



Media Statement

Date: 28 October 2021

DEPARTMENT OF MINERAL RESOURCES & ENERGY

During a media briefing today on 28 October 2021 the Minister of Mineral Resources and Energy Gwede Mantashe, announced the Preferred Bidders selected under the Fifth Bid Window of the Renewable Energy Independent Power Producer Procurement Programme, also known as the REIPPPP Bid Window 5.

The highly anticipated REIPPPP Bid Window 5 was released to market on 12th April 2021, and is the first bidding round to be launched under the Second Determination by Minister Mantashe on 25th September 2020. The bid window aims to procure a total of 2 600 Megawatts, which include 1 600 Megawatts from onshore wind and 1 000 MW from Solar PV plants.

The Bid Submission was on 16th August 2021 and attracted a total of 102 Bid Responses with an oversubscribed total capacity of 9 644 Megawatts. The evaluation process was conducted over a period of 6 weeks by an independent Evaluation Panel of Transactional Advisors, overseen by an Independent Governance Team to ensure that the evaluation is done in accordance with the procurement prescripts. The whole process was managed by the IPP Office, under strict security measures.

The outcomes of the evaluation have resulted in the selection of 25 Preferred Bidders, procuring a total of 2 583MW of Contracted Capacity. The procured Contracted Capacity is divided, as follows:

- 1 608MW from Onshore Wind; and
- 975MW from Solar Photovoltaic.

The details of the Preferred Bidders announced by Minister Mantashe are as follows:

Project Name	Fully Indexed Price (ZAR/MWh)	Contracted Capacity (MW)	Location (Province)	Local Municipality
Coleskop WEF	R601.17	140	Eastern Cape	Inxuba Yethemba

Project Name	Fully Indexed Price (ZAR/MWh)	Contracted Capacity (MW)	Location (Province)	Local Municipality
Wolf Wind Farm	R617.70	84	Eastern Cape	Dr Beyers Naude
Sannaspos Solar PV Project	R479.00	75	Free State	Mangaung
Grootspruit Solar PV Project	R476.50	75	Free State	Matjhabeng
Kentani Solar Facility	R374.79	75	Free State	Tokologo
Klipfontein Solar Facility	R374.79	75	Free State	Tokologo
Klipfontein 2 Solar Facility	R374.79	75	Free State	Tokologo
Leliehoek Solar Facility	R374.79	75	Free State	Tokologo
Braklaagte Solar Facility	R374.79	75	Free State	Tokologo
Sonoblomo Solar Facility	R374.79	75	Free State	Tokologo
Waaiohoek Wind Facility	R529.78	140	KwaZulu-Natal	eMadlangeni
Du Plessis Dam Solar PV 1	R475.45	75	Northern Cape	Emthanjeni
Dwarsrug Wind Facility	R344.25	124	Northern Cape	Hantam
Sutherland Wind Facility	R428.27	140	Northern Cape	Karoo Hoogland
Rietrug Wind Facility	R428.27	140	Northern Cape	Karoo Hoogland
Graspan Solar PV Project	R470.00	75	Northern Cape	Siyancuma
San Kraal WEF	R564.45	140	Northern Cape	Unsobomvu
Phezukomoya WEF	R564.45	140	Northern Cape	Unsobomvu
Brandvalley Wind Farm	R496.90	140	Western Cape	Laingsburg
Rietkloof Wind Farm	R502.70	140	Western Cape	Laingsburg

Project Name	Fully Indexed Price (ZAR/MWh)	Contracted Capacity (MW)	Location (Province)	Local Municipality
Beaufort West Wind Facility	R427.41	140	Western Cape	Prince Albert
Trakas Wind Facility	R427.41	140	Western Cape	Prince Albert
Grootfontein PV 1	R484.60	75	Western Cape	Witzenberg
Grootfontein PV 2	R484.60	75	Western Cape	Witzenberg
Grootfontein PV 3	R484.60	75	Western Cape	Witzenberg

The majority of the Bid Responses were well prepared resulting in a high level of competition. The weighted average Fully Indexed Price of the Preferred Bidders, including both wind and Solar Photovoltaic is R473.94/MWh. This is the lowest price achieved by the REIPPPP since its inception in 2010. The average price would have been even lower if it was not for the grid constraints that prevented some of the cheaper projects from being selected as Preferred Bidders. More investment in grid infrastructure is a critical requirement to ensure participation by cheaper renewable projects in future, especially in those areas with higher solar radiation yield. The 12 Wind projects selected as Preferred Bidders have a weighted average Fully Indexed Price of R495.22/MWh, whilst the 13 selected Solar PV projects have a weighted average Fully Indexed Price of R428.79/MWh.

The 25 projects will further create a total of 13 903 job years, of which 7 743 job years will be created during the construction period and a further 6 160 jobs during the operations period of the 20-year PPA term. Of these, 72% of jobs will be for South African Citizens – a total of 10 048 SA jobs, of which 5 450 job years will be during the construction period and 4 598 jobs during the operations period.

As with all previous REIPPPP programmes, the fifth bid round also set out a number of key Economic Development targets to be achieved by the Bidders. In this regard, the 25 projects appointed as Preferred Bidders have achieved South African Entity Participation of 49.2% on average, against the minimum threshold of 49%.

The majority of the equity owned by South Africans has been taken up by black people. On average, black South Africans own 34.7% of the equity across the different projects, while the minimum threshold was 30%.

In line with the requirements in the Request for Proposals (RFP), the Preferred Bidders committed to 25% of ownership by black people in the construction companies. In

addition to the commitment during construction, the Preferred Bidders committed 28% ownership by black people during operation.

For the first time, the renewables programme introduced ownership by women in Project Companies as a qualification criteria. It is very encouraging that the Preferred Bidders committed an average of 7% black women ownership in Project Companies.

In an effort to stimulate local manufacturing and production in the renewable energy value chain, the RFP required projects to commit at least 40% local content during construction. This local content target can be achieved by purchasing local goods across the renewable energy value chain. On average, the 25 Preferred Bidders committed about 44% local spend during construction as a percentage of Total Project Value. This is in addition to the utilisation of designated components as determined by the Department of Trade, Industry and Competition.

For the first time, the RFP also required bidders to commit to local content during operation. In this regard, the Preferred Bidders have committed to spend about 41% of their committed budget during operations purchasing goods that are locally produced and that meet the requirements for local content.

These projects will continue to make a difference in the lives of not only those communities surrounding the power plants, but also others. Communities will own on average 2.5% of the REIPPPP BW 5 Projects. The Preferred Bidders have also committed a total of R 2.7 billion towards Socio-Economic Development and Enterprise and skills development initiatives over the 20-year lifetime of the projects.

The implications of grid connection constraints on new renewable energy investments, specifically in the greater Cape area, were widely reported following the release of Eskom's Generation Connection Capacity Assessment of the 2023 Transmission Network in July 2021. Minister Mantashe emphasised that with the appointment of these 25 Preferred Bidders, available grid connection capacity in the Northern Cape has now been fully saturated. Grid connection availability in the Western Cape, another historically popular site for renewable projects, has also been almost fully saturated.

A positive development for the future is, however, that a total of eight (8) projects were selected in the Free State Province, and the first renewable onshore wind project in KwaZulu-Natal Province were also selected as Preferred Bidders through this bid round. This promising trend indicates that the procurement of IPPs could very likely in future shift to other provinces, whilst the medium-term challenges around grid capacity development in other areas are addressed.

The appointed Preferred Bidders will be expected to reach Commercial Close in about 4 Months' time, subject to the required regulatory approvals. During this time, the Preferred

Bidders are also expected to finalise their outstanding approvals including, but not limited to, obtaining generation licences from NERSA.

The DMRE together with Eskom, as the buyer of the generated electricity, will also utilise this time to obtain the required government approval to enter into the commercial agreements. The appointed Preferred Bidders are expected to start generating electricity by earliest in April 2024.

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