



# PRIMARY ENERGY DIVISION (PED) CONTRACTING REQUIREMENTS FOR COAL

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Fuel Sourcing is the department within the Primary Energy Division responsible for the effective and efficient sourcing of coal. Fuel Sourcing together with the broader cross-functional teams have below outlined the minimum requirements for contracting. The potential supplier should be in possession of the following information and documents prior to its engagement with the Fuel Sourcing Team:

## 1. Environmental and Legal Requirements

- Valid Mining Right/Permit and Off-Take Agreements where applicable
- Approved Environmental Management Program Report
- Latest detailed Closure Cost Assessment Report
- Integrated Water Use License Application/Permits (IWULA)
- National Environmental Management Act 98 (NEMA) authorisations

## 2. Safety and Health Requirements

- Safety Health and Environmental Policy
- Letter of Good Standing with the Compensation Commission
- A copy of legal appointments and related qualifications
- Baseline Safety Health and Environment (SHE) Risk Assessment

### 3. Technical including Quality Requirements

- Resource Statement as well as Competent Persons Report
- Borehole Information
- Mine Plan and Schedule

### 4. Commercial Requirements

- A formal offer to Eskom should include:
  - Mining method (opencast or underground)
  - Beneficiation method
  - Projected production for Eskom supply (expected qualities, proposed quantities)
  - Logistics / transport options
  - Indicative Pricing
- List of directors and shareholding
- Company registration documents
- Valid original Tax Clearance certificate
- Valid B-BBEE verification certificate
- Certificate of compliance with the Employment Equity Act (if > 50 employees)
- Audited and signed latest 3 years financial statements
- Standard Coal Supply Agreement and Annexes

Full documentation can be emailed to [coal@eskom.co.za](mailto:coal@eskom.co.za)

# Differences in requirements for a Supplier with a Mining Right and a Trader

- The major difference between a supplier and a trader is that the *trader does not possess a valid Mining Right* but has an *Off Take Agreement* for the supply of coal.
- **Difference in Evaluation Requirements between Miner and Trader:**
- **Environmental and Legal:** The evaluation process remains the same for the Miner and the Trader except that the Trader has to supply an Off Take Agreement(s) for their potential source(s) of supply, to ensure security of supply, Eskom will only contract for the duration as indicated in the Off Take Agreement(s).
- **Safety and Health:** remain the same.
- **Technical including Quality:** Eskom requires that a Trader adds value to the coal in the form of washing, crushing, screening, de-stoning or beneficiation of the coal to improve the qualities of the coal that will be supplied to Eskom. Proof of beneficiation will therefore be required. Technical Services will evaluate each of the sources if there are more than one, as well as the facilities where the value adding function will take place. There is also a requirement that the trader confirms blending ratios, this will be included in the Coal Supply Agreement.
- **Commercial:** remain the same but would allow penalty for non delivery to be based on additional cost to Eskom and not EPP.

**A vendor number does not signify that the coal reserve will automatically be accepted by Eskom, the full evaluation process will need to be followed for every resource.**

Once the full pack of documents is received, the following Eskom Contracting Process is followed:



**Step 1:** Technical Services Department will review the documentation that has been received. If the documentation indicates that the coal is of a quality that Eskom may be interested in, a ten ton sample of the Eskom quality product coal will be requested from the supplier. Eskom will take a three tons from the ten ton sample provided. This coal will be tested at the Eskom Testing Facilities at Rosherville.

**Step 2:** On site evaluations by Technical Services, Environmental and Health and Safety Representatives to verify the information that has been submitted. The evaluations will take place at every source that will make up the Eskom product.

**Step 3:** If the disciplines satisfied after conducting the on site visits, Fuel Sourcing will obtain a report per discipline recommending the reserve, this will allow the commercial process and negotiations to commence.

**Step 4:** The Pricing Principle that PED works from is *cost plus a fair return for an efficient miner*.

**The process of the supplier sending the documentation pack does not automatically guarantee a Coal Supply Agreement from Eskom or that Eskom will engage with the supplier.**