

Questions and Answer

31 August 2011

What is the appetite from the investors after the release of the REFIT Procurement documents;

Bidders are very keen to participate in the Renewable Independent Power Producers Programme (“the Programme”). We have received over 400 registrations to date and 200 bidders have paid the registration fee of R15 000.

What informs R15000 non refundable fee?

With regard to the fee, it is an international practice to request a registration fee on projects of this nature. The fee serves as self selection criteria to ensure that the department is not flooded with too many registrations whilst some may not afford the cost of building a power station.

How many investors will be attending the bidders’ conference?

At this point, we anticipate that over 600 participants will attend the conference.

How will small investors be assisted to raise capital for this project?

The department is working closely with National Treasury and its financial development institutions in assisting the small players with viable project proposals.

Note:It should however be noted that the department will be launching another programme for small projects less than 5MW. This programme will benefit mainly small projects requiring limited capital. The qualification requirement for this programme will be less demanding on the developers.

Why has the announcement of the procurement process for renewable energy been delayed this long?

It was important for the department to ensure that the regulatory framework is aligned with the procurement of renewable energy for Independent Power Producers.

Why change from REFIT?

The current legal framework governing the electricity sector in RSA does not allow REFIT in the guise that had been anticipated; hence a revised procurement process in line with the existing regime had to be developed.

Why were powers of the regulator minimized under the new regulations on new generation capacity published by the department on the 4th of May 2011?

The previous regulation was not aligned with the Principal Act (Electricity Regulation Act of 2006). In terms of the Act, the regulator is mandated to issue licenses but not to develop a procurement framework including power purchase agreements. Under the old regulations, the regulator would have worked outside of its legal mandate provided under the Principal Act.

Why is the DoE's Peaker Project being excluded or excepted from the ambit of the regulations?

The DOE peaker project predates the new generation capacity regulation.

The IRP requires 300 MW of Solar PV to come on stream by 2012 i.e. 6 months from now. Refit was one of the ways in which we could pay for it. Given the extent of the delays to date is it at all likely that the roll out of renewable energy to feed into the grid will happen within the time frame set out by the IRP? Will we meet the Renewable Energy White Paper aspiration of 10 000 GWh by 2013?

The procurement process has been launched and we believe the market will respond accordingly. It is our conviction that we will get maximum value out of the current procurement process. We believe that by 2015 we would definitely have exceeded the 10 000 GWh target.

How many wind farm applications have been submitted?

At this stage we cannot indicate the applications that have been received for EIA permitting under the various technologies. Our focus is on ensuring the availability of sustainable energy in line with the best available technologies.

Can you please give me the names of a few of these IPPs?

We have only issued the request for qualifications and proposals. We have not received the bids back yet.

Would government consider private sector investment in the distribution network as a way to deal with the funding issue?

We are currently working with local authorities in finding lasting solutions for the distribution networks. The current legal framework guides us on what can and cannot be done.

Where can one download the DoE's renewable energy Request for Proposal (RFP) form? Or where can one find information regarding this?

For any information regarding the renewable IPP programme, visit: www.ipp-renewables.co.za. It should be noted one must register and pay R15, 000 to access the procurement documents. This fee will be reduced for small projects to be launched in due course.

How will the change from REFIT to IPP Procurement affect the integrated resource plan?

The procurement regime has no effect on the required MW in terms of the IRP at this stage.

What are the time lines for this process and when can we expect the alternative energy to enter the grid?

There are a number of window periods pursuant to achieving our RE targets. We are expecting bids before the end of this year. From thereon, financial close and construction will depend on the readiness and fitness of developers and other commercial factors as to when first power will be on the grid.

Some developers are claiming they will lose money developing projects with a REFIT in mind - does the department take any responsibility for this?

Our procurement programme kick started in July/August when we launched the documentation. It must also be borne in mind that Refit never guaranteed any entity a contract or a tender; it would still have been subjected to a form of qualification and selection.