

TENDER NO: DMRE/001/2022/23

**The Republic of South Africa
Department of Mineral Resources and Energy**

**REQUEST FOR QUALIFICATION AND PROPOSALS FOR NEW GENERATION
CAPACITY UNDER SIXTH BID SUBMISSION PHASE OF THE REIPP PROCUREMENT
PROGRAMME**

BRIEFING NOTE 2

04 July 2022



**mineral resources
& energy**

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

1. Introduction

- 1.1. This Briefing Note 2 is issued in terms of Clause 28 of Part A (*General Requirements, Rules and Provisions*) of the Department of Mineral Resources and Energy's *Request for Qualification and Proposals for New Generation Capacity under the Sixth Bid Submission Phase of the Renewable Energy Procurement Programme ("REIPPPP Bid Window 6")* issued on 10 April 2022 (Tender no: DMRE/001/2022/23) (the "RFP") 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 REIPPPP Bid Window 6 RFP shall bear the same meaning in this Briefing Note as those ascribed to them in the REIPPPP Bid Window 6 RFP.

2. Purpose of the Briefing Note

- 2.1. The purpose of this Briefing Note is to answer queries and clarifications received from 13 May 2022 to 19 May 2022.
- 2.2. Attached to this Briefing Note 2 is **Annexure A (Queries and Clarifications)**, which is answer sheet to the questions raised by Bidders.

3. Schedule of Briefing Notes

Briefing Note No.	Date	Details of Briefing Notes
1	07 June 2022	This Briefing Note deals with the Bidders' queries and clarifications received from <u>26 April 2022</u> to <u>11 May 2022</u>
2	04 July 2022	This Briefing Note deals with the Bidders' queries and clarifications received from <u>13 May 2022</u> to <u>19 May 2022</u>

SIXTH BID SUBMISSION PHASE OF THE RENEWABLE ENERGY IPP PROCUREMENT PROGRAMME

Queries and Clarifications

Annexure A

Briefing Note 2

No	Date Received	From	Institution	Category	RFP Reference	Query	Response
1.	13 May 2022	Confidential	Confidential	Finance	RFP Part B & PPA wind 8.5	Will only used ancillary services be compensated or also the pure provision of ancillary services without them being used?	Schedule 1 Part 3 Clause 5.1.1 of the PPA governs the Ancillary Services Payment.
2.	13 May 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Table 1.3: We note that for Instantaneous Reserve, the number of events of operation has been noted as 155 and that each event shall be 10 minutes. Does it mean that for each instantaneous reserve event we are required to be fully active for more than 10 minutes? How is the number of events of operation linked to the duration of events of operation (how is 155 events linked to 1855 hours because 155 events multiply by 10 mins is only 25.8 hours)?	Instantaneous Reserve (IR) is a scheduled service to be available for a maximum number 1855 hours per Contract Year and is only triggered to operate once an IR event occurs. When an IR event is triggered, the activation time is within 10 seconds and the IR response must be sustained for 10 minutes. The IR response is limited to 155 event triggers.
3.	13 May 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Table 1.3: We note that for Regulating Reserve, the number of events of operation has been noted as 155 and noting that each event shall be 60 minutes. Does it mean that for each regulating reserve event we are required to be fully active for more than 60 minutes? How is the number of events of operation linked to the duration of events (how is the 155 events linked to the 1855 hours because 155 events multiply 60 mins is only 155 hours)?	Regulating Reserve (RR) is a scheduled service to be available for a maximum number 1855 hours per Contract Year and is only triggered to operate once an RR event occurs. If RR events are triggered within 10 minutes and are to be sustained for 1 hour. In Volume 3 Table 1.3. there is no limit to number of RR event triggers.
4.	13 May 2022	Confidential	Confidential	Technical	Volume 2: Agreements	Is the IPP allowed to curtail its available power in order to provide the ancillary services?	Yes, it is envisioned that the power output of the facility will be curtailed in order to provide the scheduled Ancillary Service ("AS") requested by the System Operator.
5.	13 May 2022	Confidential	Confidential	Technical	Volume 2: Agreements	Schedule 12: Clause 5.5.5: With regards to Unused Ancillary Service Capacity, If the plant is not scheduled for Ancillary Services, does it mean that the functionality can be disabled.	Correct, the plant will be allowed to self-dispatch all of the power when not scheduled for Ancillary Services.
6.	13 May 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Does the IPP only bill per Ancillary Service Instruction and not the Ancillary Service Schedule?	It will bill as per the schedule, it will be paid for making the AS available whether called on (instructed to provide) or not. Please refer to Schedule 1 Part 3 Clause 5.1.1, as indicated in item 1 above.
7.	13 May 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	How many times in a scheduled period can the plant be called to provide ancillary reserves?	As many times as required up to 155 events/1855 scheduled hours for IR and 1855 scheduled hours for RR. Refer to questions 2 and 3 above for more detail.
8.	13 May 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Can a plant schedule Instantaneous Reserves and Regulating Reserves concurrently?	Yes, it can, a frequency event requiring IR to be provided may occur while RR is already being provided
9.	15 May 2022	Confidential	Confidential	Financial	Part B Clause 2.5.5.4.1	As per the clause 2.5.5.4.1 in Part B – Qualification Criteria, the criteria for Model Auditor states that, “.....For the avoidance of doubt, the model auditor must be independent of the Bidder, model preparer and other contractors in the Project. ...” Request DMRE to confirm if the Model Auditor can be from the same organization of the model preparer, with different teams allocated for model audit compared to model preparer.	The Financial Model Auditor must be independent from the Bidder and the preparer of the Financial Model. Where the Financial Model is prepared and audited by the same organisation, provided that the organisation is independent of the Bidder, the Financial Model auditor will be required to provide the Department with its policy to manage independence and conflict of interest that may arise from preparing and auditing the Financial Model and such policy should include the measures that will be put in place and applied to manage such conflict of interest, if applicable.
10.	15 May 2022	Confidential	Confidential	Financial	Part B Clause 2.6.3.5.3	As per the clause 2.6.3.5.3, the Power Plant should be able to achieve Commercial Operation Date after 36 months post Commercial Close. However, in Part A clause 8.4 (Timetable for	This query is currently being reviewed and will be clarified shortly.

SIXTH BID SUBMISSION PHASE OF THE RENEWABLE ENERGY IPP PROCUREMENT PROGRAMME

No	Date Received	From	Institution	Category	RFP Reference	Query	Response
						BW 6), 8.3.4 etc. states that Commercial Operation date to be achieved before long stop date of 24 months from Commercial Close. Request DMRE to clarify, whether the solar power plant shall achieve Commercial Operation Date within 24 or 36 months from Commercial Close.	
11.	15 May 2022	Confidential	Confidential	Financial	Volume 4, Appendix R4, Clause 1.7, 2.2	<p>Clause 1.7 outlines the requirement of the financial model to be monthly during construction phase and semi-annually during the operation phase.</p> <p>Further, Clause 2.2 mentions the financial model to produce semi-annual statements. Request DMRE to confirm if the financial model periodicity in the operation period can be as per the debt repayment period (either quarterly or semi-annually). However, Bidder can provide the financial model with semi-annual statements as mentioned in Clause 2.2 for DMRE's reference.</p>	<p>The Bidder should comply with requirements of Clause 1.7 and 2.2.2. of Volume 4, Appendix R4.</p> <p>If the Bidder wishes to present the Financial Model with other periodicities, the Bidder must in addition comply with the Clause above.</p>
12.	16 May 2022	Confidential	Confidential	Technical	Part B, Clause 2.6.2.1.3.2 Ancillary Services	In table in clause 2.6.2.1.3.2 which outlines the maximum utilization per year for IR and RR, please confirm whether these events / hours are accumulated concurrently (i.e. 1855 hours maximum for both IR and RR together) or separately (i.e. 3710 maximum hours)?	IR and RR commitments are to be treated as separate contracting services.
13.	16 May 2022	Confidential	Confidential	Technical	Part B, Clause 2.6.2.1.3.2 Ancillary Services	In table in clause 2.6.2.1.3.2 which outlines the minimum % capacity required relative to contract capacity, please confirm that no stacking of IR and RR will be required?	The plant will require a minimum of 3% of Contracted Capacity for IR and a minimum of 10% of Contracted Capacity for RR independent of each other i.e. if scheduled simultaneously a minimum total of 13% of Contracted Capacity to be curtailed for Ancillary services. If the bidder declares that they can deliver larger values of IR and RR, the Projects can be scheduled for higher values for IR and RR.
14.	19 May 2022	Confidential	Confidential	Economic Development	Paragraph 2.7.7 of Part B, and paragraph 2.1.135 of Part A	<p>i. Paragraph 2.7.7 of Part B makes multiple references to the Contributor Status Level being determined only in reference to the South African-based Shareholders. South African-based Shareholders is defined in paragraph 2.1.135 of Part A as “a Shareholder which is a juristic person or trust, established in terms of the laws of South Africa for purposes of operating and conducting business in South Africa”.</p> <p>ii. Is it correct that, when determining the Contributor Status Level of the Bidder, it is only the entities that will actually hold the shares of the Project Company that will be taken into account when determining whether a shareholder qualifies as a South African-based Shareholder or not? i.e. there is no flow through consideration of the ultimate owner behind the company that holds the shares in the Project Company.</p> <p>iii. For example, if an offshore entity will hold its shares in the Project Company directly, the offshore entity would not be considered a South African-based Shareholder and therefore would not be counted towards the Contributor Status Level calculation. Similarly, if the offshore entity held its shares in the Project Company through a South African company, the South African company would be counted towards the Contributor Status Level calculation.</p>	<p>When determining the Contributor Status Level of the Bidder, the Department shall only consider the South African-based Shareholders which actually hold equity in the Project Company. For purposes of determining the Contributor Status Level, the Bidder is referred to Clause 2.7.7.3 of Part B (<i>Functional and Qualification Criteria Requirements</i>) of the RFP.</p> <p>Furthermore, for purposes of establishing South African Entity Participation, the Bidder is referred to Clause 2.7.5.5 of Part B (<i>Functional and Qualification Criteria Requirements</i>) and Clause 2 (<i>Proof of South African Entity Participation</i>) of Volume 5: Part 2 (<i>Economic Development Proof of Compliance</i>).</p>
15.	19 May 2022	Confidential	Confidential	Economic Development	Part A paragraph 8.8.1.3.3	<p>Paragraph 8.8.1.3.3 of Part A notes that the Bidder must have a “weighted Contributor Status Level of at least 4 (four) in respect of the South African Based Shareholders”.</p> <p>When determining the weighting of the South African-based Shareholders in determining the Contributor Status Level of the Bidder, is it correct that any shareholding held by an offshore shareholder (i.e. a shareholder that is not a South African-based</p>	<p>When determining the Contributor Status Level of the Bidder, the Department shall only consider the South African-based Shareholders which actually hold equity in the Project Company.</p> <p>The Bidder is referred to Clause 2.7.7.2 of Part B (<i>Functional and Qualification Criteria Requirements</i>) of the RFP, which sets out</p>

SIXTH BID SUBMISSION PHASE OF THE RENEWABLE ENERGY IPP PROCUREMENT PROGRAMME

No	Date Received	From	Institution	Category	RFP Reference	Query	Response
						<p>Shareholder) would be excluded entirely from the weighting process?</p> <p>For example, assuming the South African-based Shareholder hold 49% of the shares in the Project Company, the total weighting of the South African-based Shareholder when determining the Bidder's Contributor Status Level is out of 49% (i.e. the shareholding in the Project Company held by the South African-based Shareholder) and not 100% (being the shareholding in the Project Company held by South African-based Shareholders and non-South African-based Shareholders).</p>	<p>that the requirement relating to the Contributor Status Level of Level 4 (four) or better is only in respect of South Africa-based Shareholders.</p> <p>Moreover, the Bidder should note that South African-based Shareholder is defined in paragraph 2.1.135 of Part A (<i>General Requirements, Rules and Provisions</i>) as "a Shareholder which is a juristic person or trust, established in terms of the laws of South Africa for purposes of operating and conducting business in South Africa".</p>
16.	19 May 2022	Sharief Harris	Red Rocket South Africa	Financial	Volume 4 - Financial Requirements - Appendix R2	If the Member's committed Equity Finance is being sourced from its parent company, is it sufficient to state in the R2 Letter from the Member that the funding will be sourced from the parent company - or does the parent company have to provide a separate R2 Letter of Support as the ultimate provider of equity to the Member?	The Bidder must comply with Clause 2.5.4.2.3. of Part B (<i>Functional and Qualification Criteria Requirements</i>) of the RFP which states that a Letter of Support must be provided by each Member and each ultimate provider of Equity Finance.
17.	19 May 2022	Sharief Harris	Red Rocket South Africa	Financial	Volume 4 - Financial Requirements - Appendix R2	Please confirm that there is no requirement to submit evidence of full board approval with the R2 letters?	<p>The Bidder must note that there is no need, in Volume 4 (<i>Financial Requirements</i>), to provide evidence of full board approval, however, a statement confirming the same must be made in the Letter of Support which requires that you provide a confirmation in relation to having obtained such board approval.</p> <p>Furthermore, the Bidder is still required to comply with the rest of the requirements of the RFP in relation to authority and approvals.</p>
18.	19 May 2022	Sharief Harris	Red Rocket South Africa	Financial	Volume 4 - Financial Requirements - Appendix R2, R3, R7 and R9	For the tracked change versions of the Appendix R2, R3 and R9 letters, please confirm that it is acceptable to submit [•] for certain inputs in the these letters (such as the tariff, date of model audit opinion letter) that will be finalised just before the Bid Submission Date, and complete these inputs for the final executed versions of the letters.	This is acceptable.
19.	19 May 2022	Sharief Harris	Red Rocket South Africa	Technical	Part B - Qualification Criteria, Clause 2.6..5.5	Please confirm that like the Solar PV projects, Onshore Wind Projects are also expected to reach Commercial Operations within 36 months after Commercial Close.	This query is currently being reviewed and will be clarified shortly.