



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

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COMMENTS BY MR. OMPI APHANE, ACTING DDG IN THE DEPARTMENT OF ENERGY, AT THE PRESS CONFERENCE ON THE PUBLICATION OF A REQUEST FOR INFORMATION FOR POTENTIAL DEVELOPERS OF RENEWABLE ENERGY PROJECTS UNDER THE REFIT PROGRAMME IN SOUTH AFRICA

Ladies and Gentlemen of the Media

This week is a truly “energetic” one for the Department of Energy, as years of hard work and research are finally surfacing into implementable projects – affording us the opportunity genuinely to make huge strides in delivering energy to the nation – and simultaneously marking South Africa as a leader in renewable energy supplies on this continent.

On Tuesday, at the successful Wind Energy Conference, we called you together to announce the progress on, and initial findings from, the pre-feasibility study by the Clinton Climate Change Initiative on Solar Energy. Today we bring you together to launch the start of our Renewable Energy Procurement Project under the REFIT Programme.

Background

As you know, South Africa has a high level of renewable energy potential. The focus on renewable energy was confirmed in 2003 with the launch of the Renewable Energy White Paper which targetted 10 000GWh (4%) of renewable energy by 2013. And while that paper set in place the process of preparation, this continued last year with the public hearings convened under the stewardship of NERSA.

Consequently: During 2009, NERSA announced the South Africa Renewable Energy Feed-in Tariff (REFIT) programme, Phases I and II. NERSA also published Regulatory Guidelines, a

draft Power Purchase Agreement (PPA) and Rules on Selection Criteria for Renewable Energy Projects under the REFIT programme for public comment (as per the Electricity Regulations on New Generation Capacity to the Electricity Regulation Act, 2006).

The Integrated Resource Plan (IRP1) published in January 2010, by the DoE, identified, the need for at least 1 025 MW from private sector renewable energy suppliers up to 2013. IRP 2010 – due to be published later this month – is expected to increase these targets.

But on to today's business:

In recognition of these targets and in order to contribute towards socio-economic and environmentally friendly sustainable growth, we at DoE identified a need to stimulate the renewable energy industry in South Africa. We already noted in the 2003 White Paper that:

“One key element of [a proposed renewable energy] programme will be the entrepreneurship and innovativeness of South Africa's industrial and financial sectors, and another element will be the development by the Government of appropriate policies and frameworks that would encourage and guide the private sector.”

So what have we at DoE – and our partners present here today [the PPP Unit in National Treasury and the DBSA] – been doing this year?

As you might be aware, the Inter-ministerial Committee on Energy (IMC) was divided into a number of working groups, including: Protection of the Poor; Electricity Distribution; IRP; Economic Impact; DSM and Energy Efficiency; Nuclear; IPPs; Kusile transaction and Eskom funding; Coal Haulage and Logistics; Communications; and Renewable Energy.

In preparation for the REFIT programme the DOE initiated a review of the following areas to ensure an investor-friendly enabling environment:

- A review and evaluation of the current enabling regulatory and legal environment. This includes the different roles of government stakeholders, the cost recovery mechanism, selection criteria and necessary government support to the REFIT programme, and the necessary amendments for a successful procurement process;
- A review and evaluation of the institutional structures and decision-making processes for the procurement and implementation of independent power projects;

- Development of a set of standardised procurement documentation i.e. PPA, a Lender's Direct Agreement; and Transmission and Connection Agreements;

Given the above: The DoE, the National Treasury, the Department of Public Enterprises, Department of Environmental Affairs, Eskom and NERSA and others, are in the process of identifying and making the required amendments to the enabling environment.

In addition, the work previously done by NERSA, has been successfully integrated as an input into the drafting of the standardised procurement documentation and the required amendments to the Electricity Regulations on New Generation Capacity (the New Gen Regulations).

The Revised New Gen Regulations will be released for public comment during October 2010 to be promulgated in November 2010. The procurement documentation is planned for release after promulgation of the New Gen Regulations i.e. November 2010.

Before the release of the procurement documentation to the market, we intend to make a ministerial determination in terms of Section 34 of the Electricity Regulation Act regarding the buyer under the REFIT programme.

But today marks the start of our procurement process.

You might have noticed a call for transaction advisors in an advert placed in the weekend media by the DBSA – along with the PPP Unit in National Treasury, our partners in this endeavour. Today we officially launch a Request for Information (RFI). The RFI is aimed at potential private developers of renewable energy projects - wind, solar, biomass, biogas, small hydropower and landfill gas – and / or co-generation projects.

We have entered into a Memorandum of Agreement signed between the Department of Energy (DoE), National Treasury and the DBSA on Independent Power Producers (IPPs).

Our intention in releasing this Request for Information (RFI) is to get potential developers of renewable energy projects to indicate their interest in – or to provide information on - the progress of their projects in South Africa under the Renewable Energy Feed-In Tariff (REFIT). In short, we hope that the RFI will provide us with enough information to assess the progress developers have made since the announcement of the REFIT programme as well as the

readiness of the market to enter into intensive procurement and fast-track negotiation processes.

Indications of interest and information are being sought from developers who have renewable energy projects ready (i.e. comprehensive feasibility studies have been completed which indicate project feasibility). These projects could be in wind, solar, biomass, biogas, landfill gas and small hydropower projects.

We have also called for Indications of Interest from potential developers of cogeneration projects - as well as from small project developers (small projects are defined as projects smaller than 5MW but bigger than 1MW).

Submissions from other potential participants including municipalities, financial institutions (providers of debt and equity financing, export credit agencies, development finance institutions); technology and equipment suppliers are also solicited.

The results of the RFI will inform the design of the procurement process and documentation, the criteria to be developed for selection of the preferred candidates as well as the capacity and resources required by the Government for the successful implementation of this initiative.

The Process: Some Ground Rules

The DOE is committed to an independent, open, fair and transparent procurement process – and, with the help of our partners in Government and a top team of transaction advisors, a quick and successful negotiation process.

The process envisaged includes an RFI, followed by a RFP – and thereafter the commencement of a procurement process under the REFIT guidelines.

We have reassured bidders that all information submitted in response to this RFI will be considered and treated by the DOE as confidential and will only be used to develop the procurement process and documentation for the REFIT programme.

Potential bidders are required to revert by **Thursday 7 October 2010** – in one week. While the time to revert appears short, let me explain:

We have called this RFI a “market sounding”. We will utilise the information submitted to inform our procurement next steps – either an RFQ or an RFP. So let me assure you, that, while we would prefer all potential participants under the REFIT programme to submit responses to the

RFI within the week, no potential bidders will be disqualified from the REFIT procurement process by *not* submitting information under this RFI.

So Who Should Respond?

The eligibility criteria under REFIT Phases I and II should be used in guiding potential respondents in whether they should provide a response. The criteria define a qualifying renewable energy power generator as "... a new investment in electricity generation using the following technologies:

- biogas (≥ 1 MW)
- biomass solid (≥ 1 MW)
- Concentrated Solar Power (CSP) trough with and without storage (≥ 1 MW)
- CSP tower with storage of six hours per day (≥ 1 MW)
- Large scale grid connected photovoltaic systems (≥ 1 MW)
- Small hydropower
- Landfill gas
- On-shore wind."

Let me remind you that:

The full RFI document is available on the Department of Energy and National Treasury (PPP Unit) websites as well as the DBSA: www.energy.gov.za, www.ppp.gov.za; www.dbsa.org.

Hard copies may be obtained from the DoE at 70 Meintjies Street, Trevenna Campus, Sunnyside, Pretoria.

The closing date for submissions is Thursday 7 October 2010 at 12h00

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Questions

