

RENEWABLE ENERGY
INDEPENDENT POWER
PRODUCER PROCUREMENT
PROGRAMME

REIPPPP

OVERVIEW

2021



mineral resources
& energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

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TENDER NO: DMRE/001/2021/22

The Republic of South Africa

Department of Mineral Resources and Energy

OVERVIEW OF THE REQUEST FOR QUALIFICATION AND PROPOSALS FOR
NEW GENERATION CAPACITY UNDER FIFTH BID SUBMISSION PHASE OF
THE RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCURE-
MENT PROGRAMME (REIPPPP Bid Window 5)



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This high-level overview of the Request for Proposal 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 REIPPPP BW5. Each person to whom this document is made available must make its own independent assessment of whether or not they wish to participate in the REIPPPP BW5 and neither does this document replace the need for a party to fully acquaint itself with the REIPPPP BW5 and compliance with the qualification and evaluation criteria set out in the RFP.

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01

Purpose

- 1.1. The Department of Mineral Resources and Energy (**DMRE**) launched the Request for Pre-Qualification and Proposal (**RFP**) for establishment of new generation capacity under the Fifth Bid Submission Phase of the Renewable Energy Independent Power Producer Procurement Programme (**REIPPPP Bid Window 5**) on 12 April 2021. The intent of this document is to provide a high-level overview of the objectives of the REIPPPP Bid Window 5 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 REIPPPP Bid Window 5 will be required to register to bid and purchase the RFP, and comply with all the requirements of the RFP.

02

Background to the Independent Power Producer Procurement Programme (IPPPP)

- 2.1. The IPPPP was established at the end of 2010 as one of Government's urgent interventions to enhance electrical power generation capacity in the Country.
- 2.2. The DMRE, National Treasury and Development Bank of Southern Africa (**DBSA**) jointly established the Independent Power Producer Office (**IPP Office**) in terms of a Memorandum of Agreement, to implement the IPPPP procurement mandate of the DMRE to secure electricity from renewable and non-renewable energy sources, via private sector investment, whilst contributing to broader national development objectives.
- 2.3. The Integrated Resources Plan (**IRP**) and associated Ministerial Determinations in accordance with Section 34 of the Electricity Regulation Act, No. 4 of 2006 (**ERA**), with concurrence from National Energy Regulator of South Africa (**NERSA**), set the pace and direction of the roll out of the IPPPP. The IRP is a policy planning tool that is updated from time to time and facilitates the 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.
- 2.4. The REIPPPP was the first programme to be implemented under the IPPPP. The first Renewable Energy bid window under the REIPPPP was announced in December 2011 in line with the then Integrated Resource Plan of 2010. By December 2020, 4 4949 MW of electricity capacity from 76 IPP Projects have been connected to the national grid, through 5 Bid Windows (REIPPPP Bid Window 1, REIPPPP Bid Window 2, REIPPPP Bid Window 3, REIPPPP Bid Window 3.5 and REIPPPP Bid Window 4).
- 2.5. The REIPPPP is open to the worldwide public and is not restricted to Bidders comprised only of Citizens and South African entities.

- 2.6. The Minister of Mineral Resources and Energy (**Minister**) published the current Integrated Resource Plan (**IRP 2019**) as GN 1360 of 18 October 2019 in Government Gazette No. 42784.
- 2.7. To give effect to the IRP 2019, the Minister, on 18 February 2020, issued a Determination requesting NERSA's concurrence. NERSA provided its concurrence with the Ministerial Determination on 2 September 2020, and the Determination was gazetted on 25 September 2020.
- 2.8. The Determination provides for various energy sources to 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 (**New Generation Regulations**). This REIPPPP Bid Window 5 is procured in line with the IRP 2019 and Ministerial Determination of 25th September 2020.

03

Overview of the REIPPPP Bid Window 5 Request for Proposal

- 3.1. The REIPPPP Bid Window 5 has been designed to facilitate the procurement of up to 2600 megawatts (MW) from Wind and Solar Photovoltaic technologies, and to contribute towards socio-economic and environmentally sustainable growth by stimulating increased local participation and economic empowerment in the South African Renewable Energy industry.
- 3.2. The RFP is structured in 3 parts as depicted in the diagram below:

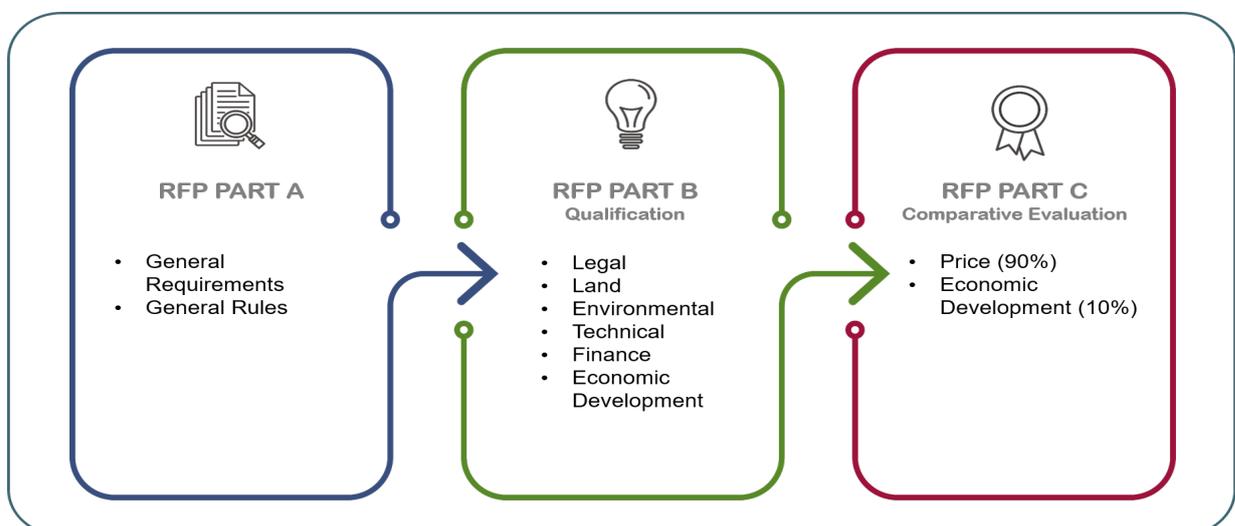


Figure 1: RFP Structure

- 3.3. **PART A** of the RFP sets out the General Requirements and the Rules under which the procurement will be conducted. (An overview of the requirements under Part A of the RFP is covered in paragraph 4 of this document).
- 3.4. **PART B** of the RFP specifies the Functional and Qualification Criteria requirements in order for a bid to qualify for evaluation; (An overview of the functional and qualification criteria under Part B of the RFP is covered in paragraph 5 of this document).
- 3.5. **PART C** of the RFP outlines the manner in which Comparative Evaluation will be conducted. (An overview of the evaluation requirements under Part C of the RFP is covered in paragraph 6 of this document).
- 3.6. The various Volumes included as part of Part B, and in terms of which potential bidders must prepare and submit their proposal/s is illustrated in Figure 2 below:

RFP DOCUMENT STRUCTURE: Volumes included in Part B

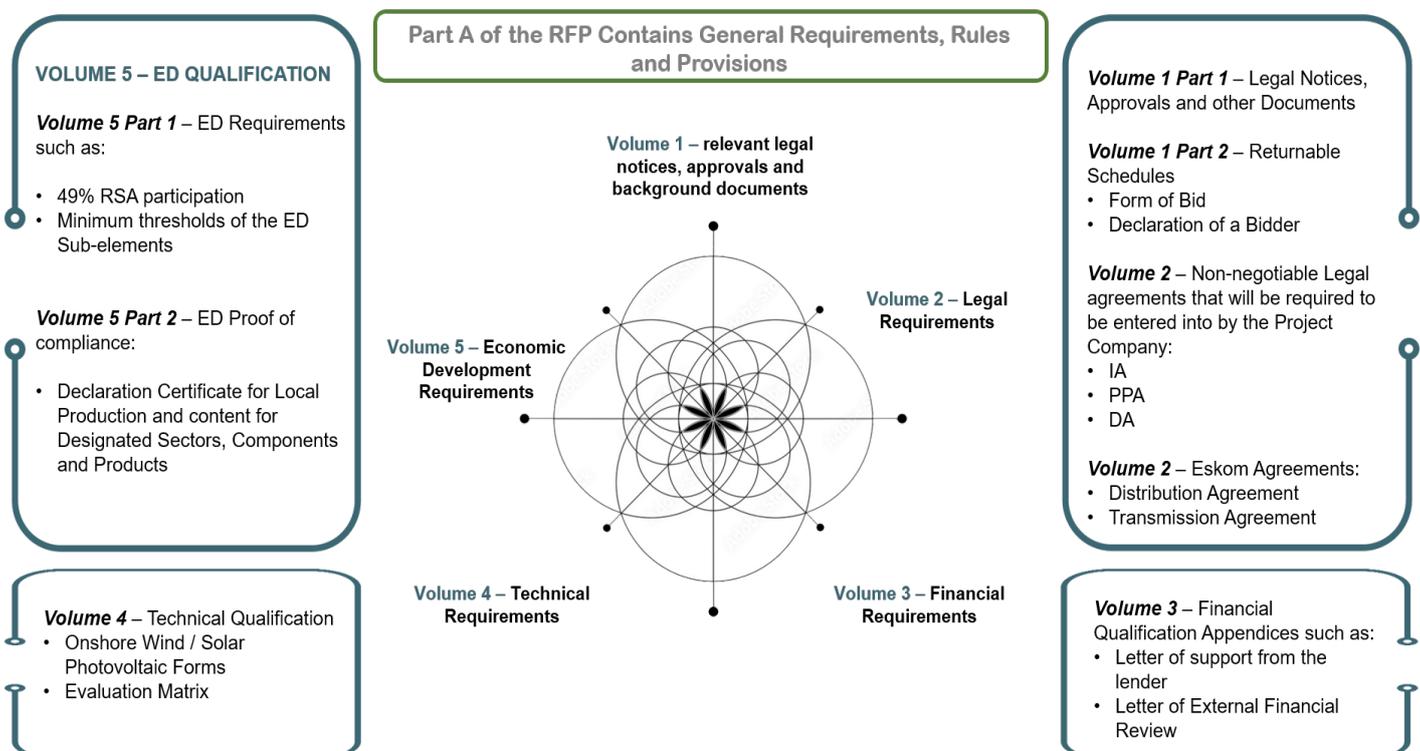


Figure 2: RFP Part B Qualification Criteria: Volumes

04

Part A: General Requirements, Rules and Provisions

4.1. Technologies and Contracted Capacity

- 4.1.1. The following technologies and maximum MW allocation shall be considered as qualifying technologies for selection of Preferred Bidders:

| Technology | Maximum MW to be allocated in the REIPPPP BW5 |
|--------------------|---|
| Onshore Wind | 1 600 MW |
| Solar Photovoltaic | 1 000 MW |
| TOTAL | 2 600 MW |

Each Project must have a Contracted Capacity within the range specified for each Technology. For purposes of REIPPPP Bid Window 5, the MW range for Projects eligible to submit Bid Responses is as follows:

| Technology | Minimum Contracted Capacity | Maximum Contracted Capacity |
|--------------------|-----------------------------|-----------------------------|
| Onshore Wind | 1 MW | 140 MW |
| Solar Photovoltaic | 1 MW | 7 5 MW |

4.2. Contractual Agreements

- 4.2.1. The bankability of the IPPPP is secured through the terms and conditions of three non-negotiable agreements, the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Direct Agreement (DA), as depicted in the Figure 3 below. The agreements provide bidders with complete transparency in relation to the contractual terms:

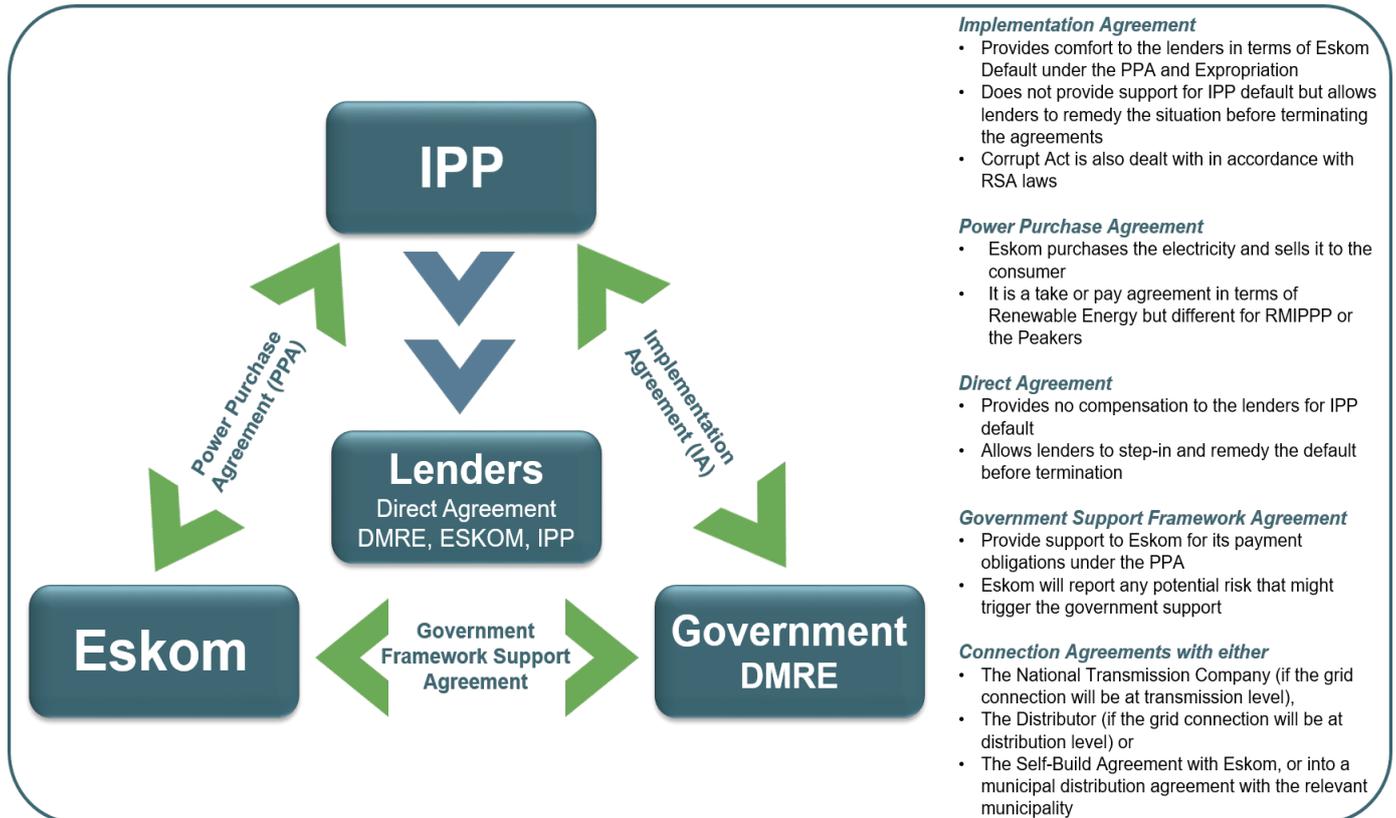


Figure 3: Contractual Agreements contained in the RFP

4.3. Commercial Close and Commercial Operation Date

4.3.1. The RFP is very specific on the requirements that need to be fulfilled in order for a Preferred Bidder to reach commercial close and sign the above-mentioned agreements.

4.3.2. Preferred Bidders have 4 months from their announcement to negotiate and finalise all other contractual arrangements and Project Documents with their Members, Contractors, Equipment Suppliers and Lenders, and reach Commercial Close.

4.3.3. Legal and Regulatory approvals, rights, licenses and permits required before Commercial Close include, *inter alia*:

- A Generation Licence from NERSA;
- Budget Quotation from the Grid Provider;
- Connection Agreements with the relevant counterparties;
- Environmental Consents; and
- Land Use Consents.

4.3.4. The Department of Human Settlements, Water and Sanitation will only consider applications for water use licences in respect of Projects, once Bidders are appointed as Preferred Bidders by the DMRE. For this reason, a Preferred Bidder which, due to no fault, negligence or contributory negligence of its own, does not have a Water Use Licence at Commercial Close or whose Water Use Licence is, at that date, the subject of any appeal, review proceedings or other legal challenge, will, in the Department's sole discretion, be

afforded an extension of time as is reasonable in the circumstances.

4.3.5. Projects must be capable of achieving the Commercial Operation Date within a period of 24 (twenty four) months after Commercial Close. This includes the project's construction and commissioning time-table, as well as the time for grid connection as estimated by the Grid Provider.

4.4. Electricity Prices and Tariffs

4.4.1. Bidders in REIPPPP Bid Window 5 are required to bid the Price which will be payable by the Buyer (Eskom) in terms of the PPA to be entered into between the Buyer and the Project Company of a Preferred Bidder.

4.4.2. The Electricity Regulation Act vests NERSA with the authority to regulate prices and tariffs.

4.4.3. NERSA remains empowered, at the time of considering any licence application, to make a tariff determination taking into consideration all relevant factors, including the statutory tariff principles provided for in section 15 of the Electricity Regulation Act.

4.4.4. The Price submitted in a Bid Response and which is accepted by the Department upon appointment of Preferred Bidders, is subject to approval by NERSA when issuing generation licences in respect of Projects selected in the REIPPPP Bid Window 5.

4.4.5. Part B of the RFP deals with the Price in more detail, however, essentially, the Bidder is required to provide a Financial Model to demonstrate the cost of the Project over the 20-year lifetime of the PPA.

4.4.6. Bidders are required to offer two Prices, the first based upon full CPI indexation of the Price, and the second, based upon the Bidder's proposed indexation, at the CPI rate, of a portion of the Price (partial indexation in respect of CPI).

4.4.7. The Price offered in a Bid Response will be adjusted at Commercial Close to take into account any movement in foreign exchange or interest rates. After Commercial Close there will be no further foreign exchange or interest rate adjustments.

4.4.8. The Price (whether fully indexed or partially indexed) reflected in a PPA will be adjusted annually.

4.4.9. All costs must be quoted in South African Rand (ZAR), using the rates that will be provided to Bidders in a Briefing Note.

4.4.10 It is recognised that Bidders may wish to replace, augment or change the structure, nature or terms of the financing solution that it put in place at Commercial Close, for the purposes of refinancing the Project during the Term of the PPA. The Seller is entitled to undertake a refinancing at any time during the Term of the PPA, in accordance with the IA and the Refinancing Protocol of the DMRE.

4.5. Decommissioning, Rehabilitation and Closure (including Post-Closure) Requirements

- 4.5.1. All Bidders are required to make provision for the costs of the decommissioning of the Facility, the rehabilitation and closure of the Project Site and the post-closure monitoring of environmental impacts in respect of the Facility upon the termination of the PPA, whatever the cause of the termination.
- 4.5.2. In this regard, Bidders must include such Decommissioning Costs in their Financial Model. The Decommissioning Costs may be built up over time, in incremental amounts each year over the Operating Period, but these costs must be reflected in the Financial Model.
- 4.5.3. Preferred Bidders must also provide a Decommissioning Cost Bank Guarantee to ensure that from the Commercial Operation Date, sufficient reserves are available at all times to undertake Decommissioning

4.6. Economic Development

- 4.6.1. In the REIPPPP Bid Window 5 Economic Development (ED) requirements are provided for under the following broad categories:
 - **Job creation** - which places emphasis on jobs for SA Citizens, Black People (including Black Women and Black Youth) and Citizens from Local Communities;
 - **Local content** - which requires compliance with local content designations under South African procurement law, and that a certain percentage of the total value of the Project be spent on South African goods and services;
 - **Ownership** - which requires ownership by South African entities (minimum 49% (forty nine percent), and Local Communities, in the Project Company, and ownership by Black People (including Black Women) in the Project Company and in the Contractors responsible for Construction and Operations;
 - **Management Control** - which focuses on the involvement of Black People (in particular Black Women) in Board Directorship, Executive Management, and Senior Management roles of the Project Company;
 - **Skill Development** - which focuses on the contributions made by the Project Company to improve the skills of Employees, learners at higher education institutions, and disabled persons;
 - **Enterprise and Supplier Development** - which focuses on the development of emerging enterprises, including emerging enterprises located in Local Communities; and on procuring from Black Enterprises and enterprises owned by Black Women; and
 - **Socio-economic development** - which aims to address socio-economic needs including those of Local Communities.
- 4.6.2. The Department has obtained a Preferential Procurement Policy Framework Act (PPPFA) Exemption from the National Treasury, which permits the Department to apply the ED Qualification Criteria as an aspect of the functionality evaluation conducted in accordance with Part B of the RFP.

4.6.3. The ED commitments will be formalised into obligations through an IA that is signed with the Department. The IA holds the Project Company accountable for meeting these obligations, and significant penalties are applied if the Project Company does not meet such ED obligations over the lifetime of the project.

4.7. Value for Money

4.7.1. Regulation 9 of the New Gen Regulations provides that the Buyer cannot enter into a PPA unless that PPA presents “value for money”. “Value for Money” is defined to mean that “the new generation capacity project results in a net benefit to the prospective buyer or to the Government having regard to cost, price, quality, quantity, risk, transfer, or a combination thereof”.

4.7.2. The value for money evaluation under the RFP involves an assessment of a number of issues and considerations. As part of its assessment the DMRE will benchmark the Bidder’s costs and rates embedded in its Financial Model and ultimately reflected in its offered Price, against local and international benchmark costs and rates.

4.8. Separate bid responses for each Project

4.8.1. A Bidder is required to submit a separate Bid Response for each Project. Only one (1) PPA will be entered into with a Preferred Bidder in respect of a Project.

4.8.2. A Bidder which is a consortium is entitled to submit more than one Bid Response, and may submit different Bid Responses, each in respect of a different and discrete Project.

4.8.3. In order to demonstrate that two (2) Projects are separate, the Department would expect to see at least the following:

- separate Project Companies;
- separate notarial leases; and
- each Project Company will have to comply with the PPA and Connection Agreements with respect to grid connection and metering.

4.9. Legal Personality of Bidder and its Members

4.9.1. For the purposes of submitting a Bid Response, a Bidder may be either a Project Company or a consortium. If the Bidder is a consortium, then the Project Company that is to be incorporated by the consortium to be the Seller shall have as its Shareholders, in the proportions stated in the Bid Response, the Members of the consortium, or if any such Member will hold its ownership interest in the Project Company through an intermediary entity which is still to be incorporated, such intermediary entity.

4.9.2. Each Bidder under a PPA will be required to be a Project Company that has a sole purpose, object and business 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.

- 4.9.3. Preferred Bidders are required to provide the Department with certified copies of the Constitutional Documents of its Project Company following the establishment and incorporation of the Project Company.

05 Part B: Bid Qualification Criteria Requirements

- 5.1. The Bid Evaluation takes place in two phases. Firstly, bids need to meet the minimum Technical, Financial, Economic Development and Legal qualification criteria for the procurement of specific power system services and performance criteria, from various generation technologies. The second phase involves the evaluation of qualifying bids on a 90/10 weighting basis of evaluation based on the Bid Price and Contributor Level Status.
- 5.2. The purpose of Part B of the RFP is to set out the Qualification Criteria that a Bidder's Bid Response is required to satisfy in order for its Bid Response to be a Compliant Bid.
- 5.3. In the first instance, a bid will not be accepted at Bid Submission if the following is not complied with:
- 5.3.1. Confirmation that the Bidder has the required financial backing and a Bid Guarantee in respect of its bid response. Such a Bid Guarantee must be provided by a Financial Institution and must be an original; and
- 5.3.2. A working Financial Model that meets the requirements as set out in Part B.
- 5.4. The Qualification Criteria are divided into the following umbrella categories under Part B and the Volumes of Part B of the RFP:
- Structure of the Project;
 - Legal Criteria and Evaluation;
 - Land Acquisition and Land Use Criteria and Evaluation;
 - Environmental Consent Criteria and Evaluation;
 - Financial Criteria and Evaluation;
 - Technical Criteria and Evaluation;
 - Economic Development Criteria and Evaluation; and
 - Value for Money
- 5.5. In summary, the Qualification Criteria in Part B are structured as pass or fail requirements and in order for a Bidder to be eligible to be evaluated under Part C of the RFP they need to meet all the Qualification Criteria as follows:





- 5.5.1. Legal Criteria and Evaluation – Bidders must provide the Project diagram and the confirmation that it accurately represents the Project’s ownership, Black Enterprises, Local Communities etc. Bidders must also submit a letter confirming the acceptance of all commercial agreements. Bidders must also confirm whether they will make use of a Rehabilitation Trust or a Decommissioning Cost Bank Guarantee.
- 5.5.2. Financial Criteria and Evaluation – Bidders must demonstrate compliance with 3 financial criteria in order to pass the financial Qualification Criteria, namely (1) Price (2) Financial standing and Robustness of the funding proposal (3) Robustness of the Financial Model(s). In terms of Price, bidders must provide its proposed Rand (ZAR) Price for the Commercial Energy at a MWh rate, both where there is a full CPI indexation of the Price and a partial CPI indexation price.
- 5.5.3. Technical Criteria and Evaluation – Each Bidder must satisfy the 7 Technical Criteria by meeting or exceeding the threshold requirements for the applicable Technology, (1) Eligible Capacity (2) Forecast Energy Sales Report (3) Forecast Energy Sales Independent Review (4) Forecast Energy Sales (5) Contracting Company Capacity (6) Project Schedule and Commercial Operation Date (7) Grid Connection (compliance with codes and Time and cost for Grid Connection).
- 5.5.4. Economic Development Criteria and Evaluation – There are 2 key Qualification Criteria assessed in the Economic Development evaluation, (1) South African Entity Participation of no less than 49% (2) Minimum thresholds of the ED Sub-Elements.

06 Part C: Evaluation Criteria

- 6.1. The purpose of Part C is to outline the requirements for which the Bidders will be comparatively evaluated.
- 6.2. Bidders will be evaluated in terms of the following two elements:
 - 6.2.1. Price; and
 - 6.2.2. BBB-EE Contributor Status Level
- 6.3. The Bidder will be considered or eligible for Part C only if that Bidder fulfils all of the requirements in Part B of the RFP.
- 6.4. The evaluation will be undertaken in accordance with the 90:10 points system. The maximum score for Price will be 90, and the maximum score for Contributor Status Level will be 10 points.

07 Non-Negotiable Agreements

- 7.1. If a Bidder is successful it will enter into the following Legal Agreements:
 - 7.1.1. Implementation Agreement with the Department;
 - 7.1.2. Power Purchase Agreement with Eskom;
 - 7.1.3. Independent Engineer Agreement with Eskom and the Independent Engineer;
 - 7.1.4. Direct Agreement (where applicable) with the Department, Eskom and Lenders in respect of the Implementation Agreement and PPA; and
 - 7.1.5. Connection Agreements with either the National Transmission Company (if the grid connection will be at transmission level), the Distributor (if the grid connection will be at distribution level) or the Self-Build Agreement with Eskom, or into a municipal distribution agreement with the relevant municipality;
 - 7.1.6. Direct Agreement with its Lenders and the NTC or Eskom, as the case may be, in respect of the Transmission Agreement or Distribution Agreement or if applicable, the Self-Build Agreement, as the case may be; or
 - 7.1.7. Municipal Direct Agreement with its Lenders and the municipal Distributor in respect of the Municipal Distribution Agreement.

08 Compulsory Bid Registration

Prospective Bidders are required to pay a non-refundable Bid Registration Fee of R25 000 (twenty five thousand Rand) per Project / Bid Response to be submitted. Further information on the payment of the non-refundable Bid Registration Fee is available on the REIPPPP Website.

09

Timetable for the REIPPPP Bid Window 5 Programme

The following is the indicative timetable for the REIPPPP Bid window 5 procurement:

| ANTICIPATED DATE | |
|---|---|
| Issue of RFP | 12 April 2021 |
| Bidders' Conference | 26 May 2021 |
| Last date for Bidders to submit written questions in terms of clause 27.3 (<i>Requests for clarification on the RFP and responses to requests</i>) of this Part A | 16 July 2021 |
| Bid Submission Phase Stages | |
| Bid Submission Date | 16 August 2021 |
| Announcement of Preferred Bidders | Approximately 2 (two) months post the Fifth Bid Submission Date |
| Commercial Close and Financial Close | 4 (four) months after announcement of Preferred Bidders |
| Scheduled Commercial Operation Date | Long stop date of 24 (twenty four) months post Commercial Close |

10

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.

