

The Republic of South Africa
Department of Mineral Resources and Energy

REQUEST FOR INFORMATION
IN RESPECT OF THE DESIGN OF A
MEDIUM TERM POWER PROCUREMENT PROGRAMME 2019

CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23
JANUARY 2020

24 January 2020



Energy
Mineral Resources

***CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR
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PURCHASE PROGRAMME***

1. Introduction

- 1.1. This Clarification Response (Number 3) is issued in terms of paragraph 7 of the Department of Mineral Resources and Energy's ("the Department") Request for Information in respect of the Design of Medium Term Power Purchase Programme issued on 13 December 2019 (the "RFI") and is subject to all the terms and conditions contained therein.
- 1.2. Unless otherwise expressly stated, or the context otherwise requires, words and expressions defined in the RFI shall bear the same meanings in this Clarification Response as ascribed to them in the RFI.

2. Purpose of the Clarification Response

- 2.1. This Clarification Response 3 sets out the responses to all queries received to date by the Department.
- 2.2. The Clarification Responses are to be read in conjunction with the RFI. The Clarification Responses supplement or substitute the relevant provisions of the RFI to the extent necessary.

CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME

#	QUESTIONS	ANSWERS
1.	Please specify what is meant with "Risk allocation matrix and perspectives" in Annexure Form 1 (14 January 2020)	Respondents are required to provide their views on risk allocation between the Seller and the Buyer.
2.	Can you advise on how confidential is the information that will be submitted with our RFI responses? Our respond may include projects and price sensitive information that we do not want out in the public domain or in the hands of our competitors.	The Department provides an undertaking not to share any confidential or commercial sensitive information provided by Respondents with any third party. This is in line with how the Department has handled all third party information provided as part of previous RFI processes or part of a formal bidding process.
3.	a) Will the tariff remuneration system for projects awarded in this RMPPP be the same as the one of BW1-4 of REIPPPP assuming a PPA-period of 20 years? b) Is it correct to assume that for wind and PV a “capacity charge” component for the PPA is not needed? c) Will be a kind of „technology preference “weighting or will the RMPPP or will the ranking only based on pricing and speed of implementation. How will be the design of this criteria weighting?	a) This is not a procurement process. The Department will still design a procurement approach which will also consider the appropriate PPA term for the Medium Term Power Purchase Programme. b) That is indeed correct. Respondents must only provide the energy charge. c) This will be clarified in the relevant procurement documents.
4.	We would like to know if is possible for you to share the list of attendees (I looked online but I could not find it) as we would like to contact sponsors and developers and ask if they require our assistance to finance some of their proposal as _____ is keen to support the private sector in this initiative by	We are unable to do so.

**CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF
THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME**

	providing debt to the proposal but most of all we are supporting the country to make this initiative a successful one.	
5.	The Renewable Energy Development Zones are supposed to be a plug and play zones for Renewable Energy developments. How does the REDZ help a developer with a quick turnaround time to get all the necessary licenses from the relevant departments?	Developers will have to engage directly with the relevant authority. The IPP Office and the Department will also engage with all relevant key stakeholders in formulating and finalising RFP documents.
6.	<p>a) When you are asking for “hours of operation” are you referring to equivalent hours (production)?</p> <p>b) When you are asking for “yearly starts and stops” are you referring to outages for the whole plant?</p>	<p>a) Correct.</p> <p>b) The requirement is to provide the minimum and maximum number of designed dispatchable plant operational starts and stops for purposes of assessing the technical parameters of the power plant and the dispatch instructions which the system operator may issue as well as the flexibility of dispatch.</p>
7.	<p>We are a 100% black entity that intends to respond to the Risk Mitigation power purchase procurement RFI. We view government imperatives legislation & regulations to promote BBBEE as crucial to the transformation agenda that our country has adopted & embraced. It has come to our attention that foreign bidders acting on the advice of their local specialists have been advised to submit responses that state they can’t comply with the BBBEE requirements because of the proposed expedited nature of the emergency power requirements.</p> <p>We find this to be a flagrant flouting of our countries procurement policy principles, especially taking into account that the REIPP program has matured the sector in the availability of competent technical & financially capable BBBEE partners that could meet such short timelines.</p> <p>Accordingly the department is requested to provide clarity on whether it will adhere to the requirement of BBBEE participation in this RMPP Program, with measurable benefits for BBBEE partners that discourages fronting.</p>	The BEE participation requirements as well as any other socio-economic developments requirements will be set out in the relevant procurement document.
8.	We kindly request a waiver for the EIA process to enable fast track delivery of this project as our Technology Partner_____ uses the same approach in the projects they have implemented worldwide.	We are unable to provide such undertaking. Specific engagements will need to be undertaken with all relevant regulatory authorities in respect of all regulatory compliance and timelines for granting of regulatory approvals

CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME

9.	Will it be possible to get a list of ESKOM substations and locations?	Engagements on this will have to be take place directly with Eskom – Grid Access Unit.												
10.	<table border="1"> <tr> <td></td><td>Capacity Charge (Rm/MW)</td><td>Energy Charge (Rm/MWh)</td></tr> <tr> <td>Assumption</td><td>Rand Million Per MW</td><td>Rand Million Per MWh (will result in a number with many decimal places)</td></tr> </table> <p>Can clarity be provided on the Table The more standard manner to report Capacity Charge and Energy Charge</p> <table border="1"> <tr> <td></td><td>Capacity Charge (Rm/MW)</td><td>Energy Charge (R/kWh)</td></tr> <tr> <td>Explanation</td><td>Rand Million Per MW</td><td>Rands Per kWh</td></tr> </table>		Capacity Charge (Rm/MW)	Energy Charge (Rm/MWh)	Assumption	Rand Million Per MW	Rand Million Per MWh (will result in a number with many decimal places)		Capacity Charge (Rm/MW)	Energy Charge (R/kWh)	Explanation	Rand Million Per MW	Rands Per kWh	Form 1 was updated. Please refer to the updated Form 1 of 14 January 2020.
	Capacity Charge (Rm/MW)	Energy Charge (Rm/MWh)												
Assumption	Rand Million Per MW	Rand Million Per MWh (will result in a number with many decimal places)												
	Capacity Charge (Rm/MW)	Energy Charge (R/kWh)												
Explanation	Rand Million Per MW	Rands Per kWh												
11.	<p>a) As mentioned at the briefing session on 8th January 2020, the off-taker in the PPA for the Risk Mitigation Power Procurement Programme will be Eskom. Could an energy project “behind the meter” or distributed/embedded generation project not be seen as a load management project in which the off-taker (for example a mine) would curtail its energy consumption from Eskom? Do such projects (behind the meter, distributed generation, embedded generation) qualify to be taken into account under the envisaged risk mitigation PPP? In other words, do corporate, non-Eskom energy offtake projects qualify to be considered</p>	<p>a) Proposal may be submitted for consideration to the extent is aligned with the categories envisaged in the RFI.</p> <p>b) A proposal can submitted however due process will have to be followed. Furthermore such process will have to be aligned with the procurement laws of South Africa.</p> <p>c) Same as (b) above.</p> <p>d) The focus is to understand the most feasible timelines to get MWs on the grid in the shortest time possible to alleviate the capacity constraints. Further details on the anticipated commercial operation dates will be set out in the RFP.</p>												

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THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME**

	<p>under the RFI? Would this not qualify as a demand side management solution?</p> <p>b) Can expansion of the renewable energy projects existing and under construction (Round 1 – Round 4) be eligible under the risk mitigation PPP?</p> <p>c) Can the acceleration of the commercial operation dates (COD) of REIPPPP Round 4 projects or the extension of the validity period for claiming Early Operating Energy Payment beyond the 6 months before the scheduled COD as currently reported in the PPA be proposed in this RFI and considered under the RFI & RFP for the risk mitigation PPP?</p> <p>d) What are the anticipated commercial operation dates (COD) envisaged for the projects to supply the 3GW energy shortfall?</p> <p>e) If an IPP submits a project in response to the RFI, and it is also submitted in anticipated REIPPPP Bid Window 5 how will this be handled by the IPP Office? Does proposing the project in the Risk Mitigation RFI & RFP prevent the same project from being proposed under REIPPPP Bid Window 5?</p> <p>f) The IRP 2019 published in Oct 2019 reports almost 3GW @ 2022 of additional capacity split between the following categories: Storage, Wind and PV and an imprecise number of MW allocated till 2022 under the Others (Distr Gen, CoGen, etc.). Please clarify where is the intention to source the 3GW contemplated in the Risk Mitigation RFI?</p> <p>g) Execution timeline depends also by the timing required for the sourcing main components, usually the public procurement is characterized by wide requirements of local content that may impact the ability of each project to be built in the expected timeline. Please advise how local content requirements will be adjusted to ensure timeously project implementation in the RFP stage</p>	<p>e) There is currently no procurement process underway therefore nothing precludes the submission of a response to the RFI and concurrently a bid response to the anticipated Bid Window 5 when it is initiated. The intent with the RFI is to solicit information from the market on potential projects or technology options. Such responses from the market may be considered in revising or formulating a procurement approach.</p> <p>f) Please refer to Clarification Response 2 – Eskom Power Generation Requirements.</p> <p>g) The purpose of the RFI is to receive information from the market on the status of their project and project readiness. As part of the RFI the Department has requested feedback from the market on indicative tariffs for their specific project(s). The Department will consider the feedback from the market on relevant aspects including local content in designing an open fair and transparent procurement process. The Department will set out its ED criteria in the procurement documents and such will be assessed as part of the procurement process.</p>
12.	<p>a) What company administrative documents are required when responding to the RFI? E.g. tax clearance certificate.</p> <p>b) For the electronic submission, in which format would this responses need to be submitted via? E.g. email? Flash drive? CD?</p>	<p>a) The RFI is not a procurement process. Therefore while information on track record and company profiles may be provided it is not necessary at this stage to provide the constitutional documents of a company.</p> <p>b) The Department will only accept responses which meet the submission requirements stipulated in the RFI. In line with the RFI submission requirements, Respondents are required to submit 2 hard copies and 1 soft copy. Unfortunately information cannot be submitted electronically</p>

CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME

				via email, drop box, etc. Respondents should wrap or file each RFI Response (comprising 2 (two) hard copies and 1 (one) soft copy) separately but should provide all copies in one envelope or wrapping.
13.	May you kindly advice on the localization % required?			There has been no decision on the localisation. The localisation requirements will be set out in the relevant RFP.
14.	With reference to clauses 4.2 and 4.4.10, we wish to clarify if a confirmation of a lease agreement will suffice or copies of the full agreement is required. Lastly, for the environmental permitting, will an Environmental Authorisation or the full environmental Impact Assessment report be required?			The Respondent may submit either confirmation of lease agreement or a copy of the lease agreement. The Respondent may provide the Environmental Authorisation and not the full environmental impact assessment report.
15.	Please may you provide clarification in respect to Form 1 section D “Proposed Operating Regime”: <u>Minimum & Maximum number of yearly starts and stops:</u> Since Wind energy is an intermittent source of energy, technical availability does not guarantee energy availability. Should the information furnished to the Department include technical availability stops only or take into consideration the energy availability?			The information requested is the minimum and maximum number of the design plant operational starts and stops. This is related to the dispatch instruction by the power system operator. Since wind is inherently a self dispatchable technology, the fields related to dispatchable technology are not applicable.
16.	Reference	Topic	Clarifications required	In respect of the timelines please use the updated Form 1 dated 14 January 2020. The Medium Term Power Generation Facility may be connected to either a Transmission or Distribution System depending on the grid connection solution provided to the project by the relevant network provider. Please indicate whether your facility will be connecting to a Transmission or Distribution System.
	ADDENDUM in respect of Form 13 December 2019 – Section G: Proposed timing	Timing until COD	The RFI indicates that the timing should be 3-6 months or 6-12 months under point 4.5.1.1 and in the addendum on page 24, Criteria, however the updated form in respect of demand management under section G indicates 6 months and 12 or 18 months. Can you clarify what timing should be used?	
	4.5.1.8	Transmission or distribution connection	“whether the Respondent intends to connect both the Risk Mitigation Power Generation Facility to the Transmission System, Distribution System to which it anticipates connecting; and”	

CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME

		We would like to clarify the term “both” in the sentence above? It is expected that the Risk Mitigation Power Generation Facility will be connected to either the Transmission OR Distribution system. Please clarify?	
17.	<p>We have the following questions regarding the RFI that requires some clarification:</p> <p>a) Eskom have contact some IPP suppliers enquiring on available capacity / expression of interest enquires for short term procurement. However does this IPP RFI correlate with any procurement programs that Eskom are planning.</p> <p>b) All indications are that this IPP program may take between 3 to 6 months before an RFP will be published. Eskom have announced more load shedding and shortages due to lack of capacity. How does this IPP program address the current dire need for urgent power on the bars.</p> <p>c) What are the broad qualification requirements for bidders likely to be in the RFP?</p> <p>d) There is a need for urgent power. Past IPP procurement RFPs have been cumbersome and long drawn out. Can this RFP process be simplified and made easier for a win - win on all sides?</p>		<p>a) There are ongoing engagements between Eskom and the Department on the Medium Term Power Purchase Programme. Such engagements include the consideration of all options to alleviate the power generation gap.</p> <p>b) The timelines and procurement procedures will be adjusted to take account of the short to medium term power supply requirements.</p> <p>c) The qualification requirements will be set out in the relevant RFP. The guiding principles at this stage is to MWs on the grid in the shortest time possible to alleviate the constraints in the short to medium term.</p> <p>d) The Department recognises the need to have an expedited procurement process however such procurement process will still need to be undertaken in manner which is compliant with procurement laws including being fair, transparent, open and competitive.</p>
18.	<p>1.1. RFC 1: Enumerating the most current Short-Term Capacity and Energy Shortfall for the Risk Mitigation Power Procurement Programme:</p> <p>1.1.1. Noting that Table 5 of IRP 2019 includes a column headed “Other” under which the capacity allocations in the years 2019-2022 is not enumerated, save for the words “Allocation to the extent of the short term capacity and energy gap” for this 4 (four) year period, does the Department intend to provide regulatory certainty by enumerating both the most current short-term capacity and energy shortfall for imminent procurement under the Risk Mitigation Power Procurement Programme (RMPPP) by means of:</p>		<p>This RFI has a twofold objective to, determine market capability and readiness to implement a Medium Term Power Purchase Programme and to implement the IRP 2019. The questions regarding the section 34 determinations will be clarified in due course and may take into account recommendations from the RFI analysis.</p>

**CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF
THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME**

	<p>1.1.1.1. Receiving and approving an application, in compliance with s11(2)(g) of the Electricity Regulation Act (ERA), as amended, to deviate from IRP 2019? or</p> <p>1.1.1.2. Issuing an ERA s34 Determination, after concurrence with NERSA who is obliged to hold public consultations on the proposed s34 Determination before concurring? or</p> <p>1.1.1.3. Complying with both s11(2)(g) (deviation approval) and s34 (determination)? and or</p> <p>1.1.1.4. Utilising ERA s34(4) to deviate from standard procurement procedures in order to directly negotiate with RFI Respondents in compliance with ERA s34(1)(e) by evaluating, comparing, ranking and adjudicating RFI Responses proposing categories of similar technologies that could meet the short-term capacity and energy shortfall in the shortest possible?</p> <p>1.1.2. RFC 2: Complying with s11 (2) g (deviation approval):</p> <p>1.1.2.1. If an application for such a deviation is required from an applicant as per ERA s11(2) (g) (deviation approval):</p> <p>1.1.2.1.1. Has such an application(s) been received by the Department from any interested and affected party to date for the full capacity and energy allocation to be procured under the MRPPP?</p> <p>1.1.2.1.2. If not, are RFI Respondents encouraged to submit such s11(2)(g) application for a deviation approval by stating, as part of their RFI Responses, the full capacity and energy contribution they are proposing?</p> <p>1.1.3. RFC 3: Complying with ERA s34 (determination):</p> <p>1.1.3.1. Whether or not an application for a deviation approval under ERA s11(2)(g) as contemplated RFC 2 above is required, will the Department issue a proposed ERA s34 Determination on the RMPPP for concurrence by NERSA?</p> <p>1.1.3.1.1. If so, has the Department taken the anticipated lead-time into account for NERSA to hold public consultations on the specifics of such a proposed ERA s34 Determination on the RMPPP, before it</p>	
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**CLARIFICATION RESPONSE 3 – RESPONSE TO QUERIES AS AT THURSDAY 23 JANUARY 2020 FOR THE REQUEST FOR INFORMATION IN RESPECT OF
THE DESIGN OF A MEDIUM TERM POWER PURCHASE PROGRAMME**

	<p>issues a letter of concurrence and such ERA s34 Determination is published in the Government Gazette?</p> <p>1.1.3.1.2. If so, will such a proposed ERA s34 Determination on the RMPPP specify:</p> <p>1.1.3.1.2.1. Which technologies would qualify for consideration?</p> <p>1.1.3.1.2.2. The minimum and or maximum capacity for each technology per project to contribute to meeting the required total short-term capacity shortfall?</p> <p>1.1.3.1.2.3. The minimum and or maximum load factors, as the operating regimes, for each technology per project to generate the required total short-term energy shortfall?</p> <p>1.1.3.1.2.4. Which primary energy resources or fuels may or may not be used by such technologies?</p> <p>1.1.3.1.2.5. Which shared economic infrastructure goods and or services would be developed and made available by the relevant organs of state, if at all, to enable the application of specific technologies to contribute to the short-term capacity and capacity shortfall?</p> <p>1.1.3.2. Would the Department determine that the Procurer for (a) all or (b) some of the short-term capacity and energy shortfall required to be:</p> <p>1.1.3.2.1. The IPP Office,</p> <p>1.1.3.2.2. Eskom,</p> <p>1.1.3.2.3. Any Municipality which secures the necessary approvals from National Treasury, and or</p> <p>1.1.3.2.4. Any other organ of state?</p> <p>1.1.3.3. Where an organ of state is determined to be the Procurer, may such organ of state also be determined to be a Buyer of (a) all or (b) some of the new generation capacity to meet the short-term capacity and energy shortfall required?</p>	
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