

National Assembly question: Question 141

Mr S C Motau (DA) to ask the Minister of Energy:

- 1) Whether she has been informed of the growing apprehension in the renewable energy sector and concerns regarding the introduction of competitiveness into the tendering process for renewable energy (RE) projects; if not, why not; if so,
- 2) Whether the renewable energy feed-in tariff (Refit) approach has been abandoned; if so, what are the relevant details; if not, what was the (a) reason for, and (b) implications of, introducing price competitiveness into the bidding process;
- 3) Whether the target of 1025MW of renewable energy projects for the first round of bidding will be met; if so, (a) why and (b) how? NO2468E

REPLY

- 1) Yes, I am aware of the concerns regarding the introduction of the competitive bidding into the procurement of renewable energy. There was also a concern about the lack of mandate of the regulator in predetermining these tariffs. It was safe for the Department to consider a procurement process as provided for in terms of the law. Any process of introducing IPPs without alignment with the law would have been irresponsible and unviable.
- 2) The department has not abandoned the REFIT programme and the Electricity Regulation Act is currently under amendment to cover, among other things, the REFIT programme.

As indicated in (1) above, there was a concern about the mandate of the regulator in approving tariffs in advance. According to the Electricity Regulation Act of 2006, section 10(2), the regulator must consider the tariff during the application process whilst the REFIT approach allows for approval of the tariff in advance. This matter was also confirmed by Senior Council hence it was prudent to consider a different procurement approach.

- 3) In terms of the released document, the department will be procuring 3725MW by 2015 in accordance with the IRP2010. The procurement documents allow for different windows under which bids could be submitted. If on the first window, the Department does not get all the MW, IPPs that submitted the bids for the second window will be informed accordingly. All registered IPPs are required to inform the Department on which window they intend to bid not later than end of August 2011. This means, the Department will have an understanding of the market before receiving the bids. This process will help in doing the necessary planning in case there are insufficient bids to cover the 3725MW as per the Request for Proposals.