



mineral resources & energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

6TH BID WINDOW UNDER THE RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME

(REIPPPP BID WINDOW 6)

Q&A

1. WHAT IS THE PURPOSE OF THE REIPPPP BID WINDOW 6?

- The sixth round of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP Bid Window 6), is the second bid window to be procured in response to the Second Ministerial Determination gazetted on 25th September 2020 in terms of Section 34 of the Electricity Regulation Act (ERA), and aligned to the Integrated Resource Plan of 2019 (IRP 2019).
- Of the 2 600 megawatts earmarked for REIPPPP Bid Window 6, 1 600 megawatts will be procured from wind resources and 1 000 megawatts from Solar PV.
- It is expected that the capacity will be available within a long-stop date of 24 (twenty four) months post Commercial Close of the project.
- The REIPPPP Bid Window 5 Request for Proposal (RFP) formed the basis, but for this new round we have incorporated lessons emanating from the evaluation of Round 5, as well as additional design criteria.

2. TIMELINES AND INFORMATION ABOUT THE REIPPPP BID WINDOW 6 PROCUREMENT PROCESS (Tender no: DMRE/001/2022/23)

Key milestones achieved in respect of the procurement process are as follows:

- Ministerial Determination Gazetted on 25th September 2020;
- Request for Proposals (RFP) released to market on 6th April 2022;
- Bidders' Conference was held on 7 July 2022;
- Bid Submission Date on 11 August 2022;
- Bid Evaluation and Announcement around 2 months from bid submission;
- Commercial Close approximately within 6 months from Preferred Bidder Announcement;
- Scheduled Commercial Operation within 24 months from Commercial Close.

3. WHAT SIZE PROJECTS WILL BE PROCURED UNDER ROUND 6?

- The project contracted capacity range for both PV and Wind has been increased to 50MW minimum and maximum of 240 MW for both technologies.
- These changes take into account the recent lifting of the cap which allow Private Sector projects up to 100MW without licensing requirements. On 5 October 2021, the Minister of Mineral Resources and Energy promulgated the updated Licensing Exemption and Registration Notice, to increase the licensing threshold for embedded generation facilities under 100MW, effectively allowing small to utility-scale procurement from the private sector, outside of Eskom and the national IPP Procurement programme.

4. HOW HAS ANCILLARY SERVICES BEEN INCORPORATED IN THE RFP REQUIREMENTS?

- For the first time in the history of the Renewable Energy IPP Programme, a requirement for Ancillary Services has been included as a means to support grid stability. This has been included in the requirements in consultation with the Eskom System Operator.
- The types of Ancillary Services required include Instantaneous Reserves (IR) and Regulating Reserves (RR). The performance parameters of the Ancillary Services have been developed with the Eskom technical team.
- Instantaneous Reserve is a scheduled service to be available for a maximum 1855 hours per Contract Year and is only triggered to operate once an IR event occurs. When an IR event is triggered, the activation time is within 10 seconds and the IR response must be sustained for 10 minutes. The IR response is limited to 155 event triggers.
- Similarly, Regulating Reserve (RR) should also be available for a maximum number 1855 hours per Contract Year and only triggered once an RR event occurs. If RR events are triggered, the activation time is within 10 minutes and the response must be sustained for 1 hour. There is no limit to the number of RR events in a year.
- The System Operator instruction for Ancillary Services can only be issued if the Facility plans to generate the next day, using the forecast information provided by the Seller. The power output of the facility will be curtailed in order to provide the scheduled Ancillary Service requested by the System Operator.
- A plant will be allowed to self-dispatch all of the power when it is not scheduled for Ancillary Services. Sellers are compensated for dispatched power on a self-dispatch basis, according to the Ancillary Service Instruction by the System Operator.
- A plant can schedule Instantaneous Reserves and Regulating Reserves concurrently, as a frequency event requiring IR to be provided may occur while RR is already being provided.

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- SCADA data (high resolution as per Info exchange code) will be used to assess Ancillary Services performance against contracted capacities. The Main and check meters will be used for energy billing.
- The Seller is not allowed to export excess energy to another load when the available ancillary service energy has not been made available to Eskom.

5. HOW HAS THE INTRODUCTION OF ANCILLARY SERVICES IMPACTED ON THE PAYMENT MECHANISM?

- As a result of the Ancillary Services requirement, a new payment mechanism has also been introduced in REIPPPP Bid Window 6, to include payments for Energy, as well as Ancillary Services.
- Payments will be paid to Seller for all ancillary services provided, as per instruction issued by System Operator, less any penalties payable due to performance issues.

6. HOW WILL THE FORECAST PENALTY FRAMEWORK BE APPLIED?

- Every preceding day by 10:00 hours the IPP must provide Eskom with a 7-Day generated energy forecast for each day in the week starting at 00:00 hours on the day and ending at 24:00 hours on day 7.
- The IPP may provide a revised Daily Generation Forecast Profile at least 12 hours in advance of the change.
- If the IPP's Daily Forecast Generation Profile deviates from the actual Energy Output delivered, in any hour, by more than 10% (ten percent), then a Forecast Penalty will be applied for each such hour, based on the difference between the forecasted Energy Output and the actual Energy Output, whether over or under.
- The Forecast Penalty regime shall not apply where a System Event affects the delivery of Energy Output.

7. WHY ARE PARTICIPANTS BEING RESTRICTED FROM PARTICIPATING ACROSS A NUMBER OF BIDS?

- A significant risk and lesson learnt from the Round 5 procurement that we needed to address was around the issue of concentration risk. In round 5 there was a marked increase in similar participants participating across a large number of bids. Although this helped to reduce prices, we needed to ensure mitigation measures to ensure that in such cases participants will be able to meet the obligations of the ultimate provider of the equity finance.
- As such, measures have been included in the RFP requirements and financial criteria have been strengthened. As part of the qualification round, such a participant needs to provide a letter from an independent financial advisor or auditor to confirm that there is

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sufficient free cash available to meet the obligations of the financier, and that such funds are ring-fenced for the Project.

- The RFP still recognises the ability of Members, Material Contractors, Suppliers, Advisors and Lenders to participate in more than one bid response, however Members are restricted from participating in more than one set of "sister bids". The restrictions are not limited to BEE participants and apply to all Members.
- The limitations are intended to optimise the prevention of anti-competitive and/or collusive behaviour, encourage the preservation of an appropriate level of confidentiality between Bidders; and maintain the integrity of the bidding process in relation to its competitiveness.
- The Department is aware of the existing measures to ensure confidentiality and has elected to introduce an additional measure in the form of undertaking and confirmations that each member is required to make in relation to the bids in which they are participating. These measures prevent a Member from participating across consortia with knowledge or information sensitive to the competitiveness of the bids, and in a manner that could potentially undermine the competitiveness of a bidding process.

8. HOW WILL THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK AGREEMENT (PPPFA) BE APPLIED FOR REIPPPP BID WINDOW 6?

- The REIPPPP Bid Window 6 RFP is based on Preferential Procurement Policy Framework Agreement (PPPFA) exemption as confirmed by National Treasury.
- The exemption permits DMRE to apply Economic Development criteria as an aspect of the functionality evaluation during Part B, including key components part of Local Content designation issued by the Department of Trade, Industry and Competition (dtic)
- Economic Development Criteria thresholds must be met in order for a Bid to be considered as Compliant, and evaluation of Part C is now in respect of forward-looking Economic Development commitments, and not Contributor Status Level as applied under REIPPPP Bid Window 5.
- It must be noted that Contributor Status Level is a Qualification Criteria and failure to meet the requirement will result in the Bid Response not being considered to be a Compliant Bid. In order to demonstrate compliance with this requirement, the Bidder must confirm the B-BBEE qualification score in the B-BBEE Verification Certificate, or in an affidavit.

9. WHAT ARE THE OTHER ECONOMIC DEVELOPMENT CRITERIA THAT BIDDERS MUST COMMIT TO?

- No changes have been made to the economic development criteria, other than the manner in which it is evaluated (also see Question 9 above);

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- Bidders will be required to demonstrate South African Entity Participation of at least 49%, at least 30% shareholding by black people in the IPPs, as well as 25% ownership by black people, and in particular 10% ownership by black women, in construction and operations contractors.
- Apart from other commitments such as jobs, skills development, enterprise and supplier Development, and socio-economic development, bidders will also have to commit to local content spend of at least 40% of project value during construction, and at least 45% local content spend during operations.
- As with previous bid windows, it is a qualification criteria to ensure Local Community participation in the Project. Local Community participation can be an ownership vehicle that benefits one or more communities within the confines of the definition of Local Community as set out in the RFP. The vehicle through which Local Communities can participate must be compliant with the B-BBEE Codes to be recognised as Ownership as defined in the RFP and the IA.

10. WHAT IS BEING DONE TO ADDRESS LOCAL CONTENT CONCERNS IMPACTING ON THE ABILITY OF THE OTHER RMIPPPP PROJECTS TO CLOSE, AND THOSE PROJECTS UNDER REIPPPP BID WINDOW 5?

- Historically, we know that the IPP Programme has been a catalyst for large investments in manufacturing and indirect job creation, however, nearly all these achievements were reversed due to historic delays in the procurement roll-out, and global post-COVID-19 economic downturn and supply factors. We have to address local manufacturing and production capacity in order to revitalise growth in the energy sector and our economy. The construction procurement spend alone under the IPP Programme is a substantial stimulus for establishing local manufacturing capacity.
- The mandate to issue designations on Local Content is held by the dtic. The Department and IPP Office facilitates engagements between the dtic, local suppliers, Preferred Bidders, lenders and the IDC to ensure that a balance between the interests are reached. However, the dtic is ultimately responsible for the decision making in respect of the designations and any exemptions granted thereunder.
- We have also started to change the approach from REIPPPP BW 6 where the requirement of local industrialisation was introduced as part of the DMRE procurement policy for the IPP Procurement Programmes, which also allows for a mechanism to request a deviation from the local industrialisation which can be assessed and addressed by the DMRE. This is in line with government objectives under the Infrastructure Development Act, 23 of 2014.
- Bidders are required to comply with the thresholds set in respect of Local Industrialisation Sectors, Components and Products, failing which will result in the disqualification of the Bidder's Bid Response.
- We are constantly engaging all stakeholders including the ISA under the Presidency and Project Vulindlela to assess the market and to address any issues that may cause a

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delay in the Financial Close or Construction of the Projects procured under the IPP Procurement Programme.

11. WHAT IS THE LIKELY IMPACT OF GRID UNAVAILABILITY ON POTENTIAL BIDDERS FOR REIPPPP BID WINDOW 6?

- Grid availability for new IPPPP projects in highly productive areas such as Northern, Eastern and Western Cape - Unlike during Bid Window 5, Eskom released the Generation Connection Capacity Assessment of the 2024 Transmission Network (GCCA – 2024), prior to the release of round 6, providing more certainty to the market.

12. WHEN WAS THE DEADLINE FOR APPLICATION OF CELs?

- The cut-off for applications was 11th May 2022. Eskom has communicated that any potential bidder who has submitted applications after this deadline may likely not receive their Cost Estimate Letter in time for bid submission.

13. CAN A BIDDER WHICH HAS PROCURED MULTIPLE SEPARATE COST ESTIMATE LETTERS, IN ANTICIPATION OF BIDDING MULTIPLE LOWER MW CAPACITY PROJECTS, USE THESE SEPARATE COST ESTIMATE LETTERS AS OPPOSED TO APPLYING FOR ONE NEW CONSOLIDATED COST ESTIMATE LETTER?

- A cost estimate letter (CEL) does not consider the effect of other CELs on the grid connection assessment. Hence though individual smaller capacity CELs may require no grid strengthening, 1 large capacity project may require a larger grid connection which may be a problem. If the contracted capacity of the project being bid is greater than the generation capacity in the CEL, a new CEL will be required that indicates that the grid can evacuate the generation capacity proposed.

14. IT IS LIKELY THAT SOME PROJECTS TO BE SUBMITTED IN ROUND 6 WERE BID COMPLIANT IN ROUND 5, PLEASE CONFIRM IF THE VARIOUS LEGAL OPINIONS SUBMITTED FOR ROUND 5 ARE STILL VALID?

- The Department cannot provide such confirmation. The Bidder needs to satisfy itself that the Legal Opinions remain appropriate and compliant with the RFP Requirements.

15. HAS THE DELAYS IN THE ISSUING THE BUDGET QUOTES UNDER REIPPPP BW 5 HAS BEEN FACTORED INTO THE REIPPPP BW6 TIMETABLE AND WILL THIS HAVE ANY FURTHER IMPACT ON THE TIME TABLE OR BID SUBMISSION REQUIREMENTS UNDER REIPPPP BW6?

- To the extent that there are delays due to Eskom Holdings SOC Limited, or any other external delays impacting on the procurement timelines, the timetable will be considered and accordingly revised by the Department, as has been the case with previous Bid Windows.

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16. IS THERE SCOPE FOR THE DEPARTMENT TO EXPAND THE CURRENT BID BEYOND 2 600 MW GIVEN OUR CURRENT ENERGY CRISIS?

- The REIPPPP bid windows are procured within the framework of Ministerial Determinations issued in terms of Section 34 of the Electricity Regulation Act, 2006, and the procurement process has to be compliant with the national procurement laws and regulations.
- Any expansion of the current bid window capacity can only be done within the context of the available MWs for renewable energy as contemplated in the Ministerial Determinations. Such also needs to be informed by the Constitutional principles applicable to procurement being Fairness, Equitability, Transparency, Competitiveness and Cost-Effectiveness.