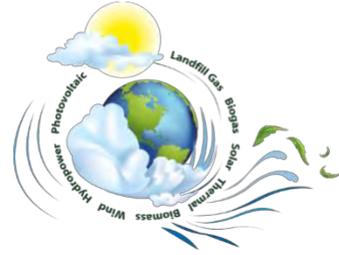




mineral resources
& energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA



JOINT MEDIA STATEMENT

SIGNING OF RISK MITIGATION INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME (RMIPPPP) PROJECT AGREEMENTS

2 June 2022

The Minister of Mineral Resources and Energy is pleased to announce the first three projects to sign project agreements under the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) on Thursday, 02 June 2022.

“The signing of these projects carries the full support of government. The RMIPPPP was unique in approach wherein diverse technologies and their application were allowed to compete. This approach allowed the Bidders to tailor make solutions that would meet the specification to close the energy and capacity gap as prescribed by Eskom System Operator,” said Minister Mantashe.

The signing took place at the IPP Offices in Centurion, where Minister Mantashe, Acting Director General of the Department of Mineral Resources and Energy, Patricia Gamede, Eskom CEO Andre de Ruyter, and Head of the IPP Office, Bernard Tshifhiwa Magoro, outlined the significance of the signing the three Scatec Solar PV and Battery Storage projects, Kenhardt 1, 2 and 3, and the way forward with concluding the signing of the remaining 8 projects procured under the RMIPPPP in 2021.

Mr Magoro highlighted that the 3 Scatec projects signed on 02 June 2022, are a “first of a kind” in South Africa, combining Solar PV and Battery technologies to contribute 150MW of dispatchable capacity to the national grid. All three projects are located in Kenhardt in the Northern Cape Province. Together, the projects have attracted R16 billion in investment and will create around 4 968 job opportunities (measured in job years) during construction and operation phases of the projects. The projects are expected to deliver energy within 12 to 18 months from financial close.

Following the signing of the project agreements, the three Scatec IPP projects will have up to 3rd August 2022 within which to finalise conditions precedent to conclude financial close and start with project construction. This grace period has been extended to the projects with the acknowledgement that regulatory approvals and the Agreements were only concluded recently and therefore projects will require some time to complete their due diligence and negotiations with lenders to finalise contracting and financing arrangements. The projects commit to reaching financial close by no later than end of July 2022.

“Today’s signing acknowledges this landmark achievement by the government, as well as the private sector in achieving this milestone in the RMIPPPP process. This unique solar and storage project signifies change within Africa’s renewable energy landscape and will be one of the largest renewable energy and storage projects in the world. With these agreements being signed, we are working towards financial close under the timelines and conditions as stipulated by the authorities,” said Scatec CEO Terje Pilskog.

Mr Magoro highlighted that the remaining 8 projects will still be given an opportunity to finalise and resolve outstanding matters, without going into detail on the individual project issues due to the sensitivities of the contractual discussions.

“There is collective agreement amongst all parties to expedite the resolution, recognising that any decisions taken must in line with the requirements set out in the Request for Proposals (RFP) and public procurement legislation.” said Magoro.

“Eskom is pleased we have arrived at a point we can really bring much-needed additional generation capacity onto the national grid, which is urgently needed at this point,” said De Ruyter. *“Eskom will continue to do everything we can to assist the DMRE to facilitate the introduction of further generation capacity in the best interests of the whole country.”*

Minister Mantashe re-confirmed government’s commitment to roll-out the new generation procurement more regularly, to provide a line of sight to potential investors on energy investment opportunities. He emphasized that in order to retain the lively interest from developers and investors, there are a number of critical issues that will need to be considered as government plans the roll-out of the new procurement bid

windows. These include addressing transmission capacity on the national grid to enable more projects to connect in high productive areas, growing local investment value chains, and ensuring that socio-economic development interventions are sustainable, impactful and align to the local economic development objectives in the provinces where they are located. He extended his gratitude to the private sector partners for supporting South Africa with its economic transformation agenda, and the critical objective of securing the supply of electricity to all South Africans.

Background

The RMIPPPP bid window was released to the market on 24 August 2020, following the promulgation of the Ministerial Determination of 2 000MW, with concurrence from NERSA. The main objective of the bid window is to help close the supply gap indicated in the Integrated Resource Plan (IRP2019) and reduce the extensive utilisation of expensive diesel-based peaking electrical generators in the medium to long-term.

This unique concept of an output-based and technology agnostic RFP was untested in the South African energy landscape, and indeed to a large extent globally. The system requirements have been specified by Eskom Systems Operator, and required that projects should be sized between 50MW to 450MW and deliver dispatchable, flexible generation between 5h00 to 21h30, thereby complementing the daily demand profile and is line with load-shedding times that we have been experiencing. The RFP also required that solution has to be able to provide energy, capacity and ancillary services to Eskom. Projects could consist of a single facility or a portfolio of facilities which includes Dispatchable and Non-Dispatchable facilities.

As with other IPP procurement the RMIPPPP was also designed to stimulate economic growth and support socio-economic transformation throughout the full value chain. In this respect, the RMIPPPP enhanced the Economic Development framework and set progressive thresholds and targets for development commitments during the construction and the operational lifetime of IPPs.

On Bid Submission Day, 22 December 2020, a total of 28 Bid Responses were received with Contracted Capacity of 5117 MW, confirming solid interest from the

market. The bid evaluation took place over about an 8 week period and was conducted at the IPP Office in a highly secured environment by an independent multidisciplinary evaluation team which included: Weber Wentzel (Legal), WSP and Amandla (Technical), PWC and Mvuno Advisory Services (Financial) and Letsema Consulting (Economic Development). Independent auditors, Tic and Mend, provided governance oversight and assurance of compliance with public procurement requirements, The Preferred Bidders were then announced in two phases on 18th March 2022 and 1st June 2021.