



MINISTER OF MINERAL RESOURCES AND ENERGY

STATEMENT TO THE PRESS

**TO ANNOUNCE PREFERRED BIDDERS FOR THE RISK MITIGATION IPP
PROCUREMENT PROGRAMME (RMIPPPP)**

AND

**TO RELEASE THE REQUEST FOR PROPOSALS (RFP) FOR BID WINDOW 5
RENEWABLE ENERGY IPP PROCUREMENT PROGRAMME (REIPPPP)**

MINISTER S.G MANTASHE, MP

March 18th, 2021

Ladies and gentlemen

Energy security of supply is the backbone of any economy. It acts as a stimulant and catalyst to economic growth and development.

Our country has become accustomed to intermittent electricity supply. Along with that is the continued rising pricing structure. Both these factors have an adverse impact on the ability of the economic sectors to deliver optimal production as well as the ability of the citizens to access electricity for household use.

The Integrated Resource Plan (IRP) 2019 identifies the necessary generation mix of technologies to respond to the demand for electricity. Inherent in the planning process is the commitment to energy security, cost efficiency and effectiveness, and environmental sustainability. The rollout of electricity infrastructure envisaged in the IRP is carried out in line with the Ministerial Determinations that are issued under Section 34 of the Electricity Regulations. These determinations facilitate the process of procuring the required electricity capacity.

In his State of the Nation Address 2020, the President announced various measures that the Department of Mineral Resources and Energy (DMRE) would need to implement, to confront the energy shortages. Among these measures were the urgent need to:

- Procure power that can be brought online in the shortest possible time,
- Ease requirements and processes for generation for own use,
- Issue Section 34 Determinations in line with the IRP 2019; and
- Enable municipalities in good financial standing to generate or buy their own power.

Sooner than anyone of us had anticipated, our country and the world went into lockdown to stave off the devastation wreaked by Covid-19. The pandemic negatively affected lives and livelihoods. At this point, our economy was further driven deep into the mire by rating agencies.

In the light of the Covid-19 devastation and the challenges to our economy, the President announced the Economic Reconstruction and Recovery Plan. The Plan, which is a social compact between government, business and labour, is intended to fast-track reforms and reduce the cost of doing business in the country. It aims to ensure investment, achieve

economic growth and transformation. Once more, energy security of supply was recognised as critical to achieving the objective of economic recovery.

Against this backdrop, the Department embarked on the process of meeting the energy needs as required. In October 2020, in response to the President's directives on the Recovery Plan, we set ourselves a target of Thirteen Thousand Eight Hundred and Thirteen megawatts (13 813 MW), to be delivered from a mix of energy sources. This included, among others,

- Procurement of Two Thousand megawatts (2 000 MW) under the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) to meet the immediate electricity supply gap.
- Procurement of Eleven Thousand Eight Hundred and Thirteen megawatts (11 813 MW) from various energy sources. For this purpose, we Gazetted the Section 34 Ministerial Determinations with the intention to urgently procure additional generation capacity for the national grid.

We are here today to announce the preferred bidders for the Risk Mitigation Independent Power Producer Procurement Programme and to provide an update on the procurement of additional power in line with IRP 2019.

Preferred Bidders for the Risk Mitigation IPP Procurement Programme (RMIPPPP)

The Risk Mitigation IPP Procurement Programme (RMIPPPP) was released to the market in August 2020. The aim was to alleviate the electricity supply constraints and to reduce the extensive utilisation of diesel-based peaking electrical generators in the medium-to-long-term.

The Bid Submission closed on 22 December 2020 and attracted a total of 28 bid responses with a potential contracted capacity of approximately Five Thousand One Hundred and Seventeen megawatts (5 117MW). This clearly demonstrates a sustained private sector interest in participating in the South African energy landscape.

The Risk Mitigation IPP Procurement Programme succeeded in attracting project proposals featuring a variety of technology combinations.

The quantity and quality of the bid responses and potential megawatt of contracted capacity allowed for a competitive price evaluation. All compliant bids were subjected to local and international benchmarking which is necessary to ensure that we receive Value for Money as required by the legislation.

The evaluation process has resulted in the selection of 8 (eight) Preferred Bids totalling One Thousand Eight Hundred and Forty-Five megawatts (1 845) and a further 3 (three) Eligible Bids totalling One Hundred and Fifty megawatts (150MW). The three Eligible Bids are subject to value for money proposition in line with the provisions in the Request for Proposal. It is important to note that these Three bidders are within the Two Thousand megawatts (2 000MW) capacity threshold in terms of the evaluation rankings, but their announcement can only be made following satisfactory value for money propositions.

It gives me great pleasure to announce the following eight Preferred Bidders in alphabetical order:

- ACWA Power Project DAO
- Karpowership SA Coega
- Karpowership SA Richards Bay
- Karpowership SA Saldanha
- Mulilo Total Coega
- Mulilo Total Hydra Storage
- Oya Energy Hybrid Facility
- Umoyilanga Energy

The solutions provided by these preferred bidders are from a combination of a range of technologies that include, Solar PV, Wind, Liquefied natural gas and battery storage. The prices for the proposed solutions range from One Thousand Four Hundred and Sixty-Eight Rands per megawatt hour (R1 468 per MWh) to One Thousand Eight Hundred and Eighty-Five Rands per megawatt hour (R1 885 per MWh). The weighted average price is One Thousand Five Hundred and Seventy-Five Rands per megawatt hour (R1 575 per MWh).

These 8 projects will inject a total private sector investment amount of R45 billion to the South African economy, with an average local content of 50% during the construction period. South African entity participation from these projects is 51% with black ownership at 41%.

About Three Thousand Eight Hundred (3 800) job opportunities will be created during the 18 months construction period and a further 13 500 during the 20-year Power Purchase Agreement (PPA) term.

The Preferred Bidders are required to reach Financial Close by no later than the end of July 2021. Due to the urgency to bring power online, this date is not negotiable. It is for the Preferred Bidders to manage all the risks to reach financial close.

It is envisaged that, first power from these projects will be connected to the grid from August 2022.

Release of Renewable Energy IPP Procurement Programme Bid Window 5

In September 2020, the National Energy Regulator of South Africa (NERSA) concurred with a Section 34 Determination to procure Eleven Thousand Eight Hundred and Thirteen (11 813) megawatts from a range of technologies. These included Wind (4 800 megawatts), Solar PV (2 000 megawatts), Coal (1 500 megawatts), Gas (3 000 megawatts), Battery Storage (513 megawatts).

I am pleased to announce the first bidding round in response to the Section 34 Determination. The Request for Proposal (RFP) for the procurement of 2 600 megawatts under the Renewable Energy IPP Procurement Programme Bid Window 5 will be released to the market at Midnight today.

Of the 2 600 megawatts from this Bid Window 5, 1 600 megawatts will be from wind and 1 000 megawatts from Solar PV.

Given the energy challenges that we are facing the objective is to get these projects connected to the grid as soon as possible.

The closing date for the Bid Submission is August 4th, 2021.

Roll out of the rest of the second Determination

We intend to release four more Requests for Proposals within the next 12 months. These will include:

- Two thousand six hundred megawatts (2 600MW) from renewable energy,
- Three thousand megawatts (3 000MW) from gas,
- One thousand five hundred megawatts (1 500MW) from coal, and
- Five hundred and thirteen megawatts (513MW) from battery storage.

In line with the IRP and the provisions in the Electricity Regulations of New Generation Capacity, additional Determinations will be issued to Eskom and Municipalities as and when requests are received.

The Department is working with the necessary speed to review the licensing threshold for increased embedded generation.

In conclusion,

The energy generation landscape of our country is evolving. Concerted effort to ensure that the IPP Procurement Programmes steam ahead to deliver secure energy supply from a diverse range of energy sources, in line with the Integrated Resource Plan (IRP) 2019, is at the core of our work.

Collectively, our interventions give effect to the fourth priority intervention of the Economic Reconstruction and Recovery Plan, that is, to rapidly expand our country's energy generation capacity.

Thank you.