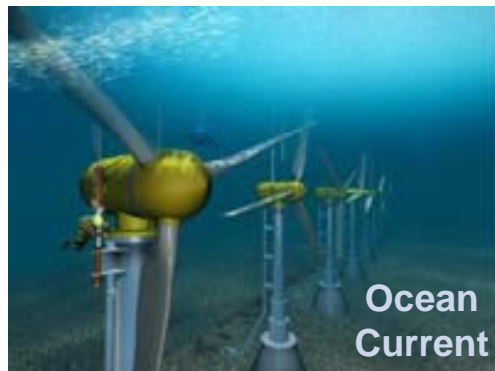


The Single Buyer Office role in terms of Renewable Energy IPPs



Sol Plaatje Municipality
Kalahari Lodge, Kimberley

26 August 2009

Context

- **Background to Single Buyer Office (SBO) establishment**
- **Current regulations and the “System Operator”**
- **Key principles for successful REFIT programme**
- **Criteria for selecting successful Independent Power Producers (IPPs)**
- **Challenges**
- **Burning issues**
- **SBO commitment**

Background

As per cabinet memo dated 5 September 2007:

- Eskom designated as single buyer for attracting and purchase of power from IPPs
- First programme launched was the Multi Site Base Load IPP programme at request of the Department of Minerals and Energy and the Department of Public Enterprises

National Energy Regulator of South Africa (Nersa) published the renewable energy feed-in tariff (REFIT) in March 2009:

- Supports government target for 10 000GWh from renewable energy source by 2013
- Four technologies under REFIT Phase I:
 1. Wind [R1.25 c/kWh]
 2. Concentrated Solar Plant [R2.10 c/kWh]
 3. Small Hydro [R 0.94 c/kWh]
 4. Landfill Gas [R0.90 c/kWh]
- Nersa also designates SBO as Renewable Energy Purchasing Agency (REPA) in line with Regulation Act 2006

Current regulations and the System Operator (SO)

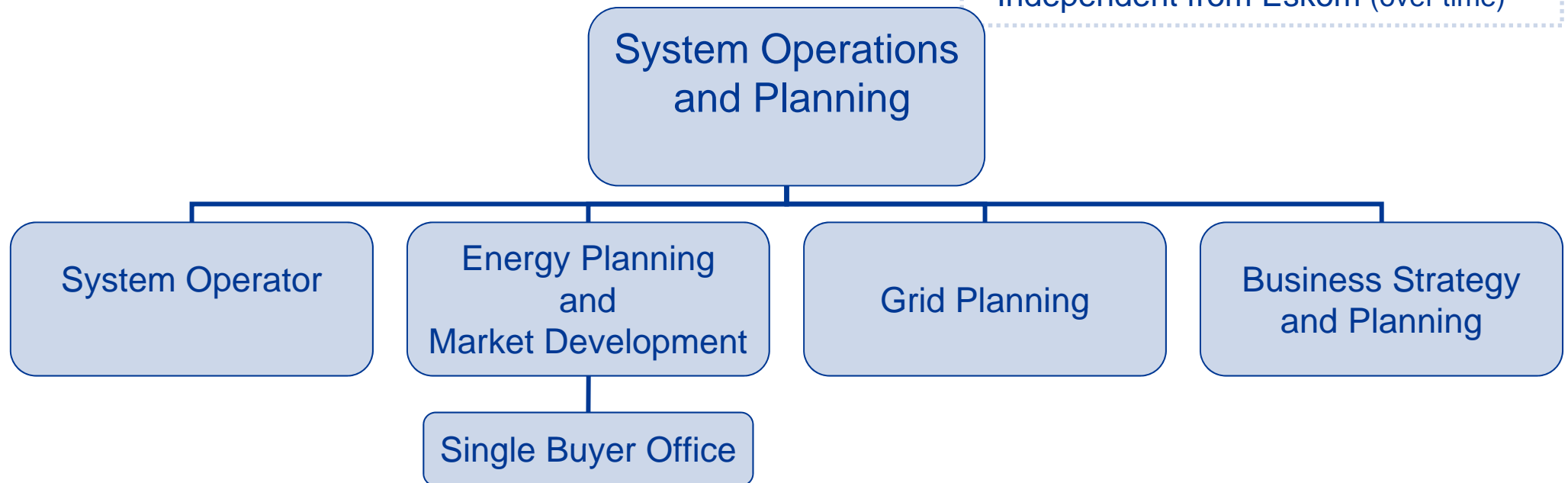
Following REFIT, the Department of Energy (DOE) published the New Generation Regulations in August 2009:

- Does not refer to REPA but the “System Operator” and assigns the following responsibilities:**
 - Developing the integrated resource plan
 - Feasibility study to determine whether procurement of generation capacity should be undertaken by Eskom, another utility provider or an IPP, but Minister shall make determination
 - Activities related to procurement under the IPP bid programme
- The procurement process stages for IPP bid programmes:**
 1. Request for prequalification (RFQ)
 2. Request for proposals (RFP)
 3. Negotiation with preferred bidder
- Nersa to develop procurement rules and renewable energy tariffs**
- The “Buyer” must purchase all the generation capacity procured**

The current System Operations and Planning division in Eskom

Designated by DOE to become the Independent System Operator:

- Independently licensed
- Independent from Eskom (over time)



Key principles for a successful REFIT programme

- **Government and Stakeholder alignment for programme and process**
- **Enabling environment for “Buyer” to support Independent Power Producers**
 - Policy framework that is supportive
 - Appropriate Cost Recovery Mechanisms [due for Nersa approval Aug/Sept 2009]
 - Appropriate government support package
- **Policy environment that is supportive of renewable energy providers**
- **Tariff that gives fair return to developers and sponsors**
- **Appropriate risk allocation in the power purchase agreement (PPA) for Seller and Buyer**
- **Renewable energy allocation must be included in the Integrated Resource Plan**
 - Technology
 - Timing
 - Target (quantity)

Criteria for selecting successful IPP

- compliance with the **integrated resource plan** and the preferred technologies
- acceptance by the IPP of a **risk profile** predetermined by the regulator
- preference for a plant location that contributes to **grid stabilisation** and **mitigates against transmission losses**
- preference for a plant technology and location that contributes to **local economic development**
- compliance with legislation in respect of the **advancement of historically disadvantaged individuals**
- preference for projects with **viable network integration** requirements
- preference for projects with **advanced environmental approvals**
- preference for projects demonstrating the **ability to raise finance**
- preference for small (>1 MW), **distributed generators** over centralised generators
- preference for generators that can be **commissioned in the shortest time**

Challenges for successful REFIT programme

- **Integrated Resource Plan**
 - Identify technologies, establish target per technology, timing of plant
- **Grid issues**
 - Connecting generators to grid [Transmission and Distribution]
 - Grid stability / ancillary services
 - “Grid downtime” - inability to receive energy
- **Land and servitude arrangements**
- **Environmental Impact Assessment (EIA) process [lead time]**
- **Time to conclude PPA’s [procurement and approval process]**
- **PPA settlement issues**
- **Sourcing of alternative funding to expedite possible extended Renewable Energy Programme**

Burning issues to be addressed by government

- **Stakeholder alignment** on process for attracting IPP's under REFIT
- **Procurement process** and **practical implementation** issues
- Establishing **appropriate target** for each technology
- **Long term strategy** for achieving renewable energy targets
- Nersa to develop **rules** related to criteria for selecting Renewable IPPs
- REFIT for **technologies that have been excluded** – Phase II
- **Reduced lead time** for EIA process (site and grid servitude)

Single Buyer Office commitment

- Single Buyer Office **committed** to Renewable IPP Programme and REFIT
 - Single Buyer Office currently staffing up to deliver on its obligation
- Will fast track conclusion of PPA's **in accordance with policy, rules and governance structures**
- Will **engage** on a meaningful basis with all interested parties

Thank you

Adele Greyling
Renewable IPP Programme Manager
Single Buyer Office
Eskom, Megawatt Park
tel: 011 800 4952
e-mail: adele.greyling@eskom.co.za

Proposed programme timelines Renewable IPP process

1st Tranch

	Project Milestone	Date
1	Appointment of Consultants	September 2009
2	Issue of EOI / RFQ	September / October 2009
3	Receipt of SOQ	November 2009
4	Advise pre-qualified applicants	December 2009
5	Issue of RFP	January 2010
6	Pre-bid Conference	February 2010
7	Bid Submission Date	April 2010
8	Selection of preferred bidders	May/June 2010
10	Financial close	July- December 2010