

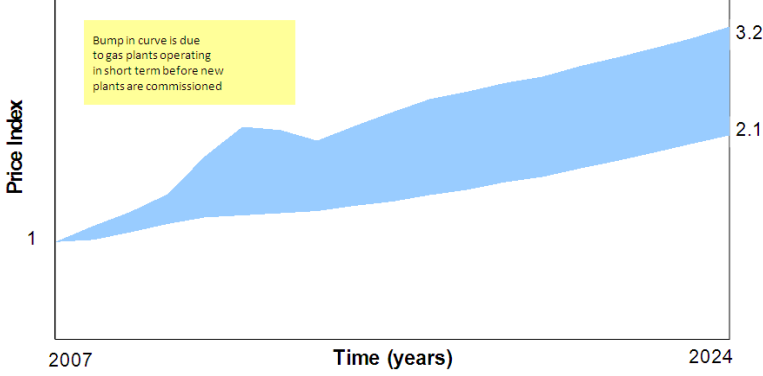
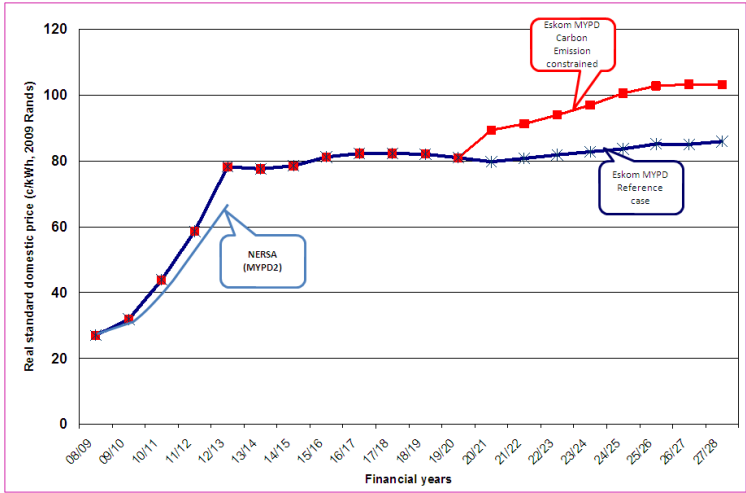


Generation Cost Cone - IRP 2010 Input Parameter information sheet (Output)

This sheet is to be used as the primary stakeholder engagement tool. This document provides the information that will allow the stakeholders to make a meaningful contribution to the IRP Input parameters.

Parameter	The Cost Cone
Purpose	<p>One of the most important outputs produced by the IRP process is an indicative price cone of average electricity prices.</p> <p>This information is used by current and future investors for whom electricity is an important input factor in their production costs.</p> <p>The costs will only be indicative. A cone will be provided indicating a high price path and a low price path to enable the affordability evaluation.</p>
Impact on the IRP	<p>Depending on the outcome of the affordability evaluation the proposed plans may have to be reconsidered and other policy directives may have to be reviewed and even adjusted in order to meet affordability objectives.</p>
The assumptions included in establishing the parameter values in this sheet	<p>The price cone is a product of all the assumptions contained in the IRP input parameters and is an outcome of the IRP process that can only be assessed collectively by the relevant ministries for final approval after the modeling is complete.</p> <p>The parameter only considers ESKOM's costs and it excludes Distribution Costs.</p>



<p>Parameter Value</p>	<p>By way of an example, two price cones that were previously produced by Eskom, the first in 2007 and the second in 2009 are included below.</p>  <p>The index represents the overall price which includes both the energy and network components. EXCO decided to avoid disclosing the energy element separately as it may have influenced the co-generation process currently under way.</p> <p>Source Eskom – July 2007</p> 
<p>Range of Parameter Value</p>	<p>The above examples demonstrate the high level of uncertainty in such cones.</p> <p>The parameter does not address the tariff structures.</p>
<p>Preconditions necessary to make possible for this parameter to be included in the IRP</p>	<p>Approval of all IRP input parameters.</p>
<p>Parameter Owner</p>	<p>Department of Energy and NERSA</p>