

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 3

04 July 2022



**mineral resources
& energy**

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

1. Introduction

- 1.1. This Briefing Note 3 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 20 May 2022 to 02 June 2022.
- 2.2. Attached to this Briefing Note 3 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>
3	04 July 2022	This Briefing Note deals with the Bidders' queries and clarifications received from <u>20 May 2022</u> to <u>02 June 2022</u>

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Queries and Clarifications

Annexure A

Briefing Note 3

No	Date Received	From	Institution	Category	RFP Reference	Query	Response
1.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, General	The Department to clarify if Ancillary Services will take precedence to the other Grid Code requirements such as Voltage control, for instances if a plant is providing maximum reactive power does it still need to be able to provide Regulating Reserves?	Grid code will take precedence, however the two are not mutually exclusive. It is conceivable that the plant will still need to provide Regulating Reserves (RR), whilst providing maximum Reactive Power.
2.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, General	Is there an available Testing guideline/procedure to prove compliance to the Ancillary Services requirement? The RFP states that the "Pmin" will be decided between the Buyer and Seller. When can the buyer and seller agree on the "Pmin"? Will this be pre-bid or post-bid during PPA negotiations?	Please see Appendix 2, of Schedule 12 Ancillary Services: https://www.eskom.co.za/wp-content/uploads/2022/04/240-110150430-Certification-and-performance-monitoring-of-generation-reserves-procedure.pdf It will be the Pmin at bid submission
3.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, Clause 5.1.8, page 187	Also, will this value be based on the design limits of the particular inverter or Turbine? Please confirm the AGC_high should be set to the available power from the plant in each 4s cycle? Available power meaning the maximum possible output power the plant could provide based on the available renewable resource (wind or sunshine). Meaning that AGC_high can adjust up and down over the hour that it's providing Regulating Reserve.	The bidder will provide a Pmin at which its inverter/turbine can control active power. It will not declare availability when the plant is unable to provide active power above this value. AGC high limit would need to be set at Pavail as this is the max that AGC would pulse the facility up to if required.
4.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, Clause 6.1.4, page 191	The supplier would still be responsible for maintaining the Regulation Range to be correct (and constant), but AGC_high and AGC_low can shift up and down throughout the hour. For example if the plant has 50MW available at 4:00:00, AGC_high is set to 50MW and AGC_low is 40MW (for example), meaning Eskom can adjust the output of the plant between 40-50MW. At 4:00:04, the wind reduces and the plant can output 48MW, so AGC_high is updated to 48MW and the plant can be adjusted between 38-48MW.	Please see response above. The understanding of the "Bidder" is accurate.
5.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	PART B Qualification Criteria Clause 2.6.2.1.3.2 / 2.6.2.1.3.4	In the table shown in 2.6.2.1.3.2 of the RFP Part B, the last column is showing the "Possible Max Percentage Capacity Relative to Contracted Capacity". For both reserves, the number shown is 40%. We would like to understand better how this number is determined and its implications. Does EDF have the leeway/flexibility to allocate between 3% (for the IR, it is 10% for the RR) and 40% of the contracted capacity to Ancillary Services? Or can it be imposed by Eskom?	The minimum requirement is 3% for IR and 10% for RR, the bidder is not obliged to provide any more than this. Eskom will only impose what is declared by the bidder.
6.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, Definitions, page 178	Please confirm if we can cancel an Ancillary Service Declaration with an Ancillary Service Availability Notice at any point up until the hour starts? Or even during the hour?	Until the hour starts ("...at any time up to and until the start of the applicable Availability Period") as per 5.3.1 Schedule 12.
7.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, Clause 5, page 186	Can we choose the hours we can declare availability to Eskom based on our expectation of being able to provide the ancillary service in each hour? Or is being above Pmin + 3% (or 10% for RR) the only criteria for when we can/can't say we are available? For instance if we expect the renewable generation will fluctuate a lot within an hour (say if clouds are traveling over a wind farm) such that it will be challenging to provide AS and maintain required performance, can we choose to not declare being available during this hour?	Pmin + 3% (or 10% for RR) is the only criteria. If the Seller foresees resource fluctuations, it shall not declare availability during that period. However, the Bidder should note penalty for non-declaration will still apply where applicable
8.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, General	What Power Control Functions (as defined in the grid code) will be used to control RR and IR for wind and PV? Note that PV is exempt from providing Delta functionality as per 6.2 (8) in the grid code. Are AGC signals considered as a Power Control Function and which one? If not which grid code are these defined and explained?	The AGC functional and communication (gateway, protocols) requirements are specified in the Information Exchange Code. Appendix 5 (A5.5) describes all required AGC signals (see link below). https://www.nersa.org.za/wp-content/uploads/2022/02/SAGC-Info-Xchange-Version-10.1_January-2022.pdf
9.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA	Why is IR equivalent energy not taken into account in the AS formula in same way as RRE? Since events don't occur until target frequency is passed this means energy can be used before events	It is envisioned that the MWh value of the IR in normal operation will be negligible. This is because IR incidents typically last for a few minutes after which a contracted facility should reduce its

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					Schedule 1 Part 3, Clause 4.6, page 131	occurred. In theory a fair amount of energy from the 3% allocated capacity could be used if the frequency remains between the deadband and the target frequency for extended periods of time.	output to make IR capacity available for the next contingency. As a result, actual IR energy is negligible because IR capacity is sustained for short durations.
10.	20 May 2022	Confidential	Confidential	Technical Ancillary Services	VOLUME 2 - APPENDIX K2 Onshore Wind PPA Schedule 12, Clause 8 Metering and Measurements, page 177	Please clarify if one set of Tariff Meters (Main & Check) will be used for both normal energy sales and Ancillary Services.	Main and check meters will be used for energy billing. SCADA data (high resolution as per Info exchange code) will be used to assess AS performance against contracted capacities
11.	20 May 2022	Confidential	Confidential	Financial Foreign Currency	VOLUME 4 - Financial Requirements Appendix R8	Could you please indicate whether you intend to include CNH in the Appendix R8?	Adjustments will be made for currencies outlined in clause 8.5.8.2.3 of Part A (General Requirements, Rules and Provisions) of the RFP. The currency adjustments to be made in terms of this clause are USD, GBP, EUR and CNY
12.	20 May 2022	Confidential	Confidential	Financial JIBAR	VOLUME 4 - Financial Requirements	Could you please indicate whether you intend to provide the Bloomberg tickers and formulas used in the Appendix R8?	Appendix R8 will provide the following rates: <ul style="list-style-type: none"> - Foreign exchange spot and forward rates, - IRS zero coupon rates, - IRS Par rates and discount factors. - ZAR bond yields - OIS Par rates and discount factors - ZAR IRS Bootstrapping Tickers will be included where appropriate. Formulas will not be provided as the Bloomberg analytics tool will be used.
13.	20 May 2022	Confidential	Confidential	Financial Model granularity - calculation sheets	VOLUME 4 - Financial Requirements Appendix R8	Could you please confirm that if the external debt contracted by the project is repaid quarterly, the model can have monthly calculations during construction and quarterly calculations during operations? If the answer is yes, should the model still display the outputs both on a semi-annual and annual basis?	The Bidder should comply with requirements of clause 1.7 and 2.2.2. of Volume 4, Appendix R4, which states that the Financial Model should be prepared on a monthly basis for the construction and development period and a semi-annual basis for the Operating Period. If the Bidder wishes to present the Financial Model with other periodicities, the Bidder must in addition comply with the Clause above.
14.	24 May 2022	Confidential	Confidential	Legal	Bid Guarantee Definitive Period	With Regards to the Form of Bid Guarantee, according to Volume 1 Part 2 – Appendix E: Form of Bid Guarantee, Clause 4 states that “This Bid Guarantee shall be valid and effective from the date of its issue until the earlier of the expiry of the Bid Validity Period (as it may be extended in terms of the RFP) and:…”, with the definition of Bid Validity Period being – “Bid Responses must remain valid and binding for 365 (three hundred and sixty five) calendar days from the relevant Bid Submission Date (“Bid Validity Period”)”, Clause 4.3 states “in the case of a Preferred Bidder, the date on which the Preferred Bidder Guarantee is duly lodged with the Department as required in clause 26.2 (Preferred Bidder Guarantee) of Part A (General Requirements, Rules and Provisions) of the RFP.” While the period of validity of the Bid Guarantee is stated within Clause 4, the Banks will still require a clear expiry date to be mentioned in the Form of the Bid Guarantee. Accordingly, the bidder proposes that Volume 1 Part 2 – Appendix E: Form of Bid Guarantee, Clause 4.3, be revised to “in the case of a Preferred Bidder, the date on which the Preferred Bidder Guarantee is duly lodged with the Department as required in clause 26.2 (Preferred Bidder Guarantee) of Part A (General Requirements, Rules and Provisions) of the RFP, and in any event expires on the 30 September 2023 (Expiry Date)… “	The expiry date of the Preferred Bidder Guarantee is clearly defined in Clause 26.2.2.4 (<i>General Requirements, Rules and Provisions</i>) of Part A of the RFP.
15.	25 May 2022	Confidential	Confidential	Financial	Part B Clause 2.5.5.3.1	As per Part B: Functional and Qualification requirement clause 2.5.5.3.1, the bidders are required to provide details of their accounting and tax treatment in the financial model. In order to comply with the above clause, can the sponsor’s Tax and Accounting advisors report consist of a Tax and Accounting report used during BW 5 and a Tax and Accounting report highlighting incremental changes to be considered in BW 6 as compared to BW5. Request DMRE to clarify if the above two reports would suffice the requirements in 2.5.5.3.1.	It is a requirement that the Bidder must provide details of their accounting and tax treatment used in the Financial Model(s). As long as the report clearly outlines what is applicable to BW6 and it is referenced to the Financial Model, this is acceptable.
16.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	We respectfully request clarity on the intention and effects of this amendment and provide a submission requesting clarity to address the potential limitation on Black (“BEE”) participants	Clause 9.7 (<i>General Requirements, Rules and Provisions</i>) of Part A is intended to (i) recognise as was customarily the case, the ability of Members, Material Contractors, Suppliers, Advisors and

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							Lenders to participate in more than 1 (one) Bid Response, but (ii) in the case of Members, to restrict them from participating in more than 1 (one) set of "sister bids" other than in the case of Members such as the Local Communities whose participation is tailored to fit with the geographic location of the Project.
17.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	Based on our reading, this clause ostensibly limits the participation as a BEE participant to one group of Affiliated Bidders. We are concerned that this clause may have material unintended consequences, including precluding the ability for Black participants to mitigate bidding risk by participating in more than one consortium. The risk of a single bid submission creates a binary outcome whereby the Black participant will either succeed or lose its substantial bid submission costs.	The limitation placed in Clause 9.7 (<i>General Requirements, Rules and Provisions</i>) is intended to optimise the prevention of anti-competitive and/or collusive behaviour, and to: <ul style="list-style-type: none"> - encourage the preservation of an appropriate level of confidentiality between Bidders; and - maintain the integrity of the bidding process in relation to its competitiveness.
18.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	This would appear to be limiting for the following reasons: <ol style="list-style-type: none"> a. The total number of bids submitted in BW 5 were 102. The total number of winning bids were 25. The bids were 4 times oversubscribed. b. There are a limited number of suitably qualified BEE participants in the market. c. The access to capital is also limited, with the cost of bidding being so high that a binary outcome in a particular bid round could reduce the investable capital of these BEE participants and impact on their ability to participate in future rounds. d. New(er) BEE participants will be limited in their ability create a diversified portfolio of assets and will always find it more difficult to raise capital than the large, established, multi-project BEE participants. Competition will thus be limited. 	The Bidder is referred to items 16 and 17 above.
19.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	If the intention of the clause is to ensure confidentiality between bid consortia, this is already addressed by the general process between independent power producers ("IPPs") and BEE participants as follows: <ol style="list-style-type: none"> a. BEE participants engage with various IPPs with a view to becoming shareholders in the Bid responses. b. Each IPP signs a Memorandum of Understanding with the BEE entity including, inter alia, the following: <ol style="list-style-type: none"> i. Confidentiality undertakings preventing the disclosure of confidential project information. ii. To the extent applicable, non-compete clauses. c. Importantly, the bid preparation and the submission is protected by the IPP and only shared with the BEE entity post the bid submission. d. This clause also appears to be materially limiting to the banks and advisors, whereby a limitation in the consortia they act for with will limit the entire REIPPP Programme's access to competitive debt capital and advisors. 	The Department is aware of the existing measures to ensure confidentiality and has elected to introduce an additional measure in the form of Clause 9.7 (<i>General Requirements, Rules and Provisions</i>) of Part A of the RFP. <p>Clause 9.7 was created having regard to, <i>inter alia</i>, the undertaking and confirmations that each Member is required to make in relation to the bids in which they are participating, in terms of the RFP provisions. Clause 9.7 would prevent a Member from participating across consortia with knowledge/information sensitive to the competitiveness of the bids and in a manner that could potentially undermine the competitiveness of a bidding process.</p> <p>Please note that these restrictions are not limited to BEE participants and apply to all Members.</p>
20.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	The following is submitted: <ol style="list-style-type: none"> a. This clause appears to limit the participation of various parties, particularly BEE participants. b. This limitation is despite the controls in place to manage any conflicts of interest. c. BEE participants are trying to establish a base of investments, which necessitate the participation across more than one bidder and thereby create additional meaningful participation in the economy. d. An important consideration being that given the level at which projects are oversubscribed there is a usually a one in four probability of winning which necessitates BEE participants participating across different IPPs in order to mitigate the risk of losing the significant bid preparation and submission costs. 	The Bidder is referred to items 16, 17 and 19 above.

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						e. This clause would not allow new black industrialists to develop meaningful participation in relation to existing dominant BEE participants enabling the gap to be closed.	
21.	27 May 2022	Sharief Harris	Red Rocket	Legal	Part A Clause 9.7	Request for clarification: a. Please clarify whether the wording of Clause 9.7 is intended to limit BEE, IPP and/or Bank participation in Bid responses? b. Clarify the extent of this limitation, if any. c. If, for example, a BEE entity wished to partner exclusively with IPP1 on its entire wind portfolio and exclusively with IPP2 on its entire PV portfolio and possibly with IPP3 on their entire portfolio would this be permitted? d. Please define what "substantially" in "comprised substantially of the same entities or consortium members"	The Bidder is referred to item 16 above. The restriction placed in Clause 9.7 is not limited or confined to technology, in its operation.
22.	02 June 2022	Confidential	Confidential	Technical requirements	Volume 3: Appendix Q1A and Q2A	In Volume 3, Appendix Q1A is for PV and Q2A is for Wind, but in clause 2.6.1.4 of Part B says that Appendix Q1A is for Wind and Q2A is for Solar. Please clarify	This is a typo, Q1A is solar and Q1B is wind
23.	02 June 2022	Confidential	Confidential	Technical requirements	Part A:	In clauses 8.3.4, 8.3.5 and 8.4- Projects submitted on the Sixth Bid Submission Date must be capable of achieving the Commercial Operation Date for the Project within a period of 24 (twenty-four) months after Commercial Close. However, in clause 2.6.3.5.3 of Part B, the PV projects are allowed to reach COD within a period of 36 months as per clause 2.6.3.5.3 of Part B which contradicts Part A mentioned above. According to clause 2.6.2.5.5 of Part B and the clauses in Part A mentioned above, the Onshore Wind projects are allowed to reach COD in 24 months which is too short. Similar to Solar PV, Onshore Wind projects should be allowed to reach COD in 36 months.	This query is currently being reviewed and will be clarified shortly.
24.	02 June 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Part B, Clause 2.6.2.1.3.2 states that 1855hours is maximum while volume 3 Appendix Q1, table 1.3 states "atleast" 1855 hrs. Is the 1855hr a minimum requirement or the maximum?	1855 is the maximum that will be called on, hence the Bidders plant must be able to provide 1855hrs at the least in order to comply with the requirement, it does not, however need to provide more than this.
25.	02 June 2022	Confidential	Confidential	Technical	Volume 3: Technical Requirements	Will the IPP be allowed to export excess energy to another load when the available ancillary service energy has not been made available to Eskom?	No, the IPP is being compensated for this power on a self-dispatch basis according to the Ancillary Service Instruction clause 5.5.5. in the PPA
26.	02 June 2022	Confidential	Confidential	Financial	Part B – Clause 2.5	Clause 2.5 of Part B refers to Appendix R8 (Letter of Support Template from ultimate Provider(s) of Equity/Corporate Finance from a Financial Institution) however Appendix R8 in Volume 4 is the Schedule of Interest Rates and Foreign Exchange Rates and Appendix R9 is the Letter of Support Template from ultimate Provider(s) of Equity/Corporate Finance from a Financial Institution.	The paragraph in Clause 2.5 of part B should reference Appendix R9 (Letter of Support Template from ultimate Provider(s) of Equity/Corporate Finance from a Financial Institution) of Volume 4 (Financial Requirements).
27.	02 June 2022	Confidential	Confidential	Economic Development	Volume 5: Appendix 5E1, Item 1A	In Volume 5 – Appendix 5E1, Item 1A states "Solar Photovoltaic System and Components – PV Modules (Must be laminated in a manufacturing facility in South Africa.)". Could the Department please confirm whether this means that 100% of the PV modules procured should be laminated in a manufacturing facility in South Africa or whether this only applies to the locally procured PV modules contributing towards meeting the 18% designated local content threshold	This query is currently being reviewed and will be clarified shortly.