



Department of Energy

Request for Information

**Issued to
Potential developers of renewable energy projects under
the REFIT programme in South Africa
(on-shore wind, solar, biomass, biogas, small
hydropower and landfill gas)**

AND

Potential developers of cogeneration projects

Responses are due by 17h00 on Thursday, 7 October.2010. Please direct all questions about this RFI and all responses to this RFI to:

Ompi Aphane:

Email: ompi.aphane@doe.gov.za

Karen Breytenbach:

Email: IPPprocurement@treasury.gov.za

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I DISCLAIMER

The Department of Energy (DOE) has prepared this information document to provide parties interested in submitting RFI responses with background information on the renewable energy feed-in (REFIT) initiative and cogeneration initiatives on the one hand, and to gather information to support the development of procurement documentation for renewable energy projects on the other hand.

While the DOE has taken due care in the preparation of information contained herein, neither the DOE, its staff, or its advisors or any other organ of state providing assistance to the DOE gives any warranty or makes any representations, express or implied, as to the completeness for purpose or accuracy of the information contained in this document or any information which may be provided in connection therewith.

The information contained herein is not intended to be exhaustive. Interested parties are required to make their own enquiries and Respondents must, in accordance with Annexure 1 attached hereto, confirm in writing that they have done so and that they do not rely on the information provided in the RFI document in submitting their RFI response. The information is provided on the basis that it is non-binding on the DOE, its staff, and its advisors or any other organ of state providing assistance to the DOE. The DOE reserves the right not to proceed with the initiative as well as the right not to discuss the initiative further with any Respondent.

No reimbursement of costs or expenses of any type whatsoever will be paid to Respondents or any other persons, or entities expressing interest in the initiative for purposes of submitting an RFI response and to this end, no Respondent shall have a claim against the DOE, its staff or its advisors, or any other organ of state providing assistance to the DOE, arising out of any matter relating to this RFI document or the REFIT initiative, of any nature whatsoever whether or not any circumstances arising as a result of, such claim is based on any act or omission by the DOE or any organ of state providing assistance to the DOE whatsoever and/or the content of this RFI.

II INTRODUCTION AND BACKGROUND

1 Introduction

1.1 The REFIT Programme

By releasing this Request for Information (RFI) the Government of South Africa, through the Department of Energy (the DOE), seeks potential developers of renewable energy projects to indicate their interest in and to provide information regarding the progress of their individual projects in South Africa under the Renewable Energy Feed-In Tariff (REFIT) programme, Phases I and II, as announced by the National Energy Regulator of South Africa (NERSA).

The RFI is intended to generate information to assess the progress developers have made since the announcement of the REFIT programme as well as the readiness of the market to enter into intensive procurement and fast track negotiation processes. The DOE is committed to an independent, open, fair and transparent procurement process and a quick and successful negotiation process. The results of the RFI, therefore, will serve as a guideline for finalisation of the IRP 2010, the criteria to be developed for selection of the preferred candidates as well as the capacity and resources required by the Government for the successful implementation of this initiative.

It is to be noted that, although the DOE will be grateful for the extensive participation of potential developers in this RFI market testing initiative, potential participants under the REFIT programme will not be disqualified from the REFIT procurement process by not submitting information under this RFI.

Information submitted in response to this RFI will be considered and treated by the DOE as confidential and will not be used in any other way than to develop the procurement process and documentation the REFIT programme. However, the DOE will not be obliged to use any of the information, and responses to this RFI do not bind or commit the DOE to any other obligation whatsoever.

1.2 Cogeneration

“Cogeneration, involving either the (i) decentralised production of both electricity and usable heat from primary fuel (CHP) or (ii) the production of decentralised electricity from waste heat or unutilised industrial waste fuel offers a logical means of mitigating wasted energy and harnessing the environmental benefits of optimised industrial production and electricity generation”¹.

The DOE has identified the development of a cogeneration sector in South Africa as a major opportunity to alleviate the growing capacity pressure on the electricity supply industry while simultaneously conserving energy and diversifying the generation asset base. Cogeneration has the added benefits of delivering potential energy efficiency, environmental and social benefits.

Historically, in the South African market cogeneration technologies have accounted for only approximately 3.1% of total installed capacity. There is scope to move this up to as high as 10% of installed capacity from a wide variety of fuel sources including, waste flue gas recovery, waste heat recovery and waste fibre projects.

As such the NERSA has identified the development of cogeneration projects as one of the best possible means of meeting the aim of increased energy efficiency and has developed guidelines for the supply of electricity from cogeneration. Eskom signed a few cogeneration projects recently under the MTPPP programme.

In order to explore ways of encouraging industry to develop more cogeneration projects, to improve planning and to ensure that the policy and regulatory environment is conducive to cogeneration initiatives in support of the already existing NERSA guidelines on cogeneration, the DOE would like to use the opportunity of this RFI to also seek information from potential cogeneration industry partners.

¹ Development of Regulatory guidelines and qualifying principles for co-generation projects.
NERSA Publication, Fieldstone, 2006

Information submitted in response to this RFI will be considered and treated by the DOE as confidential. However, the DOE will not be obliged to use any of the information, and responses to this RFI do not bind the DOE or commit the DOE to any other obligation whatsoever.

1.3 Small Projects

It is to be noted that it is the intention of the Department of Energy to allocate a dedicated portion of the REFIT to developers of small projects. Small projects are defined as projects smaller than 5MW but bigger than 1MW. Small developers are therefore encouraged to submit information requested in this RFI.

Responses are due by 17h00 (South African time) on Thursday, 07 October 2010

2. Background

South Africa has a high level of renewable energy potential and presently has in place targets of 10 000GWh of renewable energy by 2013. To contribute towards this target and towards socio-economic and environmentally friendly sustainable growth, a need to stimulate the renewable energy industry in South Africa was identified. During 2009 NERSA announced the South Africa Renewable Energy Feed-in Tariff (REFIT) programme, Phases I and II. NERSA also published Regulatory Guidelines, a draft Power Purchase Agreement (PPA) and Rules on Selection Criteria for Renewable Energy Projects under the REFIT programme for public comment (as per the Electricity Regulations on New Generation Capacity to the Electricity Regulation Act, 2006). For clarification see paragraphs below.

The DOE has identified, as per the Integrated Resource Plan (IRP1) published in January 2010, the need for supply of at least 1 025 MW installed from private sector supplied renewable energy up to 2013. The IRP 2010 is expected to be released by November 2010 and will most probably indicate the need for an

increased renewable energy supply. The Government of South Africa has committed to a reduction in carbon emissions and a cleaner economy. The intention of the Government is to support the green economy initiative through the establishment of a local market i.e. substantial localisation that could contribute to economic growth and job creation.

It is therefore important for potential developers to provide information of those projects that will be ready and able to put capacity (MW) and energy (GWh) into the system before **March 2016**, despite the uncertainty created by not yet having had access to IRP 2010.

Progress to date: - In preparation for the REFIT programme the DOE has initiated a review of the following areas to ensure an investor friendly enabling environment:

- A review and evaluation of the current enabling regulatory and legal environment, including the different roles of the government stakeholders, the cost recovery mechanism, selection criteria and necessary government support to the REFIT programme, and consequent thereto proposing the necessary amendments for a successful procurement process;
- A review and evaluation of the institutional structures currently in place and recommendations in terms of more independent, efficient and effective decision-making processes in government for the successful and efficient procurement and implementation of independent power projects;
- Development of a set of standardised procurement documentation i.e. PPA, a Financier Direct Agreement and Transmission and Connection Agreements as part of the procurement documentation.

The South African Government led by the DOE and supported by, *inter alia*, the National Treasury, the Department of Public Enterprises, Department of

Environmental Affairs, Eskom and NERSA and others, is in the process of identifying and making the required amendments to the enabling environment.

The work previously done by NERSA (as released for public comment), has been successfully integrated as an input into the drafting of the standardised procurement documentation and the required amendments to the Electricity Regulations on New Generation Capacity (the New Gen Regulations). The New Gen Regulations will be released for public comment during October 2010 to be promulgated in November 2010. The procurement documentation is planned for release after promulgation of the New Gen Regulations i.e. November 2010.

The Minister of Energy will, however, before the release of the procurement documentation to the market, make a ministerial determination in terms of Section 34 of the Electricity Regulation Act regarding the buyer under the REFIT programme.

To run processes in parallel and save time, the DOE has established a team consisting of the National Treasury, Eskom, NERSA and the Development Bank of Southern Africa (DBSA), as well as other Government Departments, as and when needed, to appoint local and international consultants to develop the procurement documentation and design the procurement process according to international best practice.

The Renewable Energy Feed-In Tariff (REFIT) Phases I and II published in 2009 determined prices according to the different technologies and based on Levelised Cost of Electricity. The tariff is to be escalated on an annual basis by CPI. These prices (base date April 2009) are as follows:

Table 1

<i>Technology</i>	<i>Unit</i>	<i>REFIT</i>
On-shore wind	R/kWh	1,25
Concentrated Solar Power (CSP) Trough plant with 6 hours storage per day	R/kWh	2,10
Small hydro	R/kWh	0,94
Landfill Gas	R/kWh	0,90
Concentrated Solar Power (CSP) Trough without storage	R/kWh	3,14
Large scale grid connected PV systems	R/kWh	3,94
Biomass solid	R/kWh	1,18
Biogas	R/kWh	0,96
CSP Tower with storage of 6 hours per day	R/kWh	2,31

III SPECIFIC PURPOSE OF THIS DOCUMENT

3. Specific Objectives

The specific objectives of this RFI with respect to **REFIT** are to:

- Gather information to support the development of a comprehensive RFP for renewable energy IPP projects and the allocation of Government resources;
- Solicit information from interested parties as to the state of readiness of potential projects under the REFIT programme; and
- Assess market interest.

A decision on the detail and timing of the RFP will depend to a great extent on the information provided in response to this RFI.

In light of the amount of time required for respondents to provide such information and for the DOE to evaluate it, a decision as to the exact date to proceed with the RFP would not be expected prior to mid-October 2010.

4. Who Should Respond

4.1 REFIT

The Department of Energy would welcome responses to the RFI from developers who have renewable energy projects ready i.e. comprehensive feasibility studies have been completed and show the projects to be feasible. These projects could be in wind, solar, biomass, biogas, landfill gas and small hydropower projects.

Submissions from other potential participants including municipalities, financial institutions (including but not limited to providers of debt and equity financing, export credit agencies, development finance institutions); technology and equipment suppliers are also solicited. However, it would be preferred to have a combined submission to minimise confusion and duplication of information.

The eligibility criteria under REFIT Phases I and II should be used in guiding potential respondents in whether they should provide a response. The criteria define a qualifying renewable energy power generator as "... a new investment in electricity generation using the following technologies:

- o biogas (≥ 1 MW)
- o biomass solid (≥ 1 MW)
- o Concentrated Solar Power (CSP) trough with and without storage (≥ 1 MW)
- o CSP tower with storage of six hours per day (≥ 1 MW)
- o Large scale grid connected photovoltaic systems (≥ 1 MW)
- o Small hydropower
- o Landfill gas
- o On-shore wind."

4.2 Cogeneration

Industry partners who have potential cogeneration projects ready or in development.

5. How to Respond

The RFI should be submitted in the format prescribed in Annexure 2. Any part of Annexure 2 which is not applicable to the Respondent should be clearly indicated as 'Not Applicable'. The RFI should be signed by an authorised signatory.

The RFI may be accompanied with limited supporting material, only if it is salient and directly pertinent to the RFI.

The language for submission of the document shall be English.

All costs incurred by Respondents in connection with the RFI shall be borne by the respective Respondents themselves.

6. Submissions

The complete RFI must be returned via email (please to **all** e-mail addresses as indicated below) and/or post to the addresses below:

The Department of Energy:

Mr. Ompi Aphane

Acting DDG: Electricity, Nuclear and Clean Energy

70 Meintjies Street, Trevenna Campus, Sunnyside 0007

Email: ompi.aphane@energy.gov.za

National Treasury:

Ms. Karen Breytenbach and Ms. Sharmala Naidoo

PPP Unit, 16th Floor, National Treasury, 240 Vermeulen Street, Pretoria 0001

Email: Karen Breytenbach: IPPprocurement@treasury.gov.za

Email: Sharmala Naidoo: sharmala.naidoo@treasury.gov.za

***The last date for submission of the completed RFI is close of business 4
October 2010 at the above-mentioned address.***

The DOE reserves the right to cross check and confirm the information/details furnished by the Respondent in its response.

All the information supplied by the Respondents will be kept as strictly confidential by the DOE and will not be shared with any other third party

7. Next Steps

Based on the nature, number, and attractiveness of responses, the DOE will pursue next steps, which may include establishing a formal competitive process i.e. an RFP process.

8. Timeline

Milestone/Action Item	Date
RFI released	27 September 2010
RFI Responses due	07 October 2010
Release of New Generation Regulations for public comment	October 2010
Continuation and preparation of standardized procurement documentation	October 2010
Promulgation of new generation regulations	November 2010
RFP released to the market	November 2010
Integrated Resource Plan 2010 published	November 2010
Intent to Respond to RFP Cut-off	01 March 2011

9. Use of Information

The DOE reserves the right to use the information received from Respondents for further development of the REFIT initiative. The mere fact of responding to the RFI however, shall not confer any rights on a Respondent to preferential treatment at any subsequent bid/development stage of the initiative.

10. Amendment

The DOE may, at its sole discretion, before the last date for submission of the RFI, modify this information document by issuing an addendum thereto.

The DOE may extend the last date for submission of RFI responses to allow Respondents reasonable time to consider any amendment to this information document and to amend its RFI submissions in the case of such an amendment.

Annexure 1: Letter of Response

Respondent Letterhead

Director-General
70 Meintjies Street
Trevenna Campus
Sunnyside
0007

Dear Madam

REQUEST FOR INFORMATION ("RFI") FOR PARTICIPATION IN THE

We, the undersigned, offer the following information in response to the RFI sought by thein relation to its intended procurement of the ("the Project").

We are duly authorised to represent and act on behalf of [respondent name] (herein after the "Respondent").

We have examined and have no reservations to the RFI Information Document ("the RFI Information Document") contemplating the background information of the Project as provided to us by the Department of Energy [including Addendums].

We are attaching with this letter and response forms (Annexure 2),copies of documents defining –

- a) The Respondent's legal status
- b) Its principal place of business
- c) Its place of incorporation (if Respondents are corporations); or its place of registration (if Respondents are cooperative institutions, partnerships or individually owned firms)
- d) Financial statements of the last 3 (three) financial years, clearly indicating the financial turn over and net worth (if applicable).

We shall assist the Department of Energy and/or its authorised representatives to obtain further clarification from us, if needed.

The Department of Energy and/or its authorised representatives may contact the following persons for further information on any aspects pertaining to this response: Full name, office telephone number, cellular no. and email address.

This response is made in the full understanding that:

- a) Information furnished in response to the RFI shall be used confidentially by the Department of Energy for purposes of development of the REFIT programme
- b) The Department of Energy reserves the right to reject or accept any or all responses, cancel the RFI and subsequent process without any obligation to inform the respondent about the grounds of same, and shall no obligation or liability to us in respect thereof
- c) We confirm that we have no grounds for any claim whatsoever against the Department of Energy and neither is the Department of Energy liable to us on any grounds whatsoever as result of our participation in this RFI
- d) We confirm that we are interested in participating in the development of the REFIT programme as per the details provided in the response form (Annexure 2).

We acknowledge that the information contained in the RFI information Document is not exhaustive and we confirm that we have made such further enquiries deemed necessary to submit this RFI response and we do not rely solely on the information provided in the RFI Information Document in submitting this response.

The undersigned declares that the statements made and the information provided in the duly completed application is complete, true, and correct in every detail.

NAME:.....

In the Capacity:.....

Signed:.....

Duly authorised to sign the response for and on behalf of

.....

Date: [Day/Month/Year]

Regards

Annexure 2: RFI Response Form

Issued to potential developers of long-term renewable energy projects in South Africa (on-shore wind, solar, biomass, biogas, small hydropower, landfill gas), as well as cogeneration projects and small projects (<5MW).

Below is listed information the Respondent is invited to provide partially or in full. Respondents are welcome to provide written detail and/or comments if and where applicable if of the opinion that it would benefit the design and implementation of the procurement process.

Respondents must respond by providing separate forms for each project in preparation if involved in more than one (1) project. Also please indicate whether the project will be developed in phases and the size of the phase. The information is important in order to design future REFIT programmes.

1. General Information

- a. Corporation, partnership, joint venture, SPV, etc. applying for license
- b. Name and title of primary contact
- c. Mailing address
- e. Contact email
- f. Contact phone numbers
- h. BEE profile (if applicable)
- i. Site location (name, coordinates)
- j. Generation capacity (MWs).

2. Specific Project Development Information

Project Title:		
Tariff Technology according to REFIT or cogeneration:		
Description of Project:		
Description of planned installed energy (MW) and/or capacity (GWh) <u>and</u> indicate whether the project can be developed in phases. Indicate the phases, the MW/GWh in each phase and the readiness and timing to proceed with these development phases i.e. Phase 1, Phase 2 etc.:		
Expected project cost:		
Project Status		
Name of Developer of Project:		
Indicate experience in similar projects successfully completed in South Africa and/or other jurisdictions		
Average entity year turnover the last 3 years	Year1: Year 2: Year 3: :	
Local partners years of technology experience		
International developer/partners years of technology experience		
Readiness re Institutional Structure		
Has institutional structure been finalised	Yes	No
Indicate the project structure, if developed and available, including • equity participants • EPC contractors • suppliers of equipment		

• long-term operator of the project • proposed % of participation of Black Economic Empowerment Partners (BEE) • names of proposed BEE participants and indicate whether the BEE participants need support from the DBSA • Community involvement or local economic development		
Interaction with the equipment supplier – please indicate readiness to provide equipment	Yes	No
• Do you have an equipment supplier	Yes	No
• Do you have a term sheet agreed	Yes	No
• If yes, do you have a price and timeframe for delivery	Yes	No
• Do you have an equipment supply agreement signed	Yes	No
Special Project Vehicle (SPV) / Joint Venture (JV) shareholder agreement signed	Yes	No
MoU and/or cooperation agreement signed	Yes	No
Have equity partners been identified and secured	Yes	No
Is the equity contribution secured and committed	Yes	No
Readiness of Data		
Feasibility study done	Finalised	Draft
Do you have a bankable financial model	Yes	No
EIA Record of Decision received from DEA	Received	Applied
If not received when is the ROD expected date i.e. (1) date applied and (2) expected date for receiving ROD	(1)	(2)
Environmental scoping report done and submitted to DEA	Yes	No
Have you received a response	Yes	No
If not when is the expected date for the Environmental Scoping Report i.e. (1) to be submitted and (2) expected response date	(1)	(2)
Relevant data collection		

• If wind, high quality bankable data measurements (months) at turbine hub height of 70m plus or as required by the lenders • Please provide similar information for solar, biomass, biogas, landfill gas and small hydro		
If agreements with third parties are applicable please indicate these requirements and where negotiations re these contracts are		
Readiness of Site		
Indicate site location:		
Is site secured and rights to site signed to the project	Yes	No
Is site owned or leased by the project	Owned	Leased
Are there any outstanding site availability related issues – please give detail and support needed from Government i.e. long-term leases over agriculture land etc. Detail:	Yes	No
Zoning application, if applicable	Received	Applied
Civil Aviation Authority approval where applicable	Received	Applied
Grid connection: Distance to nearest substation km		
Grid connection: Name of substation		
Which line will you be connecting into and is the line on the secured site or not		
Readiness of Eskom to provide connection – please indicate timeframe and support needed		
Timeframes		
Expected months, after license issued and PPA approval, until connection to the grid	Months	
Expected months to complete construction broken up into development phases Phase1	Months Phase1:	

Phase2 Etc..	Phase2: etc.	
Provide a programme and timetable indicating expected energy into grid after license issued and PPA approval (indicate MW and GWh): Example: Phase 1.....XX MW.....XX.GWh..... year 2011 Phase 2 Etc.		
Lender information (if applicable)		
Name and detail of Lenders:		
Current level of commitment from Lenders: • None • Mandate agreement agreed • Debt term sheet developed • Debt term sheet agreed • Arranging Bank appointed • Underwriting Bank appointed	Yes	No
Special relationship with donors, multi-lateral funders, development finance institutions etc.:		
Any views on constraints in the financial market in South Africa for the attention of the Government:		
Procurement		
Would you prefer to do both an RFQ and an RFP or just a RFP with a two envelop approach having the pre-qualification criteria in the first envelope What is the reason for your choice?		
Please indicate how many months you would prefer for bid submission Months:		
Additional questions regarding cogeneration		
Is the project based on existing electricity generation	Yes	No
If no: Planned capacity of electricity generation (MW)		
Indicate expected cost of production of electricity (R/kWh)		

3. Background Information (optional)

Please provide short (5-10 lines) information on the following:

Comments on a planned requirement in the RFP that a specified portion of the material comprising the project be sourced locally:

Comments of a planned requirement in the RFP that local labor represents a specified portion of the workforce charged with developing and constructing the project and the portion charged with operating and maintaining the project after commercial operation:

Comments of a stated preference in the RFP for proposals that would establish a renewable energy component manufacturing, technology industry maintenance facilities and/or training centres in South Africa:

Comments of a stated preference in the RFP for proposals that strengthen local ownership or profit sharing structures in the project:

Comments of a stated preference in the RFP for proposals that strengthen commitment from developers to stay in the project as equity participants after COD. Indicate a 3-year after COD or 5-year after COD preference.