

Department of Energy

*NATIONAL SWH PROGRAMME OVERVIEW & RFRI PROCESS
Compulsory SWH Local Content Verification Workshop & Briefing
Session*

Birchwood Hotel, Boksburg

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PRESENTATION OUTLINE

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INTRODUCTION

- The installation of 1 million solar water heating (SWH) systems by the close of the 2014/15 FY remains the government's short-term target. An additional 4 million SWH systems are envisioned to be installed by 2030.
- These bold targets seek to lay solid foundation for the establishment of a robust local SWH manufacturing base for South Africa as a sizable quantity of the current footprint are imported systems.
- This localisation stance has recently been strengthened by the Department of Trade and Industry's (*the dti's*) Designation of major SWH components, an obligatory instrument for facilitating local manufacturing of tanks and collectors.
- The ultimate for South Africa is to better utilise public expenditure to address other persistent developmental challenges such as the high levels of unemployment - ***the national SWH rollout needs to be viewed in this light.***

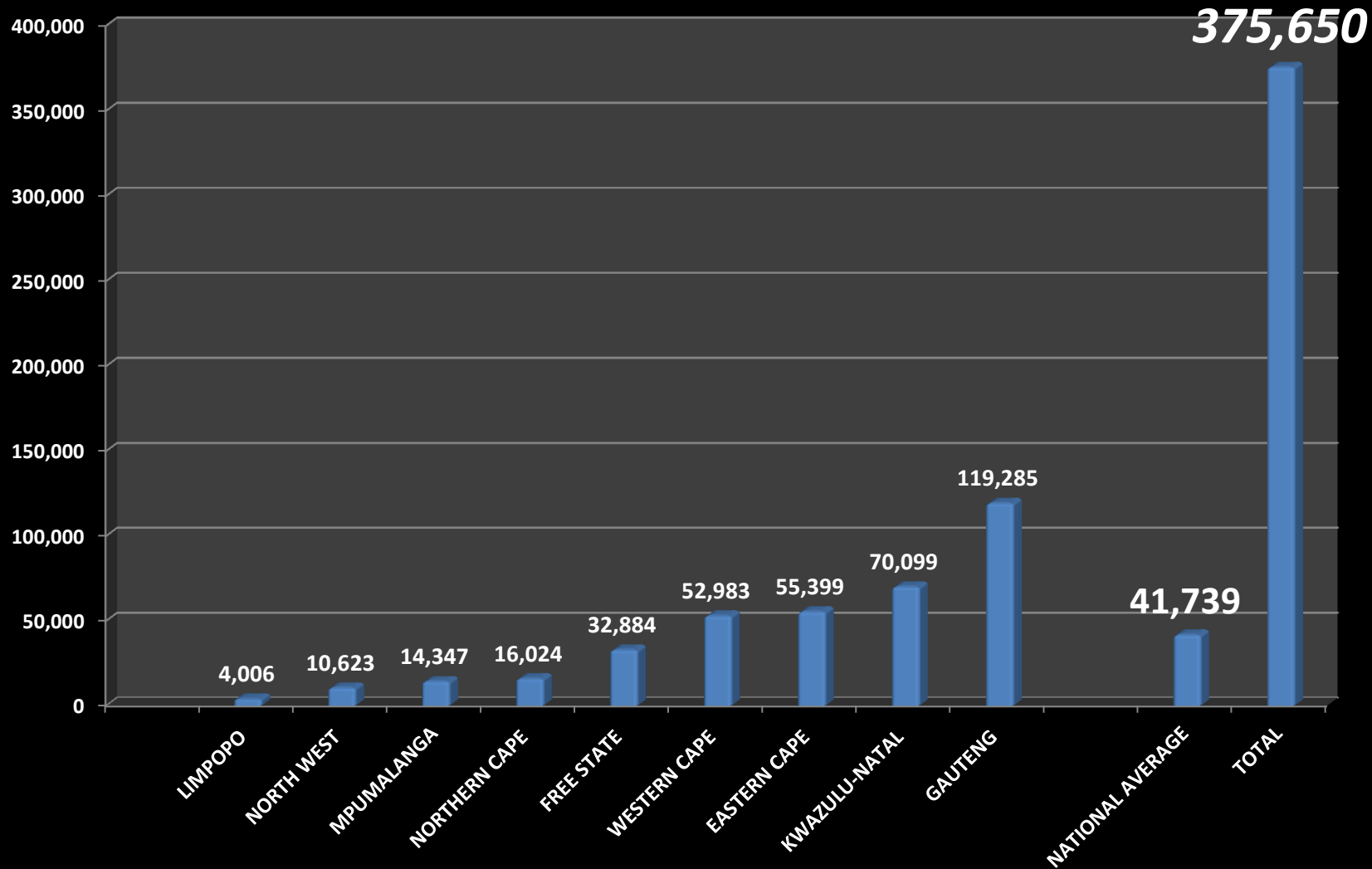


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SWH INSTALLATIONS PROGRESS

RECORDED SWH INSTALLATIONS AS AT 09 AUGUST 2013



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NATIONAL SOLAR WATER HEATING PROGRAMME OBJECTIVES

#	Objective	Outcome
1	<i>Reducing electricity demand by transferring the water heating load from the grid to a renewable energy source (solar)</i>	Reduced electricity demand in the residential segment defers power station investment
2	<i>Mitigation of adverse climate change through an environmentally benign technology for water heating</i>	Increased uptake of clean energy for water heating purposes
3	<i>Cushioning the poor from rising electricity tariffs</i>	Reduction in the domestic electricity bill due to water heating being provided by SWH
4	<i>Creating job opportunities through increased local manufacturing and industrialization</i>	Maximum local content (SATS 1286: 2011) of the SWH systems utilized under the NSWHP, and the displacement of imported systems

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NEW SWH CONTRACTING MODEL

- South Africa remains committed to growing its manufacturing sector as evidenced by statements made through the three iterations of the Industrial Policy Action Plan (IPAP), the Green Economy and Local Procurement Accords, amongst others.
- Recognising the undesirable volumes of imported systems that continue to be installed using the public purse, the DoE has since re-engineered the SWH delivery model (particularly for the low-pressure geyser mass rollout), by adopting a contracting approach – dubbed the *New SWH Contracting Model*.
- The design feature of this model is the application of a procurement approach that guarantees the off-take of higher local content SWH systems, after following a competitive bidding process, and using the stipulated minimum local content threshold as reference.



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NEW SWH CONTRACTING MODEL (cont')

#	Parties	Description
1	DoE-Eskom	Funding Agreement (MoA) with all the conditions imposed on Eskom as the Implementing Agent
2	DoE-SABS	Provision of services such as technical audits, independent measurement and verification of local content; etc.
3	DoE-Local Manufacturers	<p>Implementation Agreement which, among other things, enforces compliance with industry designation requirements and other pre-defined economic development objectives, with recourse (including contract termination) in the event of breach.</p> <p>Most importantly Manufacturers will need to commit to a schedule that ramps up local production taking into account their lead times for setting up manufacturing facilities.</p>
4	Eskom-Local Manufacturers	Agreement, with a duration of up to 3 years, for the supply of designation-compliant SWH systems, signed after following a competitive bidding process, and subject to entering into an Implementation Agreement with the DoE
5	Local Manufacturers-Installers	Service Level Agreement regarding the training of successful installers by Local Manufacturers on the installation of their SWH systems



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NEW SWH CONTRACTING MODEL (cont')

- In summary the model spells out, inter alia:
 - ❖ Facilitation of the SWH technology localisation;
 - ❖ Contractual arrangements amongst the various programme participants;
 - ❖ Measurement and verification of energy savings; and
 - ❖ The measures for ensuring sustainability of the programme beyond installation phase (maintenance issues).
- Companies that are interested and capable of manufacturing the designated SWH systems will be given equal opportunity to submit competitive bids.
- Procurement of SWH systems will be done in accordance with the Constitutional principles governing public procurement, fair, equitable, transparent, competitive and cost-effective.
- This *SWH RFRI process* is aimed at shaping the subsequent RFP process to be undertaken by Eskom.



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SWH RFRI PROCESS

- Government has made available about R4.7bn, through the DoE Vote, to fund the installation of SWH systems. Eskom has been appointed to offer programme implementation services under certain conditions defined by the DoE.
- As the arm of government bearing the ultimate accountability to the Law Makers for the SWH expenditure, it is therefore incumbent upon the DoE to lay a foundation for a procurement strategy that contributes towards the realisation of the government's developmental objectives that being done in accordance with all public procurement prescripts.
- One such objective is to procure SWH systems that comply with the stipulated minimum threshold percentage for local production and content when using public funds. *This is a legal requirement that needs to be complied with by any procuring public organisation.*



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SWH RFRI PROCESS (cont')

- The information requested under the RFRI is divided into 3 categories, viz.:
 - ❖ The general personal or contact information and BEE status of potential manufacturers;
 - ❖ The technology being employed in the manufacture of the SWH systems; and
 - ❖ The anticipated pricing of the manufacture of the SWH systems.
- The information being requested will serve as invaluable input into the development of the RFP documentation for the supply of SWH systems.
- Further, getting a sense of the number of manufacturers of designation compliant SWH systems may assist Eskom in preparing a more accurate timetable for procuring the supply of systems pursuant to the NSWH programme as *time is of essence*.
- The end game for this RFRI process is the issuance of Local Content Verification Certificates to local manufacturers that will be found to be compliant with Designation using SATS 1286: 2011 as a yardstick.



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SWH RFRI PROCESS (cont')

- The DoE has issued the RFRI to interested parties on a compulsory basis i.e. any aspiring local manufacturer will access the local SWH market via the DoE process.
- Accordingly, potential manufacturers will be prevented from participating in the imminent Eskom's Procurement Process if they fail to respond to the RFRI by 05 September 2013.
- It is worth noting that failure to respond to the RFRI does not prevent potential manufacturers from participating in future SWH procurement rounds amounting to about 500,000 units, following the initial 150,000 to be procured by 31 March 2014.



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CLOSING REMARKS

- The creation of demand certainty as a tool for facilitating the manufacturing of higher local content level SWH systems is one of the key priorities of government.
- The designation instrument stands ready to be used as a legal instrument for actualising the localisation of the SWH technology.
- The DoE is of the view that the RFRI process may shorten the anticipated time period in which to complete Eskom's Procurement process.
- This process will help the government with identifying the number of local manufacturers in the market that may participate in Eskom's Procurement Process.



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THANK YOU

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