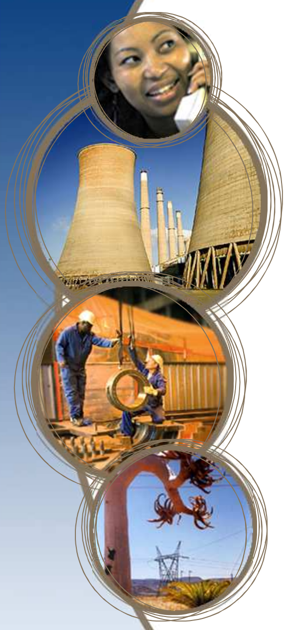

SWH programme workshop

3 August 2011

John Maree auditorium

Current situation - General

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Positives of the programme

Eskom

	Approximate number
Systems	285
Participants	600
Installations	141 000

- Industry infrastructure
  - SESSA has grown
  - SABS increased capacity and standards development
  - PIRB – more formalised plumbing structure

Summary of current situation

Eskom

A lot of good things, but:

1. Electricity savings are low in relation to cost
2. Quality of installations ranges from very good to poor
3. More needs to be done to support local manufacturing
4. Claim irregularities
5. Not all installed systems are in working order
6. Funds are limited
7. Safety needs to be tightened up

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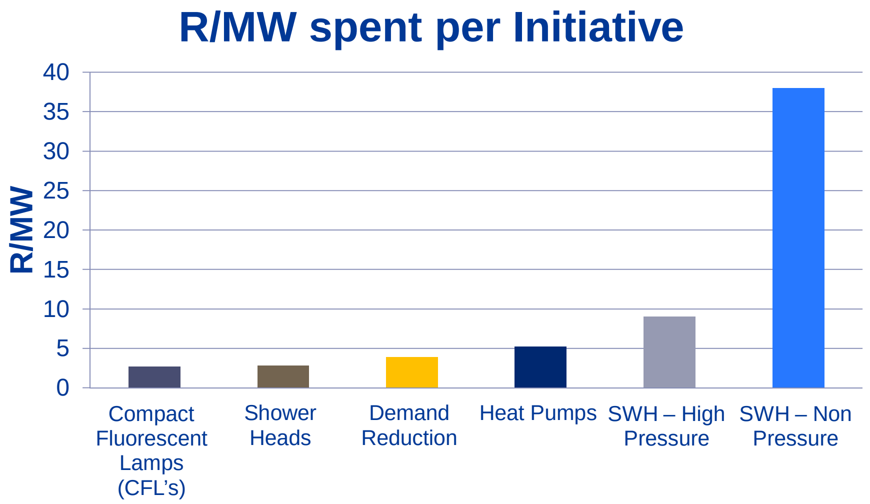
1. Relative electricity savings per R spent



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2. Quality of Installations

- Most common issues:
  - Roofs with holes left in them
  - Water pipes not connected
  - Systems not properly/safely secured to roofs
  - Orientation / South facing systems
  - Leaks

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3. Local Manufacturing

- Announcement on 12 April that differential based on local content to be introduced on 3 June
- Implementation delayed due to complexities of determining extent of local content.
- All suppliers given benefit of localisation as an interim measure
- Implementation of simpler approach necessary:
  - Tank – If >80% materials locally sourced and manufactured – differential to be introduced 1 October
  - Collector – If > 80% materials locally sourced and manufactured – differential to be introduced 1 October
  - SABS mark approval required for local content confirmation

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4. Claim Irregularities

- Cases under investigation (not inclusive list)
  - No installations and false documentation
  - Incorrect system installed
  - Non performing systems
  - Deposits taken, supplier missing

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6. Fund Availability

- R 328m originally allocated for this financial year
- We have already spent R 450m this financial year, at an average rate of over R 100m per month.
- For the remainder of the current financial year (to end March 2012) we have an allocation of R 45m per month which may not be exceeded
- Possibility of additional funding if we resolve governance, quality and sustainability issues
- Funding model – R 125 billion needed for conversion of all homes to SWH / Heat Pumps

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Current situation – High Pressure

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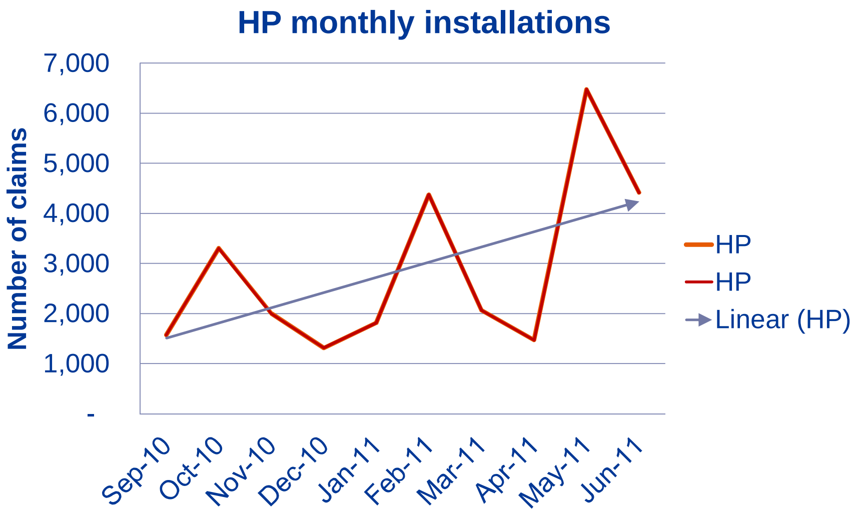
High pressure market - overview



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High pressure systems

- Audit findings
  - Incorrect timer settings - elements turning on during peak periods
  - 26% systems failed technical audit and required immediate action
  - 45% had minor corrections

High pressure systems – road ahead

- Existing rebate structure to remain
- No limits on suppliers to be enforced due to favourable electricity savings
- Participation and claim structure to be re-defined
- Local content to instituted by 1 October
- Re-registration of suppliers to be undertaken within next 6 months

Current situation – Low/Non pressure

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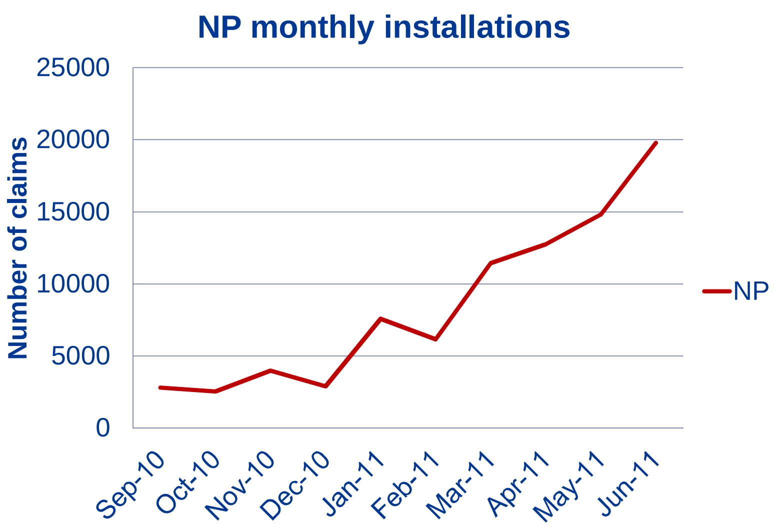
Non pressure market - overview



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Sustainability Assurance – Non-Pressure

- Certain installed systems are currently failing
- Rebate approach needs to change to address this
  - Better quality installations needed
  - System sustainability - Various options under consideration as carbon funding may not be sufficient:
    - Rebate per system disbursed over period of 3-5 years. Preference for 50% on installation and 10% per annum thereafter
    - Independent company appointed to maintain all systems through retained rebate portion
    - Other options?

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Way Forward – Non-Pressure

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Way forward - Non Pressure

- Allocation system will remain in place
  - Value of total claims (HP and NP) approximately R 45m per month
  - Allocations for August & September as previously announced
  - Allocation for October to be the same as September

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Way forward - Non Pressure cont

- Future months
  - All previous installations need to be compliant to relevant standards and 90% of systems must be in good working order in order to receive an allocation
  - Suppliers to confirm the above by end August after which sample verification by Eskom auditors will be undertaken
  - If available funds lower than expected – numbers will reduce proportionally
  - If additional funds become available, preference will be given to new entrants and smaller suppliers currently capped at 30 systems per month
- Suppliers will be informed of allocation for a given month by the beginning of the preceding month
- Claims to be submitted for each month by the 15th of the next month

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The Road Ahead

- Decision on sustainability approach required. Your thoughts on proposal tabled will be appreciated by Friday CoB
  - Please e-mail swh_inputs@eskom.co.za
- Formation of task team to develop proposal for ultimate industry structure and funding model
  - SWH Industry – nominations?
  - Other stakeholders
  - Eskom
- Follow up workshop in January to check progress and review work of task team

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Thank you

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