

TENDER NO: DMRE/001/2022/23

**The Republic of South Africa
Department of Mineral Resources and Energy**

**OVERVIEW OF THE REQUEST FOR QUALIFICATION AND PROPOSALS FOR NEW
GENERATION CAPACITY UNDER SIXTH BID SUBMISSION PHASE OF THE
RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT
PROGRAMME**



**mineral resources
& energy**

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

TABLE OF CONTENTS

1. PURPOSE	3
2. DISCLAIMER	3
3. OVERVIEW OF THE REIPP PROCUREMENT PROGRAMME	3
4. RFP COMPLIANCE REQUIREMENTS	5
5. CONTRACTUAL FRAMEWORK.....	8
6. TIMETABLE FOR THE SIXTH BID SUBMISSION PHASE OF THE REIPP PROCUREMENT PROGRAMME.....	10
7. CHANGES TO THE SIXTH BIDSUBMISSION REQUEST FOR PROPOSALS (RFP)	12
8. FURTHER DETAILS AND PARTICIPATION	14

1. PURPOSE

- 1.1 The Department of Mineral Resources and Energy ("**the Department**") launched the Request for Pre-Qualification and Proposal ("**the RFP**") for establishment of new generation capacity under the Sixth Bid Submission Phase of the Renewable Energy Independent Power Producer ("**REIPP**") Procurement Programme on 6 April 2021. The intent of this document is to provide a high-level overview of the Sixth Bid Submission Phase of the REIPP Procurement Programme and procurement process under the RFP.
- 1.2 While this document provides a high-level overview of the RFP it does not replace, supplement or amend the RFP. Potential bidders wishing to participate in the Sixth Bid Submission Phase of the REIPP Procurement Programme will be required to purchase the RFP and comply with all the requirements of the RFP.

2. DISCLAIMER

- 2.1 While all reasonable care has been taken in preparing this document, the information contained in it does not purport to be comprehensive or to have been verified by the Department or any other organ of state of the Republic of South Africa ("**the Government**"), any of its officers, employees, servants, agents, advisors or any other person. Accordingly, neither the Department nor any of its advisors accept any liability or responsibility for the adequacy, accuracy or completeness of any of the information stated in this document.
- 2.2 This high-level overview of the RFP is provided solely for information purposes and is not intended to form any part or basis of any investment decisions by the Bidder, its Members or its Lenders including any decision to participate in the Sixth Bid Submission Phase of the REIPP Procurement Programme. Each person to whom this document is made available must make their own independent assessment of whether or not they wish to participate in the Sixth Bid Submission Phase of the REIPP Procurement Programme and neither does this document replace the need for a party to fully acquaint itself with the RFP for the Sixth Bid Submission Phase of the REIPP Procurement Programme and compliance with the qualification and evaluation criteria set out in the RFP.

3. OVERVIEW OF THE REIPP PROCUREMENT PROGRAMME

- 3.1 The Minister of Mineral Resources and Energy ("**the Minister**") published the Integrated Resource Plan ("**IRP 2019**") as GN 1360 of 18 October 2019 in Government Gazette No.

42784. The IRP 2019 is the policy planning tool that facilitates planning of future electricity supply by modelling various demand scenarios and the decisions that need to be taken in order to meet such demand at the time when it arises.

3.2 To give effect to the IRP 2019, the Minister, on 18 February 2020 and in accordance with section 34 of the Electricity Regulation Act, No. 4 of 2006, issued a Determination requesting Nersa's concurrence. Nersa provided its concurrence with the Ministerial Determination on 2 September 2020, the Determination was gazetted on 25 September 2020 ("**the Determination**").

3.3 The Determination provides that the electricity produced from the various energy sources set out in such Determination shall be procured from Independent Power Producers ("**IPPs**") through one or more IPP Procurement Programmes as contemplated in the Electricity Regulations on New Generation Capacity, 2011 ("**the New Generation Regulations**").

3.4 In line with the Determination, the Sixth Bid Submission Phase of the REIPP Procurement Programme has been designed to facilitate the procurement of up to 2600 megawatts (MW), to contribute towards socio-economic and environmentally sustainable growth, to continue the successes of the REIPP Procurement Programme since its inception, and to further stimulate increased local participation and economic empowerment in the South African Renewable Energy industry.

3.5 In terms of the Sixth Bid Submission Phase of the REIPP Procurement Programme, the following technologies shall be considered as qualifying technologies for selection of Preferred Bidder:

- Onshore wind; and
- Solar photovoltaic

(Collectively, the "**Technologies**").

3.6 The MW allocation to Bidders in respect of the Sixth Bid Submission Phase are indicated in the table below:

Technology	Maximum MW to be allocated in the Sixth Bid Submission Phase
Onshore Wind	1 600 MW
Solar Photovoltaic	1 000 MW
Total	2 600 MW

- 3.7 Each Project must have a Contracted Capacity within the range specified for each Technology in clause 2.6 (*Technical Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP. For purposes of the Sixth Bid Submission Phase, the MW range for Projects eligible to submit Bid Responses is as follows:

Technology	Minimum Contracted Capacity	Maximum Contracted Capacity
Onshore Wind	50 MW	240 MW
Solar Photovoltaic	50 MW	240 MW

- 3.8 The configuration and technology to be selected by the Bidders in respect of the power generation equipment should conform to the requirements of clause 2.6 (*Technical Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP.
- 3.9 In terms of this REIPP Procurement Programme, the Bidders will be required to bid the Price used to calculate the Evaluation Price which will be payable by the Buyer pursuant to the Power Purchase Agreement (PPA) to be entered into between the Buyer and the Seller. The Evaluation Price is an evaluation criterion to be scored in an evaluation pursuant to Part C (*Evaluation Criteria Requirements*) of the RFP and will form part of the basis on which the Department will select the Preferred Bidders.
- 3.10 Further detail regarding the Department's Price-related requirements is provided in clause 2.5 (*Financial Criteria*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP.
- 3.11 This REIPP Procurement Programme, and those additional IPP procurement programmes developed by the Department from time to time, will run independently of each other, and each such programme will be subject to its own rules, criteria and conditions. Potential bidders may participate in all or any of the IPP procurement programmes in respect of which they have relevant projects, as and when such programmes invite Bid submissions.

4. RFP COMPLIANCE REQUIREMENTS

- 4.1 The evaluation of Bid Responses will, subject to the relevant provisions of clause 16 (*Qualification Criteria and Evaluation Criteria*) of the Part A (*General Requirements, Rules and Provisions*) of the RFP, be conducted in 2 (two) distinct stages for each Bidder that submits a Bid Response in this REIPP Procurement Programme.

- 4.2 In order to meet the requirements of Part B (*Functional and Qualification Criteria Requirements*) of the RFP and the Volumes thereto, all Bid Responses will be assessed in order to determine whether they are Compliant Bids.
- 4.3 All Bid Responses will be assessed by ascertaining whether they have complied with each of the Qualification Criteria (as stipulated in Part B (*Functional and Qualification Criteria Requirements*) of the RFP) to pass such Qualification Criteria. A Compliant Bid is a complete Bid Response that is in the format set out in clause 13 (*Format of the Bid Response*) of Part A (*General Requirements, Rules and Provisions*) of the RFP and meets or exceeds the threshold requirements in respect of every applicable Qualification Criterion set out in Part B (*Functional and Qualification Criteria Requirements*), including in respect of sub-criteria which are set out under an umbrella category of Functional and Qualification Criteria.
- 4.4 The Qualification Criteria are divided into the following umbrella categories under Part B (*Functional and Qualification Criteria Requirements*) and the Volumes of Part B (*Functional and Qualification Criteria Requirements*):
- 4.4.1 Structure of the Project (clause 2.1 (*Structure of Project*) of Part B (*Functional and Qualification Criteria Requirements*));
 - 4.4.2 Legal Criteria and Evaluation (clause 2.2 (*Legal Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*));
 - 4.4.3 Land Acquisition and Land Use Criteria and Evaluation (clause 2.3 (*Land Acquisition and Land Use Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*));
 - 4.4.4 Environmental Consent Criteria and Evaluation (clause 2.4 (*Environmental Consent Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*));
 - 4.4.5 Financial Criteria and Evaluation (clause 2.5 (*Financial Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*));
 - 4.4.6 Technical Criteria and Evaluation (clause 2.6 (*Technical Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*));

- 4.4.7 Economic Development Criteria and Evaluation (clause 2.7 (*Economic Development Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*)); and
- 4.4.8 Value for Money (clause 2.8 (*Value for Money*) of Part B (*Functional and Qualification Criteria Requirements*)).
- 4.5 More detail on the Part B assessment can be found in clause 1 (*The Purpose of this Part B and Overview of Functional and Qualification Requirements*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP.
- 4.6 In order to enable the structuring of Economic Development in the Sixth Bid Submission Phase of REIPP Procurement Programme, the Department applied for and was granted an exemption by the Minister of Finance in terms of the Preferential Procurement Policy Framework Act. A copy of such exemption is included in Schedule 3 in Volume 1 Part 1 (*Legal Notices, Approvals and Other Documents*) of the RFP.
- 4.7 The Department has also obtained a deviation from the Minister of Trade, Industry and Competition in relation to the application of the B-BBEE Act, and more specifically the B-BBEE Codes, for the Sixth Bid Submission Phase of REIPP Procurement Programme. The Department has accordingly designed its Economic Development framework and developed a bespoke Economic Development Scorecard in the Sixth Bid Submission Phase of REIPP Procurement Programme on the basis of the deviation from the Minister of Trade, Industry and Competition. A copy of such deviation is included in Schedule 4 in Volume 1 Part 1 (*Legal Notices, Approvals and Other Documents*) of the RFP.
- 4.8 Bidders are referred to clause 2.7 (*Economic Development Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*), and to Volume 5 (*Economic Development Requirements*) of the RFP for detailed information regarding the Department's requirements in respect of Economic Development.
- 4.9 Each Preferred Bidder's Economic Development commitments will be incorporated into the Implementation Agreement to be concluded between the Project Company and the Department.
- 4.10 The threshold requirement in respect of each Qualification Criterion is described in the applicable provision of Part B (*Functional and Qualification Criteria Requirements*) and or Volume 2 (*Legal Requirements*), Volume 3 (*Technical Requirements*), Volume 4 (*Financial Requirements*), Volume 5 (*Economic Development Requirements*), and clause

2.8 (Value for Money) of Part B (Functional and Qualification Criteria Requirements) of the RFP. More detail on the Qualification Criteria assessment can be found in Part B (*Functional and Qualification Criteria Requirements*) of the RFP.

- 4.11 In the second stage of evaluation, applying Part C (*Evaluation Criteria Requirements*) of the RFP, and subject to relevant provisions of clause 16 (*Qualification Criteria and Evaluation Criteria*) of Part A (General Requirements, Rules and Provisions) of the RFP, Compliant Bids will be evaluated on a comparative basis. Such comparative evaluation will be done per Technology, in relation to Price and Economic Development, in order to score and rank the Compliant Bids in each such Technology.
- 4.12 For purposes of the comparative scoring of Bid Responses to be conducted in accordance with Part C (*Evaluation Criteria Requirements*), Bid Responses will be scored out of 100 (one hundred) points, of which a maximum of 90 (ninety) points can be scored for price and a maximum of 10 (ten) points can be scored in respect of the Bidder's Economic Development commitments.

5. CONTRACTUAL FRAMEWORK

- 5.1 The Project Company of a Preferred Bidder (which becomes a Seller on Commercial Close) must be a Special Purpose Company established with the sole purpose of undertaking the Bidder's Project, including entering into and fulfilling the purposes of the PPA, the Implementation Agreement, the Direct Agreement, the Independent Engineer Agreement and the Connection Agreements.
- 5.2 Subject to clause 8.11 (*Legal Personality of Bidder and its Members*) and clause 20 (*Changes to Bid Response after appointment as Preferred Bidder*) of Part A (*General Requirements, Rules and Provisions*) of the RFP, all Shareholders of a Project Company are required to be Members of the Bidder that designates that Project Company to be a Seller.
- 5.3 The Project Company of a Preferred Bidder:
- 5.3.1 will, if the Preferred Bidder complies with the terms and conditions of appointment as such and this RFP, enter into an Implementation Agreement with the Department pursuant to which the Department will grant the Project Company the right to undertake the Project on the terms and conditions of the Implementation Agreement and the PPA;

- 5.3.2 which enters into the Implementation Agreement, will enter into a PPA with the Buyer in respect of the Energy Output and Ancillary Services to be supplied by its Facility, on the basis that during the Early Operating Period (if applicable) and the Operating Period the Seller will sell all the Early Operating Energy (if applicable) and Commercial Energy generated and Ancillary Services by a Unit or the Facility (as the case may be) to the Buyer at the Delivery Point on a self-dispatch basis, and the Buyer shall, subject to the PPA, be obliged to purchase such Energy Output and Ancillary Services delivered to the Delivery Point;
- 5.3.3 which enters into a PPA, will also enter into an Independent Engineer Agreement with the selected independent engineer, a Transmission Agreement with the NTC or a Distribution Agreement with Eskom, or into a Municipal Distribution Agreement with the relevant municipality, as the case may be, in respect of the connection of the relevant Facility to and the use of the Transmission System or a Distribution System, as the case may be; as well as a connection works agreement with the NTC or the relevant Distributor. The pro-forma Municipal Distribution Agreement included as Schedule 5 (*Pro-forma Municipal Distribution Agreement*) in Volume 1 Part 1 (*Legal Notices, Approvals and Other Documents*) of the RFP has been provided for information purposes and contains the terms and conditions that could be included in the distribution agreement to be concluded by the Project Company and the relevant municipality; and
- 5.3.4 which enters into the aforesaid agreements, may enter into a:
- 5.3.4.1 Direct Agreement with its Lenders, the Department and the Buyer in respect of each of the Implementation Agreement and the PPA; and
- 5.3.4.2 Connection Direct Agreement with its Lenders and the NTC or Eskom, as the case may be, in respect of the Transmission Agreement or Distribution Agreement, as the case may be; or
- 5.3.4.3 Municipal Direct Agreement with its Lenders and the municipal Distributor in respect of the Municipal Distribution Agreement. The pro-forma Municipal Direct Agreement included as Schedule 6 (*Pro-forma Municipal Direct Agreement*) in Volume 1 Part 1 (*Legal Notices, Approvals and Other Documents*) of this RFP has been provided for information purposes only and contains the terms and conditions that could be included in the direct agreement to be concluded by the Seller, the Lenders and the relevant municipality.

- 5.4 The draft PPA, Implementation Agreement, Direct Agreement, Independent Engineer Agreement and Connection Agreements issued with this RFP are not negotiable, and may not be marked up by Bidders. The status of these draft agreements and the terms and conditions of this RFP relating thereto is detailed further at clause 2.2 (*Legal Criteria and Evaluation*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP.
- 5.5 The Department reserves the right to issue revised versions of the draft PPA, Implementation Agreement, Direct Agreement, Independent Engineer Agreement and the Connection Agreements during the course of the Sixth Bid Submission Phase, and for purposes of other Bid Submission Phases of the REIPP Procurement Programme.
- 5.6 Projects submitted on the Sixth Bid Submission Date must be capable of achieving the Commercial Operation Date within a period of 24 (twenty four) months after Commercial Close. Therefore, the Scheduled Commercial Operation Date projected by a Bidder in its Bid Response must be within a period of 24 (twenty four) months after Commercial Close, and must be based on an estimated date for Commercial Close, specified under clause 8.4 (*Timetable for the Sixth Bid Submission Phase of the REIPP Procurement Programme*) of this Part A (*General Requirements, Rules and Provisions*).
- 5.7 A Bidder's Scheduled Commercial Operation Date must be calculated taking into account the Project's own construction and commissioning time-table, as well as the time for grid connection as estimated by the Grid Provider (all of which must fall within the maximum 24 (twenty four) month period between Commercial Close and the Scheduled Commercial Operation Date).

6. TIMETABLE FOR THE SIXTH BID SUBMISSION PHASE OF THE REIPP PROCUREMENT PROGRAMME

The following is the timetable for the Sixth Bid Submission Phase of the REIPP Procurement Programme.

Milestone	Anticipated Date
Issue of RFP	6 April 2021
Bidders' Conference	6 (six) to 8 (eight) weeks following the release of the RFP. The exact date will be communicated on the REIPP Website
Last date for Bidders to submit written questions in terms of clause 27.3 (<i>Requests for clarification</i>)	30 June 2022

on the RFP and responses to requests) of this Part A	
Last date for compulsory Bid Registration, including payment of Bid Registration Fee (as per clause 11 (Compulsory Bid Registration) of this Part A)	14 July 2022
Bid Submission Phase Stages	
Sixth Bid Submission Date	11 August 2022
Announcement of Preferred Bidders	Approximately 2 (two) months post the Sixth Bid Submission Date
Commercial Close	Approximately 6 (six) months post Preferred Bidder announcement
Financial Close	Long stop date of 1(one) month post Commercial Close
Scheduled Commercial Operation Date	Long stop date of 24 (twenty four) months post Commercial Close

7. CHANGES TO THE SIXTH BIDSUBMISSION REQUEST FOR PROPOSALS (RFP)

Discipline	Issue	BW 5	BW 6
Technical	Size of projects	PV min – 1MW PV max – 75MW Wind Min – 1MW Wind Max – 140MW	PV min – 50MW PV max – 240MW Wind Min – 50MW Wind Max – 240MW
	Ancillary Services	None	Ancillary Services (AS): the types of AS include inter alia Instantaneous Reserves (IR) and Regulating Reserve (RR). The performance parameters of the AS have been developed in conjunction with the Eskom technical team
Finance	Ancillary Services	None	Payment mechanism expanded to include Ancillary Services (AS) and performance measures. Ancillary Service Payments (ASP) will be paid to the Seller for all AS provided as per Ancillary Service Instruction issued by the System Operator less any penalties payable due to performance issues.
ED	Economic Development	Economic Development Criteria was included in the Part B Qualification Criteria with a threshold which had to be met and resulted in a pass or fail. Part C evaluation was only done on Price 90 points and Contributor Status Level 10 points	Economic Development is reintroduced as a qualification criteria to meet thresholds but also contains targets which is evaluated and scored in Part C competitive scoring with 10 points allocated to it.
	Local Content	Adherence to local content designations was included as part of the Part B qualification criteria.	The RFP incorporates all the key components as per the local content designation to be part of the local content qualification criteria.
Legal	Protection of Personal Information	None	Introduction of Protection of Personal Information regime
Finance	Concentration risk	None	As it pertains to one participant participating across a large number of bids, mitigation measures have been put in place and financial criteria strengthened accordingly to ensure that as part of the Part B qualification criteria such a participant needs to provide a letter by an independent financial advisor or an auditor that confirms that there is sufficient free cash available to meet the obligations of the ultimate provider of equity finance and that such funds are ring-fenced for the Project. These changes in the

REIPPPP BW6 RFP SUMMARY

Discipline	Issue	BW 5	BW 6
			financial evaluation criteria replace the Net Asset Test ("NAT") and Track Record Test ("TRT") that was in the BW 5 RFP.
Legal	Concentration risk	None	In the context of the concentration in the participation in bids by certain entities across sister bids, from a procurement risk perspective, participation across sister bids will be limited to participation within the same sister bids.
Legal	Decommissioning Reserve	Decommissioning Reserve was included	Decommissioning Reserve drafting clarity provided in BW6 RFP to when the Decommissioning Reserve is meant to be in place.
	SBD 6.1 (Preference Points Claim Form of the Preferential Procurement Regulations, 2017	Included	Removed

8. FURTHER DETAILS AND PARTICIPATION

Further details regarding participation and access to the RFP, including information on the document access fee can be found on the REIPPPP website www.ipp-renewables.co.za; or alternatively queries can be addressed to query@ipp-renewables.co.za.