

Bid Submission Date: 24 November 2020

TENDER NO: DMRE001/2020/21

The Republic of South Africa

Department of Mineral Resources and Energy

**OVERVIEW OF THE REQUEST FOR QUALIFICATION AND PROPOSALS FOR NEW
GENERATION CAPACITY UNDER THE RISK MITIGATION IPP PROCUREMENT
PROGRAMME**



**mineral resources
& energy**

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

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 Risk Mitigation IPP Procurement Programme on 24 August 2020. The intent of this document is to provide a high-level overview of the Risk Mitigation IPP 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 Risk Mitigation IPP 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 Risk Mitigation IPP Procurement Programme. 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 Risk Mitigation IPP Procurement Programme and neither does this document replace the need for a party to fully acquaint itself with the Risk Mitigation IPP Procurement Programme RFP and compliance with the qualification and evaluation criteria set out in the RFP.

3. OVERVIEW OF THE RISK MITIGATION IPP PROCUREMENT PROGRAMME

3.1 The Minister has issued a determination with the concurrence of NERSA to ensure energy security, and that approximately 2000 (two thousand) megawatts ("MW") is to be generated from a range of energy source technologies in accordance with the short-term risk mitigation capacity allocated under the heading 'Others', for the years 2019 to 2022 in Table 5 of the Integrated Resource Plan for Electricity 2019 to 2030 (published as GN 1360 of 18 October 2019 in Government Gazette No. 42784 ('IRP 2019')). The procurement programme shall target connection to the Grid for the new generation capacity as soon as reasonably possible, but by no later than 30 June 2022.

3.2 The Risk Mitigation IPP Procurement Programme has been identified by the Department as the appropriate programme to procure the new generation capacity designated in the above Determination. To ensure the establishment of this new generation capacity through the Risk Mitigation IPP Procurement Programme, the following should be noted:

3.2.1 The Risk Mitigation IPP Procurement Programme has been designed to procure the target of 2000 (two thousand) MWs of new generation capacity to be derived from different types of Dispatchable power generation Projects that will enter into PPAs with Eskom to provide new generation capacity in compliance with the Performance Requirements, among other things. The Dispatchable power generation Projects may utilise Fuel to produce the Energy Output and may be comprised of more than one Facility and Project Site and such Projects will also be required to provide Ancillary Services. Additionally in line with the above, the Department will procure such Capacity, Energy Output and Ancillary Services from a range of energy source technologies and the Department has designed the Risk Mitigation IPP Procurement Programme and published the RFP to procure such Capacity, Energy Output and Ancillary Services from either a single Dispatchable Facility or a portfolio of Facilities which include Dispatchable and Non-Dispatchable Facilities. Furthermore, the selected Projects will contribute towards socio-economic development and sustainable economic growth, while enabling and stimulating the participation of independent power producers in the electricity supply industry in South Africa.

3.2.2 The following are the Performance Requirements for the Risk Mitigation IPP Procurement Programme:

- 3.2.2.1 dispatchable and flexible generation;
- 3.2.2.2 be able to provide energy, capacity and ancillary services;
- 3.2.2.3 be able to operate between 05h00 and 21h30;
- 3.2.2.4 operate at a minimum Load factor of 50% per year;
- 3.2.2.5 include a minimum Stable Load electrical generation capacity of at most 25% of Project Contracted Capacity;
- 3.2.2.6 must be able to reach Project Contracted Capacity and shut down in at most 15 minutes from cold start;
- 3.2.2.7 must be able to be synchronised to the electricity grid in under 5 minutes from trigger;
- 3.2.2.8 have minimum starts and stops of 365 times per year and maximum starts and stops of 800 times per year;
- 3.2.2.9 provide Instantaneous Reserves of 3% of Project Contracted Capacity in 10 seconds; and
- 3.2.2.10 deliver Regulating Reserves of 10% of MCC at a ramp rate of at least 1.67% of Project Contracted Capacity per minute;

3.2.3 The Projects may comprise of any of the following:

- 3.2.3.1 a single Facility using a single technology solution, on a single Project Site;
- 3.2.3.2 multiple Facilities using different technology solutions (i.e. Fuel and non-fuel based generation), on a single Project Site, or
- 3.2.3.3 multiple Facilities using different technology solutions, on multiple Project Sites.

- 3.3 In terms of this Risk Mitigation IPP Procurement Programme, the Bidders will be required to bid the Charge Rates used to calculate the Evaluation Price which will be payable by the Buyer pursuant to the 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 (Comparative and Competitive Evaluation Criteria) of the RFP and will form part of the basis on which the Department will select the Preferred Bidders.
- 3.4 The configuration and technology to be used by Bidders in respect of the power generation equipment should conform to the requirements of clause 5.7 (*Technical Qualification Criterion 4.2: Proven Design and Technology Requirements*) of Volume 3 (*Technical Requirements*) Part 1 (*Technical Qualification Criteria*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP.
- 3.5 The Energy Output generated under this Risk Mitigation IPP Procurement Programme must be new generation capacity, as defined in the New Gen Regulations. For the purposes of this Risk Mitigation IPP Procurement Programme, Bidders who wish to use brownfield sites for the purposes of their Projects must ensure that the existing equipment and machinery used for the generation of electricity on the proposed Project Sites, in respect of each Facility forming part of the Project, are completely decommissioned and that a new Facility, in respect of each Facility forming part of the Project, is built on the existing site in order to participate in this Risk Mitigation IPP Procurement Programme. For the avoidance of doubt, infrastructure such as roads, rail sidings, buildings and storage facilities may be retained and need not be demolished and rebuilt.
- 3.6 Alternatively, Bidders may construct a completely new Facility, in respect of each Facility forming part of the Project, alongside an existing facility on the same or adjoining piece of land as that of the existing facility. However, in this instance, only the new Facility will be considered as a Bidder's proposed Project under this Risk Mitigation IPP Procurement Programme. Each new Facility may share infrastructure with the existing facility, provided that the new Facility has unconditional, irrevocable rights (and to the extent possible, real rights) in the shared infrastructure which must remain in full force and effect despite any future deregistration of the owner of the existing facility or decommissioning of the existing facility. If the Facility will share infrastructure, the Bidder must provide comprehensive and detailed evidence, in its Bid Response, proving that the requisite rights exist in favour of the new Facility.

- 3.7 Each Project must have a Contracted Capacity of not more than 450 (four hundred and fifty) MW, as specified in more detail in clause 4 (*Technical Qualification Criterion 3: Eligible Capacity*) of Volume 3 (*Technical Requirements*) Part 1 (*Technical Qualification Criteria*) of Part B (*Functional and Qualification Criteria Requirements*) of the RFP. The prescribed minimum Contracted Capacity for Projects that wish to participate in this Risk Mitigation IPP Procurement Programme is 50 (fifty) MWs.
- 3.8 The Risk Mitigation IPP 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 submissions.

4. RFP COMPLIANCE REQUIREMENTS

- 4.1 The evaluation of Bid Responses will, subject to the relevant provisions of clause 9 (Structure of the Risk Mitigation IPP Procurement Programme) of the Part A (General Requirements, Rules and Provisions) of the RFP, be conducted in 2 (two) distinct stages for each Bidder which submits a Bid Response in this Risk Mitigation IPP Procurement Programme.
- 4.2 In order to meet the requirements of Part B (Functional and Qualification Criteria) of the RFP and the Volumes thereto, Bidders are required to submit Bid Responses in respect of prospective Dispatchable power generation Projects that can meet the Performance Requirements under the Risk Mitigation IPP Procurement Programme. The Bid Responses will consist of the Bidders' responses to the Qualification Criteria in Volume 2 (Legal Requirements) Part 1 (Legal Qualification Criteria), Volume 3 (Technical Requirements) Part 1 (Technical Qualification Criteria), Volume 4 (Financial Requirements) Part 1 (Financial Qualification Criteria), Volume 5 (Economic Development Requirements) Part 1 (Economic Development Qualification Criteria), clause 7 (Completion of Volume 6 (PPA and IA Tables)) and clause 8 (Value for Money) of Part B (Functional and Qualification Criteria Requirements) of the RFP.
- 4.3 All Bid Responses will be assessed in order to determine whether they are Compliant Bids 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 2.5 (Format of the Bid Response) of Part B (Functional and Qualification Criteria Requirements) of the RFP and meets or exceeds the requirements in respect of every applicable Qualification Criterion set out in Volume 2 (Legal Requirements), Volume 3 (Technical Requirements), Volume 4 (Financial Requirements), Volume 5 (Economic Development Requirements), clause 7 (Completion of Volume 6 (PPA and IA Tables)) and clause 8 (Value for Money) of Part B (Functional and Qualification Criteria Requirements), including in respect of sub-criteria which are set out under an umbrella category of 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 Legal Qualification Criteria, including Land Acquisition and Land Use Criteria and Environmental Consent Criteria, (Volume 2 (Legal Requirements) Part 1 (Legal Qualification Criteria) of Part B (Functional and Qualification Criteria Requirements) of the RFP;

4.4.2 Technical Qualification Criteria (Volume 3 (Technical Requirements) Part 1 (Technical Qualification Criteria) of Part B (Functional and Qualification Criteria Requirements) of the RFP;

4.4.3 Financial Qualification Criteria (Volume 4 (Financial Requirements) Part 1 (Financial Criteria) of Part B (Functional and Qualification Criteria Requirements) of the RFP;

4.4.4 Economic Development Qualification Criteria (Volume 5 (Economic Development Requirements) Part 1 (Economic Development Qualification Criteria) of Part B (Functional and Qualification Criteria) of the RFP;

4.4.5 Completion of PPA and IA Tables (clause 7 (Completion of PPA and IA Tables) of Part B (Functional and Qualification Criteria Requirements) of the RFP); and

4.4.6 Value for Money (clause 8 (Value for Money) of Part B (Functional and Qualification Criteria Requirements) of the RFP.

- 4.5 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), clause 7 (Completion of Volume 6 (PPA and IA Tables)) and clause 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.
- 4.6 In the second stage of evaluation, using Part C (Comparative and Competitive Evaluation Criteria) of the RFP, and subject to relevant provisions of clause 9 (Structure of the Risk Mitigation IPP Procurement Programme) of Part A (General Requirements, Rules and Provisions) of the RFP, Compliant Bids will be evaluated on a comparative basis, in relation to the Evaluation Price and Economic Development only. More detail on this evaluation can be found in Part C (Comparative and Competitive Evaluation Criteria) of the RFP.

5. CONTRACTUAL FRAMEWORK

- 5.1 If a Bidder is successful, it will sign the Preferred Bidder Project Development Undertaking ("PB PD Undertaking") upon selection as Preferred Bidder and thereafter, entering into an Implementation Agreement, a Power Purchase Agreement ("PPA"), Direct Agreement (where applicable) and Connection Agreements with the relevant counterparties.
- 5.2 The Project Company of a Bidder must be a special purpose Company established with the sole purpose of undertaking the Bidder's Project, and, subject to the terms and conditions of Part A (General Requirements, Rules and Provisions) of the RFP, all Shareholders are required to be Members of the Bidder that designates that Project Company to be a Seller.
- 5.3 Each Bidder that is selected as a Preferred Bidder will provide the Department with a signed PB PD Undertaking pursuant to which the Preferred Bidder will commit to developing the proposed Project in accordance with the Bid Response submitted by that Preferred Bidder, as well as in accordance with the terms of the RFP and, in particular, the PB PD Undertaking. The Preferred Bidders shall commit to time frames within which to develop the proposed Projects, and, if necessary, to appoint the

relevant role players in respect of their Projects, which role players will be stipulated in the PB PD Undertaking. The Preferred Bidders will also be required, in terms of the PB PD Undertaking, to provide the Department with regular updates regarding the progress and developments of their Projects. The terms and conditions of the PB PD Undertaking to be provided by each Preferred Bidder to the Department will not be subject to negotiation with the Department by the Preferred Bidder and or its Project Company.

5.4 Pursuant to the PB PD Undertaking, at least 1 (one) month before the scheduled Commercial Close for a Project, the Preferred Bidder must submit, inter alia, all outstanding Consents, documentation and or information, as the case may be, including substantially developed, negotiated and agreed Project Documents, a Financial Model, and all applicable technical documents and drawings in respect of the Project to the Department.

5.5 The Project Company of a Preferred Bidder:

5.5.1 will, if the Preferred Bidder complies with the terms and conditions of appointment, the provisions of the RFP, and the PB PD Undertaking provided to the Department after selection as a Preferred Bidder, 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. The draft Implementation Agreement issued with the RFP may not be marked-up by Bidders or a Preferred Bidder and will not be subject to negotiation with the Department by the Preferred Bidder or its Project Company;

5.5.2 which enters into the Implementation Agreement, will enter into a PPA with the Buyer in respect of the Net Dependable Capacity made available; the supply of Energy Output, and the undertaking of Start Ups in relation to its Facility on the basis that the Buyer shall be obliged to purchase such Net Dependable Capacity and the Energy Output delivered to the Delivery Point as well as the provision of Ancillary Services. The draft PPA issued with the RFP may not be marked-up by Bidders or a Preferred Bidder and will not be subject to negotiation with the Department or the Buyer by the Preferred Bidder or its Project Company;

5.5.3 which enters into a PPA, will also enter into a Transmission Agreement with the National Transmission Company ("NTC") or a Distribution Agreement and if applicable, the Self-Build 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. The draft Connection Agreements issued in Volume 2 (Legal Requirements) Part 4 (Connection Agreements) of Part B (Functional and Qualification Criteria and Requirements) of the RFP may not be marked-up by Bidders or a Preferred Bidder, and will not be subject to negotiation with the NTC or Eskom by the Preferred Bidder or its Project Company; **and**

5.6 which enters into the aforesaid agreements, may enter into a:

5.6.1 Direct Agreement with its Lenders, the Department and the Buyer in respect of each of the Implementation Agreement and the PPA; and

5.6.2 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 or if applicable, the Self-Build Agreement, as the case may be; or

5.6.3 municipal direct agreement with its Lenders and the municipal Distributor in respect of the Municipal Distribution Agreement.

5.7 If the Preferred Bidder fails to comply with its obligations in terms of the PB PD Undertaking, the PB PD Undertaking may be terminated in accordance with its terms and the Preferred Bidder may lose its status as a Preferred Bidder. In this instance, the Department will have no further obligations towards that Preferred Bidder.

6. TIMETABLE FOR THE RISK MITIGATION IPP PROCUREMENT PROGRAMME

The following is the timetable for the Risk Mitigation IPP Procurement Programme

	Anticipated Date
Issue of RFP	24 August 2020
Bidders' Conference	Two weeks following the release of the RFP. The exact date will be communicated
Last date for Bidders to submit written questions in terms of clause 31 (<i>Time for requests and clarifications</i>) of Part A (<i>General Requirements, Rules and Provisions</i>)	15 October 2020
Bid Submission Phase stages	
Bid Submission Notification Date	30 October 2020
Bid Submission Date	24 November 2020
Announcement of Preferred Bidders	15 December 2020
Preferred Bidders to provide signed PB PD Undertakings to the Department	Not later than 15 (fifteen) Business Days after announcement of Preferred Bidders
Commercial Close and Financial Close	4 (four) months after announcement of Preferred Bidders

7. 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 Risk Mitigation IPP website www.ipp-rm.co.za; or alternatively queries can be addressed to Query@ipp-rm.co.za.