

South African Independent Power Producers Association

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PRETORIA

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1. Overview of the Landscape
 - Parameters
2. Institutional Structures and Roles
3. Regulatory Environment
4. Renewable Energy and other Procurement
 - Approach
 - Constraints
5. Way forward

Content

- Cabinet Memo in 2007 to enable IPPs = 3 efforts (MTPPP – Peaking Plants and MSBL)
- MWs
 - Integrated Resource Plan Jan 2010
 - Integrated Resource Plan 2010 (promulgated 6 May 2011)
 - (together with the Medium Term Risk Mitigation Plan)
- ZAR
 - Multi Year Price determination (MYPD2)
 - R8,7 billion (MTPPP + REFIT)
 - Government Involvement in future for IPP programs
- ZAR/kWh
 - NERSA tariff approval
- Regulatory Environment



Overview of the Landscape

- **Inter-Ministerial Committee Energy**

- Department of Energy leading the pack = WG 6 (Remove barriers and get MWs in system)



- **RE: Country Effort (Public and Private)**

- Information from different players re RE

- DoE/NT - Request for Information RE/Co-Gen
- Eskom - Generation Capacity Connection Study and Map
- DEA – Strategic Environmental Framework for Optimal Location of Wind Farms - Coastal Provs
- Wind Map (under development)
- Expand the studies to include other technologies/geographical areas

- Climate Change Studies → COP 17 Durban

- **Nuclear**

Readiness of
RSA Inc?

2011
onwards

Overview of the Landscape (cont)

- Department of Energy
- Department of Public Enterprises
- Eskom
- National Treasury / **DBSA** (debt / BBEE support)
- Department of Environmental Affairs
- Department of Water Affairs
- Department of Trade and Industry
- Department of Economic Development / **IDC**
- Department of Agriculture, Forestry and Fisheries
- Presidency
- Municipalities etc.

RSA Inc →

Institutional Structures and Roles

- Department of Energy
 - Policy maker and **Procurer**
- NERSA = tariff approval/PPA/Monitor
- Department of Public Enterprises
 - Eskom (mother department)
- Eskom (Buyer / NTC=Tx and Dx and SO)
- Department of Environmental Affairs
 - EIA authorisation
- Department of Water Affairs W
 - Water efficiency

Institutional Structures and Roles

- Department of Trade and Industry
 - local content / local manufacturing / BBBEE
- Department of Economic Development
 - Jobs and green economy
 - IDC support
- Department of Agriculture, Forestry and Fisheries
 - land use and food security
- Municipalities
 - Dx and connection / land and landfill sites

Institutional Structures and Roles

- Municipalities
 - PPPs in land use and landfill sites (MFMA) / IPPs
- National Treasury d
 - different Roles / **DBSA** (debt/equity to BBBEE)
- Presidency
 - Green economy and Jobs
- Any other organs of State
- etc.

Different Role players with different needs

Institutional Structures and Roles

- DoE
 - Procurer – article 34 of ERA – Minister determination
 - Buyer = Eskom
- National Treasury
 - PPP Unit – technical assistance to the DoE
 - Public Finance – budget support to DoE
 - Government support to program

Presidency = MONITORING
COP 17 progress/green economy and job
creation

Institutional Structures and Roles

- RSA Constitution 1996
 - Section 217 - Procurement by Organ of State to be in accordance with a system that is fair, equitable, transparent, competitive and cost effective
- Electricity Regulation Act 2006(ERA) & Regs 2011
 - Institutional Mandate for Procurement of NewGen capacity
 - Power and duties of Regulator
 - NERSA has to apply their mind at the point of licensing
- National Energy Act 2008 (NEA)
 - Covers aspects of electricity supply
- National Energy Regulator Act 2004 (NERA)
 - Establishes NERSA as the national Energy Regulator

Regulatory Environment

- Public Finance Management Act 1999 (PFMA)
 - Procurement is a Constitutional issue and section 217 is repeated
 - Practice Notes by the NT
 - Empowers Departments to develop procurement policy
- Municipal Finance Management Act (MFMA)
- NERSA Guidelines
 - CRM Rules
 - Selection Criteria
 - REFIT Guidelines
 - NERSA Consultation Paper
 - NERSA REFIT Decision

Regulatory Environment

- Preferential Procurement Policy Framework Act 2000 (PPPFA)
 - Applies where there is a tender process
 - Preference points for participation of black people, women and disabled
 - Not aligned with BBBEE Codes of dti
- Broad Based Black Economic Empowerment Act 2003 (BBBEE Act) and Codes of Good Practice
- Promotion of Administrative Justice Act 2000
- White Paper DoE 2003
- Draft White Paper
- Etc.

Regulatory Environment

- Approach - DoE supported by the NT
 - Transaction Advisors Renewable Energy program
 - **Legal Commercial** – Bowman Gilfillan, Webber Wentzel, Ledwaba Mazwai
 - **Legal Regulatory** - Bowman Gilfillan, Webber Wentzel, Ledwaba Mazwai and ENS
 - **Financial** – PWC and E&Y
 - **Technical** – Mott MacDonald
 - **Technical Project Management** - Mott MacDonald and G5
 - **Environmental** - Cullinan
 - **BBBEE/LED/Local Content** – Ledwaba Mazwai, BKS and G5

Renewable Energy Procurement

- **Transaction Advisors**

- Legal
- Financial
- Technical
- Technical PM
- Environmental
- BBEE/LED/Local Content

- **Review teams & Advisors**

- Legal - Linklaters
- Financial -PWC/E&Y
- Technical -Tony Wheeler

- LAYERED APPROACH

Renewable Energy Procurement

- **Constraints**
 - Regulatory environment
 - ERA
 - NewGen Regs
 - PPPFA
 - New environment and Capacity
 - ISMO
- **Project Documents**

Renewable Energy Procurement

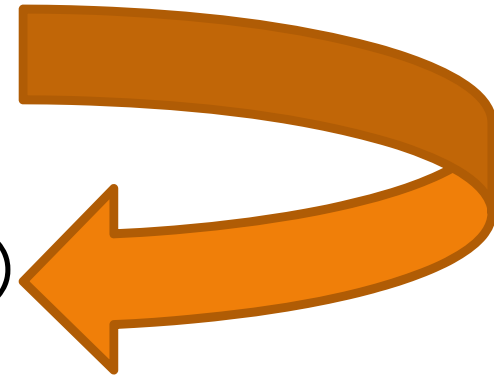
- **Project Documents**

- Power Purchase Agreement
- Implementation Agreement
- Eskom: Tx and Connection Agreement
- Eskom: Dx and Connection Agreement
- Munies: Dx and Connection Agreement
- PPP Agreement where applicable

Renewable Energy Procurement

- Renewable Energy:
 - Small \leq 5MWs
 - Bigger $>$ 5MWs
- Feed-In Tariffs
 - REFIT (not mutually exclusive)
 - COFIT
- Co-Gen
- Small Hydro (DWA)
- Imports
- COP 17 Pilot Projects ??

- Other as per IRP 2010 etc.



Way Forward re IPPs

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THANK YOU