



MEDIA BRIEFING BY THE MINISTER OF ENERGY, MS DIPUO PETERS, MP

**REQUEST FOR PROPOSAL FOR THE RENEWABLE ENERGY INDEPENDENT
POWER PRODUCERS PROCUREMENT PROGRAMME**

29TH October 2012

GCIS, Pretoria

Deputy Minister, Ms Barbara Thomson

Acting Director-General, Mr George Mnguni

Deputy-Directors General, Mr Ompi Aphane and Dr Wolsey Barnard

Acting CEO of the GCIS, Ms Phumla Williams,

Members of the Media

Ladies and Gentlemen

Good day and welcome to this Department of Energy IPP Procurement Programme status briefing.

The purpose of this engagement is to share with you the progress we have made to date on the RE IPP PP, and to provide you with details on the processes that have unfolded towards the financial close for Window 1 of the IPP programme, which is intended to take the country forward in the prioritisation of the development of the renewable energy programme.

You would aware that the Department of Energy introduced the RE IPP Procurement Programme in August 2011, and the 1st Bid Submission Date was scheduled for the 4th of November 2011.

The 2nd Bid Submission Date was scheduled for the 5th of March 2012. On the 7th of December 2011 during COP17, the department announced 28 preferred bidders offering 1 400MW of renewable energy under the first Bid Submission Date. The preferred bidders had until June 2012 to reach financial close but, due to a number of reasons, including approvals by various government institutions as previously communicated to the media, this date had to be postponed until now.

During the period leading up to today, the Department of Energy has worked very closely with the Window 1 preferred bidders to conclude all the necessary contract documentation, such as the Power Purchase Agreement and most importantly the Implementation Agreement. All preferred bidders were given the opportunity to verify the populated agreements to ensure that they are aligned with the commitments as presented at bid submission.

As I have alluded to, the delay for financial close was largely related to government approvals. Among these approvals, was the importance of ensuring that government seeks approval on the correct agreements with correct commitments as per the bid submission day.

Today, I am pleased to announce that the country will receive about R47billion of investment in renewable power generation through Window 1 preferred bidders. This investment will create job opportunities for a number of South Africans, and especially in rural areas where these renewable power plants are located.

Further, I am pleased to announce that the Department obtained the necessary approvals under the Public Finance Management Act to enter into the long term agreement with the selected IPPs under the IPP Procurement Programme. As mentioned in the Minister of Finance's Medium Term Budget Policy Statement last

week, the Department is now in financial close mode. All Window 1 preferred bidders have been requested to prepare for the signing of the contractual documents.

The signing of agreements for Window 1 preferred bidders will take place on the 5th of November 2012 and, the Department will provide you with more details on that process in the next few days. As already stated, these bidders will be investing about R47billion in power generation, and will create a number of jobs during construction and operation of these power plants.

All those who have reached this milestone of financial close are expected to honour the commitments made in their bids, and failure to do so will result in the application of the concomitant penalties as stated in the agreements. Among these penalties is the termination of the power purchase agreement if the bidder fails to act in line with the agreements. In order to avoid the necessity to act so harshly, I ask all those who have walked this onerous road to honour their commitments and bring the economic, social and environmental developments that are necessary for South Africa's energy security and development and growth.

Allow me to reiterate that the South African government is committed to renewable energy as part of our energy mix, and we will continue to implement the renewables programme in accordance with the Integrated Resource Plan 2010-30.

Ladies and Gentlemen,

I am further pleased to announce that, as per my pronouncement on 16th August 2012 at the Second IPP Bidders Conference, I have received concurrence from the National Energy Regulator of South Africa on additional allocations to the renewable programme, the base load generation and the Medium Term Risk Mitigation Plan generation, in line with the provisions of the Integrated Resource Plan.

I will be promulgating these determinations before the end of the year.

The **1st Determination is on baseload generation capacity with:**

- 2 500 MW of energy from coal in the system by 2024;
- 2 652 MW of gas power in the system by 2025;
- 2 609 MW of hydro power including regional projects and must be in the system by 2024.

The **2nd Determination is on renewable generation with 3 200 MW of power – which includes:**

- Onshore Wind at 1470 MW
- CSP, 400 MW
- Solar PV, 1075 MW
- Biomass, 47,5 MW
- Biogas, 47,5 MW, as well as,

Small Hydro of 60 MW and Small Projects of 100 MW by 2020.

The **3rd Determination is in terms of the interventions contained in the Medium Term Risk Mitigation Plan, and includes** power of 800 MW from co-generation, and 474 MW from natural gas by 2020.

The publication of the determinations will be followed by a procurement programme, and more detailed information would be available at that point.

In closing, Ladies and Gentlemen,

I wish all the preferred bidders good luck as they implement their final arrangements pertaining to financial close.

On behalf of government, allow me to apologise for the delays experienced towards this first financial close. The IPP Window 1 introduced a new procurement framework, not just in South Africa but, in the whole world. The experiences gained from the process for this massive investment programme over the past 18 months or so, are being applied to ensure that subsequent bidding windows are implemented with greater finesse.

I am confident that going forward the process will be much smoother for all of us.

I thank you all for your presence and attention.

Ke a leboga!

End.