditation	Application for accreditation with SETA	Red	Currently under assessment with the SETA	Simphiwe/Hloni/Bobby

Issued by : N. Tshesane
 Date 11/07/2017

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Reviewed : B. Kupresan

Approved by: JS Robile

Colour Key

Green - progress as per plan	
Orange - areas of concern	
Red - areas that are behind plan	



WE ALIGN OUR PROJECTS WITH HIGH
ENVIRONMENTAL, SOCIAL AWARENESS
AND RESPONSIBILITY.

SunElex Solar Energy Projects Offering

Andile Nikani
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Bobby Kupresan
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Bobby.kupresan@sunelex.com

Jeffrey Robile
+27 76 707 2710
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PUBLIC PARTICIPATION

Section 33 – Hearings

Date	Town	Ward	Venue	Time
21 May 2017	Ventersburg	All	Community Hall	14:00
22 May 2017	Thabong	30 and 31	Fun Park	17:00
23 May 2017	Odendalsrus	All	Community Hall	15:00
23 May 2017	Allanridge	36	Phahamisanang	16:00
24 May 2017	Thabong	26	Iketsetseng	16:00
25 May 2017	Henneman	2 and 3	Community Hall	16:00
26 May 2017	Virginia	4, 5, 6 and 7	Community Hall	15:00
27 May 2017	Welkom	27, 32, 33, 34, 35	Fredemia Hall	11:00
31 May 2017	Allanridge	19 (Optional)	Community Hall	14:00



SECTION 33 and 120 of the MFMA

Section 33 – Views and Recommendations

- Sections 33 and 43 applications submitted
- In terms of these sections, the municipality is obligated to seek the views and recommendations of National Treasury in respect of the project
- Effect of combined sections: the municipality's budget being redirected from procuring services from one service provider to another
- National Treasury response – 1st Response
- National Treasury response – 2nd Response (positive)



SECTION 33 - OUTCOME

In terms of section 33(1)(b)(iv) of the MFMA, the municipal council must consider the views and recommendations of National Treasury and, in this case, resolve that –

- it has considered the views and recommendations of National Treasury pursuant to the provisions of 33(1)(b)(iv) of the MFMA;
- the portion of its budget allocated for purchasing power, from Eskom, will be redirected to purchasing power from Sunelex in terms of the Power Purchase Agreement when the plant becomes operational;
- Sunelex be permitted to commence the construction of the solar plant as set out in previous resolutions and as more fully explained in the Power Purchase Agreement;
- the municipal manager and the steering committee are to give regular reports to the municipal council regarding the progress of the construction of the plant and any matter incidental thereto; and
- the municipal manager be authorised to do all things and sign all documents necessary to give effect to this resolution.



Public Private Partnership (section 120 MFMA)

- Application was submitted to National Treasury by the MM
- We engaged National Treasury on various occasions
- Engagements are on going
- Application is under review – from the documentation and procurement process, is similar to the section 33
- Anticipate positive outcome

OPPORTUNITIES FOR SMALL DEVELOPMENTS

Role of Small Businesses

1. Request for Information
2. Sunelex to provide scope of work (for the RFI)
3. Register on the municipal data base (with the assistance from SEDA, where applicable)
4. Sunelex to draw from the data base
5. Sunelex to make selection outside database in instances where expertise are lacking



EMPLOYMENT OPPORTUNITIES

- The project will employ approximately 2000 persons during the construction phase (phase 1 & 2, each expected to take 18 months) (overall construction period will cover 3 years)
- Request for Information (emphasis that the municipality is not the employer, but seeks to ensure fairness and equal opportunities)
- Person to provide CVs
- Register on the municipal employment data base
- Sunelex to make appointments: draw names from the data base



TRAINING TO ENHANCE CHANCES OF BEING EMPLOYED

- As indicated, Sunelex to make appointments: draw names from the data base
- Sunelex to offer training
- Training – focus on SETA leanership
- Issuing of certificates after training
- Issuing of certificates after construction



TRAINING TO ENHANCE CHANCES OF BEING EMPLOYED

Huawei Sunelex Partnership

- Sunelex requires 5 engineers from the Free State to be trained in China
- Huawei to build a Centre of Excellence
- Huawei to build a training facility on site (to part of the admin building)



TOWN PREPARATION PROGRAMME

Neighborhood Development Programme Grant

- Purpose – develop township in relation to a major project and raise funds for the municipality
- Municipal Manager recently requested assistance from National Treasury (the NDPG Unit)
- No approval required as the municipality was previously approved – now it is only the question of scope



INDEPENDENT POWER PRODUCERS

- Sunelex is the IPP, but does not offer power to Eskom
 - The municipality is the offtaker
 - Eskom is experiencing infrastructure limitations – inability to evacuate power where only Eskom power ‘suppliers’ are located
 - The project falls outside the DOE IPP
- Project not affected by Eskom's policy on power offtake



CURRENTLY IN PROGRESS

Permits

- Eskom Grid Connectivity License - submitted
- Environmental Impact Assessment – public participation – about to be undertaken
- Water application – forms part of the EIA process
- NERSA Power Generation License – ready for submission



THANK YOU



Media Statement

01 September 2017

Deputy Minister, Thembu Majola

Acting DG, Tseliso Maqubela

Acting DDG, Jacob Mbele,

Senior officials from all stakeholders behind this outcome

Ladies and Gentlemen

Media houses represented

In May this year we established a technical team to help us resolve the impasse on the signing of the Power Purchase Agreements between Independent Power Producers for Bid Window 3.5 and Bid Window 4 and Eskom.

We must acknowledge that the matter remains complex and there are no easy solutions to it. However, it is our commitment as government to try to find a balanced solution in the interest of all parties involved.

Ladies and gentlemen, the technical team met and provided a report of its work this past Wednesday. In that meeting myself and my colleague in Cabinet, Minister Brown, were present and were supported by representatives from DOE, DPE, NT, ESKOM and the IPP Office.

It was brought to our attention that Eskom has excess generation capacity of electricity and based on the current demand patterns the situation is projected to remain this way until 2021. Eskom has submitted a tariff application which is under consideration by the Regulator. The Constitutional Court judgement with regard to the Regulatory Clearance Account (RCA) in favour of Nersa has also now paved the way for NERSA to implement tariff adjustments in line with the approved RCA.

We further acknowledged that South Africa's Renewable Energy Power Producer Procurement Programme is world renowned and our model has been adopted by many countries including developed countries. While the programme has been a success, there are many lessons we have learnt and there are many areas of improvement to be looked at.

We had to look at all the matters raised by the team and the recommendations. After lengthy deliberations we came to a conclusion on the following actions;

- a. That the PPA for Bid Window 3.5 and 4 will be signed by the end of October 2017
- b. DoE through the IPP office to engage with all affected parties for Bid Window 3.5 and 4 to re-negotiate not above 77c per kilowatt hour. This assist greatly in assist in reducing the requirements for additional government guarantees that would impact negatively in the current economic climate and constraints in the fiscus.
- c. Eskom to ensure that all contracts are in place for signing on 28 October 2017
- d. That I as the Minister of Energy meet with all IPPs participants in all Bid Windows, to discuss issues of concerns from IPP and for government to give feedback on concerns before the date of signing.
- e. With regard to the review of the pace and scale of rollout under the circumstances of overcapacity up to 2021; the Departments agree that majority of the projects in Bid Window 3.5 and 4 will be commissioned closer to 2021 and will therefore have minimal contribution to the overcapacity up to 2021.
- f. With regard to the review of the level of participation by the historically disadvantaged, there is work underway in this regard that will inform the implementation of the programme
- g. All future programmes to be put on hold until a proper review is done and to allow the IEP and IRP to be concluded that will give us indication of the capacity we need.

It is worth noting that, while taking this decision and communicating our stance as government, we are cognisant of the interdict by the Coal Sector and the Section 77 notice filed by COSATU at Nedlac. We are hoping that all parties will consider this position.

In Conclusion;

- It must be noted that there are other issues that have been raised with us and will need to be addressed with the IPPs.
- Of importance is lack of transformation particularly regarding local ownership of some of these projects. This has to be reconsidered and adequately addressed. Allocations of projects and the ownership structure must be in line with South African transformation policies
- Furthermore, the issue of loan conditions given to black South African participants need to be reviewed as well.
- Lastly there is a need to restructure the community trust dividends

We further reiterate our position that transformation of the Energy Sector is long overdue and we can't compromise on it any longer.

We hope that all parties will understand that it was not easy to arrive at this position as a lot of compromise had to be made.

We hope all parties affected will positively receive this news and cooperate with us as government to build a Sustainable Energy Sector.

THANK YOU



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Private Bag x 115, Pretoria, 0001. Tel: 012 315 5850 Fax: 012 315 5230
Email: MFMA@treasury.gov.za

The Acting Municipal Manager
Matjhabeng Local Municipality
PO Box 708
WELKOM
9460

For attention: Mr. T Tsoaeli

Fax: (057) 357-4393

Dear Sir

RE: MFMA SECTION 33 – COMMENTS ON THE POWER PURCHASE AGREEMENT AND COMMENCEMENT OF CONSTRUCTION OF A SOLAR PLANT

Your letter dated 11 May 2017, received 02 June, requesting our comments on the municipality's intention to appoint a service provider for the development and construction of a solar plant/park and the subsequent conclusion of a power purchase agreement. We also refer to our email communication to the municipality on 07 June 2017 requesting additional information which was received on 15 June 2017.

We have noted the content of the letter including a copy of the power purchase agreement, the document on the procurement process and public consultation undertaken. We have however not received a copy of the newspaper advertisement inviting comments from the local community including an information statement setting out particulars of the transaction. We nevertheless trust that any comments received was considered and responded to amicably.

The main emphasis in section 33 of the MFMA is the extent of the financial obligation which a particular transaction will impose on a municipality over the duration of the contract. Whilst we have noted the motivation regarding the projected savings to be realised, we could not ascertain any financial information regarding this project in terms of the cost of development and construction of the solar plant, including the full financial obligation on the municipality for the duration of the contract. The municipality must also confirm its requirements and the minimum take up arrangements whether or not it is consistent with its needs. This is key information that will allow us and the municipality to fully understand its obligations ensuring compliance with section 33 as this is a long term project that transcends municipal council's term of office. Without such information we are unable to confirm compliance with the provisions of the section.

We have taken cognisance of the fact that this project is a Public Private Partnership. Despite this fact and the council resolution approving the proposed transaction, we could not confirm any report or information which informed council's decision. Therefore our comments are limited to information provided.

**MFMA SECTION 33 – COMMENTS ON THE POWER PURCHASE AGREEMENT AND
COMMENCEMENT OF CONSTRUCTION OF A SOLAR PLANT**

From information provided, we have noted that the proposed solar plant will be constructed in two-phases, and according to the power purchase agreement, each phase will have its own term from the commencement date, which is defined to mean a point in time when the construction of phase one and phase two have been completed and each phase will run for a 20 year period. If our understanding is correct, then the duration of this transaction will be for a period in excess of 20 years. The municipality is required to provide further clarity in this regard, especially as it relates to when procurement for phase two will commence.

We have noted some of the benefits that will flow from this project, including potential for job creation. We also note that the municipality will be awarded 1% equity in the project. We draw the municipality's attention to section 164 of the MFMA which prohibits a municipality from conducting commercial activities otherwise than in the exercise of the powers and functions assigned to it in terms of the Constitution or national and provincial legislation. The municipality must therefore ensure compliance with the above-mentioned section in finalising this transaction. Failure to ensure compliance with this section will result in the municipality incurring irregular expenditure.

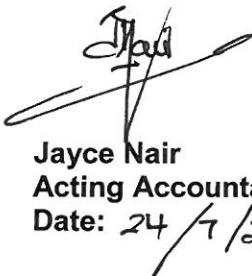
We note from the section 41 report submitted by ESKOM, that an amount of over R1.2 billion has been outstanding for over 90 days. We also note that, at the time of reporting, the municipality had not made payment on the April 2017 and May 2017 bulk account. The documents submitted by the municipality mention that the amount owed to ESKOM will be absorbed by this process. However, this is not clear and the municipality has not provided an explanation as to how this will take place. The municipality is therefore required to provide detailed clarity in this regard.

We trust that the municipality has adequate in-house contract management capacity in place to manage a contract of this nature and should it decide to proceed with this project, it will be sustainable.

Therefore, the National Treasury recommends that the municipality satisfy itself that the feasibility study is comprehensive, including to ensure compliance with the Public Administration Management Act read with the Municipal Supply Chain Management Regulations relating to the conducting of business with employees in the state and related matters.

We trust that you will be guided accordingly.

Yours sincerely



Jayce Nair
Acting Accountant-General
Date: 24/7/2017

Cc: MFMA Coordinator: Free State Provincial Treasury

TRANSMISSION VERIFICATION REPORT

TIME : 24/07/2017 14:13
NAME : CD MFMA
FAX : 0123155230
TEL :
SER. # : B9J868826

DATE, TIME	24/07 14:12
FAX NO./NAME	00573574393
DURATION	00:01:03
PAGE(S)	02
RESULT	COVERPAGE
MODE	OK
	STANDARD
	ECM



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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From: Mantoa Mahloko
Sent: 01 August 2017 12:12 PM
To: Olyn Dikagisho
Subject: FW: MFMA Section 33: Comments of the power purchase agreement and commencement of construction of a solar plant

From: Khensani Makaneta [<mailto:Khensani.Makaneta@treasury.gov.za>] **On Behalf Of Local Government MFMA**
Sent: Tuesday, 01 August 2017 11:38 AM
To: Thabiso Tsoaeli <Thabiso.Tsoaeli@matjhabeng.co.za>
Cc: Olyn Dikagisho <Olyn.Dikagisho@matjhabeng.co.za>; Mantoa Mahloko <Mantoa.Mahloko@matjhabeng.co.za>; Tumelo Makofane <tumelo.makofane@matjhabeng.co.za>; Lawrence Springkaan <Lawrence.Springkaan@matjhabeng.co.za>; Wayne McComans <Wayne.MComans@treasury.gov.za>
Subject: RE: MFMA Section 33: Comments of the power purchase agreement and commencement of construction of a solar plant

Dear Mr Tsoali

We acknowledge receipt of your letter dated 28 July 2017 in response to our comments dated 24 July 2017 and have noted the contents thereof.

This project also relates to power generation and related matters and therefore be advised that you must obtain the requisite approvals or confirmation from all relevant stakeholders and regulatory authorities regarding this transaction, as it is a sector specific matter. This approvals cannot be read into the comments we have provided.

Please also note that our comments are limited to the MFMA and those that impact on the municipal finances, and in no way must be seen as granting any approvals, as this was not intended with our comments.

Although we note that this has been registered as a PPP project with the Treasury, please ensure that all aspects of that framework are adhered to.

We trust that you will ensure that the necessary council resolutions and approvals are provided by the municipal council before proceeding with this project.

Please therefore be guided accordingly.

Kind Regards

MFMA Implementation



Disclaimer: In using this response regard must be had to the provisions of the Municipal Finance Management Act No. 56 of 2003, the Municipal Systems Act No. 32 of 2000, the Municipal Structures Act (as amended) No. 117 of 1998 and other related legislation. This response contains general guidance and is not intended to be legal advice. Kindly note that this guidance is subject and limited to the information provided in the query. This guidance is supplied on the basis that it is for the sole use of the parties to whom it is addressed. No party other than those to whom it is addressed may rely upon the information in this email for any purpose whatsoever.

MATJHABENG

Municipality
Umasipala
P O Box 708
Welkom, 9460
South Africa



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Munisipaliteit
Tel: (057) 391 3106
Fax: (057) 357 4393
E-mail: thabiso.tsoaeli@matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries/Navrae/Dipatlisi	:	Mr Thabiso Tsoaeli
Room no/ Kamer nr/ Kamore ya	:	Room 203, 2 nd floor
Date/ Datum/Letsatsi	:	28 July 2017

National Treasury (MFMA Division)

16 Floor, 240 Vermuelen Street

Pretoria

0002

BY EMAIL

MFMA@treasury.gov.za

Dear Sirs,

MFMA SECTION 33 – COMMENTS ON THE POWER PURCHASE AGREEMENT AND THE COMMENCEMENT OF THE CONSTRUCTION OF A SOLAR PLANT

The above matter, together with your letter dated 24 July 2017, refer.

1. We confirm that we are satisfied with the outcome the feasibility study and have adopted same as our own although it was prepared by Sunalex Energy Proprietary Limited ("Sunalex"). This confirmation must serve as an assurance that the feasibility study was duly considered and approved by the Council. In addition, an advert was published pursuant to applicable laws. Further, as you may be aware, the project is a PPP, the aim

of which is to ensure that the municipality has the backing of National Treasury in relation to its obligation to offtake power generated by Sunelex, when the plant becomes operational.

2. It is important to express that there is no advance capital of whatsoever nature put forward by the municipality in relation to this project. It is because of the nature of this project that we have provided you with the financial model that demonstrates our current spending on electricity purchased from Eskom and the financial savings that will be generated should the municipality have Sunelex as its power service provider. It is clear from the financial model that the municipality is presented with an opportunity to purchase power at a much lesser rate, while creating direct employment for approximately 2 000 members of the community during construction.
3. Further, given the importance of the project, we extensively assessed the affordability of the thereof, particularly in so far as it relates to its affordability, and we can confirm that the project is affordable and budgeted for in terms of the strategic objectives of the municipality. In addition, the structure of the project is such that the municipality will be placed in a position to recoup better value from electricity than it is currently the case. For instance, other than creating jobs for the community, dealing with the Eskom debt and owning a plant that is worth over R10 billion as the project is a BOT, the municipality has social economic development obligations that it must fulfil. In this regard, Sunelex has agreed to start a fund to which it will contribute 1% of the net profit generated during the operation of the plant. This fund will be operated by Sunelex as Sunelex will use it to contribute to the social economic development of the community. It is not correct to suggest that the municipality will be a shareholder or equity partner in the project.
4. Accordingly, we have complied with 164 of the MFMA, particular when one considers the fact that the municipality will not be a power generator, but rather a customer of Sunelex, in addition to being a customer of Eskom. Further, we confirm compliance with the

Public Administration Management Act read with the Municipal Supply Chain Management Regulations.

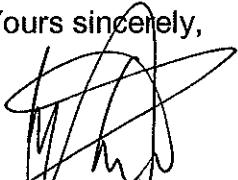
5. Having regard to the above, we request your support with our decision to allow Sunelex to construct the plant on the basis that our budget will be redirected from purchasing power from Eskom to procuring power from Sunelex. Our decision to allow the construction of the plant by Sunelex inherently means that we shall be purchasing power from Sunelex, a natural consequence of changing or adding service providers. Therefore, our request, for your support of this very important project, does not alter any financial position of the municipality, save for the savings demonstrated in the financial model.

For further detail, please refer to Schedule XX attached therein.

We are available to provide further clarity or information. Please do not hesitate to contact us in this regard.

Yours sincerely,

pp:


Mr. THABISO TSOAELI
ACTING MUNICIPAL MANAGER

MATJHABENG

Municipality
Umasipala
P O Box 708
Welkom, 9460
South Africa



Mmasepala
Munisipaliteit
Tel: (057) 391 3106
Fax: (057) 357 4393
E-mail: thabiso.tsoaeli@matjhabeng.co.za

OFFICE OF THE MUNICIPAL MANAGER

Enquiries/Navrae/Dipatlisi	:	Mr Thabiso Tsoaeli
Room no/ Kamer nr/ Kamore ya	:	Room 203, 2 nd floor
Date/ Datum/Letsatsi	:	28 July 2017

National Treasury (MFMA Division)

16 Floor, 240 Vermuelen Street

Pretoria

0002

BY EMAIL

MFMA@treasury.gov.za

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Public Administration Management Act read with the Municipal Supply Chain Management Regulations.

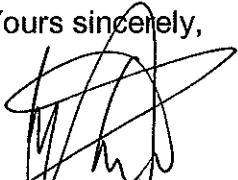
5. Having regard to the above, we request your support with our decision to allow Sunelex to construct the plant on the basis that our budget will be redirected from purchasing power from Eskom to procuring power from Sunelex. Our decision to allow the construction of the plant by Sunelex inherently means that we shall be purchasing power from Sunelex, a natural consequence of changing or adding service providers. Therefore, our request, for your support of this very important project, does not alter any financial position of the municipality, save for the savings demonstrated in the financial model.

For further detail, please refer to Schedule XX attached therein.

We are available to provide further clarity or information. Please do not hesitate to contact us in this regard.

Yours sincerely,

pp:


Mr. THABISO TSOAELI
ACTING MUNICIPAL MANAGER

Schedule XX

MFMA SECTION 33 – COMMENTS ON THE POWER PURCHASE AGREEMENT AND THE COMMENCEMENT OF THE CONSTRUCTION OF A SOLAR PLANT

The above matter, together with your letter dated 24 July 2017, refer.

- 1 In our submissions, made under section 33(1)(a)(ii)(aa) of the Municipal Finance Management Act (the “**Act**”), wherein we solicited your views and recommendations regarding the Power Purchase Agreement and the construction of a solar plant, we requested that you engage with us on any matter pertaining to our submissions that may require further clarification as this would have saved time and resulted in a pertinent response. Based on your response, it is clear to us that further engagements would have been very helpful to both parties. Therefore, in the spirit of a continuous co-operation, we request that you engage us on any issues that may require clarity, before you arrive at any conclusions regarding our submissions.
- 2 Be that as it may, we address this letter to you pursuant to the provisions of section 33(1)(b)(iv) of the Act, confirming that your views and recommendations have in fact been considered. You recommend that we satisfy ourselves regarding the comprehensiveness of the feasibility study, while some parts of your response indicate that you are unable to confirm compliance by the municipality in relation to section 33 of the Act. In this letter, and the attached documents, we provide an explanation and further clarification with regard to the comprehensiveness of the feasibility study and compliance with section 33 of the Act. We further address the issue of business conducted with employees as alluded to in your response.
- 3 With regard to the feasibility study, we confirm that we are satisfied with the outcome thereof and have adopted same as our own although it was prepared by Sunelex Energy Proprietary Limited (“**Sunelex**”). This confirmation must serve as an assurance that the feasibility study meets the expectations envisaged by the Municipal Council when it approved the project. As you may be aware, on 10 December 2014, the municipality approved the construction of the plant on condition that a full feasibility study is carried out, a copy of the relevant resolution is attached hereto as **annex 1**. When the municipality ultimately approved the signing of the Power Purchase Agreement and the lease it was after the completion of the feasibility study, a copy of the relevant resolution is attached hereto as **annex 2**. In this regard, we confirm that a satisfactory feasibility study was undertaken as it formed the basis upon which the project was approved by the Municipal Council, naturally subject to section 33(1) of the Act.

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- 4 From a compliance perspective, we limit our response to the matters you have raised in your response. You indicated that you did not receive a copy of the advertisement and the information statement setting out the particulars of the transaction. It is not clear to us how this could have been the case as a copy of the advertisement formed part of our submissions. Be that as it may, please see attached a copy of the advertisement marked as **annex 3**. What is noticeable in your response is that you acknowledge our proof relating to public participation while in the same breath you seem to express your uncertainty that the public may not have received sufficient information about the project.
 - 5 In fact, and as you may be aware, this project was declared an emergency economic priority project, as per the attached **annex 4**. This meant that various stakeholders had to be informed of the project and its nuances in order for the project to be realised. This meant that, in addition to information disseminated to the public, stakeholders such as the Department of Trade and Industry, Eskom, the National Energy Regulator of South Africa ("NERSA"), the Department of Energy and National Treasury were notified of the project. In this regard, please see attached as **annex 5**, being the letters sent to the aforesaid stakeholders. In fact, the Department of Energy has since instructed NERSA of its allocation of power to Sunalex as per the attached **annex 6** in respect of this project.
 - 6 It is also important to note that the project forms an important part of the provincial government's strategy following its announcement by the Premier of the province during the state of the province address, early this year. A copy of the relevant state of the province address is publically available, but we are happy to provide you with same should you deem it essential. The aforesaid, gives credence to the openness regarding the project, in so far as it relates to public awareness. In addition, to date, no adverse comments have been received from the members of the public or the private sector in respect of this project.
 - 7 In the third paragraph of your letter you stated that it is unclear to you what financial obligations the project will impose on the municipality. You further stated that it is unclear what the minimum offtake is, and whether or not the required power is consistent with the needs of the municipality. These two factors appear to have led you to express your uncertainty regarding compliance with the provisions of section 33 of the Act.
 - 8 With regard to financial obligations, the development, construction and operation of the project will be fully funded by the Sunalex, its funders and equity partners. This means that there are

no financial obligations on the municipality whatsoever with regard to the development, construction, operation of the project. The only obligation that will arise will only be limited to the power sold by Sunelex to the municipality in terms of the Power Purchase Agreement when the plant becomes operational.

- 9 You noted correctly that the project is a PPP project. As you may be aware, the aim of the PPP process, as it relates to this project, is to ensure that the municipality has the backing of National Treasury in relation to its obligation to offtake power generated by Sunelex, when the plant becomes operational. There is no advance capital of whatsoever nature put forward by the municipality in relation to this project. It is because of the nature of this project that we have provided you with the financial model that demonstrates our current spending on electricity purchased from Eskom and the financial savings that will be generated should the municipality have Sunelex as its power service provider. It is clear from the financial model that the municipality is presented with an opportunity to purchase power at a much lesser rate while creating direct employment for approximately 2 000 members of the community during construction.
- 10 With regard to minimum offtake and whether or not the required power is consistent with the needs of the municipality, in terms of the Power Purchase Agreement, a copy of which was submitted to you and is also available on request, it is clear that the municipality is not obligated to purchase more power than it requires. In terms of the D-Form, a copy of which was submitted to you and is also available on request, it is clear that the municipality consumes, approximately 170MW of power. Therefore, both the Power Purchase Agreement and the D-Form set out the minimum offtake, and demonstrates that the power required is consistent with the needs of the municipality. The fact that the Power Purchase Agreement is for a period of 20 years offers further credence to the conclusion that the municipality requires power that will meet its needs on a consistent basis.
- 11 The issue of the duration of the municipality's obligation to purchase power for a period of 20 years is somewhat misunderstood by National Treasury. It is correct that the Power Purchase Agreement is for the duration of 20 years. However, in light of the fact that the -
- 11.1 project will be constructed in 2 phases, namely phase 1 and phase 2;
- 11.2 plant will be transferred to the municipality at the end of the 20 year period, as the project is a Buy Operate and Transfer,

it makes sense that each phase will run for 20 years. The effect of this is that the municipality will own phase 1 before it owns phase 2 of the plant. The time period between the time the municipality will own phase 1 and 2 will depend on the date on which phase 2 became operational.

- 12 A further misunderstanding which could easily have been resolved, appears at paragraph 6 of your letter, which relates to the 1% equity. Other than creating jobs for the community, dealing with the Eskom debt and owning a plant that is worth over R10 billion, the municipality has social economic development obligations that it must fulfil. In this regard, Sunelex has agreed to start a fund to which it will contribute 1% of the net profit generated during the operation of the plant. This fund will be operated by Sunelex as Sunelex will use it to contribute to the social economic development of the community. It is not correct to suggest that the municipality will be a shareholder or equity partner in the project. In fact, National Treasury is assured of the municipality's awareness of section 164 of the Act.
- 13 On the issue of the debt owing by the municipality to Eskom of R1.2 billion, it is incorrect to underestimate that the amount owing is over a period of 90 days. This debt has been growing over a number of years due primarily to the interest that has accrued and numerous penalties imposed by Eskom over those years. Sourcing an alternative supplier of power is a rational and prudent act, otherwise this debt will never decrease. In fact, it will continue to increase. Sunelex has provided us a solution to procure power at a very low cost, and the savings generated could assist us in settling part of the debt owing to Eskom. Ultimately, when we own the plant, we will be placed in a much better position than we currently find ourselves.
- 14 Finally, the issue of having adequate in-house contract management capacity to manage a contract of this nature should not have formed part of your response, as it cannot be assumed that such capacity is lacking on the part of the municipality. It should have been apparent to National Treasury that this is a contract to purchase power from an energy generator, a scenario which does not differ from our current position with Eskom, from a contract management perspective.
- 15 In addition, it is unclear, from our point of view, the reasons that National Treasury felt it necessary to bring our attention to the provisions of the Public Administration Management Act read with the Municipal Supply Chain Management Regulations. Be that as it may, we confirm our awareness of the aforesaid law.

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- 16 Having regard to the above, and pursuant to section 33(1)(b)(iv) of the Act, we confirm that the views and recommendations of National Treasury have been considered by the Municipal Council. Accordingly, we request your support with our decision to allow Sunelex to construct the plant on the basis that our budget will be redirected from purchasing power from Eskom to procuring power from Sunelex. Our decision to allow the construction of the plant by Sunelex inherently means that we shall be purchasing power from Sunelex, a natural consequence of changing or adding service providers. Therefore, our request, for your support of this very important project, does not alter any financial position of the municipality, save for the savings demonstrated in the financial model.
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