



MEDIA STATEMENT
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Minister of Energy

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Expansion and Acceleration of the Independent Power Producer Procurement Programme

Acting DG, Senior Management and DoE Officials
Management and Officials of the DoE IPP Office
Members of the Media
Ladies and Gentlemen

Welcome and thank you for joining us this morning.

Resolving the energy challenge remains a critical element of the South African Cabinet's list of nine strategic priorities to be pursued in partnership with the private sector and all stakeholders. The South African Government is following a coordinated approach to the energy challenge, while ensuring that energy developments are maximising socio-economic development objectives, in addition to economic growth.

We have called this Briefing to share with the South African public a **combination of energy supply and demand options** that will increase the participation of the independent power producers to electricity supply to the grid as well as private participation in energy efficiency and demand side initiatives.

The electricity supply options will be derived from renewable resources, gas, coal and cogeneration.

The **Renewable Energy** IPP Programme is a flagship programme of the Department through which a total of 4 322MW have been procured in less than four years.

I am pleased to confirm that on 11th April 2015, the DoE issued confirmation letters to thirteen (13) Preferred Bidders for the fourth bid submission phase of the RE IPP Programme. These projects, once completed, will contribute an additional 1 121MWs to the national grid.

This brings a total of 79 projects approved by the Department of Energy with a capacity of 5 243MW across all Renewable Energy Bid Windows. This represents a massive investment of R168 billion in economic infrastructure in our country, which will contribute to economic growth and job creation, in addition to the contribution it makes to security of electricity supply.

The 13 preferred bidders for Window 4 are as follows:

• **Biomass** - Ngodwana Energy Project – 25MW

On-shore wind:

Roggeveld Wind Farm – 140MW

The Karusa Wind Farm – 140MW

• The Nxuba Wind Farm - 139MW

Golden Valley Wind – 117MW

• Oyster Bay Wind Farm – 140MW

Solar PV:

Sirius Solar PV Project One – 75MW

• Droogfontein 2 Solar – 75MW

• Dyason's Klip 1 – 75MW

• Dyason's Klip 2 – 75 MW

• Konkoonsies II Solar Facility – 75MW

• Aggeneys Solar Project – 40MW

Hydro:

Kruisvallei Hydro - 5MW

We expect financial close for Bid Window 4 to be in Quarter 4 of this year, and commissioning of these projects from November 2016.

Ladies and Gentlemen, in view of the current electricity supply challenges experienced in our country, and in the context of broader coordination efforts of government to address these challenges, the Department has been structuring a comprehensive response with regard to the IPP Programme.

I now wish to focus on some of these areas:

I have instructed my Department and the IPP Office to **accelerate and expand the Renewable Energy IPP Procurement Programme** through:

- Firstly, utilising the enabling provisions in the current RFP to allocate additional MWs from Bid Window 4 procurement process. This Bid window has been extremely successful with regards to price and economic development proposals. I expect to receive a firm report in this regard by month end, and an announcement will be following soon thereafter, however not later than end May 2015.
- Secondly, we will be issuing a Request for Further Proposals for an expedited procurement process of 1800MW from all technologies. I have directed the IPP Office to follow a diligent, but shortened and simplified, competitive procurement process. This bidding process would be open to inter alia all unsuccessful Bidders from all previous Bid Windows (BWs 1 to 4) which are ready for re-submission. The Request for Further Proposal for this expedited procurement process will be issued by no later than early June 2015 and the IPP Office will release more details on the proposed process for this in due course.

Furthermore, I have requested the team to redesign the current RFP for the Fifth Bid Submission phase to be ready for release in the second quarter of 2016. Key aspects of the RFP that will be redesigned include the definition of local community, the mechanisms to ensure early, efficient and equitable benefits to the communities and the local content / industrialisation regime, as well as to take into account the constrained distribution and transmission systems that we dealing with.

Ladies and Gentlemen, I wish to announce that I also intend to submit to NERSA, for their concurrence, a new determination for an additional 6 300MW for the Renewable Energy IPP Procurement Programme. This is done in accordance with the IRP 2010-2030 and to maintain the momentum of the programme, especially for future Bid Submission phases.

The Department has developed a **Small Projects Programme** which seeks to procure renewable energy from small-scale Independent Power Producers, with projects that are between 1 and 5MW in size. A procurement process, seeking to procure 50MW of the 200MW determined for small projects, is currently underway. 29 bids have been received totalling 139MW and evaluations of bids will be finalised during April 2015 for subsequent announcement.

I have requested that the Small Projects RFP be simplified in future to provide for a less complex and costly bidding process. In parallel, the Department and National Treasury have encouraged Development Finance Institutions and the private sector to develop a Small Projects Funding Mechanism. This Fund Mechanism will operate independently from Government and is intended to provide funding to Small Local new Developers (who otherwise may not have received funding from commercial banks). I will make a detailed announcement of this innovative funding mechanism during my Budget Vote Address in May 2015.

Parallel and aligned with the release and consultation on the Gas Utilisation Master Plan for South Africa, the Department have been engaged in a process to design a **Gas to Power** procurement programme for a combined 3126MW allocation. I can today confirm that a Gas to Power Request for Information (RFI) will be released to the market by end of April 2015. Responses to this RFI will be used in designing the Gas to Power Procurement Programme. This programme is expected to stimulate a gas sector which could contribute to the growth of the economy. Further information post the RFI process will be shared through the IPP Office.

As you may be aware, our **Coal** Base load IPP Programme will procure 2 500MW (two thousand five hundred megawatts) of electricity from coal fired power stations with Bidders limited to bidding a maximum of six hundred megawatts (600MW) per project. The coal IPP procurement programme is designed to encourage meaningful local participation, and requires 51% South African entity participation. We hope to see more South Africans capitalising on the opportunity created through this programme..

Similar to the renewable energy IPP procurement programme, the coal procurement programme will be launched in a number of bid windows, each with a capped allocation and tariff to ensure competitive pricing. The first coal IPP bid window request for proposals was released to the market on 15 December 2014, with Bid responses expected mid-2015. Announcement of the preferred bidders is expected before the end of the year.

You would also be aware that I have directed my Department to design a procurement approach for **Co-generation** that will expedite the approval process and financial close.. The Cogeneration RFP will be released to the market in April 2015 and the announcement of the preferred bidders will be in the third quarter of 2015. Currently, 800MW has been determined for co-generation, and depending on responses from the market, this determination may be increased in future.

The Department has also been gathering information on the potential for more and innovative **demand reduction, load shifting and energy efficiency initiatives**. An RFI was issued in December 2014 and 150 responses were received on 2 February 2015. 27 of these responses were classified as “quick wins, and 42 were identified as medium term opportunities. All the responses will be considered during the development of the procurement framework, including medium to long term initiatives related to energy efficiency and any other initiative with sustainable impact. The procurement programme is expected to be launched during the second half of 2015.

Ladies and Gentlemen,

In Southern Africa, energy security is both a regional and national issue due to supply and demand locational mismatches, notably in clean energy sources such as **hydro**.

Furthermore, the sheer scale of the demand for energy requires region-wide institutional and financial solutions.

I am happy to announce that the Treaty between the Democratic Republic of the Congo and the Republic of South Africa on importing hydroelectricity from Inga came into force on 20 March 2015. The Treaty obliges South Africa to negotiate an off-take agreement for the

purchase of 2500MW of electricity generated from the Inga phase 3 Low Head project, with a right of first refusal for up to 30% of generated capacity from all future phases.

Following my official working visit to the DRC during March 2015, I can confirm that the respective delegations from the RSA and the DRC are meeting in our capital, Pretoria this week, in order to structure, negotiate and implement the requisite project agreements to give effect to the Treaty.

Implementation of the project will have a transformational impact on the DRC, as well as the entire Southern African region. This project remains a critical element of our future electricity supply and is important in the strategic plans of both NEPAD and the African Union.

In conclusion, I wish to extend the appreciation of government to all South Africans who are doing their part to alleviate the electricity shortages we face currently. We must re-iterate that the challenge affects all of us equally and we do possess the resolve and ability to collectively address this matter.

We also wish to extend our gratitude to all stakeholders, in the public sector, private sector, in labour and our communities at large for the ongoing engagement and interaction. Please be assured that the various proposals we have received from you and the many interactions are indeed appreciated and assist to shape of collective response to this national challenge.

Thank you for your attendance and attention.