

Media Statement

BW Four Announcement

Bid window 4 – total contracted capacity from Preferred Bidders

In July 2014, the Department of Energy issued the Fourth Request for Proposals under the REIPP Procurement Programme. On 18 August 2014, 77 Responses were received, for a total of 5 804 MW. Of these, 13 have been accepted as preferred bidders, for a total of 1 121 MW installed capacity. These projects will now proceed to financial close, which requires completion of offtake and connection agreements with Eskom. The projected investment cost of Bid Window 4 preferred bidders' projects, including interest during construction, is R 23 billion. This brings the total committed private sector investment in the RE IPP programme since 2011 to R168 billion.

Bid Window 4 received 49 Solar PV proposals and 23 on-shore wind proposals, indicating the substantial continuing investor interest in the South African renewable energy procurement programme.

The outcome of the fourth bid submission phase is summarised below, including the average price of electricity supply by preferred bidders, expressed in fully indexed April 2014 prices. These supply prices to Eskom are contracted for a period of 20 years.

Technology	MW available to be allocated in the Fourth Bid Submission Phase	Number of recommended preferred bidders for the Fourth Bid Submission Phase	Total Contracted Capacity for all the recommended Preferred Bidders for the Fourth Bid Submission Phase	Average fully indexed Price (April 2014 terms)
Onshore wind	590MW	5	676.4MW	R619/MWh
Concentrated solar power	n/a	n/a	-	-
Solar photovoltaic	400MW	6	415.0MW	R786/MWh
Biomass	40MW	1	25.0MW	R1450/MWh
Biogas	n/a	n/a	-	-
Landfill gas	15MW	-	-	-
Small hydro (≤ 40 MW) ¹	60MW	1	4.7MW	R1 117/MWh
TOTAL	1 105MW	13	1 121.1MW²	

¹ The limit in respect of Small Hydro initially set in the First Determination was amended by the Minister in the Second Determination. The new limit of " ≤ 40 MW" replaced the earlier limit of " ≤ 10 MW".

² The total Contracted Capacity of all the recommended Preferred Bidder Projects exceeds the MW stated in the RFP because more MWs were allocated to preferred bidders in the Solar Photovoltaic and Wind categories. This is a consequence of the "lumpy" nature of the projects: depending on the uptake, any excess is available for the last ranked bidder in each category.

Approximately 62 per cent of the contracted capacity of the recommended preferred bidders in the fourth bid submission phase is situated in the Northern Cape. The majority of the proposed contracted capacity in the Northern Cape includes Solar Photovoltaic Projects (six recommended preferred bidders with a total proposed capacity of 415MW) and to a lesser extent Onshore Wind (two preferred bidders with a total proposed capacity of 279.8MW).

The Eastern Cape has approximately 35 per cent of the total proposed contracted capacity for the fourth bid submission phase, all in the Onshore Wind category (396.6MW).

The recommended preferred bidders for Small Hydro and Biomass are situated in the Free State and Mpumalanga, respectively.

The average fully indexed price³ for the Solar Photovoltaic preferred bidders of R786/MWh is 76 per cent lower than the average of R3 288/MWh achieved in the first bid submission phase, 60 per cent lower than the average of R1 961/MWh in the second bid submission phase and 25 per cent lower than the average of R1 050/MWh in the third bid submission phase. These comparative averages are all adjusted to a base date of April 2014.

The average fully indexed price in April 2014 terms for the Onshore Wind fourth phase preferred bidders of R619/MWh, is 55 per cent lower than the first phase average of R1 363/MWh, 42 per cent lower than the second phase average of R1 069/MWh and 21 per cent lower than the third phase average of R782/MWh.

The impact of this procurement has been evaluated by the CSIR. The expected cost implication for Eskom and the overall electricity price over time will be favourable, as renewable energy will typically replace other more expensive generation options.

Commitments made by Bid Window 4 Preferred Bidders

The estimated direct employment impact⁴ of the BW4 projects comprises 7 071 full-year jobs during construction and permanent operational employment of over 1 000, or a total of 27 365 direct full-year employment opportunities over a 20-year period.

³ Bidders have provided fully indexed and partially indexed pricing options. Fully indexed prices will be adjusted annually for consumer price inflation (CPI), whereas partially indexed prices will begin at a higher level and increase at a rate that is lower than CPI inflation. The price used for comparative purposes is a fully-indexed April 2014 price.

⁴ One "job" is defined as twelve person months, where a person month in turn is defined as a normal working month consisting of 160 hours.

The estimated number of full-year work opportunities for South Africans citizens committed in the fourth bid submission phase is 26 246 jobs⁵ (95.9 per cent of the total), which is a slight increase from the third bid submission phase commitment of 26 143 jobs, and approximately double the commitments of the first (16 034 jobs) and second (13 000 jobs) phases.

The Northern Cape had the highest proposed number of aggregate full-year jobs for citizens during construction and operations, with 16 631 jobs, followed by the Eastern Cape with 7 460 jobs.

The renewable energy programme has a substantial economic and employment impact on South African manufacturing. The programme obliges bidders to meet demanding minimum local content requirements. A minimum total of R10 billion will be spent on local services and products during the construction phase by the Bid Window 4 preferred bidders.

Preferred Bidders are required to commit a portion of their revenue to development of small and medium size enterprises. A total of R1.9 billion has been committed towards enterprise development (of which more than 90 per cent will go to local community enterprises) over the period of the contracts.

RE IPP bidders are required to commit at least one per cent of the total revenue earned by each project to be spent on identified socio-economic development initiatives. A total of R4.9 billion has been committed for socio-economic development (of which more than 90 per cent will go towards local community development activities).

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⁵ 21 979 of these jobs are for Black South African citizens (5 586 jobs during construction and 16 393 jobs during operations).