



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

Request for Registration and Information (RFRI)

Responses to SWH RFRI Enquiries

Date 04 September 2013

Issued to

Potential Local Solar Water Heating Manufacturers

Responses are due by 17h00 on Thursday, September 05, 2013. Please email all responses to this RFRI to:

SWHSupplierRFRI@energy.gov.za

SWH RFRI Responses

#	Enquiry	DoE's Response
1.	<p>We are interested in tendering for the attached tender (of 18 August 2013). Please advise:</p> <ul style="list-style-type: none"> • How do we tender for it, and 	<p><i>The advert issued by the Department of Energy on 18 August 2013 was for a "Request for Registration and Information" (RFRI) process and not for the submission of tenders or bids.</i></p> <p><i>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 RFRI process. Failure to fully furnish the DoE with the requested information will compromise the potential manufacture's eligibility for participation in the upcoming Eskom procurement process.</i></p>
2.	<p>We are interested in tendering for the attached tender (of 18 August 2013). Please advise:</p> <ul style="list-style-type: none"> • What documentation is required? 	<p><i>All documentation required under this RFRI process is reflected on the document that was published by the DoE on 19 August 2013. To access the documentation visit:</i></p> <p>http://www.energy.gov.za/files/swh_frame.html</p>
3.	<p>We have been producing solar water heaters in South Africa since 1969 and have been forced to reduce our manufacturing capacity due to the effect that ESKOM/SABS had on the market since the inception of the "Solar roll out".</p> <ul style="list-style-type: none"> • Why must we now be forced to give this "Compulsory" information, and what will be the penalty if not compliant? 	<p><i>The context within which the national solar water heating programme (NSWHP) is being rolled changed when the collector and tank were designated for local production and content (in terms of the Preferential Procurement Policy Framework Act of 2000 and its regulations) by the Minister of Trade and Industry through an Instruction Note issued by National Treasury with effect from the 05th of August 2013.</i></p> <p><i>To comply with this legal requirement (the Designation), the DoE has deemed it appropriate to issue this RFRI to interested parties on a compulsory basis in order gather up-to-date information for establishing a panel of the PPPFA-compliant SWH manufacturers, thus triggering the initiation of a procurement process i.e. any aspiring local manufacturer will access the local SWH market via the DoE RFRI process. Failure to fully furnish the DoE with the requested information will compromise the potential manufacture's eligibility for participation in the upcoming Eskom procurement process.</i></p>

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

4.	<ul style="list-style-type: none"> Is a JV allowed between two companies? 	<p><i>Yes, Joint-Ventures (and any other entities) with legal status or with the intention to legalise their status are allowed but to the extent that the final SWH system is compliant with the requirements.</i></p>
5.	<ul style="list-style-type: none"> If yes, do we need to provide the tax certificates and CK'2's of each company? 	<p><i>Yes. Submit the Proof of Company registration or a letter stating the intention to register the company in South Africa. However, the tax clearance certificate will be one of the mandatory requirements for the Request for Proposals.</i></p>
6.	<ul style="list-style-type: none"> On page 18, point 3.4, the statement labeled Contractual Framework is incomplete. Can you assist in completing the statement? 	<p><i>Point 3.4, Contractual Framework, represents a sub-Heading. The respondent is expected to:</i></p> <p><i>Please indicate the contractual basis (term sheet – minimum SWH systems to be contracted) that would allow the company to locally produce the systems as indicated in 3.3 (Financial Information) of Annexure 2.</i></p>
7.	<p>We are interested to participate in the National SWH Program, and attached a letter of intent.</p> <ul style="list-style-type: none"> Please advise what the next step that we should do is. 	<p><i>Please respond to the RFRI in line with the specified requirements.</i></p>
8.	<p>As a manufacturer of solar water heating collectors, we produce collector that can be used in conjunction with any solar storage tank in all combinations (integral, close-coupled and split) and in all heat transfer methods (direct, indirect) and in all circulation methods (thermo-syphon and pumped). The list of combinations and configurations is potentially endless as our flat plate solar water heating collector is manufactured to be used with any tank and in any configuration. i.e.: We do not manufacture systems; we manufacture a single component (the collector) that can be combined with any tank.</p> <ul style="list-style-type: none"> Please advise as to how we are expected to respond – in particular in respect of Page 15 of the RFRI and in respect of the SATS 1286: 2011 excel sheets. 	<p><i>RFRI Respondents are entities that will be able to produce complete SWH systems (tanks, collectors, installation kit) for contracting purposes with Eskom and the DoE through a Supply Agreement and Implementation Agreement respectively.</i></p> <p><i>However, subject to your collector complying with the stipulated minimum local content threshold, the DoE suggests that you link up with local SWH tank manufacturers (and installation kit manufacturers), in order meet the specified requirements. In this regard the DoE will provide a list of local content compliant tank manufacturers that responded to this RFRI.</i></p>
9.	<ul style="list-style-type: none"> Does the initiative apply to existing manufactures or the potential local manufacturer might be an organisation that has the design that can be submitted. 	<p><i>The DoE encourages responses from SWH manufacturers who have the financial and technology capabilities to manufacture and supply locally produced systems. These could be owners of existing or prospective</i></p>

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

		<i>manufacturing facilities who have the listed attributes (i.e. technological and financial capabilities).</i>
10.	<ul style="list-style-type: none"> The 70% minimum threshold; does it apply to local raw material or local production with an outsourced or imported material? 	<i>The 70% minimum local content threshold is calculated in accordance with the SATS 1286: 2011 formula.</i>
11.	<p>Kindly advise as to the confidentiality of the information to be provided to the Department of Energy. Annexures C, D and E of the Local content work sheets (SATS 1286: 2011) require respondents to effectively list their entire bill of materials including the names of suppliers, overhead recoveries and margins. I am sure that you will appreciate the sensitivity of such information to any commercial enterprise.</p> <ul style="list-style-type: none"> How can the Department guarantee the confidentiality of such information and what measures are in place to assure respondents that the information provided will not be disseminated to third parties? 	<i>Agreed. The Department will consider signing a non-disclosure agreement for the comfort of the industry same has been done with other departmental programmes to ensure compliance with confidentiality requirements.</i>
12.	<p>I am preparing a question for your definition clarification. Mainly local content issue.</p> <ul style="list-style-type: none"> I am not sure if this is the right forum to talk about SABS approved systems and expected performance in the field. Testing environment vs. installed environment. Eskom should have M & V figures 	<i>This RFRI process is not the right forum for SWH system performance issues. In the main local issues are being tested through this RFRI.</i>
13.	<p>As you know, our device Carbon TRACK is an intelligent controller which is being locally produced. Industry notes that the controller could constitute up to 15% of the localisation value chain of a SWH system! At the moment, the three or so controllers which are on the market are Chinese imports and attract very little duties, hence their favourable pricing position.</p> <ul style="list-style-type: none"> We are able to manufacture the controller completely locally and would like to table this as an opportunity to increase the local content value considerably. I 	

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

	look forward to your thoughts on the matter?	<i>There's no requirement for a SWH system to have any functionality to quantify carbon savings.</i>
14.	<ul style="list-style-type: none"> We would like to make a submission for a SWH controller which is locally produced so as to increase the local manufacturing value chain. Your thoughts in this regard are appreciated as well as giving us direction on the matter. 	
15.	<ul style="list-style-type: none"> Would you be able to advise how it is planned that the high pressure solar water heaters will find their way into the market/final use e.g. are they solely for fitment onto government buildings, or to be sold to the public at subsidised prices, or what? 	<i>The main objective of this RFRI, amongst other objectives, is to gather up-to-date information for establishing a panel of the PPPFA-compliant SWH manufacturers of both high- and low-pressure, thus triggering the initiation of a procurement process i.e. any aspiring local manufacturer will access the local SWH market via the DoE RFRI process.</i>
16.	<ul style="list-style-type: none"> Will any or all individual glass tube configurations qualify all for EXEMPTED IMPORTED CONTENT for the total collector? 	<i>No, these will not qualify. The designation specifies 70% each for both the collector and the tank.</i>
17.	<ul style="list-style-type: none"> Please advise if the deadline for the SWH RFRI is still on Monday August 26? 	<i>No, it has been extended to 05 September 2013.</i>
18.	<ul style="list-style-type: none"> It can be highly appreciated by us if you can explain further the purpose of this program RFRI, so as to respond to it. Hopefully this inquiry is in order and looking forward to hearing from you soon 	<i>As indicated on the RFRI documentation published on 19 August 2013, the main objective of this RFRI, amongst others objectives, is to gather up-to-date information for establishing a panel of the PPPFA-compliant SWH manufacturers, thus triggering the initiation of a procurement process i.e. any aspiring local manufacturer will access the local SWH market via the DoE RFRI process.</i>
19.	<ul style="list-style-type: none"> Please advise if the briefing session that will be held in Johannesburg, be the only one, or will there be one in Cape Town as well? 	<i>For this round of the RFRI process, there will be no briefing session in Cape Town or other provinces. However, the DoE intends to embark on a national stakeholder process starting end of September 2013 whereupon stakeholders will get an opportunity to raise any questions they might still have.</i>
20.	Please provide clarification regarding the required documentation as requested in Annexure 1.	<i>Confirm the legal status of the entities or entity that intend(s) to supply SWH systems under this programme.</i>

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

	<ul style="list-style-type: none"> The Respondent's legal status - ? 	
21.	<ul style="list-style-type: none"> Its principal place of business – Proof of address? 	
22.	<ul style="list-style-type: none"> Its place of incorporation (if Respondents are corporations); or its place of registration (if Respondents are cooperative institutions, partnerships or individually owned firms) – Certificate of incorporation? 	<p><i>Yes, supply proof of address of the factory (if an existing factory) or of the prospective factory.</i></p>
23.	<ul style="list-style-type: none"> Proposed SWH technology type (flat plate and/or evacuated tubes) – Company profile? 	<p><i>The SWH technology type should be either a flat plate (please indicate if direct or indirect) or evacuated vacuum tube.</i></p>
24.	<ul style="list-style-type: none"> Current status of the local manufacturing of the SWH systems, and level of compliance with SATS 1286: 2011 - ? 	<p><i>This is mandatory requirement and a critical component of this RFRI. The DoE requires the current local content status with respect to the tank, collector, the existing production capacity (for existing factories) and price.</i></p>
25.	<p>Trusty you are well. Congratulations on a well presented Information session. The “hot” topic was dealt with professionally. Can I please get your input and clarification on the following few outstanding issues:</p> <ul style="list-style-type: none"> Can you please assist what is meant by “Primary Steel” as mentioned in clause 3.3 of the National Treasury Instructions? 	<p><i>Primary steel is raw or unprocessed steel.</i></p>
26.	<ul style="list-style-type: none"> It was mentioned that the allocation would be 80/20 between Low and High Pressure. Would this roll-out also include the day-to-day business on the High Pressure or is this just for purposes of the roll-out, meaning would the “rebate” on the normal day-to-day business still continue or must we make provision for this in the RFRI? 	<p><i>Any rebate or incentives on high pressure system will also be subjected to the local content threshold. The FRFI is also applicable to both high and low pressure systems.</i></p>
27.	<ul style="list-style-type: none"> Companies may be “putting” components together to form a system. For example: source a tank from one supplier, source flat plates from another manufacturer, make the frames themselves. How would this reflect in relation to this process? I specifically asked the question on how “manufacturing” is defined as the definition in the SATS will classify these companies as manufactures as the individual components will only have value if combined to form a system – value in relation to the system is then added. 	<p><i>The Instruction Note requires the government to support products that</i></p>

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

<p>28.</p>	<ul style="list-style-type: none"> Depending on the answer above, where and how will companies be classified that puts systems together? Remember that the SABS Test procedure requires that systems must be tested and approved. Components can be tested but is of no value if not tested as a system. To my opinion, and in relation to the definitions in the SATS, value is added and therefor would qualify as a manufacturer of the specific systems (not necessarily the component manufacturer) 	<p><i>meet the 70% local content threshold in respect of each of the tank and collector, as assessed in accordance with SATS 1286: 2011.</i></p>
<p>29.</p>	<ul style="list-style-type: none"> If a local content OEM SABS Mark manufacturer of both low and high pressure solar water heating systems which use evacuated tubes, which are 100% imported, is there any point in responding to the RFRI? 	<p><i>As indicated on the RFRI documentation published on 19 August 2013, the main objective of this RFRI, amongst others objectives, is to gather up-to-date information for establishing a panel of the PPPFA-compliant SWH manufacturers, thus triggering the initiation of a procurement process i.e. any aspiring local manufacturer will access the local SWH market via the DoE RFRI process.</i></p>
<p>30.</p>	<ul style="list-style-type: none"> As there is not one SABS approved local content low pressure evacuated tube, and therefore one cannot comply with the designated sector requirement, does that make all solar water heaters redundant for any supply of both high and low pressure solar water heating systems, under either a) A contracting route; b) Eskom SWH rebate; or c) Other energy incentive program? 	<p><i>The purpose of this RFRI is to test this assumption you're making about the local content.</i></p>
<p>31.</p>	<ul style="list-style-type: none"> As flat plate collectors that can be manufactured in South Africa are not suitable for freeze conditions, and fail the SANS 1307 freeze test, when used in a low pressure solar water heater, is it now the intention that only coastal areas will be eligible for any solar water heating roll out? 	<p><i>The purpose of this RFRI is to sound the market regarding the availability of systems that comply with the Instruction Note, including flat plate (direct or indirect).</i></p>
<p>32.</p>	<ul style="list-style-type: none"> If there was an evacuated tube manufacturer in South Africa, and the market could only support the economic commercial viability of one factory, would that be in breach of the monopolies commission? 	<p><i>No, that would have been the status in the market at present or at the time of the bidding process and they would not be in breach of the monopolies commission as no one is prohibited from establishing an evacuated tube manufacturing center in South Africa.</i></p>
<p>33.</p>	<ul style="list-style-type: none"> If low pressure evacuated tubes were to be produced in South Africa, and existing or future local manufacturers of both low and high pressure systems 	<p><i>The objective of the Instruction Note is to increase the local content, including, through the localisation of evacuated vacuum tubes.</i></p>

SOLAR WATER HEATING REQUEST FOR REGISTRATION AND INFORMATION

	<p>were to use those tubes, what would be the position regarding the retesting of all those systems at SABS, where they have already been tested for SANS 1307, SANS 151 and SANS 6211 and millions of Rands already expended in testing?</p>	
<p>34.</p>	<ul style="list-style-type: none"> Where evacuated tubes represent approximately 18%-20% of a solar water heating system, and the 70% designation would therefore only be approximately 14% of the total system, does the designated sector make sense to disallow multiple systems based on such a small % of local content? 	<p><i>The objective of the Instruction Note is to increase the local content, including, through the localisation of evacuated vacuum tubes. This has much better economic spin-offs for the country.</i></p>
<p>35.</p>	<ul style="list-style-type: none"> If the intent of SATS 1286 is to create local manufacturing and jobs, does the designated component for evacuated tubes make sense to destroy far more jobs in manufacturing of tanks and other components than would ever be created by the manufacturing of evacuated tubes or flat plate collectors? 	<p><i>The intention is to increase the local content of subsidised systems. We disagree that this approach will destroy jobs; rather it will create far more jobs than is currently the case.</i></p>
<p>36.</p>	<ul style="list-style-type: none"> With an industry already on its knees, due to constant uncertainty, changing conditions, if governments intent is to create jobs, socio economic uplift, and energy savings, is the intent of the designated sector of SATS 1286 to destroy thousands of jobs in manufacturing, installation and maintenance, as well as destroying the domestic end of the renewable energy sector? 	
<p>37.</p>	<ul style="list-style-type: none"> What is the definition of low pressure SWH? 	<p><i>As constantly stated in our responses and indicated on the RFRI</i></p>
<p>38.</p>	<ul style="list-style-type: none"> Does it mean that the system to which it will be coupled will be low pressure? 	<p><i>documentation published on 19 August 2013, the main objective of this</i></p>
<p>39.</p>	<ul style="list-style-type: none"> If so what is the operating pressure and what is the max pressure expected? 	<p><i>RFRI, amongst others objectives, is to gather up-to-date information for establishing a panel of the PPPFA-compliant SWH manufacturers, thus triggering the initiation of a procurement process i.e. any aspiring local manufacturer will access the local SWH market via the DoE RFRI process.</i></p>