


DEPARTMENT OF ENERGY


**BRIEFING ON PROGRESS MADE ON THE
IMPLEMENTATION OF THE 30% PROCUREMENT
POLICY FOR SMMEs AND COOPERATIVES**

12 August 2015




energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

1




INTRODUCTION


- DoE reiterate its support for the development and empowerment of SMMEs and Cooperatives and understand the role they play in reversing inequalities of the past
- DoE has indicated the following projects for cooperation and collaboration with the Department of Small Business Development in respect of the above;
 - Integrated Energy Centres (IeCs)
 - Independent Power producers (IPPs)
 - Solar Water Heaters (SWH)
 - Electrification programme
 - Grid projects
 - Solar Home Systems
 - Biofuels
 - Payment of invoices of SMMEs and Cooperatives in 30 days
 - Public awareness on business opportunities within the energy sector



energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA




IMPLEMENTATION OF THE 30% PROCUREMENT POLICY FOR SMMEs AND COOPERATIVES



energy


Department:
Energy
REPUBLIC OF SOUTH AFRICA

3



REGULATORY ENVIRONMENT FOR PUBLIC SECTOR PROCUREMENT


- Public Finance Management Act (PFMA) no.1 of 1999
- Treasury Regulations, Chapter 16A
- Broad Based Economic Empowerment Act (BBBEE) Act No. 53 of 2003
- Preferential Procurement Policy Framework Act (PPPFA) Act No. 5 of 2000
- Supply Chain Management Guideline for Accounting Officers and Authorities – issued by National Treasury in Feb 2004
- Instruction notes, circulars and guidelines issued by National Treasury
- DOE's internal Supply Chain Management Policy
- **NB: The review of (PPPFA) will ensure the radical implementation of 30% procurement to SMMEs & Cooperatives & compliance thereof.**



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

4


	
DEPARTMENT OF ENERGY: GOODS AND SERVICES BUDGET	
	BUDGET 2015/16
Goods and Services	203,116
Advertising	12,327
Assets less than the capitalisation threshold	4,140
Audit cost: External	3,572
Catering: Departmental activities	2,547
Communication (G&S)	7,195
Computer Services	7,105
Consultants and professional services: Business and advisory services	46,833
Consumable supplies	2,120
Consumable: Stationery, Printing and Office Supplies	4,638
Operating leases	36,137
Transport Costs	3,131
Travel and subsistence	45,110
Training and development	4,283
Operating payments	5,393
Venues and facilities	9,068
Other	9,517



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

5

	
PROCEDURE TO REGISTER ON THE DOE's DATABASE	
<ul style="list-style-type: none"> The Department invites service providers to register on the supplier database by placing an advert in the Government Bulletin, newspapers (i.e. Sowetan, Sunday Times, City Press), notices in all regional offices and the DOE website. The advert is published annually in September and closes in October. Regular updates are done as and when the department receives the forms from prospective service providers that are interested in conducting business with the Department. The database is applicable for procurement of goods and services below R 500 000 (including VAT). Forms are also made available at respective regional offices. 	



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

6



PROCEDURE TO REGISTER ON THE DOE's DATABASE

...continued.

- Service providers are captured on the DOE supplier database according to commodities/services listed on the application form.
- Each service provider is limited to 5 commodities.
- Service providers cannot be disqualified for incomplete information submitted at the closure of the database.
- The Department contacts service providers for outstanding documents and provides a time frame to respond; failure to comply, the company will remain inactive.
- Registering on the database does not guarantee that the Department will do business with registered service provider/s.
- Business transactions can only be guaranteed when there is a need for a commodity provided the recommended service provider complies in all aspects.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

7



MANDATORY DOCUMENTS TO BE SUBMITTED BY SERVICE PROVIDERS

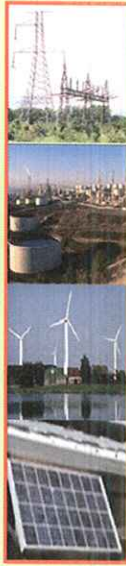
- Standard Bidding Document
 - SBD 1 : Invitation to bid
 - SBD 2 : Tax Clearance Certificate for procurement above R 30 000(including VAT)
 - SBD 3 : Pricing Schedule
 - SBD 4 : Declaration of Interest
 - SBD 6.1 : Claim form for preference points on BBBEE status (to be accompanied by the BBBEE certificate)
 - SBD 8 : Declaration to combat the abuse of SCM systems
 - SBD 9 : Declaration directors to combat bid-rigging
- Company registration number: As indicated by CIPC
- Finally, SCM performs checks on the tender defaulters database maintained by National Treasury



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

8



Tendering/ Bid Process

- Competitive bid process is applicable to procurement of goods and services above R 500 000(including VAT).
- Bids are advertised for 21 days, less than 21 days approval can only be granted by the Accounting Officer with justifiable reasons.
- For procurement below R1 m, the 80/20 principle is applicable - as stipulated in the Preferential Procurement Framework Act.
- For procurement above R 1m, the 90/10 principle is applicable - as stipulated in the Preferential Procurement Framework Act.
- 80 or 90 represent the price (the formula is used to determine points),
- and 20 or 10 represent the BEE points.
- Service providers can be invited to a briefing session (however this is not compulsory).



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

9



Commodities required by the Department

Commodity	Procurement Method
Supply and installation of Non Grid Home Systems	Competitive Bid Process
Solar Water Heaters	Competitive Bid Process
Solar Jars	3 Quotations
Solar Lamps	3 Quotations
Energy Saving Globes	3 Quotations
Marketing Consumables	3 Quotations



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

10



CHALLENGES WITH EMERGING SERVICE PROVIDERS

- Lack of experience and understanding on how to respond to bids.
- Non completion of mandatory documents.
- Submitting expired tax certificate(leads to disqualification).
- No market research or feasibility study conducted to understand the product and competitors.
- Proposals submitted often not relevant to the requirements.
- Irrelevant experience, qualification and lack of supporting documents requested by the Department (e.g. CV's, certified copies of certificates if required).
- Fronting and bid rigging



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

11




PAYMENTS OF INVOICES WITHIN 30 DAYS

- The Department has committed to payment of all invoices within 30 days.
- The past financial year the DoE has been acknowledged for this achievement.

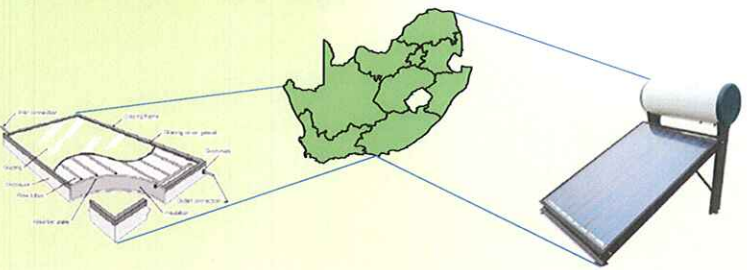



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA




NATIONAL SOLAR WATER HEATING (NSWH) PROGRAMME


energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

13




Outline

- **Historical Background**
- **Current Context (where are we now?)**
- **Strategic Context (where do we want to go?)**
- **Stakeholders**
- **Conceptual Framework (how to get there?)**
- **Summary: Re-focused by main objectives**
- **Milestones and Deliverables**



energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA


14



Background (Historic)

NSWH programme launched in 2010

- In 2008 Eskom was mandated to install 1 000 000 (1 million) systems under conditional grant, with the objectives to:
 - a) reduce electricity demand and Green House Gasses (GHG) emissions;
 - b) protect poor from electricity tariff increases;
 - c) facilitate local manufacturing industry and create employment.
- Outcomes achieved:
 - i. 400 000 systems installed in residential dwellings to date;
 - ii. electricity reduction not achieved as focus has been in low electricity consumption areas;
 - iii. imported products have dominated installations;
 - iv. poor quality installations due to lack of training;
 - v. unreliable verification of number and location of installed systems due to lack of monitoring;
 - vi. lack of maintenance of systems resulting in users reverting back to electric systems.



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

15



Current Context (where are we now?)


- Eskom's mandate to implement the NSWH Programme has been terminated;
- DOE has centralised and re-conceptualised the programme;
- DoE re-focused on following main objectives
 - Socio-economic (jobs & access to hot water)
 - Energy (load reduction)
 - Industrialisation (local manufacturing capacity)



energy


Department:
Energy
REPUBLIC OF SOUTH AFRICA

16




Strategic Context (where do we want to go?)

- Targeted system installations (1.8 million by 2020 – linked to budget allocation);
- Financial resource requirements (R 400 million within DOE for current Financial Year + further allocations to be secured);
- Obtain economies of scale through “standardised” systems, pricing and aggregated contracting model and
- Reduce energy consumption by about 55 GWh per month, which potentially can displace the use of expensive diesel to the extent of 12% every month.




energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

17




Strategic Context (where do we want to go?)

- **Socio-economic focus**
 - Subsidised new installations (low income)
 - Non-functional / old tube system replace with “new” ?
- **Energy focus (load reduction)**
Aimed at existing and insured market segments via South African Insurance Industry and Banks:
 - **Re-active:** “faulty/failed” geyser to be replaced with Solar Geyser under insurance claim
 - **Pro-active:** existing functional electrical geysers to be replaced with Solar Geyser (SA Insurance Association (SAIA) + Banks)
- **Contributing further to National Development objectives:**
 - Industrialisation / industry development (through Local Content requirements)
 - Job creation (through focused installation & maintenance training)
 - Sustainability (through life cycle management = operations & maintenance jobs)




energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

18



Strategic Context (where do we want to go?)

- **Envisaged governance framework:**
 - Establishment of Programme Governance Steering Committee;
 - Partnerships across relevant national government departments and with Municipalities, e.g.
 - Identify and train installers in partnership with **all relevant stakeholders**;
 - Implementation of the **dti** designation of solar water heater tanks and collectors for local production;
 - Partnerships with government institutions, e.g.
 - **SABS** on manufacturing accreditation, local content and product verification;
 - Partnership with private sector to achieve programme objectives i.e. manufacturing of SWHs; financing relationship with **SAIA** and **Banks**
 - Sustainability through life cycle management of installed systems through monitoring and verification of installed systems




energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

19


Relevant stakeholders




+ Provinces, local authorities and communities in which installations are located

energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

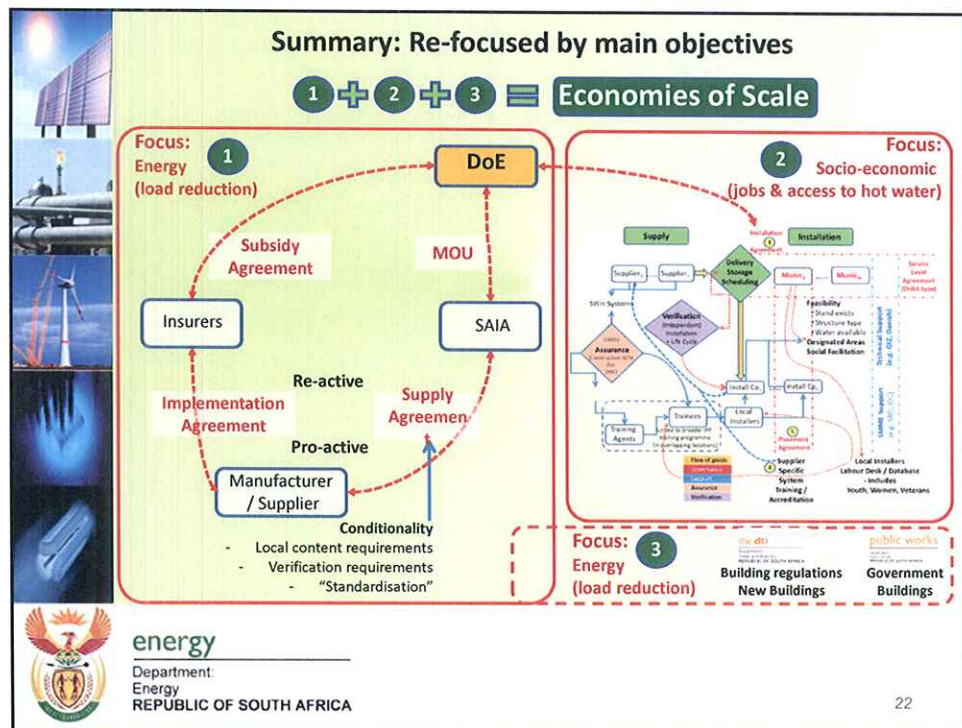
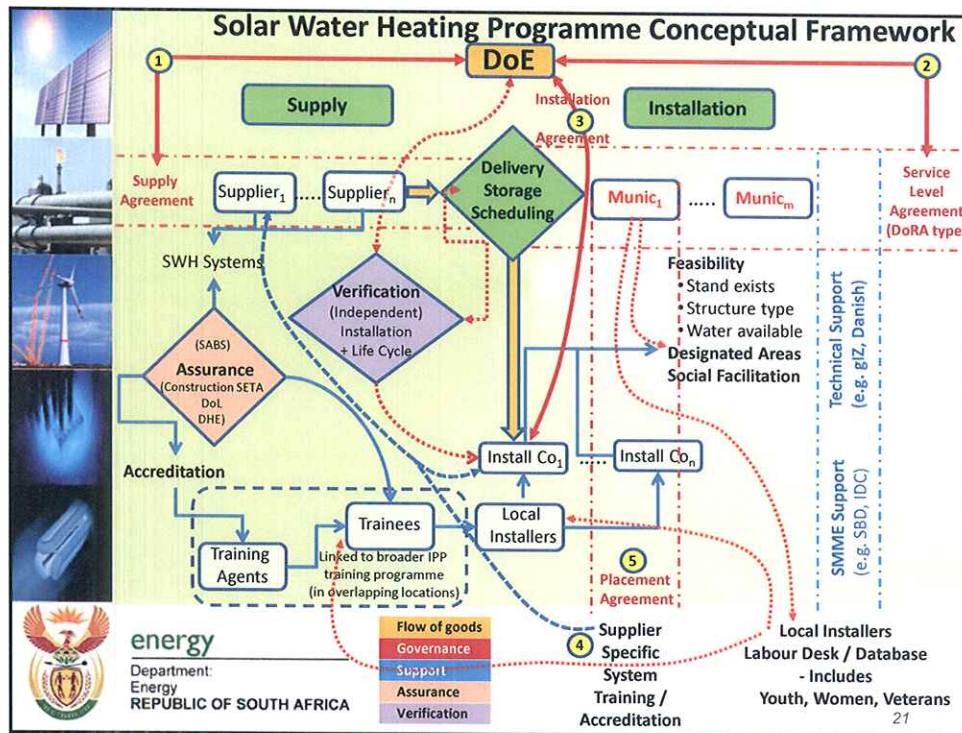


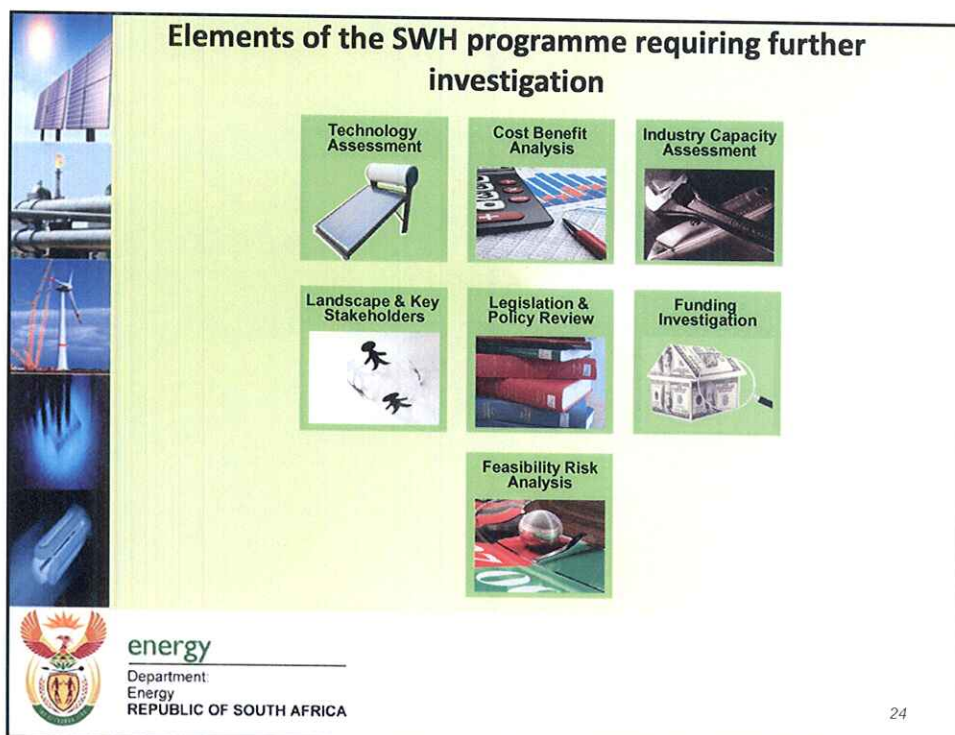
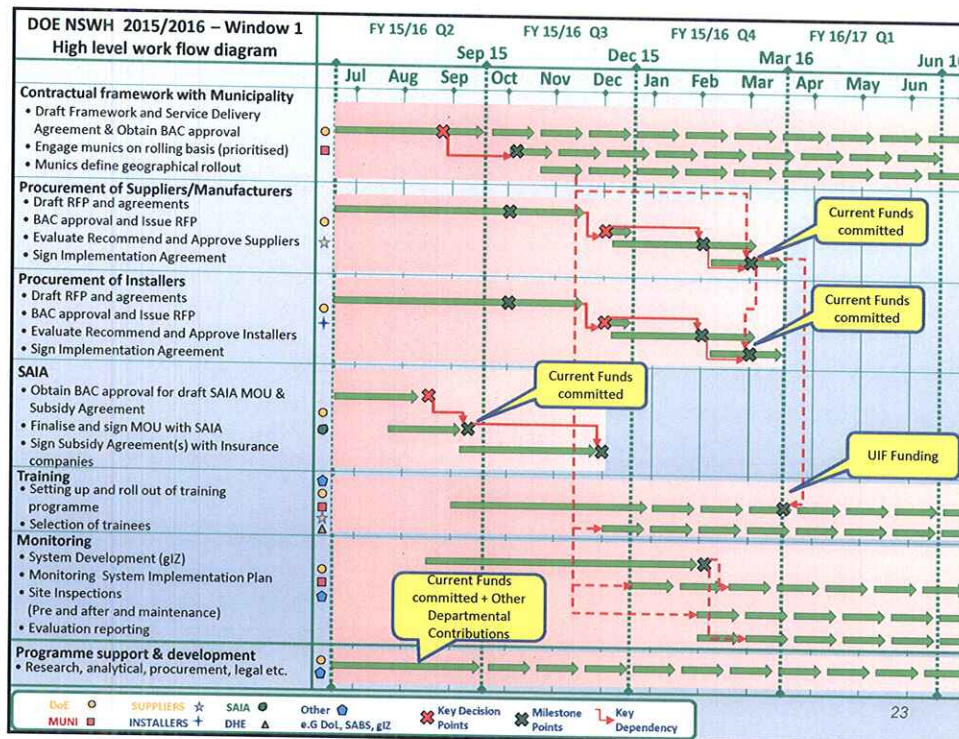



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

20









Way forward

- Obtain approval for SWH implementation plan discussed in presentation from Economic Sector, Employment and Infrastructure Development (ESEID) Cluster and Cabinet;
- The allocation for 2015/16 of R398 million to be divided between social, energy focus SWH systems and maintenance;
- Need to obtain approval to re-appropriate the un-spend Eskom funds to DOE;
- Implement and monitoring of roll-out programme by DOE, different Government departments and entities as proposed in presentation and
- To ensure that the main objectives of
 - Socio-economic (jobs & access to hot water)
 - Energy (load reduction)
 - Industrialisation (local manufacturing capacity)
 are achieved.




energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA



Independent Power Producers (IPPs)



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA



Economic Development Requirements

▪ The Economic Development Elements, which have been structured to address the objectives of the Department are as follows:

Economic Development Element	Specific Focus Areas	Period in which Applicable
Job Creation	<ul style="list-style-type: none"> South African Citizens Black People Skilled Black People Local Communities 	Construction Measurement Period and Operating Measurement Period
Local Content	South African services and products	Construction Measurement Period
Ownership	<ul style="list-style-type: none"> Shareholding by Black People and Local Communities in the Project Company Shareholding by Black People <ul style="list-style-type: none"> EPC Contractor O&M Contractor (if any) 	Construction Measurement Period and Operating Measurement Period
Management Control	Involvement of Black People and Black Women in management	Construction Measurement Period and Operating Measurement Period



energy
 Department:
 Energy
 REPUBLIC OF SOUTH AFRICA

Economic Development Requirements			
Economic Development Element	Specific Focus Areas	Period in which Applicable	
Preferential Procurement	Focuses on subcontracting to: <ul style="list-style-type: none"> • B-BBEE Procurement • Qualifying Small Enterprises and Exempted Micro Enterprises (SMMEs) • Women Owned Vendor Procurement 	Construction Period	Measurement Period and Operating Measurement Period
Enterprise Development	Enterprise Development Contributions and those on Local Communities	Operating Period	Measurement Period
Socio-Economic Development	Socio-Economic Development Contributions and those on Local Communities	Operating Period	Measurement Period



energy


Department:
Energy
REPUBLIC OF SOUTH AFRICA



SOLAR HOME SYSTEMS


energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA




Solar Home Systems

- This part of the electrification programme aimed at achieving 90% of households through high-quality non-grid solar home systems to address the current and future backlogs.
- In collaboration with the DSBD and municipalities DoE has facilitated the establishment of 8 Cooperatives in the Eastern Cape (2 in Engcobo & 6 in Mbashe).
- 2 cooperatives in KZN (Ingwe/Ubuhlebezwe) that are still under registration.
- More efforts to establish additional Cooperative to for the installation of 500 Solar Home Systems are underway.
- Cooperatives are currently receiving training on business and technical skills on how to install and maintain Solar Home Systems. Training is provided by SEDA.
- A process is also underway to assist Cooperatives with their applications for the Incentive Scheme.




energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

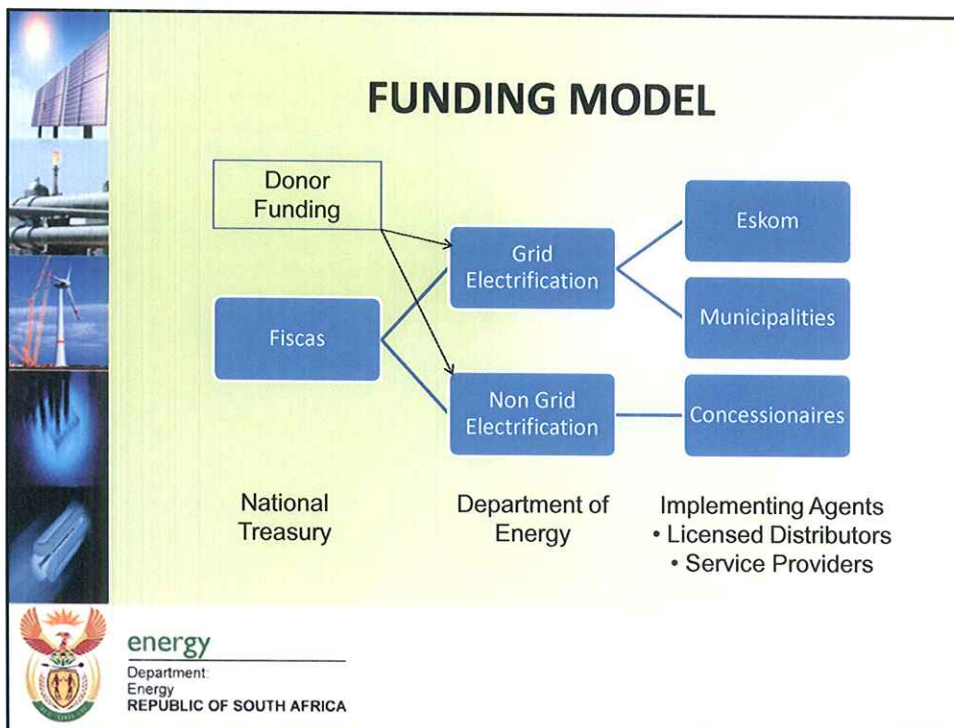
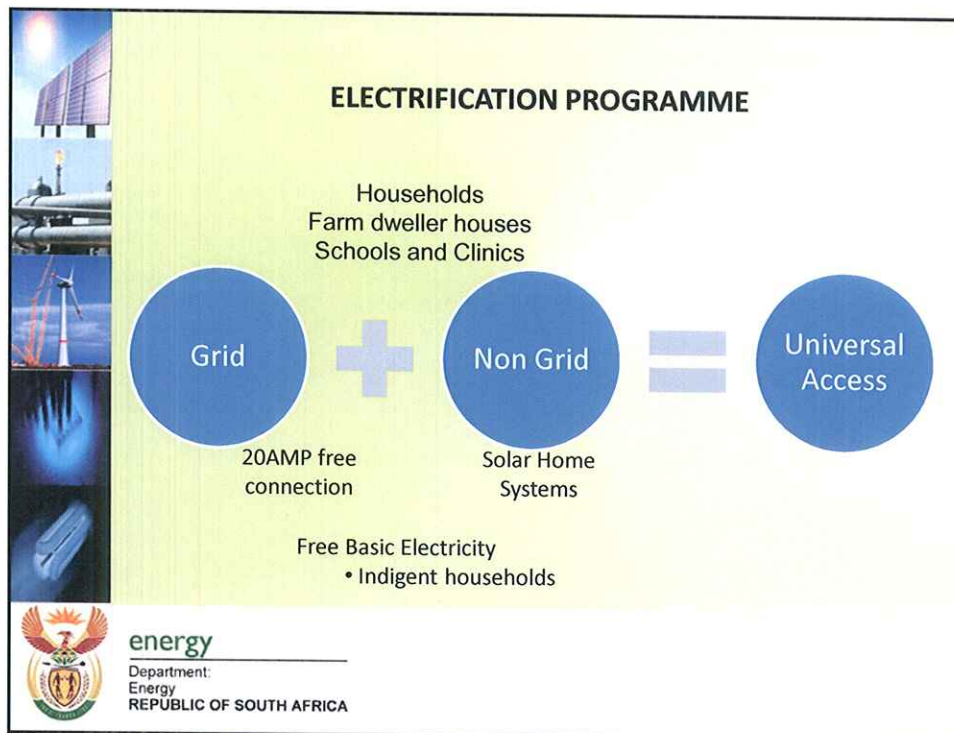


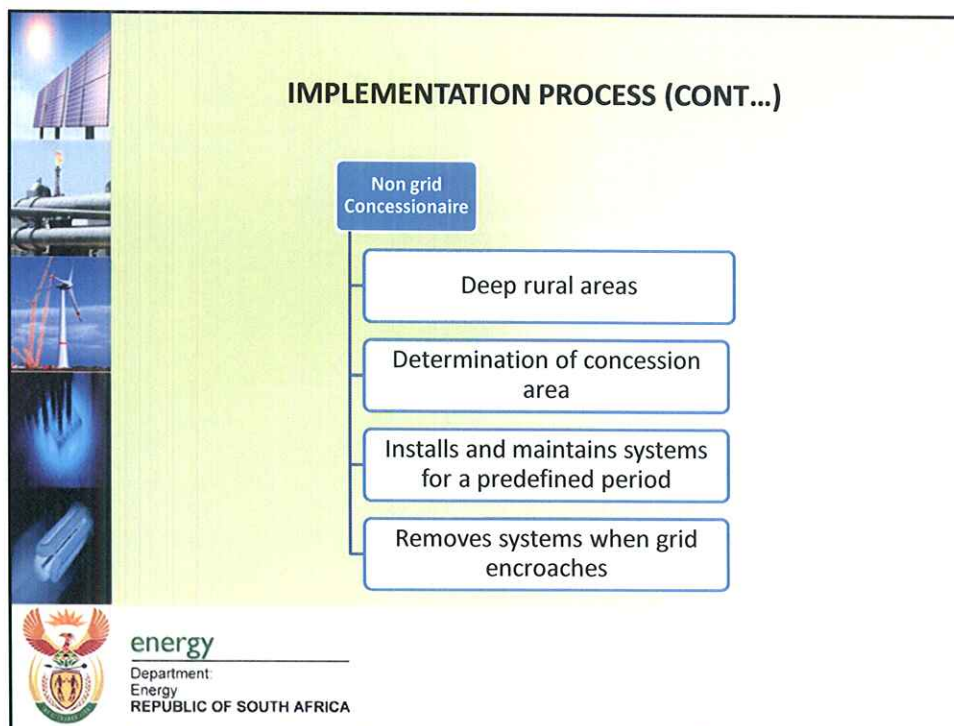
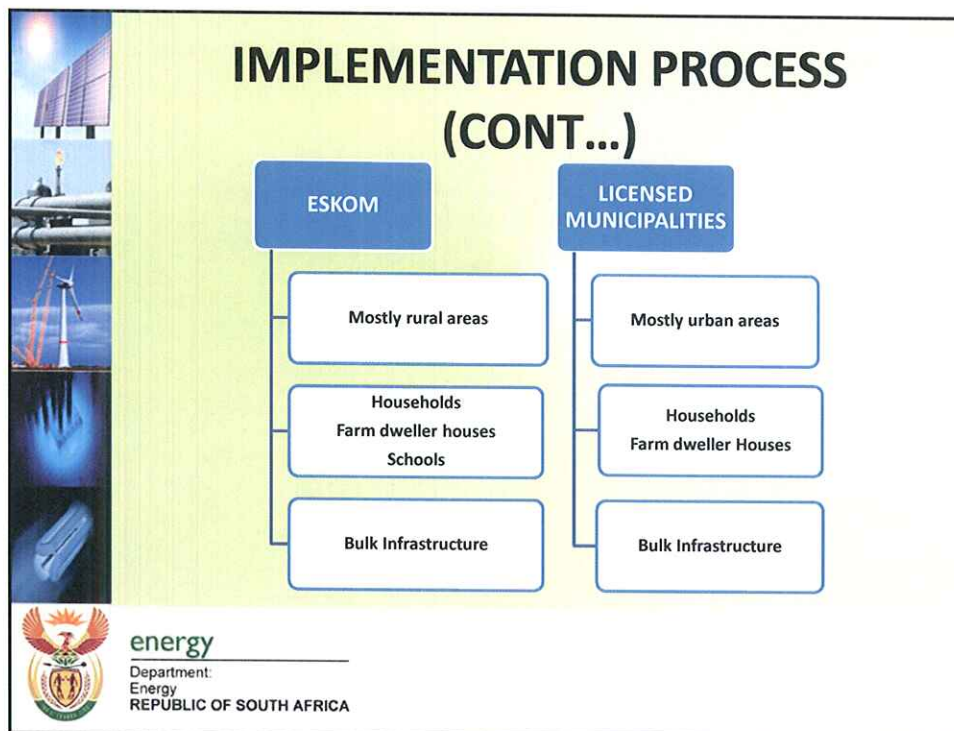
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)





energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA





OLD INEP MTEF ALLOCATIONS				
	PROGRAMMES	2014/15 (‘000’)	2015/16 (‘000’)	2016/17 (‘000’)
	MUNIC PROGRAMME	1 104 658	2 056 090	2 165 063
	ESKOM PROGRAMME	2 948 037	3 680 043	3 875 085
	NON - GRID	96 621	101 067	106 424
	BASELINE ALLOCATION	4 149 316	5 837 200	6 146 572
 energy Department: Energy REPUBLIC OF SOUTH AFRICA				

37

INEP MTEF ALLOCATIONS REDUCTIONS/ADDITIONS

PROGRAMMES	2015/16 (‘000’)	2016/17 (‘000’)	2017/18 (‘000’)	TOTAL (‘000’)
MUNIC PROGRAMME	75 750	128 817	76 268	280 785
ESKOM PROGRAMME	66 800	98 751	122 685	288 236
NON – GRID (ADDITIONAL)	30 000	60 000	80 000	170 000


energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

38


38

IeCs in the pipeline						
IeC	STATUS	DM	LM	SPONSOR	PROVINCE	
Thulamela	Chevron Limpopo branded marketer is engaged to fund the project	Vhembe	Thulamela	No sponsor	Limpopo	
Umzimvubu	The municipality requested an IeC. Chevron Eastern Cape branded marketer is keen to fund the project	Alfred Nzo	Umzimvubu	No sponsor	Eastern cape	




energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA


IeCs resuscitation						
IeC	STATUS	DM	LM	SPONSOR	PROVINCE	
Ratlou	Renovations completed and will be operationalized by October 2015	Ngaka Modiri	Ratlou	Sasol	North West	
Caba-Mdeni	Resuscitation plan developed	Alfred Nzo	Matatiele	Sasol	Eastern Cape	
Dithakong	Resuscitation plan developed	Kgalagadi	Jomorolong	Total	Northern Cape	
Ratlou	Renovations completed and will be operationalized by October 2015	Ngaka Modiri	Ratlou	Sasol	North West	



energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA



THANK YOU



energy
Department:
Energy
REPUBLIC OF SOUTH AFRICA

47