



INDEPENDENT POWER PRODUCERS OFFICE

In partnership with



# RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROCUREMENT PROGRAMME (REIPPPP)

## BID WINDOW 5 BIDDERS' CONFERENCE

26 MAY 2021

[www.ipp-projects.co.za](http://www.ipp-projects.co.za)



## AGENDA

1. Introduction to Proceedings
2. Welcome Remarks by the Head of the IPP Office
3. Legal Qualification Criteria
4. Technical Qualification Criteria
5. Grid Connections
6. Financial Qualification Criteria
7. Economic Development Qualification Criteria
8. Implementation Agreement



mineral resources  
& energy

Department:  
Mineral Resources and Energy  
REPUBLIC OF SOUTH AFRICA



DEVELOPMENT BANK OF SOUTHERN AFRICA  
*Building Africa's Prosperity*



national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



IPP Programme - 10 years of Empowering Change

A circular logo with a teal background and a white border. The text "IPP OFFICE" is written in white, uppercase letters. A small teal circle is positioned on the left side of the border.

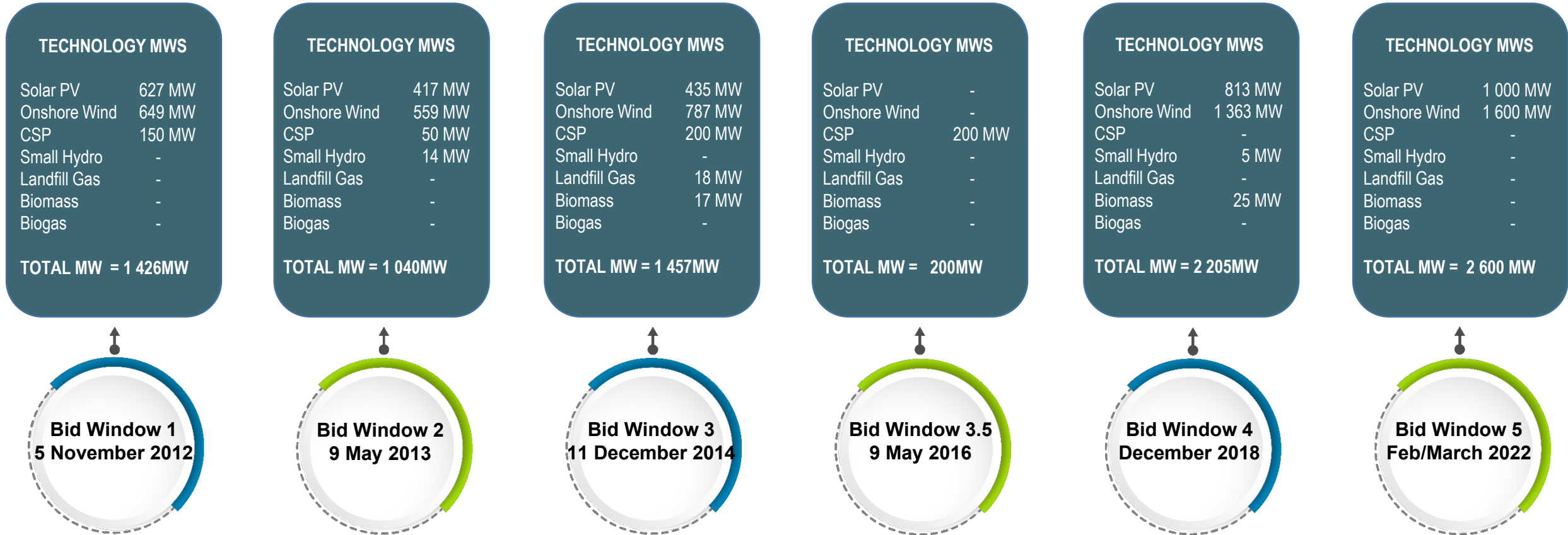
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A wide-angle photograph of a solar farm at sunset. The solar panels are arranged in long, parallel rows that stretch towards the horizon. The sky is filled with dramatic, colorful clouds in shades of orange, red, and blue. The sun is low on the horizon, creating a bright glow. The overall scene is peaceful and emphasizes renewable energy.

# WELCOME REMARKS BY THE HEAD OF THE IPP OFFICE

# ... The REIPPPP Journey so far...

Celebrating 10 years since the start of the REIPPPP programme



**Note:** Dates referred to above are Financial Close Dates

# The IPPPP has been the major driver behind South Africa's growing Renewable Energy Footprint....



IPPs **selected**  
as preferred  
bidders



electricity  
capacity  
**procured**



already **operational**  
from **76 IPPs**



energy **generated**  
by renewable  
energy sources



**investment attracted** for  
energy infrastructure in all  
bid windows

All data as at 31 December 2020, after 7 bid rounds (Bid Windows 1, 2, 3, 3.5, 4 and Small Bid Windows 1 and 2)



# The IPPPP also uniquely incorporates fundamental socio-economic development objectives



57 236

job years

Employment opportunities for South African citizens during construction and operations



1.4

Rand billion

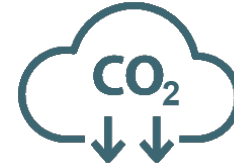
(actual) contribution realised for socio-economic development



0.4

Rand billion

(actual) contribution realised for enterprise development



57.0

Mton CO<sub>2</sub> offset

By electricity generated by these projects



67.4

Million kiloliters

Water savings since programme inception



59.7

Rand billion

(actual) local content spend

50%

of total project value realised

34%

Shareholding by black South Africans



10%

Shareholding by Local communities



70.0

Rand billion

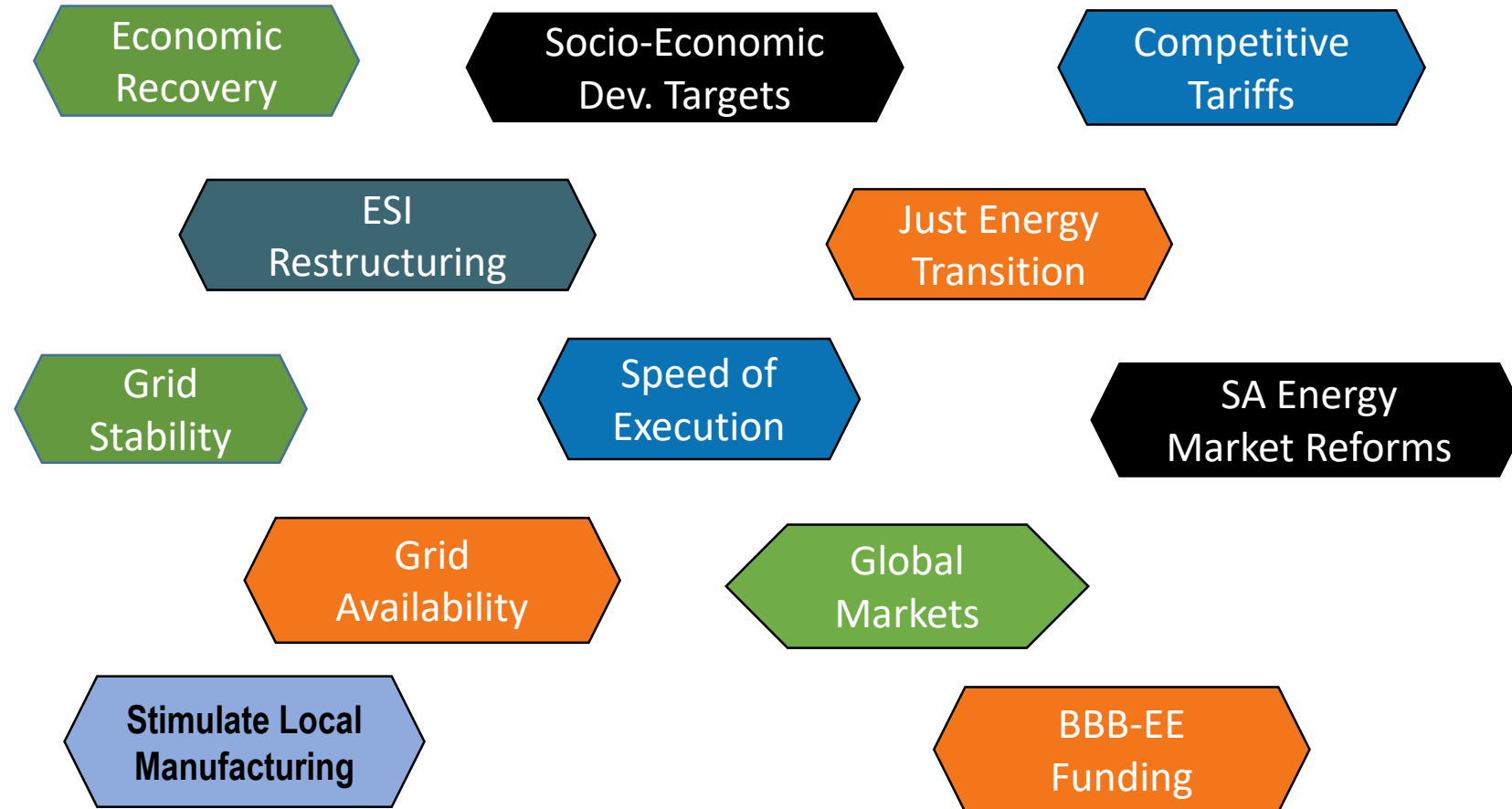
(actual) BBBEE spend

83%

of total procurement

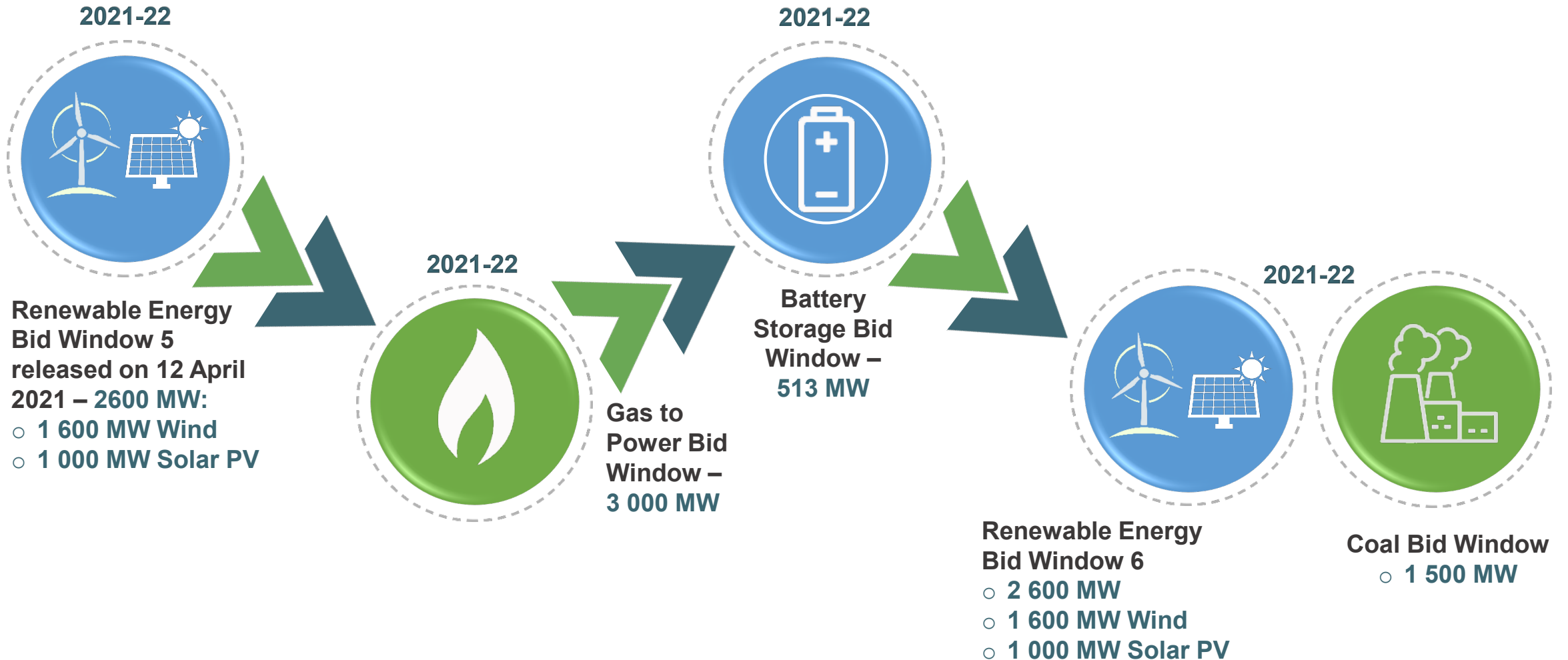
All data as at 31 December 2020

# Future procurement will have to be innovative and cognisant of global and local trends...



... All demanding an **innovative approach** in procurement design

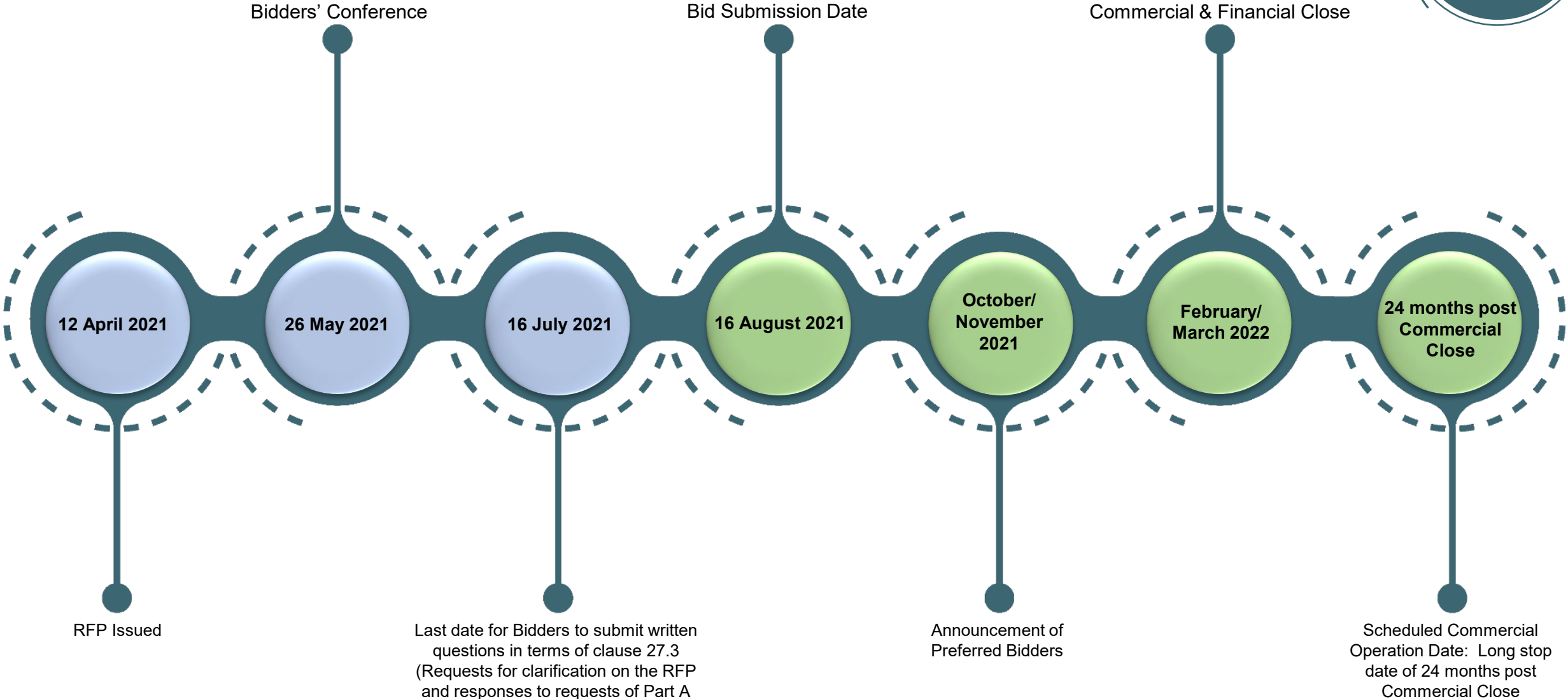
# During 2021-22 the Department will roll-out the procurement of 5 bid windows (11 813 MW) in line with the Second Determination under IRP2019





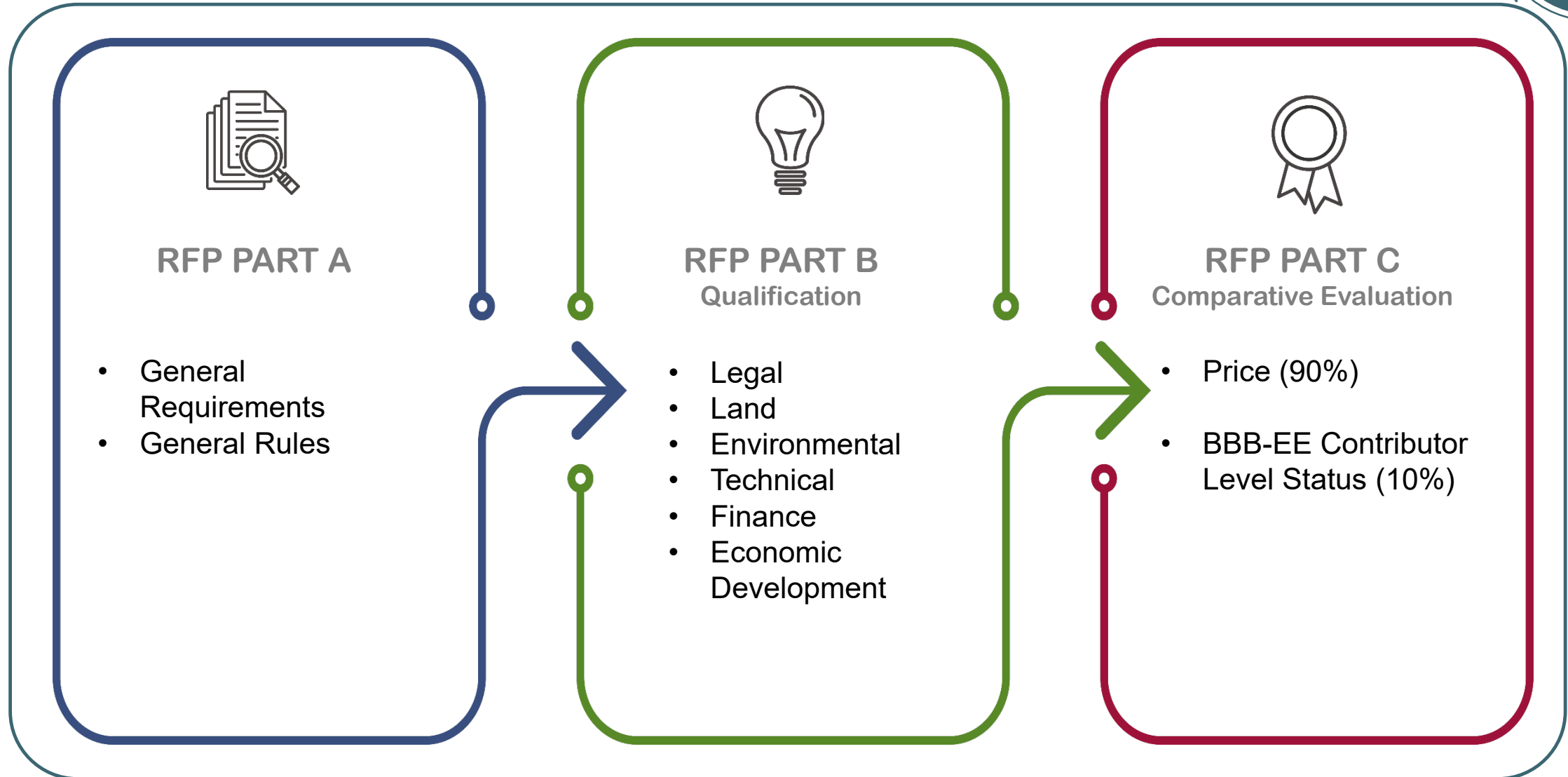
# REIPPPP BID WINDOW 5

## Indicative Timelines for REIPPPP BW 5 Procurement



# The REIPPPP BW 5 RFP is structured in 3 Parts

## Presentations will focus on Qualification Criteria in Part B



The logo for the IPP Office is a dark teal circle with a white border. It features a small green dot on the left side and the text "IPP OFFICE" in white, bold, uppercase letters.

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The background of the slide is a photograph of a wind farm at sunset. Several wind turbines are visible against a sky with orange and blue clouds. The bottom half of the image is a reflection of the turbines and sky on a grid-like surface.

# LEGAL QUALIFICATION CRITERIA

# LEGAL QUALIFICATION CRITERIA

## Legal and Policy Context of the Programme



- The Minister of Mineral Resources and Energy (the Minister) published the **Integrated Resource Plan on 18 October 2019**. The IRP 2019 is the policy planning tool that facilitates planning of future electricity supply by modelling various demand scenarios and the decisions that need to be taken in order to meet such demand at the time when it arises.
- In order to give effect to the IRP 2019, the Minister issued a Determination with concurrence of NERSA in accordance with section 34 of the Electricity Regulation Act, No. 4 of 2006, on 25 September 2020.
- The Determination designates the **Department of Mineral Resources and Energy (the Department)** as the **Procurer** and **Eskom** as the **Buyer**.

# LEGAL QUALIFICATION CRITERIA

## Legal and Policy Context of the Programme cont/...



- In line with the Determination, the Fifth Bid Submission Phase of the REIPP Procurement Programme has been designated to facilitate the **procurement of up to 2600 megawatts (MW) – with 1 000 MW Solar Photovoltaic and 1 600 MW Wind.**
- Projects submitted on the Fifth Bid Submission Date (16 August 2021) must be **capable of achieving the Commercial Operation Date for the Project within a period of 24 (twenty four) months after Commercial Close.**
- The Determination also provides that the electricity produced from the various energy sources **shall be procured from Independent Power Producers (IPPs)** through one or more IPP Procurement Programmes as contemplated in the Electricity Regulations on New Generation Capacity, 2011 (the New Generation Regulations).

# LEGAL QUALIFICATION CRITERIA

## PPPFA Exemption



- The Department was granted an exemption as contemplated in the Preferential Procurement Policy Framework Act (PPPFA) by the Minister of Finance – such exemption was granted on a limited basis.
- **Unlike in previous Bid Submission Phases, the PPPFA exemption pertains only to Economic Development as a component of the Qualification Criteria. The evaluation in terms of Part C (*Evaluation Criteria Requirements*), of the RFP will be conducted on the 90/10 point system.**
- The maximum score for Price will be 90 points, and the maximum score for Contributor Status Level will be 10 points.
- Each Preferred Bidder's Economic Development commitments will be incorporated into the Implementation Agreement concluded by the Project Company with the Department.

# LEGAL QUALIFICATION CRITERIA

## Qualification Criteria



- In order to meet the requirements of Part B (*Functional and Qualification Criteria Requirements*) of the RFP and the Volumes thereto, all Bid Responses will be assessed in order to determine whether they are Compliant Bids.
- All Bid Responses will be assessed in order to determine whether they are Compliant Bids by ascertaining whether they have complied with each of the Qualification Criteria as stipulated in Part B of the RFP, to pass such Qualification Criteria.
- **A Compliant Bid is a complete Bid Response that:**
  - is in the format set out in clause 13 (*Format of the Bid Response*) of Part A (*General Requirements, Rules and Provisions*) of the RFP; and
  - meets or exceeds the requirements in respect of every applicable Qualification Criterion set out in Part B with the associated Appendices which set out the requirements:
    - Volume 2 (*Legal Requirements*),
    - Volume 3 (*Technical Requirements*),
    - Volume 4 (*Financial Requirements*),
    - Volume 5 (*Economic Development Requirements*), and
    - Clause 2.8 (Value for Money) of Part B

# LEGAL QUALIFICATION CRITERIA

## Qualification Criteria cont/...



The Qualification Criteria are divided into the following **umbrella categories under Part B** (*Functional And Qualification Criteria Requirements*) and the **Volumes of Part B**:

- **Structure of the Project** - Clause 2.1
- **Legal Criteria and Evaluation** - Clause 2.2
- **Land Acquisition and Land Use Criteria and Evaluation** - Clause 2.3
- **Environmental Consent Criteria and Evaluation** - Clause 2.4
- **Financial Criteria and Evaluation** - Clause 2.5
- **Technical Criteria and Evaluation** - Clause 2.6
- **Economic Development Criteria and Evaluation** - Clause 2.7; and
- **Value for Money** - Clause 2.8



# LEGAL QUALIFICATION CRITERIA

## Legal Qualification Criteria



- The following are the key criteria that will be assessed in the legal evaluation. Each legal criterion has a pass threshold. **Bidders will be required to pass the thresholds in respect of all Legal Criteria, in order to pass the legal evaluation:**
  - **Legal Status of the Project Company;**
  - **Confirmation of the Agreements** (PPA, the Implementation Agreement, Direct Agreement, Independent Engineer Agreement and the Connection Agreements) and **submission of Returnable Schedules;**
  - Provision for the **Decommissioning Reserve;**
  - **Land Acquisition and Land Use Criteria** and Evaluation
  - **Environmental Consent Criteria** and Evaluation
- Bidders are also required to complete the forms and provide the **confirmation / undertakings set out in Volume 1 Part 2**

# LEGAL QUALIFICATION CRITERIA

## Legal Qualification Criteria cont/...



- **Legal Status of the Project Company**

The Constitutional Documents of the Project Company, when it concludes the PPA and Implementation Agreement, must reflect that the Project Company (a) has the sole purpose, object and business of undertaking the Bidder's Project, including entering into and fulfilling the terms and conditions of the PPA, the Implementation Agreement, the Direct Agreement, the Independent Engineer Agreement and the Connection Agreements in respect of the Project; and (b) is a "ring fenced" company in terms of the Companies Act.

- **Confirmation of the PPA, the Implementation Agreement, Direct Agreement, Independent Engineer Agreement and the Connection Agreements and submission of Returnable Schedules**

The Bidder must submit a letter confirming the Bidder's acceptance of the PPA, the Implementation Agreement, the Direct Agreement, the Independent Engineer Agreement and the Connection Agreements and all annexes to all of these agreements; and submit a letter from each of its Members and or Shareholders and each of its Lenders confirming their acceptance of the PPA, the Implementation Agreement, the Direct Agreement, the Independent Engineer Agreement and the Connection Agreements and all annexes to all of these agreements.

# LEGAL QUALIFICATION CRITERIA

## Legal Qualification Criteria cont/...



- **Provision for the Decommissioning Reserve**

As stated in clause 8.7 of Part A (General Requirements, Rules and Provisions) of the RFP, Sellers will be required to make financial provision for the costs of the decommissioning of the Facility and the rehabilitation and closure of the Project Site and the post-closure monitoring of environmental impacts in respect of the Facility upon the termination of the PPA. The Decommissioning Costs (and, accordingly, the amounts provided by the Decommissioning Reserves) may be built up over time, in incremental amounts each year on a straight line basis over the Operating Period.

- **Land Acquisition and Land Use Criteria and Evaluation**

The Bidder must submit a Legal Opinion as part of its Bid Response, issued by the legal practitioners for the Bidder and addressed to the Department, substantiating the nature of the land acquisition or land use arrangements entered into by the Bidder in respect of the Project Site for purpose of the Project.

# LEGAL QUALIFICATION CRITERIA

## Legal Qualification Criteria cont/...



### Environmental Consent Criteria and Evaluation

A Bidder must have the following in place at the Bid Submission Date, for its Project:

- an **environmental authorisation(s)** as required by the National Environmental Management Act 107 of 1998 (“**NEMA**”) for the Project, in the name of the Project Company, for the whole of the Project; and
- a detailed description of all of the **water consumption needs of the Project**, and a description of how the Project will meet all of its water needs; and
- written confirmation(s) of a **water allocation** for all the water consumption needs of the Project **from a water services provider** registered as such in terms of the Water Services Act No. 108 of 1997 (“**a Water Services Provider**”) (or from a Water Supplier who undertakes to obtain such a registration, in which case the written undertaking to obtain registration must also be submitted with the Bid Response); or
- a written non-binding **confirmation(s) of water availability** for the Project from the DHSWS or the relevant catchment management agency, or a combination of these 2 (two) confirmations that between them cover all the water consumption needs of the Facility and the Project; and
- **proof that an integrated water use licence application, or water use licence application for all anticipated water uses**, in terms of the National Water Act 36 of 1998 (“**NWA**”) has been made, or a Legal Opinion that none is required, (hereinafter referred to as the "**key Environmental Consents**").

# LEGAL AGREEMENTS



- **If a Bidder is successful it will enter into the following legal agreements:**
  - **Implementation Agreement** (“IA”) with Department – this agreement sets out the government support from the Department to the Seller, the obligations of the Seller in respect of rehabilitation of the site, rights and obligations in respect of the ED commitments of the Sellers are incorporated into the IA. The IA has extensive provisions in relation to the rights and obligations as well as undertakings from the Seller in respect to Corrupt Practices and Anti Bribery and Corruption Laws;
  - **Power Purchase Agreement** ("PPA") with Eskom – this agreement sets out the rights and obligations of the Buyer and the Seller in respect of the commissioning of the Facility and commitments to achieve the Scheduled COD, delivery of energy output by the Seller, payment obligations of the Buyer in respect of the Commercial Energy Payments and the Deemed Energy payments, System Event Relief, Allowable Grid Unavailability applicable at Distribution and Transmission, consequences and relief arising from Force Majeure, Unforeseeable Conduct and Change in Law. Rights and obligations as well as undertakings from the Seller in respect to Corrupt Practices and Anti Bribery and Corruption Laws. The requirement to provide forecasting and the penalties to be applied in respect of inaccurate or non-provision of forecasting;

# LEGAL AGREEMENTS cont/...



- **If a Bidder is successful it will enter into the following legal agreements:**
  - **Independent Engineer Agreement** with Eskom and the Independent Engineer – this agreement provides for the appointment of the Independent Engineer and for the Independent Engineer to monitor construction of the Facility and to conduct the testing and commissioning of the Facility to enable the Project to reach COD;
  - **Direct Agreement** (where applicable) with the Department, Eskom and Lenders in respect of the Implementation Agreement and PPA – this agreement provides step-in rights and protections to lenders associated with possible termination of the IA and PPA as a consequence of a Seller Default under either of these agreements; and
  - **Connection Agreements** with either the National Transmission Company (if the grid connection will be at transmission level), the Distributor (if the grid connection will be at distribution level) or the Self-Build Agreement with Eskom, or into a municipal distribution agreement with the relevant municipality;
  - **Connection Direct Agreement** with its Lenders and the NTC or Eskom, as the case may be, in respect of the Transmission Agreement or Distribution Agreement or if applicable, the Self-Build Agreement, as the case may be; or
  - **Municipal direct agreement** with its Lenders and the municipal Distributor in respect of the Municipal Distribution Agreement.

# LEGAL AGREEMENTS cont/...



- The Project Company of a Preferred Bidder (which becomes a Seller on Commercial Close) must be a special purpose Company established with the sole purpose of undertaking the Bidder's Project, including entering into and fulfilling the purposes of the PPA, the Implementation Agreement, the Direct Agreement, the Independent Engineer Agreement and the Connection Agreements.
- In line with the terms and conditions of the RFP, all Shareholders of a Project Company are required to be Members of the Bidder that designates that Project Company to be a Seller.

# TECHNICAL QUALIFICATION CRITERIA





# TECHNICAL QUALIFICATION CRITERIA

## Objectives of the Programme



To procure **2 600 MW** of capacity generated from renewable energy sources entailing 1000MW of PV and 1600MW of Wind identified in table 5 of the Integrated Resource Plan for Electricity 2019 (IRP 2019).

# TECHNICAL QUALIFICATION CRITERIA

## PPA Schedules



- A **geographic scale drawing in high resolution** with a clear depiction, labels and description of the:
  - Project Site boundary;
  - Delivery Point Facility S/S and the Dx or Tx S/S (as the case may be) and the Cables connection the S/S;
  - Facility and System Metering Installation;
  - all access roads associated with the Facility;
  - location of the Reference Mast/Pyranometer and Backup Reference Mast/Pyranometer; and
  - layout of the WTGs coinciding with the relevant WTGs listed in the table of coordinates.
- **Facility Details table**
- **P50 Forecast Energy Output table**

# TECHNICAL QUALIFICATION CRITERIA

## PPA Schedules



- A **single line drawing in high resolution** with a clear depiction, labels and description of the:
  - Ownership and Operational boundaries
  - Delivery Point Facility S/S and Dx or Tx S/S and the Cables.
- **Level 1 Project schedule Gantt chart**, from development through to Scheduled COD, at monthly resolution to show the:
  - key activities i.e. grid connection works;
  - events i.e. equipment lead times, delivery,
  - dependencies i.e. permits; and
  - milestones i.e. construction timelines.

# TECHNICAL QUALIFICATION CRITERIA

## Eligible Capacity



- The Contracted Capacity stated in PPA Schedule 1 fits within the eligible capacity limits for:
  - **Solar PV is between 1-75MW;**
  - **Wind is between 1-140MW**
- Bidder has provided a statement that explains how the Project is capable of limiting Capacity exported from the Facility to exclude the possibility of exporting Capacity above Contracted Capacity.

# TECHNICAL QUALIFICATION CRITERIA

## Forecast Energy Sales Independent Review



- Provide a **Forecast Energy Sales Independent Review Report**, from a party Independent of the Bidder and drafter of the Forecast Energy Sales Report, based on the same technical solution as presented in Schedule 1 of the PPA.
- FESIR references the Forecast Energy Sales Report (organisation, version and date of issue)
- FESIR to explicitly support the methodology, adequacy of the resource data and the conclusions of the Forecast Energy Sales Report.
- Provide a completed Form 4 (Key Staff CV) indicating that the signatory of the FESIR has at least three years of relevant resource energy yield experience

# TECHNICAL QUALIFICATION CRITERIA

## Forecast Energy Sales



- Form 2 (Forecast Energy Sales) has been completed to state the P50 and bankers case forecasted energy sales [MWh/year] at the Delivery Point.
- Bidder has provided a typical monthly distribution of the annual forecasted energy sales.
- The P50 forecasted energy sales presented in Form 2 is the same as that given the Forecast Energy Sales Independent Review.
- The P50 from Form 2 shall be used unadjusted as the P50 forecasted energy sales in the Financial Model(s).

# TECHNICAL QUALIFICATION CRITERIA

## Contracting Company Capability



- Provide an organogram on Form 3 (Organogram and Contractor Capability) to show the proposed contracting structure for the Project during construction.
- The Organogram will be expected to show key project participants and their roles, for example, Lenders, Project Company, EPC contractor, civil engineering contractor, BOP contractor and wind turbine supplier.

# TECHNICAL QUALIFICATION CRITERIA

## Project Schedule



- Level 1 Project schedule Gantt chart that is consistent with timescale referred to under the section “**Time and Cost for Grid Connection**” and **PPA Schedule 1 Part 2**, from development through to Scheduled COD, at monthly resolution to show the:
  - **key activities i.e. grid connection works;**
  - **events i.e. equipment lead times, delivery,**
  - **dependencies i.e. permits; and**
  - **milestones i.e. construction timelines.**
- Project is capable of beginning commercial operation within a period of 24 (twenty four) months after Commercial Close.



# TECHNICAL QUALIFICATION CRITERIA

## Compliance with Codes and Time and Cost for Grid Connection



### Compliance with Codes

Provide a letter signed by the Bidder, the Construction Contractor, or the key electrical contractor for the Project. The letter shall state that the Project is able to comply with all applicable Codes prior to the Scheduled COD.

### Time and Cost for Grid Connection

Provide a statement, schedule and cost estimate that clarifies which parts of the grid Connection Works will be implemented by the Bidder including self build or own build works.

Provide a valid Cost Estimate Letter (CEL) from the relevant Network Service Provider including the scope and any appendices, for the indicative cost and indicative timeline for grid connection.



**CONNECTION AND GRID ACCESS  
PROCESS FOR IPPS AND  
GENERATORS IN SOUTH AFRICA**



To provide a generic overview of how IPP's and generators connect to the Eskom Grid:

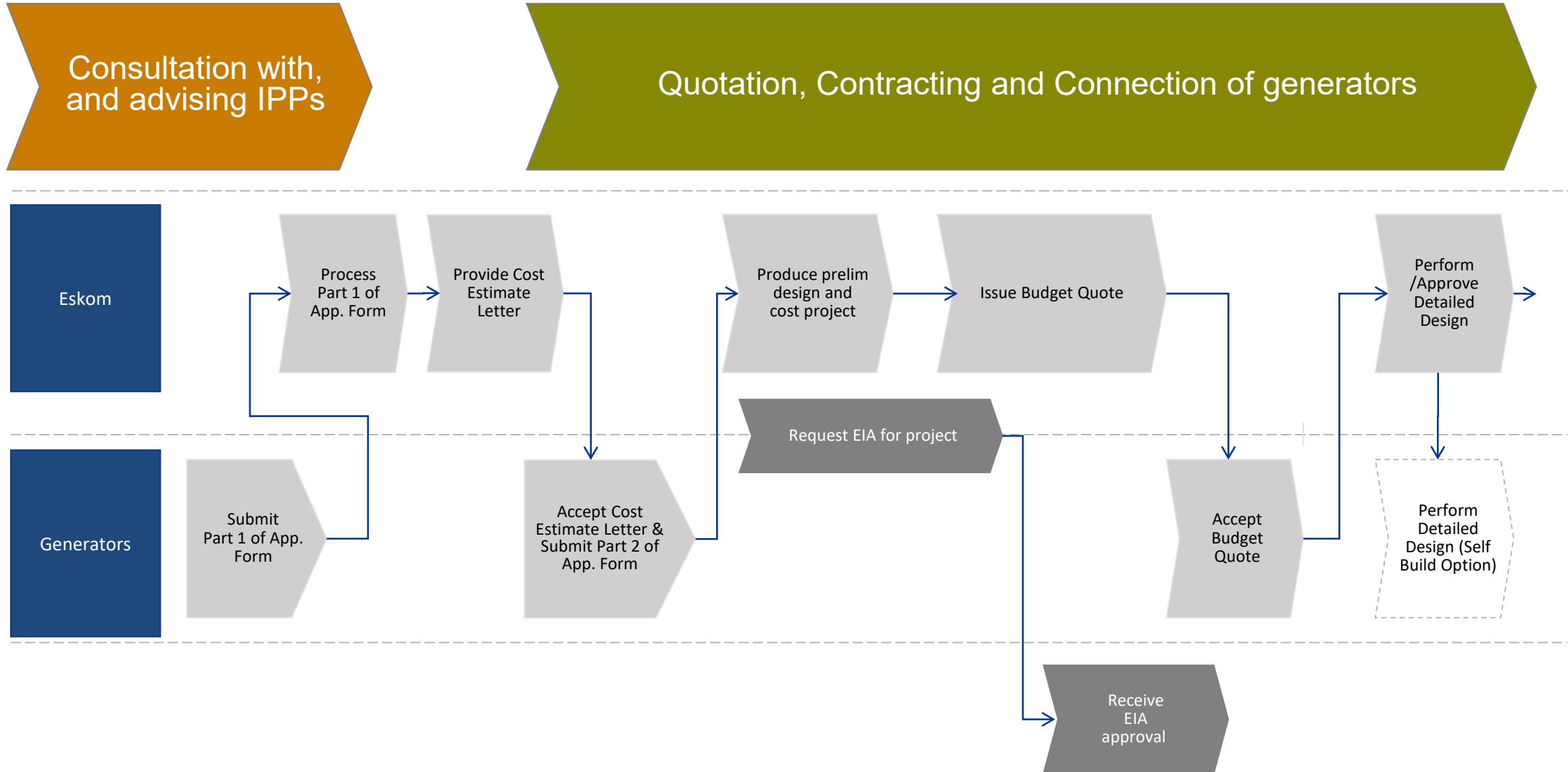
- **Grid Access Unit:** central department in Eskom that processes IPP applications and connections from cost estimates, budgets to commercial operation
- **IPP Windows of Applications:** determined by the Department of Minerals Resources and Energy (DMRE). Each Bidding session is called a Window.
- **Type of Renewable Energy (RE) technology:** quantities and types determined by DMRE
- **Bid Windows 1, 2, 3, 3.5, 4a and 4b** have identified suitable bidders **6 351 MW (96)**
- **1- 5MW Small: 100 MW (20)**
- **Peakers: 1 200 (2)**
- **Cogen: 13 MW (1)**
- **Coal baseload: 858 MW (2)**
- **RMIPP:** Risk Mitigation Independent Power Producers Programme (RMIPPP) to plug the energy gap in the power supply to the country. Initially **2 000 MW (13)** procured in **2021**, targeting **11GW by 2030**

**Total: 10 517 MW (134 Sites)**

- **To plug a gap in energy needs** of the country with alternative technologies to coal
  - Solar PV, Storage, Wind, Gas, Biomass, Hydro
- **Just Energy Transition (JET):** building up towards clean energy technology
- **Unpacked in Bid Windows:** Window 4b **2 000 MW RMIPP** recently concluded, balance of **9 000 MW**
- **Current Bid Window 5: 1 600 MW** closing July 2021
  - Wind of up to 140 MW per site
  - Solar PV of 75 MW per site
- **Beyond Window 5: out of 11 000 MW**
  - **2 000 MW** procured in Window 4b
  - **1 600 MW** to be procured in Window 5
  - **7 400 MW** yet to be procured at dates to be determined by DMRE

- **Network Hosting Capacity:** availability of capacity in existing and future networks (lines, substations) where Renewable Energy resources are located
- **Environmental considerations:** availability of servitudes where IPP infrastructure is to connect both on Eskom and IPPs side
- **NERSA regulations** and licensing
- **Grid Network Development Plans:** alignment of IPPs Bid Window to both Distribution and Transmission Grid Plans
- **Stakeholder management:** local communities engagement on IPPs
- **Build Options**
  - **Self-build:** available to IPPs to ensure timely implementation on upstream work and is funded by IPPs
  - **Eskom build:** goes through the Eskom project funding governance processes. Normally not proffered.

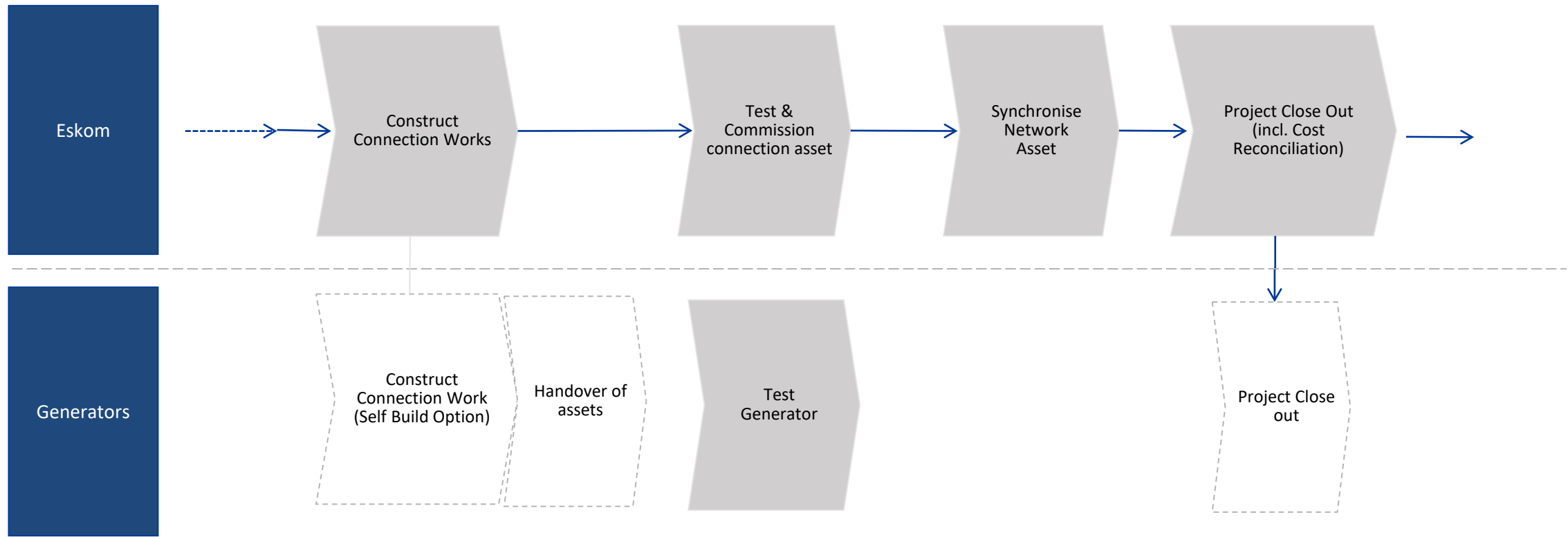
# IPP Connection Process – General Overview of Eskom/Customer Responsibilities



# IPP Connection Process ... continued

Quotation, Contracting and Connection of generators

Operation of IPPs and generators



- It applies to all generators connecting to the Eskom grid for large renewable projects, peaking plants, embedded generators
- Municipalities and Metropolitan Generators that are connected behind the Eskom meters
- Generators connecting between Eskom's Distribution and Transmission Grids



## Lessons Learnt

- Customer-IPP-Bid office **interfaces** improved and have a rhythm
- Centralized Grid Access Unit: ensures accountability, control and logical **customer needs processing**

## Challenges

- **Late IPP applications towards Window closures:** IPP office needs to appraise IPPs of steps to be taken before quotations are issued out
- **Incomplete information** on applications.
- **Large volumes of applications affecting response times from Eskom:** IPPs apply to the same site and isolated sites where there is need to establish substations and lines but expect immediate connections
- **Environmental issues:** especially with Self builds and Eskom greenfield infrastructure

## Areas of Improvement

- **Interaction and engagement of IPPs with Eskom Grid Access Unit** well ahead of applications- process understanding
- **Eskom internal alignments** to ensure expedient delivery of IPP timelines
- **IPP Office communication with Eskom**
- **IPP Office enforcement of cut-off times for applications**
- **IPP Office to advise IPPs Hosting Capacities on Eskom network:** relevant Bid Windows should, preferably, consider sites closer to where there is capacity
- **Lessons learnt sessions after each Bid Window:** IPP Office, Eskom and Bidders

A close-up, low-angle shot of a white wind turbine against a clear blue sky. The turbine's nacelle and three blades are visible, extending from the bottom right towards the top left. The lighting is bright, creating soft shadows on the turbine's surface.

IPP  
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FINANCIAL QUALIFICATION CRITERIA

# FINANCIAL QUALIFICATION CRITERIA

## Part B Clause 2.5



- Three key criteria are assessed in the **financial qualification**, namely:
  - Criterion 1 – **Price**;
  - Criterion 2 – **Financial standing and robustness of the funding proposal**; and
  - Criterion 3 – **Robustness of the Financial Model(s)**.
- Each financial criterion has a pass threshold.
- **Bidders must pass all the threshold requirements for the three (3) financial criteria, in order to pass the Financial Qualification part.**

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 1 - Price



- It is a requirement for a Compliant Bid that a Bidder must provide its proposed **Price per MWh** for the Commercial Energy to be delivered through the applicable Technology, both where (a) there is a full CPI indexation of the Price (the "**Fully Indexed Price**"); and (b) there is a partial CPI indexation of the Price (the "**Partially Indexed Price**"). **Inflation rate to be used 4.5%.**
- The Price must include the Bidder's costs for grid connection of the Facility to the Transmission System or the Distribution System, as the case may be.
- For each Project, the Bidder is required to provide a completed Schedule 1 (*Details of the Project and Facility*) **Part 3 (Energy Rates)** to the PPA, to reflect its proposed Fully Indexed Price and its proposed Partially Indexed Price. This completed Schedule 1 must be consistent with the Financial Model.

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 1 - Price



- The foreign currency exposure is limited to the lower of (a) 50% of the Capital Expenditure of the Project (excluding hedging costs, Success Payments and contingency amounts); and (b) the actual foreign exchange exposure.
- The Department will communicate in a Briefing Note with Bidders regarding the foreign exchange rate assumptions to be used for the purposes of preparing their Financial Model(s).
- The Price offered in a Bid Response of a Preferred Bidder will be adjusted at Commercial Close to take account of:
  - movement in foreign exchange rates, and
  - movement in interest rates.
- **After Commercial Close, there will be no adjustment to the Commercial Energy Rate (CER) of the PPA that is entered into between the Buyer and the Seller, other than for CPI adjustments annually on 1 April.**

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 2 – Financial standing and robustness of the funding proposal



### Equity Finance Requirements

- The Bidder is required to demonstrate, that the **ultimate provider(s) of Equity Finance** meets the **Net Asset Test or Track Record Test** and to submit a letter from the Bidder's Financial Advisor or the auditor of the Member or ultimate provider of Equity Finance, in the form set out in Appendix R7 (***Letter of External Financial Review***) of Volume 4 (*Financial Requirements*) of this RFP.
- Bidders are further required to submit a letter of support from **each Member** and from **each ultimate provider of Equity Finance** (if different from the Member) in the form set out in Appendix R2 (***Letter of Support from Provider(s) of Equity Finance***) and if applicable Appendix R6 (***Letter of Commitment from General Partners and/or Investors of the Fund***) if the provider of Equity Finance is a **Fund**.
- Where an **individual** is providing Equity Finance, the Bidder is also required to over and above Appendix R2 to provide evidence of the funds by providing a letter, substantially in the form set out Appendix R5 (***Letter of Confirmation relating to Equity Finance to be provided by an Individual***) from the bankers or registered accountant of the provider of Equity.

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 2 – Financial standing and robustness of the funding proposal



### Debt Finance Requirements

- **Debt provided by a Financial Institution (External Debt)**
- Bidder is required to provide:
  - **Details regarding the identity of the Lenders** and club or syndication structure, if applicable
  - Demonstration of a **proven track record of any of the Members** having, in the last 5 (five) years, raised either directly or indirectly External Debt in an amount which is similar to the amount proposed to be raised by the Bidder; **Reliance on the track record of advisors will not be accepted.**
  - Letter in support of preliminary credit approved term sheets, substantially in the form set out in Appendix R3 (***Letter of Support from Lender***); and
  - Preliminary credit committee approved **term sheet.**



# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 2 – Financial standing and robustness of the funding proposal



### Non Financial Institutions/Corporate Finance

- The Bidder is required to provide information:
  - On the **sources of the funds** that the entity providing the Corporate Finance will use to provide such Corporate Finance as well as the **capacity to raise financing** through either the **Corporate Finance Net Asset Test or Corporate Finance Track Record Test**.
  - Provide the completed Appendix R1 (*Letter of Support from provider(s) of Corporate Finance*) that amongst others include detail of the **terms and conditions** of providing the funding.

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 2 – Financial standing and robustness of the funding proposal



### External Debt provided through a Fund

- The Bidder is required to provide information on:
  - The **current status of the Fund**, the value of committed amounts to the Fund and the status of the commitment from investors;
  - With respect to the quantum of External Debt to be provided by the Fund, indicative levels and sources of investment, and the **fund-raising strategy** for the remaining amounts; and
  - Letter of commitment from the general partners to the Fund or investors in the Fund providing External Debt, substantially in the form set out in Appendix R6 (*Letter of Commitment from General Partners of and or Investors to the Fund*).
- The Fund providing debt will be evaluated using the **Track Record Test based on information provided**.

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 2 – Financial standing and robustness of the funding proposal



### Sources and Uses of Funds

Bidders are required to provide a breakdown of the sources and uses of the funds in accordance with **Appendix JB** (*Front Sheet Template for Financial Model and Technical Information*) (**Part 1-5 Financial Information**) in Volume 1 Part 2 (*Form of Bid and Returnable Schedules*) of the RFP.

### Bidder's final due diligence plan

The Bidder is required to provide a plan, including a final due diligence plan, setting out the key activities and indicative dates for the achievement of Financial Close within the timeframes indicated in clause 8.4 (Timetable for the Fifth Bid Submission Phase of the REIPP Procurement Programme) of Part A (General Requirements, Rules and Provisions) of the RFP.

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 3 – Robustness of the financial model(s)



Bidders are required to provide the following **Financial Model(s) (or 1 (one) Financial Model capable of running both scenarios)**:

- the **‘Sponsor Case’** – this Financial Model will be reviewed and agreed by the providers of the Equity Finance and Corporate Finance, as appropriate.
- the **‘Banking Case’** – this Financial Model will be reviewed and agreed by the provider(s) of External Debt.
- Bidders are required to make clear reference to this Financial Model in the letters of support demonstrating that the **Financial Model so reviewed is consistent with the Financial Model submitted.**
- Bidders are required to prepare the Financial Models in accordance with the requirements set out in **Appendix R4 (Financial Model(s) Structure and Assumptions)** and to include in the Financial Model(s), as linked sheets, to Appendix JB (*Front Sheet Template for Financial Model and Technical Information*) (*Part 1-5 Financial Information*).

# FINANCIAL QUALIFICATION CRITERIA

## Financial Criterion 3 – Robustness of the financial model(s)



### Tax and accounting

- Bidders are required to provide details of their accounting and tax treatment used in the Financial Model(s).
- All accounting and tax assumptions made by Bidders are at their **own risk**.

### Financial model audit opinion

- Bidders are required to provide a model audit opinion in respect of the Financial Model(s), prepared and signed by a **suitably qualified and independent professional firm**.
- For avoidance of doubt, **the model auditor must be independent of the Bidder, model preparer and other contractors in the Project**.

# FINANCIAL QUALIFICATION CRITERIA

## Value for Money in BW5



In order for a Bidder to comply with the Value for Money requirements contemplated in clause 2.8 (*Value for Money*) of Part B of the RFP, its Bid Response must, in the opinion of the Department, demonstrate Value for Money to the Buyer or the Government.

In this regard, the Department will assess the **price and affordability of the tariffs** as well as the costs and rates, as provided by the Bidder in Appendix JB (*Front Sheet Template for Financial Model and Technical Information*) (Parts JB 1-5 *Financial Information*) in Volume 1 Part 2 (*Form of Bid and Returnable Schedules*) of the RFP against **local and international benchmark costs and rates**, other Bid Responses, as well as any other relevant data available to the Department.

# FINANCIAL QUALIFICATION CRITERIA

## Part C Evaluation



- The Department will only consider a Bidder's Bid Response in terms of this Part C (*Evaluation Criteria Requirements*) if that Bidder fulfils all of the requirements of Part B (*Functional and Qualification Criteria Requirements*) of the RFP to the Department's satisfaction.
- The evaluation in terms of this Part C will be undertaken in accordance with the **90:10** points system. The maximum score for Price will be 90 points, and the maximum score for Contributor Status Level will be 10 points
- For each Compliant Bid received, the **Equivalent Annual Tariff (EAT)** shall be calculated for its Price, in respect of each of its Fully Indexed Price, provided in accordance with clause 2.5.3.5 (*Fully Indexed Price*) and its Partially Indexed Price, provided in accordance with clause 2.5.3.6 (*Partially Indexed Price*) as set out in Part B of this RFP.
- The EAT will be used to determine the Bidder's Price scores (in respect of each of the Fully Indexed Price and the Partially Indexed Price) as per formula set out in clause 2.4 of Part C.

# FINANCIAL QUALIFICATION CRITERIA

## Compensation Under the PPA



- The Buyer shall pay to the Seller the **Commercial Energy Payment (CER)** for all Commercial Energy sold by the Seller and purchased by the Buyer during each Billing Period at the Commercial Energy Rate, subject to clause 5.1 of Schedule 3 (*Scheduled and Unscheduled Outages*) including **Early Operating Energy** at the Early Operating Energy Rate which is equal to **60% of the Commercial Energy Rate and after penalties deducted for forecast inaccuracies** as set out in Part 3 Energy Rates of the PPA.
- **Forecast Penalties** will apply in the event that the Actual Energy Output varies significantly from the Forecasted Energy Output.
- The Buyer shall pay to the Seller the **Deemed Energy Payment** for all Deemed Energy accruing in each Billing Period calculated in terms of clause 14 (*Consequences of a System Event*), clause 15 (*Consequences of a Compensation Event*) and Schedule 6 (*Deemed Energy Payment*), subject to clause 5.2 of Schedule 3 (*Scheduled and Unscheduled Outages*)
- The Buyer shall, subject to clause 1.3 (*Alternative Distributor*), **reimburse to the Seller the Use of System Charges.**
- The Buyer shall **not make any payments to the Seller for Commissioning Energy Output.**



A circular logo with a dark teal background and a white border. The text "IPP OFFICE" is written in white, uppercase letters. A small green circle is positioned on the left side of the logo's border.

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A photograph of a wind farm at sunset. The sky is filled with orange and yellow clouds, and the sun is low on the horizon. Several wind turbines are visible, their silhouettes and blades clearly defined against the bright sky. The bottom half of the image is a reflection of the scene above, creating a symmetrical effect.

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA – Round 5 Approach



- The 90/10 evaluation scoring system as contemplated in the PPPFA is applied in Round 5;
- The **ED scorecard included as part of the Functionality requirements** and will be evaluated as such – Potential Bidders must demonstrate compliance with each of the threshold requirements in respect of each of the ED sub-elements in Part B of the RFP; and
- Commitments in compliance with demonstrating compliance with the thresholds will be part of **contractual arrangements** with the bidders.

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## PPPFA Preference Point Scoring Evaluation



$$P_s = 90 \left[ 1 - \frac{P_t - P_{\min}}{P_{\min}} \right]$$

$P_s$  = Points scored for price of tender under consideration;  
 $P_t$  = Price of tender under consideration; and  
 $P_{\min}$  = Price of lowest acceptable tender.

The following table must be used to calculate the points out of 10 for BBBEE:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## PPPFA Preference Point Scoring Evaluation



- **Criterion 1**, each Bidder is required to have a **South African Entity Participation of at least 49%**
- **Criterion 2**, Bidders are required to **meet specified minimum thresholds** in respect of aspects of the following Economic Development Elements:
  - Job Creation;
  - Local Content;
  - Ownership;
  - Management Control;
  - Skills Development;
  - Enterprise and Supplier Development; and
  - Socio-Economic Development.

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Job Creation



Description	Measurement Indicator	Threshold
<b>RSA Based Employees who are Citizens</b>	RSA Based Employees who are Citizens *100 / RSA Based Employees	65% (sixty five percent)
<b>RSA Based Employees who are Black People</b>	RSA Based Employees who are Black People *100 / RSA Based Employees	40% (forty percent)
<b>RSA Based Skilled Employees who are Black People</b>	RSA Based Skilled Employees who are Black People *100 / RSA Based Skilled Employees	20% (twenty percent)
<b>RSA Based Employees who are Black People with specialized skills (e.g. engineering, artisanal skills, etc.)</b>	RSA Based Skilled Employees who are Black People with specialized skills *100 / RSA Based Skilled Employees	10% (ten percent)
<b>RSA Based Employees who are Citizens from Local Communities</b>	RSA Based Employees who are Citizens from Local Communities *100 / RSA Based Employees	20% (twenty percent)
<b>RSA Based Employees who are Black Youth</b>	RSA Based Employees who are Black Youth *100 / RSA Based Employees	30% (thirty percent)
<b>RSA Based Employees who are Black Women</b>	RSA Based Employees who are Black Women *100 / RSA Based Employees	10% (ten percent)
<b>RSA Based Employees who are People with Disabilities</b>	RSA Based Employees who are People with Disabilities *100 / RSA Based Employees	0 (zero)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Local Content



Description	Measurement Indicator	Threshold
Local Content Spend during the Construction Measurement Period and Operating Measurement Period for On-shore Wind	Value of Local Content Spend during the Construction Measurement Period and Operating Measurement Period * 100 / Total Project Value in the Construction Measurement Period and Operating Measurement Period	40% (forty percent)
Local Content Spend during the Construction Measurement Period and Operating Measurement Period for Solar Photovoltaic	Value of Local Content Spend during the Construction Measurement Period and Operating Measurement Period * 100 / Total Project Value in the Construction Measurement Period and Operating Measurement Period	45% (forty five percent)
Designated Local Content	Value of Local Production and Content of Designated Sectors, Components and Products * 100 / Total Value of the Designated Sectors, Components and Products	As applicable based on National Treasury Designated Sectors Circulars and indicated in Appendix 5A ( <i>Economic Development Designated Local Content</i> ) of Volume 5 Part 1 ( <i>Economic Development Requirements</i> )

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Ownership in the Seller



Description	Measurement Indicator	Threshold
Shareholding by Black People	Shareholding by Black People in the Project Company (Seller) *100 / Total Shareholding in the Seller	30% (thirty percent)
Shareholding by Local Communities	Shareholding by Local Communities in the Project Company (Seller) *100 / Total Shareholding in the Seller	2.5% (two point five percent)
Shareholding by Black Women in the Seller	Shareholding by Black Women in the Seller * 100 / Total Shareholding in the Seller	5% (five percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Ownership in the Material Contractors



Description	Measurement Indicator	Threshold
Shareholding by Black People in the Construction Contractor	Shareholding by Black People in the Construction Contractor *100 / Total Shareholding in the Construction Contractor	25% (twenty five percent)
Shareholding by Black People in the Operations Contractor	Shareholding by Black People in the Operations Contractor *100 / Total Shareholding in the Operations Contractor	25% (twenty five percent)
Shareholding by Black Women in the Construction Contractor	Shareholding by Black Women in the Construction Contractor *100 / Total Shareholding in the Construction Contractor	5% (five percent)
Shareholding by Black Women in the Operations Contractor	Shareholding by Black Women in the Operations Contractor *100 / Total Shareholding in the Operations Contractor	5% (five percent)



# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Management Control



Description	Measurement Indicator	Threshold
<b>Black Board Directors</b>	Black People who are Board Directors * 100 / All people who are Board Directors	25% (twenty-five percent)
<b>Black Executive Management</b>	Black People who are Executive Managers * 100 / All people who are Executive Managers	30% (thirty percent)
<b>Black Senior Management</b>	Black People who are Senior Managers * 100 / All people who are Senior Managers	30% (thirty percent)
<b>Black Women Board Directors</b>	Black Women who are Board Directors * 100 / All people who are Board Directors	8% (eight percent)
<b>Black Women in Executive Management</b>	Black Women who are Executive Managers * 100 / All people who are Executive Managers	8% (eight percent)
<b>Black Women in Senior Management</b>	Black Women who are Senior Managers * 100 / All people who are Senior Managers	8% (eight percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Skills Development



Description	Measurement Indicator	Threshold
<b>Skills Development Contributions</b>	Adjusted Skills Development Contributions *100 / Revenue in the Operating Measurement Period	0.05% (zero point zero five percent)
<b>Bursaries for Black Students at Higher Education Institutions</b>	Bursaries for Black Students at Higher Education Institutions * 100 / Revenue in the Operating Measurement Period	0.05% (zero point zero five percent)
<b>Skills Development Contributions towards Black Disabled Employees</b>	Skills Development Contribution towards Black Disabled Employees * 100 / Revenue in the Operating Measurement Period	0.005% (zero point zero zero five percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Preferential Procurement



Description	Measurement Indicator	Threshold
<b>B-BBEE Procurement</b>	$\text{B-BBEE Procurement Spend} * 100 / \text{Total Measured Procurement Spend}$	30% (thirty percent)
<b>Black Enterprise Procurement</b>	$\text{Procurement Spend on Black Enterprises} * 100 / \text{Total Measured Procurement Spend}$	10% (ten percent)
<b>B-BBEE Procurement Spend on QSEs and EMEs</b>	$\text{B-BBEE Procurement Spend on QSEs and EMEs} * 100 / \text{Total Measured Procurement Spend}$	5% (five percent)
<b>B-BBEE Procurement Spend on Black Women Owned Vendors</b>	$\text{B-BBEE Procurement Spend on Black Women Owned Vendors} * 100 / \text{Total Measured Procurement Spend}$	3% (three percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Supplier Development



Description	Measurement Indicator	Threshold
<b>Supplier Development Contributions during the Construction Measurement Period</b>	Supplier Development Contributions during the Construction Measurement Period * 100 / Total Project Value in the Construction Measurement Period	0.1% (zero point one percent)
<b>Supplier Development Contributions during the Operating Measurement Period</b>	Supplier Development Contributions during the Operating Measurement Period * 100 / Total Project Value in the Operating Measurement Period	0.1% (zero-point one percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Enterprise Development



Description	Measurement Indicator	Threshold
Enterprise Development Contributions	Adjusted Enterprise Development Contributions *100 / Revenue in the Operating Measurement Period	0.6% (zero point six percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA

## Socio-Economic Development



Description	Measurement Indicator	Threshold
Socio-Economic Development Contributions	Adjusted Socio-Economic Development Contributions *100  / Revenue in the Operating Measurement Period	1.1% (one point one percent)

# ECONOMIC DEVELOPMENT QUALIFICATION CRITERIA – RFP Part C



- In terms of Part C (*Evaluation Criteria Requirements*) Bidders will be evaluated in terms of the following two elements:
  - Price; and
  - Preference points system in accordance with their Contributor Status level
- The evaluation will be undertaken in accordance with the 90:10 points system. The maximum score for Price will be 90 points, and the maximum score for Contributor Status Level will be 10 points.



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IMPLEMENTATION AGREEMENT



# IMPLEMENTATION AGREEMENT

## Purpose



- The Department of Mineral Resources and Energy (Department) is the designated Procurer in terms of the Section 34 of ERA Determination made by the Minister.
- The purpose of the Implementation Agreement (IA) is to record the contractual relationship between the Department and a Preferred Bidder which then becomes the Seller.
- The Minister also issues the Guarantee in terms of the PFMA with the concurrence of the Minister of Finance.
- The IA also record the ED Obligations based on the thresholds committed to by the Bidder under the Qualification Criteria of Part B of the RFP.

# IMPLEMENTATION AGREEMENT

## Term and Development Fee



- Term of the IA is from Effective / Signature date to the date of termination of the PPA in accordance with its terms (20 years) or termination in terms of Clause 11 of the IA
- Development Fee is 1,5% of the Total Project Cost as defined in the IA

# IMPLEMENTATION AGREEMENT

## Government Support



- Government support continues to be applicable for the REIPPPP
- The Department will stand behind any payments in terms of the PPA by the Buyer which are due and payable and after compliance with the steps set out in the IA remain unpaid, will be paid by the Department.

# IMPLEMENTATION AGREEMENT

## Termination for Seller Default



**The Department shall be entitled to terminate this Agreement:**

- for failure by the Seller to comply with its obligations in clause 2 (*Development Fee*);
- if the Seller fails to comply with any of its obligations under clause 14.2.2 and or 14.8 (*General Seller Undertakings*) and or clause 17 (*Rehabilitation Trust*);
- if any of the warranties in clause 24.1 (*Seller Warranties*) fails, at any time during the existence of this Agreement, to be true and correct in all material respects and the Seller fails to remedy, cure or correct that untruth and incorrectness within a period of one hundred and twenty (120) days of such warranty failing to be true and correct in all material respects;
- if the Seller fails to issue a Commencement of Construction Confirmation Form to the Buyer in accordance with the terms of clause 3.6.1 of the PPA within 30 (thirty) days of the Effective Date of this Agreement;
- in accordance with the provisions of clause 11.2 of this Agreement where, in the reconciliation of the Economic Development Performance Penalties in accordance with clause 6 of Schedule 2 (*Economic Development Obligations*), the Seller incurs Economic Development Performance Penalties, in any Contract Year, which in value are equal to or greater than fifty percent (50%) of the PConstruction Measurement Period or POperating Measurement Period, as the case may be, in the formula referred to in clause 6.1 of Schedule 2 (*Economic Development Obligations*).

# IMPLEMENTATION AGREEMENT

## Changes in Control and Black Equity



- Changes in Control will require the approval of the Department.
- Any changes in equity within 3 years requires Departmental approval.
- Any changes to equity held by Black People always requires approval of the Department.
- Provision made in the secondary market (5 years of COD) for Recognised Acquirer which includes:
  - a Black Enterprise;
  - a private equity fund whose structure and ownership meet the relevant criteria for treatment as ownership by Black People in terms of the B-BBEE Codes;
  - a pension fund that is established for the benefit of Government employees or employees of state-owned entities or other statutory bodies;
  - a fund that is established or exists in terms of legislation for general public benefit; and
  - any other entity or category of entities designated as a Recognised Acquirer in writing by the Department.

# IMPLEMENTATION AGREEMENT

## Rehabilitation Trust



- Rehabilitation Trust or Rehabilitation Bank Guarantee required to ensure decommissioning at the end of the term.
- All regulatory and environmental requirements must be covered and sufficient funds must be available to cover all activities required to decommission and rehabilitate the facility sites, together the project site.

# IMPLEMENTATION AGREEMENT

## Schedule 2



- Recordal of Economic Development Proposal submitted in compliance with the Qualification Criteria in Part B of the RFP by the Bidder.
- Sellers to be measured on the achievement of the thresholds committed.
- Penalties calculated based on lack of achievement on committed thresholds.

# IMPLEMENTATION AGREEMENT

## Notable Inclusions



- Stringent and improved reporting requirements to monitor compliance effectively
- Accumulation of Enterprise Development and Socio-Economic Development Contributions.
- Recognition of Enterprise Development, Socio-Economic Development and Skills Development contributions in the Construction Measurement Period.
- Recognition of Administration cost:
  - Seller 10% of Enterprise Development, Socio-Economic Development and Skills Development Contributions.
  - Department 5% of Enterprise Development, Socio-Economic Development and Skills Development Contributions for contract management and monitoring.
- Economic Development Monitoring Notes



# IMPLEMENTATION AGREEMENT

## Economic Development Performance Penalties



- Monetary penalty based on calculation in accordance with formulas
  - End of Construction Measurement Period,
  - End of each Contract Year in Operating Measurement Period.
- Time bars for referral to dispute resolution (10 Business Days after Notice).
- Failure to make payment of penalties may result in termination.

THANK YOU



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