



## **MEDIA STATEMENT**

**Date: 25 September 2020**

### **KEY MESSAGES FROM THE RISK MITIGATION INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME (RMIPPPP) BIDDERS CONFERENCE, HELD ON 25 SEPTEMBER 2020**

The Department of Mineral Resources and Energy (DMRE) convened a Bidders' Conference for the recently launched Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) on Friday 25 September 2020. Hosted on a virtual platform, the conference was attended by more than 1 000 delegates, including registered and other interested bidders, project developers, financiers and energy sector stakeholders.

South Africa is currently facing an electricity power supply crisis and the expeditious procurement of energy into the national grid is critical to maintain security of supply to support economic recovery. The Integrated Resource Plan (IRP 2019) indicates a short-term electricity supply gap of approximately 2 000 MW between 2019 and 2022. Various views have been expressed on the size of the gap with Eskom itself stating its own requirements as 4 000 MW in the short to medium term. The RMIPPPP is a direct response to fill 2 000 MW of the supply gap, and reduce the extensive utilisation of expensive diesel-based peaking electrical generators in the medium to long-term.

In outlining its key features, IPP Office stated that the RMIPPPP is an innovative approach that once again puts South Africa at the forefront of global innovation in the electricity procurement process. It is not business as usual of just putting MW on-line. A defining and innovative feature of the RMIPPPP is that it is a one-of-a-kind output-based Request for Proposal (RFP) that seeks to procure an optimal solution to meet grid requirements, without being prescriptive in terms of the technology to be procured. The system requirements have been specified by Eskom as the System Operator, specifying that the procured solution should be dispatchable, flexible generation able to operate between 5h00 to 21h30. This complements the daily demand profile and is in line with the load-shedding times that we have been experiencing. The solution also has to be able to provide energy, capacity and ancillary services to Eskom.

Affordability and keeping the cost of new power to both Eskom and end consumers as low as possible, is a further critical element of the RFP design. Recognising that the cost of fuel is expensive, the RFP allows a portfolio approach whereby a developer can bid a portfolio of two or more facilities, which will constitute one project. This could result in a combination of technologies, and the blended price of these combined facilities will be much lower than a single fuel-based power plant.

Speaking on behalf of the DMRE, the IPP Office indicated that the RFP specifies a long-stop date for the last permissible commercial operation date as the end of June 2022. The RMIPPPP hopes to attract projects that are fully developed or near ready and that will be able to connect and supply power quickly, without requiring major works on the grid integration side. The programme also aims to further government's objectives to decarbonize the energy system by advancing technologies that emit less CO<sub>2</sub>.

The RMIPPPP risk allocation methodology was developed through extensive consultation between the DMRE, National Treasury, NERSA, Eskom and Department of Public Enterprises to make sure the Power Purchase Agreement (PPA) remains bankable, providing confidence to investors.

The IPP Office emphasised that, as we face the post-COVID economic recovery, the RMIPPPP procurement programme is designed to stimulate economic growth not only by adding more capacity to the grid but, also through providing support to the socio-economic transformation agenda throughout the full value chain of a project. The Economic Development framework is based on the bespoke scorecards previously used under the Renewable Energy and Coal IPP Programmes but, have been amended to be more aligned with the Amended BBBEE Codes. Progressive thresholds and targets have been set for development commitments during the construction and the operational lifetime of IPPs, and local content requirements in particular are more progressive.

The DMRE reminded all interested parties that the next milestone of the RMIPPPP is the bid submission date of 24 November 2020. Preferred Bidders are expected to be announced during December 2020, with commercial and financial close anticipated within 4 months of the Preferred Bidders announcement.

Further information on the Risk Mitigation IPP Procurement Programme can be obtained from <https://www.ipp-rm.co.za/>