



Southdowns Homeowners Association
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**MINUTES OF THE INFORMATION SESSION
OF THE SOUTHDOWNS HOME OWNERS ASSOCIATION
HELD ON WEDNESDAY, 4 MAY 2022 AT 17:00
AT THE SAX ARENA, OPEN WINDOW COLLEGE, SOUTHDOWNS**

PRESENT:

Jeff Gilmour	(JF)	Meeting Facilitator
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Guest Speakers:

Gert Visser	(GV)	City of Tshwane Ward Counsellor
Jack Prentice	(JP)	Principal of Southdowns Management Services
Willie Coetzee	(WC)	Resident & Representing Concerned Residents
Group (CRG)		

Board of Directors:

Mike Maritz	(MM)	Chairperson
Albert Fenske	(AF)	Director: Infrastructure
Gerhard van Deventer	(GvD)	Director: Governance & Compliance
Petra van der Linde	(PvdL)	Director: Finance
Kosie Combrinck	(KC)	Director: Security
Kevin Forsberg	(KF)	Director: Residential & Environmental
Lodi Olivier	(LO)	Director: Building & Aesthetics

SHOA Personnel:

Daleen Hennig	(DH)	General Manager
Rudi Smit	(RS)	Operational Manager

1. WELCOME AND INTRODUCTIONS

- JF introduced himself as the meeting facilitator and the principal of the Association for Residential Communities (ARC) of which the SHOA is a member of.
- JF welcomed everyone to the meeting as well as residents who are attending virtually, and introduced the Guest Speakers, Board of Directors and SHOA Personnel.
- JF confirmed the matters for presentation and discussion, namely the background of the Estate, Electricity, Gas and Water.

2. ESTATE BACKGROUND

- The Chairman advised since 2019, the Estate have 170 new households due to the moving, semigration and immigration of residents. A lot of information has not been institutionalised within the Estate, namely the MOI and the Estate regulations to ensure the estate run in good order.
- On a personal note, the Chairman has been living here since 2007, shortly after the estate's establishment. The Estate has matured significantly over the years. There has been natural tension in the past between any developer, who has to secure his interests while the Estate is being developed and the residents as they take ownership over time. The developer took all the risks with the hope the development will be successful. Gradually over years and as with other estates, the interests of the developer diminished and the management of the Estate was taken over by the SHOA and residents. The SHOA must ensure the Estate is properly managed and governed. Volunteer residents are serving on the Board of Directors and seven different portfolio committees.
- The Chairman extended an invitation to residents to serve on committees, should they have the opportunity, time and expertise.
- The Chairman advised the purpose of the information session is to discuss the various essential services. There has been a significant increase in the interruption of the electrical supply to the Estate of recent. The essential supplies are electricity, gas and water and the SHOA has to ensure a continuity plan is in place to avoid interruptions.
The information session has been arranged to discuss these services and give feedback to residents on investigations done by the Board of Directors and present the various options that are available.

3. ELECTRICITY

- Ward Counsellor, Gert Visser, provided feedback on the area, current problems, and the way forward.
- City of Tshwane (COT) is the third largest metropolitan municipality in the world. In the middle 2000's, 12 – 14 municipalities amalgamated and formed COT. There are many challenges to overcome pertaining to budget, infrastructure and maintenance. COT have a total budget of R40 billion per annum, which includes operational budget as well as capital budget. R4 billion per annum has been allocated for capital projects. COT have 28 000 employees. There are 7 regions with 107 wards in total. Southdowns Estate falls in ward 65, in region 4. Each region is managed by an operational hub. Ward 65 has 40 000 residents living in the ward. Ward 65 starts on the Eastern side at Rietvlei dam and ends at Rooihuiskraal in the western side. The north is adjacent to Doringkloof and in the South, the region ends 4km towards OR Tambo opposite the Shell garage on the N1. This ward consists of 62 square kilometres. There are eight power stations in ward of which NIVS is one of the primary substations.
- The causes of outages are unprecedented throughout the ward. In the first 5 months when lockdown was promulgated in March 2019, there was no outages in the entire ward. Since November 2021 there is a power outage in the ward almost every second day. The causes are mainly due to vandalism and cable theft. Ancillary to that is weather conditions, lightning, trees and a lack of pro-active maintenance, which is a concern.
- GV advised on 22 November 2021 lightning hit the transformer of the NIVS substation (located on ARC area across Denel). Historically the power came from Rietvlei power station close to St George Hotel. The power feed has been changed to Kentron substation (located close to Eco Park) after the damages to the NIVS substation. This creates a host of complications. The perfect solution would be for Southdowns to be diverted back to the NIVS substation and to get back to the Rietvlei power station as was previously the case. Fortunately, NIVS and Kentron substation is not subjected to any form of loadshedding.

- On the day the NIVS station burnt out, GV met with the city manager and crew. A month thereafter, a meeting was held with Regional Executive Director and his senior electricians and officials. GV is continuously lobbying for the NIVS substation to be repaired to full capacity and will continue to do so.
- GV advised while Southdowns is receiving power from Kentron station, there is a much higher probability of power interruptions due to cable theft, vandalism and technical problems. The Kentron substation is providing additional energy which means it is likely there will be a capacity issue from time to time.
- The mayor has identified four primary substations to be refurbished, of which Kentron substation is one. It is possible to upgrade the link and the line between Kentron and NIVS and that should produce a reliable and sustainable power supply in the absence of cable theft or interruptions.
- With 107 wards, there are multiple substations per ward that need urgent and immediate attention. Sufficient finances are not available to repair all these substations within the 6 – 12 months of the financial year.
- In addition to the 4 substations, COT plan to attend to an additional 41 substations.
- Initially the repair of NIVS was not included in this financial year. GV spoke to the SHOA Chairperson, Mike Maritz. The Chairman presented a case to COT for the NIVS substation to be prioritised. After written submission was received, a virtual meeting was held. During this meeting, The Chairman stated the case of the SHOA in much detail, questions were answered proper and meaningful.
- It is possible for Southdowns Estate to be diverted back to NIVS, but there is no timeline commitment. The nature of the work to be done is not available at this point in time. GV is positive with the upgrade of Kentron substation, the electricity network will stabilise.
- The cost for security patrolling the line, is provided by Southdowns. There has been an increase in private security companies providing this service across the city and country and the local municipalities do not have the resources.
- GV thanked the SHOA for contributing to securing the infrastructure. GV will continue to lobby and motivate to make funds available.

Questions & Answers:

- Question: Stand 2563: Why is the communication/feedback during an event so poor? The SHOA notifies the resident they are awaiting feedback from ward counsellor and only receive it very late.

Answer: GV advised there is a process to be followed to establish what caused the power failure, when will it be restored and what is to be done to prevent such an event in future. The information is not provided, as the information provided from officials are lacking or is sometimes incorrect. Counsellors ask for updates and a technical report afterwards, but they are not receiving this. GV will address this at the next regional council forum. GV agrees this information should be provided. In the past, when communication was sent, GV personally went to the site, interrogated the officials and did the technical report himself.

- Questions: Stand 2732: What is the cost for the NIVS station to be refurbished and recommended an independent consultant to be appointed to investigate the cost of such a repair.

Answer: GV advised the information is not available. GV will investigate the option of appointing an independent consultant.

- Question: Stand 2876: Where did the information come from that Southdowns received electricity from Rietvlei and who owns the line crossing the estate? The Rietvlei lines are high voltage lines. Kentron and NIVS use the same voltage line. There is no cable running from Rietvlei to Southdowns Estate, only high voltage line crossing. Has the Board considered to obtain a transformer for the Estate and receive electricity direct from Eskom?

Answer: GV alternative solution to be looked into – public private partnership where he communities with municipality provide solutions and funding together. To put something in place like that would be much better long term and our estate would have control and responsibility over sub station. Gv will look into configuration previously and how it was supplied to nivs and will supply info to MM to send to residents. MM will consider all available options, not excluding anything.

- Question: 2676 (Heinrich): What has City of Tshwane done from November last year to address the cable theft and vandalism issue.

Answer: GV advised they are considering making use of technology, this has not been implemented. They are also considering additional watchmen, but there are budget constraints. A cable theft unit has been put together, but it is insufficiently sources and cannot serve the entire city.

ELECTRICITY (PART 2)

- The Chairperson, Mike Maritz, gave feedback on what the Estate has implemented and researched since 2019.
- The Chairman advised since the cable theft occurred in 2019, EBS tactical response have been patrolling the ARC area from sunset to sunrise. EBS is also patrolling the Kentron line from the beginning of 2022 to try and prevent opportunistic attacks. This was implemented when we realised our line was diverted to Kentron. The quantum vehicle (JOC) is being used to patrol the Kentron line and clocking points for the security officers have been installed on route.
- In 2019 the Estate acquired a drone with a high-end thermal camera. Movement can be picked up 5 – 7 km from above at night. The flight was done between 24:00 – 03:00 during the week and one flight over the weekend. The drone operator moved to Cape Town in February 2021. In the interim the civil regulatory has changed significantly which resulted in a professional company being appointed on an ad hoc basis to do flights. This is done at a significant cost to the estate.
- The details of the two patrol routes were presented (NIVS & Kentron).
- The Chairman advised the Kentron substation is next to the N1 highway at Eco Park and 5.8 km from Southdowns Estate.
- The procedure the SHOA follows in the event of power failure is as follows:
 - Security vehicles are dispatched immediately to patrol ARC route as well as Kentron route
 - Security Shift Manager inform the SHOA General Manager & Operations Manager
 - Notification is sent to residents to inform them of the power interruption
 - Service Provider, Voltano informed to investigate their infrastructure and to try and establish the cause of the fault in the area. Voltano also liaise directly with COT.

- Security and SHOA General Manager report outage to COT via telephone & sms to obtain a reference number
 - Reference number is sent to ward counsellor, Gert Visser, to escalate
 - As official feedback is received from the ward counsellor, residents are informed accordingly via the official Southdowns communication channels
- The detailed cost to look after the line was presented, totalling R600 000 per annum. This expense is significant and not sustainable.
- A summary of power interruptions from November 2021 to April 2022 was presented. These interruptions were all due to cable theft or faulty infrastructure.
- Official communication from COT received on 21 November 2021 advising of NIVS damage was presented.
- The Chairman advised the repair of the NIVS substation was not included in the IDP budget of COT. During the recent virtual IDP and budget meeting held on Friday, 29 April 2022, the COT electricity department confirmed the operational budget will include the repair of the NIVS substation.
- The amended Tshwane budget will hopefully be distributed and finalised at the end of May 2022.
- The Infrastructure Committee investigated possible alternative power solutions for the Estate:
 - Gas generators
 - Battery storage only
 - Battery storage plus solar
- These options bring the following challenges:
 - To get the buy in from ALL residents and especially those who has already spent money on individual systems at their houses
 - Cannot constrain/manage the amount of electricity used per household during the period. All should have access to the same capacity.
- The maximum demand on the electricity supply directly after a power outage was 1500kw. Which means the moment after a power outage, there is significant demand on network.
- One option is to purchase a gas generator for the entire Estate. Such a generator does have 1500kVA potential, but is not readily available in SA. This generator is also a massive consumer of gas. It could consume 12 Gj per hour. The cost for such a generator is estimated at R15 million, excluding the gas usage.
- Current gas usage per annum is 16 500 GJ; Average current usage per hour = 1,88 GJ. The Estate would need 14 Gj per hour, i.e. 122 640 Gj per annum if "Take or Pay" applies.
- Our current gas supply is limited to 20 000 Gj per annum. The Estate will therefore also need compressed natural gas as standby fuel in the form of containers. The cost for equipment rental amounts to R380 000 per month.
- The second option was battery storage. The 12-month consumption for the Estate was presented. Assume a 750 000 kWh over a 31-day month = 24 194 kWh per day. Average usage is 24,193 MWh per day. An average 4-hour loadshedding, would result in the Estate needing approximately 7.2 MWh capacity, should loadshedding happen during peak hours. The SHOA would need 8 of these units.
 - For the maximum demand of 1 200 kVA, the demand of 1,44 MVA will need to be managed. 20% can be added for winter periods.
 - The battery mentioned has a storage capacity of 1 MWh at 250kW.
 - The Estate would need 8 units at R6 000 000 each. These will cater for the demand at 1,44MVA or 7.2 MWh for a time period of approximately 6 hrs.
 - A 3MVA step-up transformer to connect these units to the current grid with additional disconnect gear can cost up to R5m

- This gives us a rough estimate of R53m or R90 000 spread over 600 houses.
- If you install a 5kW system with 3 x 3kWh lithium batteries at each house, it can cost around R100 000.
- The challenge might be to get the buy in from ALL residents and especially those who has already spent similar money on individual systems as well as the location of the storage of the battery units.
- Option 3 is battery storage plus solar. Adding solar panels to this system brings along another set of challenges, such as space and generation regulations. It will also be a completely different business model.
- In summary, if 600 households buy into the model, the capital cost for gas would be R15 million with operational cost of R381 000 per month resulting in a special levy of R25 000 per household and an additional levy increase of R635 per month. The capital cost for the batteries would be R53 million resulting in a special levy of R88 333.
- The Chairman advised that the Board of Directors are continuously trying to save residents money. They will continue to investigate different options and putting pressure on COT. Taking steps for independence is still being investigated and no option is excluded. The challenge is the capital cost and location for installation.

4. GAS

Gas (part 1)

- Jack Prentice (**JP**) the Managing Director of Southdowns Management Services (Pty)Ltd (**SMS**) made a presentation regarding the supply of Natural Gas to Southdowns Precinct.
- In 2005/6 Southdowns Management Services (Pty)Ltd (**SMS**) concluded an evergreen gas supply agreement with SASOL Gas to supply the Southdowns Precinct with Natural gas. The precinct includes the School, Shopping Centre, Office Park and Southdowns Estate.
- The school currently use Natural Gas to heat their swimming pool and the Shopping Centre, whilst being piped for Natural Gas has not yet been connected
- **JP** showed slides indicating the extent and position of the infrastructure (all extraneous to Southdowns Estate) which **SMS** funded to bring gas into the precinct.
- It was a complicated project which comprised a 2.6km high pressure gas pipe and a pressure reducing station. The execution took nearly 3-years as a result of the many regulatory hurdles, EIA and the acquisition of a 10m wide servitude across the property of the Agricultural Research Council.
- The SASOL/SMS installation is designed to handle a far greater supply than current. The Natural Gas supply is restricted in SA but the infrastructure is designed handle a far greater flow including expansion to Irene Lodge; the Golf Estate; and other developments in the area. If there was sufficient gas availability (*+ 1 million Gigajoule per annum*) it would be possible to generate electricity for the entire precinct and go “off grid”.
- The metering station currently has 3 connecting supply pipes – under John Vorster Drive to Southdowns Estate, to the College and to the Shopping Centre.
- The Natural Gas is Methane rich Natural Gas which comes from the Temane gas fields in Mozambique.
- Natural Gas is extremely safe. It is far lighter than air (unlike LPG) and contains a strong odouriser which will expose leaks quickly. We have had very few leaks to date in the reticulation inside the Estate.
- The Gas to Southdowns is tapped off the main SASOL Gas line which runs through Olifantsfontein to Rosslyn.

- The Temane gas fields in Mozambique are reaching maturity and the volume of the Gas produced will start declining in 2026. SASOL is currently working on additional supply. There are a number of options under consideration including LNG (*Liquified Natural Gas*) through Richards Bay; further exploration in Mozambique and other initiations.
- The standard gas connection per the Residential Gas Supply Agreement is *6m³ per hour* or *0.2 Gigajoule per hour*. The Standard metering equipment installed at each residence handles *6m³ per hour*. This is the Nominated Hourly Maximum Demand for each house. This is the main constraint on everyone installing gas generators.
- **SMS** is currently well within its maximum demand constraints with SASOL and there is more than sufficient gas for the 70 odd houses still to be built, as well as the additional demand for the HOA for 6 standby generators for security purposes.
- In response to the complaints regarding the price of gas to residents of Southdowns Estate, **JP** illustrated the energy comparisons and the history of escalations:
 - LPG – R32.15 per KG x 19.5 = R626.92 per Gj
 - Electricity – R1.85kwh x 277 = R512.45 per Gj
 - Egoli Gas (Johannesburg residential users) = R394.25 per Gj
 - Southdowns Natural Gas = R234.00 per Gj
- The gas prices in Southdowns have escalated by around 3% per pa since 2009.
2009 – R152/Gj
2022 – R234/Gj

Gas to Southdowns Residents remains extremely competitive.

- Going forward the escalation of gas prices is somewhat uncertain as NERSA is currently reviewing the escalations formula.
- The Supreme Court ordered NERSA to review the gas pricing formula to link to international benchmarks.
- NERSA invited stakeholders (including **SMS**) to participate in a consultation process to review the methodology to approve maximum prices of piped gas.
At this stage the formula will link to the following benchmarks:
 - 50% Dutch - Transfer Facility
 - 40% USA - Henry Hub
 - 10% UK – NBP
- Due to various factors (not least the UKRAINE war) these benchmarks have been extremely volatile over the past months increasing by well over 100% in some instances.
- NERSA intends implementing the new methodology from 1 July 2022.
- NERSA is committed to keeping annual escalations within reason and will probably use longer term averages 3/5 years.
- The HOA has approached **SMS** to purchase its gas business and negotiations are underway.

Gas (part 2)

- Willie Coetzee, representing the Concerned Residents Group (CRG), presented his presentation.
- WC explained the CRG was created based on market information that became available, which illustrated that gas can be obtained at significantly lower pricing and that higher volume allocations were also available. The concerns included the gas contract are: the (**Management Agreement**) with SMS and especially the role of SMS as defined in the contract, the ownership of the gas assets, the pricing, the sustainability of supply and the understanding of the SHOA's position on the gas supply and how this will be treated by the SHOA.

- The availability of natural gas adds significant value to our properties and the disruption thereof could jeopardise property values. The **Management Agreement (MA)** between SMS and SHOA was signed in July 2006 and this is still governing the supply of gas to the Estate.
- WC advised the matters to obtain clarity on are:
 - The contract and nature thereof, between the SHOA and SMS
 - Ownership of gas Infrastructure
 - Quota of gas available from our supplier
 - Price of the gas
 - Long term sustainability of gas supply
- The contract (**Management Agreement (MA)** between the SHOA & SMS) signed between the SHOA and SMS in July 2006, is currently still in place. All other services inclusive of water and electricity have already been handed over to the SHOA, however, not the gas. WC confirmed a legal opinion was obtained on the **Management Agreement (MA)**. WC referred to clause 3.1, 3.3.1, 3.3.3 and 3.3.4 of the contract. WC advised per the relevant clauses of the **Management Agreement (MA)** any agreement SMS sign with any external party, is on behalf of the SHOA as SMS is the SHOA's agent. WC advise the contract could have been cancelled in July 2016 without any penalties. WC advised the CRG requested copies of documentation from the SHOA, including financials as well as the Sasol agreement, which was not provided. Per the **Management Agreement (MA)**, SMS is obliged to provide the information to the SHOA. The **Management Agreement (MA)** is specific as to SMS's role and obligations, and the SHOA can hold them to it.
- WC advised that the internal reticulation was paid for directly to Centurus by first occupants of stands based on payments between R 12 000 to R 14 000 per stand (estimate R8 million).
- As per the **Management Agreement (MA)**, the SHOA owns the reticulation systems. WC referred to clause 4.5.2 of the **Management Agreement (MA)**.
- SMS contributed to Sasol and to capital expenditure an amount of approximately R3 million. SHOA could have cancelled the contract with no penalty per clause 8.2 of the management agreement in July 2016. Cancellation earlier that this date would have accrued penalties to reward the capital expenditure by SMS.
- Residents paid SMS a connection fee of between R5,000 and R9,200 for a gas connection which included a meter, regulator, piping and labour. The meter belongs to the specific resident/owner, although SMS claims the meter remains their property. Proof can be provided that residents paid for the connection that included the equipment.
- Current gas usage is circa 16k GJ per annum. The concern is the quantity of gas supply for the estate for the next 5-10 years. There is roughly 60-70 house/units still to be built. Installations of gas generators for security requires additional gas. A moratorium has been imposed on installing gas generators in the Estate. The infrastructure may need to be upgraded. The CRG is not sure if the current supplier can meet the demands in the future.
- WC presented comparative pricing from the industry. SMS charges R234 per gigajoule which is limited to approx. 16500 gigajoules per annum. One company can provide unlimited gas supply at a cost of R129.95 per gigajoule and another company at a cost of R160.93. There is a price differential in the cost of gas between 50% and 85% compared to the current rate residents are paying.
- Based on data from March 2020 to Feb 2021, the Estate pays a "take-or-pay" fee of effectively R55.48 per GJ based on the GJ's consumed. Including the molecule pricing of R234 per GJ there is a R2.4 million price difference per year for the period. The residents are paying excessive prices for the gas compared to prices available from other competitors.
- The CRG believes the SHOA should: secure competitive pricing, secure contracts with companies that can provide a sustainable supply of gas, protect the property values and

lifestyle that are at risk, insist on transparency in our dealings with our gas supplier / agent and ensure all residents are well prepared for the SGM.

Gas (part 3)

- The Chairman advised the Sasol pressure reduction station is outside the estate and owned by Sasol. The infrastructure inside the estate is the property of the SHOA. The distribution of gas is regulated as per the agreement mentioned by Mr. Willie Coetzee. As per the agreement, at the establishment of the estate, the developer undertook to look after the water, gas, electricity. The residual portion of the agreement, which is the gas, is still being supplied and managed by SMS.
- The Chairman advised there are two views on ownership of the infrastructure. As per paragraph 8.3 of the Management Agreement, the HOA will arrange to take over the gas from the developer. It is in pursuit of this clause that the SHOA commenced negotiations with SMS. Paragraph 4.9 of MOI, which is the institutional document of the SHOA, states *"to provide, install control and/or operate and/or maintain and/or manage the following infrastructural and/or engineering services serving the Estate, namely roads, sidewalks, walkways, conservation areas, electricity, gas and water, stormwater, drainage and sewerage in accordance with the Conditions of Establishment of the Estate and the services agreement reached between the Developer and the local authority"*. The Chairman also referred to paragraph 7.1.4 of the MOI stating *"Rules governing the determination and recovery of connection fees and charges for water, sanitation, electricity, gas and telecommunication services. The Southdowns Management Services (Pty) Ltd residential supply agreements for gas apply for energy gas supply until terminated or a new agreement is concluded with a new supplier or successor in which case such agreement will be applicable."*
- There is a distinction between the two agreements. The one agreement is the agreement with Sasol, and the other is the individual contracts with the consumers/residents. The contentious issue is the how the distribution rights awarded to SMS by Sasol is transferred and is replaced. Since 2019, the SHOA have been investigating to take over the gas from SMS. This is an essential service and the SHOA would like to secure this service within ourselves and become less dependent on service providers. The SHOA did investigate the appointment of other suppliers, but if the SHOA have the opportunity to do it for ourselves, the recommendation is to rather consider doing so.
- In January 2021, companies were invited to submit proposals. Site inspections were held. RFP were received from SMS and Ecoligas. A committee was formed to review the RFP's.
- The Chairman presented official correspondence between Sasol and the SHOA. The SHOA informed Sasol that they are going out on RFP, looking at an alternative supplier to provide gas to the Estate. The Governance & Compliance Committee (GCC) investigated the legal aspects which relates to competition laws, contractual rights, infrastructure/ownership rights. The opinion of an independent senior advocate was obtained.
- The gas supply to the Estate is limited to 20 000 GJ per annum as per the agreement with Sasol. SHOA investigating acquiring the gas rights with Sasol.
- New gas amendment bill published in April 2021 and has effect on pricing and how the price will be determined.
- The letters of engagement between the SHOA and Sasol were presented. Sasol confirmed they will not be able to provide any other supplier with gas and no other service provider will be able to use their existing infrastructure, being the depressurising station. Sasol advised a second gas metering station will need to be built and suggested the SHOA to approach a trader who has gas available. Due to the prohibitive nature of cost, this precluded any meaningful participation of the trader the SHOA approached.

- Subsequent the SHOA liaised with attorneys, to confirm the rights of SMS to supply the gas to the Estate. An important clause is clause 4.7 stating the suppliers management agreement may not be terminated early. Water and electricity were transferred, but not the gas. In response to the letter, Sasol had the following view: a second reduction station is required; Sasol takes note of the relationship between the SHOA and SMS, but Sasol is not part of this agreement; Sasol requested the SHOA to liaise with SMS to discuss ownership of reticulation network. Sasol remains that there is one station which can only supply one supplier. If another supplier is appointed, another reduction station is required to be built. Sasol also do not have additional gas and Sasol is not in contravention of the competitions act.
- The Chairman advised the SHOA has mainly two options. They can either enter into a state of conflict with the supplier, but do not recommend this. The second alternative is to obtain commercial acquisition of the rights of the gas supply, which is a preferable option. The effect is that an amount will likely need to be paid to SMS and the SHOA do have sufficient funds available in reserves.
- The Chairman advised there are different views from legal advice the SHOA obtained versus legal advice the CRG received. The Directors do not believe the SHOA should litigate on this matter with the current supplier.
- The Chairman advised gas is as important as water and electricity as it is an essential supply. If the gas is obtained, the undisputed control and evergreen rights are owned by the residents. The SHOA is a non-profit company and there is no reason to make any profit by the HOA on the gas. This saving should be passed to the residents. The Chairman advised residents will need to decide on this matter at the SGM. The Chairman confirmed residents will have the opportunity to have a robust debate regarding this at the SGM.

5. WATER

- The Chairman advised during the past years, the SHOA monitored the water infrastructure of COT. It was also mentioned at the COT meeting, that although we had great rains, people must not be under the illusion that there are sufficient water supply. The water infrastructure is under severe constraints due to lack of maintenance and the high dolomitic area.
- Since 2019, SHOA have monitored the consumption of the Estate. The Estate is using 30 000 kl per month. In a water crisis, irrigation will likely be banned. This will reduce water consumption with 50%.
- An appropriate water supply reservoir was investigated. The cost to build such a reservoir was estimated at R5.7 million in 2019.
- The Chairman advised at the SGM, the residents have the option to authorise the approval for an additional amount to be budgeted for professional fees to appoint engineers to specify details for the building of a water reservoir.
- The Chairman advised for the continuity of the supply of water, there is only one option and that is to build a reservoir. The other open areas are servitudes and farming areas.
- The Chairman advised the SHOA has had recent engagements with the Dairy Farm, and they have made the following available:
 - They have a 100 year old well which gives sustainable supply of potable water.
 - The Estate has the opportunity to supplement our water from the Dairy farm at a significant lower price. The costing of the infrastructure for this will need to be decided on by the residents at the SGM.
 - The SHOA continue to investigate the piping and treatment of the water. The pre-treatment of the water of the reservoir will be done as well as treating the exiting water of the reservoir.

- Proposed site of water tower to be approved at the SGM.
- The Chairman does not anticipate for this to be voted on and approved at the 2022 SGM. The decisions to be made at the 2022 SGM will only be for the gas and approving professional engineer fees for designing of the reservoir tower and infrastructure.
- The Chairman advised the SGM is planned for Thursday, 26 May 2022.
- The Chairman advised the MOI do not allow formal meeting like SGM and AGM to be done electronically, but the MOI will be updated to allow for this in future.

Questions & Answers

Question: (Jaco Schreuder) Please comment on the assertion that SMS was always the HOA's agent and is not the principal in the agreement with Sasol. Did you get a legal opinion on this issue?

Answer: (Mike Maritz)

Our position on this was, that SMS was always acting as an agent on behalf of the HOA on issues inside the estate. The Chairman explained the SMS agreement terminated by the effluxion of time in 2016. What the HOA did not do, and believe it was sensible in our time, was not to terminate the gas contract. What we understand subsequently happened is that SMS at the effluxion of the agreement by time that had lapsed had entered into an agreement with SASOL independently of the HOA to honour its standing agreement to supply gas to the residents in the Estate. To terminate the agreement without having alternative means in place was not something that the HOA considered responsible at that stage. The HOA still believes it is not a viable option to terminate the agreement and lead our residents into years of potential litigation. Yes, it is certainly something we have taken into consideration. The HOA obtained a legal opinion on several other issues we did not specifically focus on just this one issue.

Because the understanding is that this agreement that the agency question is contentious, we have different views on that. The CRG has a certain take on it, and the SHOA do not necessarily agree with that, and when we enter the fray of differences of interpretation, we seem to diametrically oppose one another's interpretation. The Chairman explained the only person the HOA can call upon on to resolve this ultimately is a court of law, and it is questionable if this is necessary.

Answer: (Jack Prentice)

JP mentioned in the MOI it states that Southdowns Management Services have the right to contract in it's own name and use its own documentation to sign up clients for gas. JP mentioned in the agency agreement it specifically says that Southdowns Management Services will contract in it's own name and contract with Sasol for the supply of gas and contracted in its own name with the residents of the Estate. To prevent the rumours, JP suggested all the contracts to be given to the various legal parties for their opinion and clarity. JP explained his perspective was always understood that Southdowns Management Services will invest in the external infrastructure and would sign up contracts with individual homeowners and supply the gas from Sasol as a principal and not as an agent.

Question (Sandy Redgate): Who is paying for the legal opinions?

Answer: (Mike Maritz)

The Chairman confirmed the residents of the Southdowns Estate are paying for these legal opinions. It was important for the HOA to get a legal opinion on exactly what the position of the SHOA is. The opinion was obtained by means of intervention of the SHOA's appointed law firm; the SHOA briefed an independent advocate at the Pretoria Bar, Advocate T Potgieter, SC. The Chairman explained Willie Coetzee was part of the process and is in possession of that opinion.

Question: Do we need an independent body to investigate it?

Answer (Mike Maritz):

The Chairman advised an opinion from Attorney Ivan Pauw, who is a resident of Southdowns Estate, was also obtained by CRG. The HOA do not necessarily agree with his interpretation and Mr Pauw do not agree with the opinion of Senior Counsel. We have not seen another formal opinion from Mr Pauw. The Chairman confirmed the SHOA can obtain a third opinion from an independent practitioner, to establish if consensus can be reached or not.

Question: Can the matter be referred to NERSA for their opinion or clarification?

Answer: (Mike Maritz)

The Chairman advised NERSA would not necessarily want to commit themselves on an opinion to private supply agreements. NERSA are the regulating body of the gas industry so they would not get involved in the affairs of a supplier and a residential community. The SHOA can approach NERSA, but The Chairman is of the opinion that they would not want to get involved with this matter.

Question: Have the CRG not raised these questions, would residents keep on paying the high gas prices from SMS?

Answer: (Mike Maritz)

The Chairman advised the SHOA has been investigating this matter since 2019 with the involvement of Willie Coetzee. Willie Coetzee approached the SHOA and the SHOA welcomed his assistance. Resident, Johan de Vos, who is also involved in the gas industry, was also approached to assist in the matter.

Question: A letter was sent from Ivan Pauw to the SHOA and no feedback has been received. When will the SHOA respond?

Answer: (Mike Maritz)

The Chairman confirmed the letter was received and the SHOA did give an undertaking to Mr Pauw that the SHOA will respond to his letter. The Chairman advised the SHOA believed that this opportunity given to the residents to have the information session will address on record how the HOA believes that many of these questions that was raised to be answered. If Ivan Pauw requests an additional response, the SHOA will do so. The Governance and Compliance Director, Gerhard van Deventer, recently returned from a trip abroad, and will formally respond to Mr Ivan Pauw.

Willie Coetzee: NERSA has been contacted and feedback was, if it is access and pricing related, they will certainly and are prepared to investigate. A decision was made at that stage to go this route or to look at another route. We have not been contacted but we do have a contact within them. Any resident can contact NERSA at any stage to look at the situation. WC mentioned that NERSA's role is not just the regularity of gas. The Competition Commission has given NERSA the right of competitive nature of the pipeline gas in general, that is NERSA's responsibility.

Question: What is the short-, medium- & long term solutions on the electricity?

Answer: (Mike Maritz)

The Chairman advised the short-term solution is what we are currently doing, looking after City of Tshwane's infrastructure. It is not sustainable and cost the SHOA a lot of money. A lot of the cables are going through busy areas, and it makes it very difficult to have proper optics on the line all the time when it is vulnerable. That is an external threat to our supply.

Medium Solution – The Chairman explained to look at getting the infrastructure upgraded by the City of Tshwane. To put as much pressure on them as possible to get NIVS fixed and to get it back up and running again like it has been before. It will be much easier to look after the infrastructure and our Security Director, Kosie Combrinck, made some practical plans. Kosie Combrinck is also an engineer which is a great value added to the security, by coming up with practical solutions especially looking after our electricity supply.

Long Term Solution – The Chairman mentioned that he would like to get Southdowns Estate off the grid, how to do it – a lot of plan making needs to be done to get us off. The Chairman explained that Midstream Estate are plugged in Eskom high voltage grid. If we can get off the grid completely to move forward to be self-independence, we would like to do that. We do not have to rely on external providers who are susceptible to cable theft, maintenance issues that is funded by the government. We would like to be in that position as a community.

Question: How to deal with the gas dispute?

Answer: (Mike Maritz)

The Chairman advised by mentioning he would like to resolve the dispute for once and all. But we have 2 diametric opposing views. So, until such time that we don't clearly know what the residents want this can't be resolved. The residents need to guide the SHOA with what they want. This is the perfect opportunity to have a SGM to debate the matter, to ask the residents their opinions, to get a mandate from each and every resident. To tell the HOA this is what the residents ask the HOA to do. Do we as residents want the HOA to enter into the state of conflict of litigation of the gas supplier, or to get rid of this question once and for all, to remove all doubt from our minds where we stand with SMS. As we have a Concern Resident Group that have a different point of view. The HOA has the mandate to take over the business as it is not planned to cost the residents directly out of their pockets. The HOA have capital reserved to sufficiently pay for it. The Chairman mentioned provided that it is fair, fairly priced and any required regularity approvals that we need to get in place. We would like to do that if we get that mandate from the residents. This is not only a board decision to take on your behalf without mandate from the residents. It is an important essential supply- the residents get to decide and this is an opportunity for the very first time since the establishment of this Estate that we get the opportunity. We would like our residents have a voice and it to decide for ourselves.

Question (Freddie Prinsloo): Is there an option for bulk purchase of solar and battery for individual houses, thereby getting better pricing as opposed to individual purchases?

Answer: (Mike Maritz)

The Chairman confirmed it is possible and an option to investigate. The only rider would be that I would have on behalf of not just the present board of the HOA, but to all future Board of Directors would be that if we pick a supplier as our preferred supplier we tap this supplier on the shoulder to say this is the supplier that we negotiated a bulk contract with, we have to make very sure that the quality of the solar panels and all of the consumables we get from that supplier is completely beyond reproach. If anything goes wrong the HOA will have to carry the blame for recommending that specific service provider. This is something The Chairman would like to do like to get a preferential pricing for our residents, to get a cheaper rate for the residents buying in bulk, but we have to make sure this is the correct service provider. Based on that ride we can certainly look into this if this is what the residents wants the HOA to do, this is something to consider.

Question: What exactly are we buying from SMS and at what cost will it come?

Answer: (Mike Maritz)

What we will be buying from SMS proposition is to acquire the rights they have. SMS have a supply contract with SASOL this is the first contract, the second contract SMS having is with the individual homeowners to supply gas to them. The HOA will also acquire any infrastructure that might or might not be in dispute, they

have possession and ownership of the physically infrastructure of the flanges, the pipe that goes underneath the road from the gas reduction station into the Estate. The SHOA owns the infrastructure inside the Estate and SMS asserts ownership of the infrastructure outside the estate.

The Chairman explained to avoid all doubt we would like to acquire any or all residual rights of the infrastructure the contractual rights that SMS have with SASOL and the contractual rights that SMS has with our individual homeowners/consumers. That means the SHOA gets the opportunity for the first time since our establishment to take over absolutely everything, to remove any doubt any contentious issue, and we get to self-supply, that is the proposal we have. The Chairman explains that we get to be put in a position to be our own evergreen gas service provider.

The Chairman advised we are negotiating that we have two auditors on our board who are looking at whether the asking price are fair and reasonable, at the moment we still negotiate, we still do not have a final view on that. Will have an idea at the SGM.

Question: Do we know what the cost would be from the supplier?

Answer: (Jeff Gilmour)

No, we don't the HOA Board does not have a figure at present, but at the notice of the Special General Meeting and the resolution it would have to be recorded.

Question: If resolutions are made at the AGM meeting, what is the percentage of votes?

Answer: (Mike Maritz)

The SHOA's MOI typically describes a minimum quorum of the number of residents who have to be at a meeting to establish a valid and lawful meeting, and typically 75% of the resident vote at that meeting will have to carry or not to carry a resolution.¹

The Chairman responded he believes that the minimum for a quorum is 25% of homeowners that are entitled to vote. Present or by proxy for a minimum quorum. If there is only 25% for practical purposes present in such a meeting to establish a valid quorum, then 75% of whoever is there at that state will carry a vote.

The Chairman advised that is why resident involvement are crucial, the more people we have involved the better.

The Chairman mentioned on the forward planning from the HOA, annually when we have our AGM, we are presenting our budgets to the residents for a period of 3 years up to 5 years. This will help the residents to have a look at projected capital projects. We ask permission from the residents to get a mandate at those meetings for the approval of the budgets. This is to help the resident to plan ahead.

The Chairman affirmed that the HOA would not like to see special levies if we can help it. In the past when the Estate was established, we paid special levies for 8 or 9 years, consecutively it was quite punishing and you might be reminded for the past 3 years this board has refused to increase the levies to help save our residents on that expense as well. We have a very prudent fiscal approach to the way that the HOA deal with funds that are under our control, as these funds are public funds, the HOA are the custodians for the time of these number of monies that we look after for the residents. The HOA do not go around spending these funds on projects that are not important.

The Chairman mentioned looking at the expenditure of the enquiring gas business the HOA have sufficient capital reserved to not ask the residents for money. Looking at the reservoir in the 2023 financial year that

¹ It was incorrectly stated *ex tempore* the percentage is 51% whereas the Mol provides for 75% to carry a special vote.

might require a contribution, but the HOA will try to limit as much as we can possibly as we do not believe to burden the residents with special levies in circumstances where we can prevent it.

Question (Jaco Schreuder): Does the HOA have a mandate to negotiate such a transaction with SMS? I understood you are saying you are already negotiating it with SMS. What are you then planning to ask the SGM?

Answer: (Jeff Gilmour)

This question has already been answered - the HOA seeks mandates that is why the SGM and the AGM are there for. The HOA does not negotiate on any ones behalf.

Question: (Morne; Stand 2906) Why did the HOA not refer this dispute between SMS and the HOA to arbitration instead of prolong court case?

Answer: (Mike Maritz)

The Chairman advised arbitration was considered as an option. We do not believe that it is something that we want to get involved in at this stage. If it is a mandate from the residents to rather arbitrate than negotiate the HOA will do so. The residents have the right to decide at the SGM. The HOA are open to all available options, we just prefer not to enter into litigation.

Question: (Morne; Stand 2906) Why did the HOA Board of Directors did not take this to the Competition Commission?

Answer: (Mike Maritz)

The Chairman replied that whether or not it is an anti-competitive issue, was referred specifically in our brief to Senior Counsel. It is certainly evident that SASOL is in the dominant position in SA in regard to the gas supply, there can be no question about that. The HOA did not provide Counsel with any market survey or competitive analysis. That was answered in the negative, that was the opinion that we received.

The Chairman mentioned that we can share the opinion with him to share it with his lawyer. His lawyer can have a look at it to see if he agrees or not agrees with the opinion. The Chairman also mentioned that turns on the interpretation of certain sections of the competition act. We specific asked Counsel to express an opinion on that because that was one of the issues that was raised by Mr Coetzee.

Question: (Patricia Forbes) How will SHOA buying our gas infrastructure affect the shopping centre and the school as they are on the same line? Or will we then supply them at a cost?

Answer: (Jack Prentice)

The gas has not been turned on at the shopping centre, when the shopping centre was built the gas pipeline was also build in. The shopping centre do not receive any gas. The school only use gas for the heating of the swimming pool.

Willie Coetzee mentioned the school and the shopping centre was part of the RFP that went out. If the RFP was awarded, they would have been with us on the gas, they are not separate users.

Question: (Robert Botha) To understand the actual dispute about the interpretation of the agreement and future litigation. Why do we want to take SASOL on as a third party?

Answer: (Mike Maritz)

The HOA would prefer to avoid conflict if possible. The HOA identified two diametric opposing views on the ownership of the gas, we have two options: to litigate or enter into commercial covenants. The HOA would prefer the latter, we as Directors have the responsibility to make sure this is done openly and transparently

and in a responsible manner. It is easy to enter into litigation, but it is certainly not always in the best interest of our residents. It is a very costly affair and can protract proceedings of a very lengthy period of time, where you have 2 different interpretations which so diametrically oppose each other the only person that can pronounce on that would be typically a court of law. Because we cannot come to an agreement on the views even us as residents inside the estate. That is why the HOA ask the residents to give us their mandate, let us debate about it. The issue of price will also be sent out to the residents, informing what the proposed asking price is – though it is not necessarily what we are prepared to pay, it will be subjected to a fair and reasonable valuation. Should we believe this is sufficiently valued for our benefit, then we can motivate on that, the residents can decide for it. As long as we can achieve the goal, we set out there to secure the supply to our Estate. If we can be in the first prize position, we would like to do that without entering into conflict.

Question: (Pieter Venter) What is the way the resident can communicate to the HOA if there is issues to be solved?

Answer: (Mike Maritz)

The Chairman explained the way we let our residents engage with the HOA is by using any platforms that we have available. Facebook was created for our residents only.

Mignon Kloppe is the communication liaison officer at the HOA office, email address is communications@southdownsestate.co.za, Daleen Hennig is the Estate General Manager email address is manager@southdownsestate.co.za, Rudi Smit is the Operations Manager, email address is operations@southdownsestate.co.za, Mike Maritz Chairperson email address is SHOChairperson@southdownsestate.co.za.

Question: (Pieter Venter) How can a resident get involved if you have experience?

The Chairman answered to get involved if you have any expertise experience in any particular area, if it is Infrastructure, you can contact Albert Fenske his email address is SHOInfrastructure@southdownsestate.co.za. The Chairman explained the HOA always needs people, we as residents living in the Estate, we have the opportunity to serve on our own committees and to improve the lives of our own families and to look over our own affairs. It would be great for residents to participate and to get involved with the committees.

Question: (Paul) Are we not currently under contract with SMS?

Answer: (Mike Maritz)

When an agreement lapses through the effluxion of time, parties still may honour the agreement as dictated by the previous contract. Precisely how the agreement was in place prior to the effluxion of time, we continue those operations we are talking about 2 contracts at the moment, the one that terminated by the effluxion of time is the SMS and Southdowns Homeowners Association agreement from the supplier for the infrastructure inside the Estate, they still have hundreds of individual contracts with our residents, which we have to honour, so based on honouring those agreements and to give our residents the continued supply of gas, we continued with the agreement of the same terms and conditions as the original facility supply agreement, provided that it can be cancelled on a reasonable notice. Then we have to ask the question once you cancelled the agreement how, will the HOA get gas to their residents.

Question: (Paul) Can residents have access to the financial statements of SMS for 15 years?

Answer: (Mike Maritz)

The Chairman advised as part of the process, we will get access to the financial statements; I do not think 15 years will be necessary relevant. The Chairman suggest that 5 years may be more relevant to the investigation to look at what the financial affairs are. What we are trying to achieve with that is we are trying

to see is the company in a healthy state of affairs, this particular (gas) part of the business. What we are interested and want to know is how much we are paying for our gas every month and how much gas are we using every month. That is what we are really interested in, the rest of the financials might contain SMS Estate Agency business which they are operating from the HOA offices, we have no interest in that so it is important to isolate what we look at to precisely what we want to buy and get it to the residents.

If we are putting ourselves into the position of being a contract owner nothing precludes us to go to SASOL to say we got an additional gas supply demand, we need more gas quota, and we can negotiate with SASOL. In addition to this if it is not possible, we do have alternatives, we have container alternatives with natural gas that we can supply when we have a shortage to augment our supply.

Question: (Willie Coetzee) Our legal representative has sent 4 emails to the HOA, the 1st letter was sent on the 8th of December 2022. We have not received any substantial answers on any of those questions. Can we ask that you respond to those questions before we carry on with any further negotiations with SMS?

Answer: (Jeff Gilmore)

JF confirmed The Chairman will follow up on the letter.

Question: (Willie Coetzee) Can you please confirm, the question that was asked was that SASOL was aware of SMS is our agent when he interface with them when he renewed the contract, and can you also determine from SMS if they spoke to SASOL stated the fact that they are an agent for the HOA.

Answer: (Mike Maritz)

The Chairman advised as far as SASOL's position is concerned on what is disclosed or what not to them, I cannot answer on behalf of SASOL. SASOL will answer that as far as SMS contentions concerns same apply Jack Prentice is here to answered on behalf of SMS.

Mr. Jack Prentice responded thereafter that most definitely not, SMS have never been acting as an agent on behalf of the HOA. We always acted as a principal in the MOI there is a specific paragraph that says SMS will contract directly for the supply of gas with SASOL and individual owners in principle.

Question: (Roy; Stand 2730) There are these alternatives: to litigate, to deal with SMS and a 3rd party evaluation. Understand there is a cost involved. Can an independent evaluation be done on the business to know exactly what the SHOA is going to buy.

Answer: Jeff Gilmore

Confirmed this will be done.