

## Briefing notes for the Director General

31 August 2011

As you may be aware, the department launched its Integrated Resource Plan (IRP2010) at the beginning of the year 2011. The plan marks a twenty year projection on electricity supply and demand in the country, whilst taking into account the import and export of power.

In terms of the IRP2010, about 42 percent of the electricity generated in the country is required to come from renewable resources. The forthcoming launch of the Renewable Independent Power Producers (IPP) Programme, confirms the commitment by the South African government to implement the approved IRP2010. I am of the view that the procurement of renewable IPPs will go a long way in assisting the countries unemployment concerns by creation jobs, principally in rurality areas; this is for the reason that most of the renewable IPPs will be located in remote areas with limited economic activities.

The Renewable IPP Programme is not a replacement for the Renewable Energy Feed-In Tariff (REFIT) Programme. As you may be aware, the department, together with the National Energy Regulator of South Africa (NERSA), launched the REFIT Programme years ago under the provisions of the Electricity Regulation Act of 2006. After several attempts, it became clear that the current Act does not provide the necessary requirements for the implementation of the REFIT Programme.

It was only prudent for the department to take a responsible decision and implement another programme outside of the REFIT Programme, whilst dealing with the legal challenges associated with it. It was essential for the department to precede with the implementation of renewable energy initiatives to maintain credibility of the country. In due time, a REFIT Programme may be implemented depending on the successful amendment of the primary legislation to allow for execution of such a programme. I am of the view that the REFIT Programme will play a vital role in bringing small projects into the grid.

Having mentioned the implementation of small projects through REFIT, the department has already initiated another programme aimed at procuring small renewable IPPs; these IPPs would be less than 5MW. It is important to note that the department expects this process to be less demanding on the part of the IPPs. I believe that this programme will give the local community an opportunity to initiate their own generation businesses and sell power to the national grid.

The electricity generation industry is an exceptionally expensive one, more especially if one were to build a large power station. The risks of undertaking such a project are very high and interested investors ought to have sufficient capital to fund the construction of a power plant. We expect larger companies with a strong balance sheet to participate in the current renewable procurement programme. Having had said that, companies shall be expected to have their own BEE structures in place, as well as specific commitments in terms of local content.

A bidders' conference is proposed to be on the 14 of September 2011, to allow bidders an opportunity to ask clarity questions about the procurement documents. I hope that bidders will use the planned conference effectively in dealing with issues pertaining to the procurement documents.