

Corporate & Commercial and Projects & Energy

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SOUTH AFRICA

- Two new renewables bid windows signal revised hope for solving South Africa's energy crisis



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Two new renewables bid windows signal revised hope for solving South Africa's energy crisis

On 14 December 2023, the Department of Mineral Resources and Energy (DMRE) released a request for qualification and proposals (RFP) under the seventh bid submission phase (Bid Window 7) of the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), and the DMRE also launched the second bid window (Bid Window 2) for the Battery Energy Storage Independent Power Producers Procurement Programme (BESIPPPP).

Bid Window 7

Bid Window 7 intends to procure 5,000 MW of renewable energy capacity, which consists of 3,200 MW of onshore wind and 1,800 MW of solar photovoltaic projects.

Bid Window 7 is the first bidding round, launched in terms of the December 2022 Ministerial Determination, that outlines the intended procurement of a total 14,771 MW of new generation and storage capacity which comprises 3,940 MW of solar photovoltaic energy, 9,600 MW of wind energy and 1,231 MW of battery energy storage. Bid submissions for Bid Window 7 are scheduled for 30 April 2024, and the selection of preferred bidders is expected to be announced three months after the bid submission date.

As a result of the challenges faced in previous bidding rounds, the Bid Window 7 RFP has introduced new elements as part of the RFP, the main of which include:

- Implementation of the 'first ready, first served' approach in line with the new Interim Grid Capacity Allocation Rules (IGCAR).
- The introduction of a reserve bids system, which allows the DMRE to approach a reserve bidder who has been identified as a potential candidate, should any preferred bidder fail to advance their project(s) to financial close within the set timeframes. The reserve bids system will be leveraged as a backup to avoid delays in adding capacity to the grid.
- Bidders can bid based on grid-connection cost estimate letters (CELs) or valid budget quotes (BQs), rather than only CELs, as was the case in previous rounds.
- The CEL application timeline has been amended to 90 days before the bid submission date, to ensure that Eskom SOC Limited (Eskom) has sufficient time to process all CEL applications.
- A reduction, from 100% to 80%, in the government guarantee framework should Eskom (as the off-taker), fail to pay the agreed purchase price, while the 100% guarantee remains in place for any government termination as a result of expropriation or legislative amendments.

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- Due to the increased urgency of South Africa's energy crisis, selected projects will be required to start generating electricity within 24 months of reaching financial close.
- In light of the transmission system capacity constraints, the Bid Window 7 power purchase agreements (PPAs) have been revised in relation to curtailment. More specifically, the unavailability thresholds captured in the concepts of "Allowance for Grid Unavailability and Curtailment" and "Allocated Grid Unavailability Period" will not apply. The compensation principles under the PPA have been amended accordingly.

The new elements contained in the Bid Window 7 RFP came on the back of the REIPPPP's sixth bid submission phase grid-connection fiasco and Eskom's resultant adoption of the IGCAR for the issuance of grid connection CELs and BQs, which stems from the 'first come, first served' model to a '[first ready, first served](#)' approach.

Bid Window 2

In addition to the release of Bid Window 7, the DMRE has also set its sights on furthering the BESIPPPP. The BESIPPPP is aimed at transmission and distribution congestion relief to evacuate additional generation capacity as set out in the DMRE's Integrated Resource Plan (2019).

Bid Window 2 intends to procure 615 MW of new generation capacity which shall be procured from energy storage systems. The bid submission date for Bid Window 2 is 30 April 2024, with preferred bidders to be selected approximately three months after the bid submission date and the financial close expected to be approximately six months after the announcement of the preferred bidder.

Bid Window 2 has been released following the seemingly successful release of the first round of BESIPPPP (Bid Window 1), which was launched in March 2023 for the procurement of 513 MW of battery storage capacity to be installed at sites situated in the Northern Cape. A total of 17 bids were received for Bid Window 1, with only four preferred bidders being appointed as of 30 November 2023; these include, Oasis Aggeneis (EDF Development), Mogobe BESS (Scatec Africa), Oasis Mookodi (EDF Development), and Oasis Nieuwehoop (EDF Development). The DMRE has announced that the implementation of these projects looks favourable, and we look forward to the financial close for the preferred bidder's projects, which is anticipated to be in May 2024.

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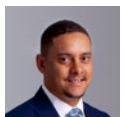
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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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