



mineral resources & energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

INDEPENDENT POWER PRODUCERS PROCUREMENT PROGRAMME (IPPPP)

AN OVERVIEW

As at 31 March 2024

in Partnership with









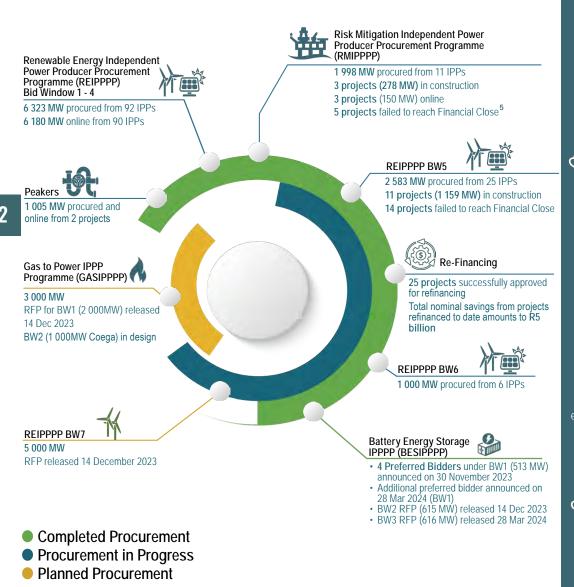


THE IPPPP

at a glance

The programme's primary mandate is to secure electrical energy from the private sector from renewable and non-renewable energy sources. In addition, the programme has been designed to contribute to the broader national development objectives of job creation, social upliftment and broadening of economic ownership.

This report provides an overview of the procurement activities of the IPPPP, including achievements as at the end of reporting Quarter 4 of the 2023/2024 Financial Year (1 January to 31 March 2024).



Key overall achievements



141 IPPs

selected as preferred bidders¹ (including 2 Peaker projects)



13 422 MW

electricity capacity available from procured projects²



R361.0 billion

investment attracted into South Africa's economy for energy infrastructure from projects³



110 IPPs

reached financial close



8 898 MW

electricity capacity available from 110 IPPs that reached financial



R277.2 billion

investment attracted into South Africa's economy for energy infrastructure from projects that reached financial close⁴

Caveat. This report and all analysis include all data reported by IPPs for quarter 4 of 2023/24 FY, as received by 27 April 2024. Any data updates from IPPs after this date will be incorporated and reflected in subsequent reporting periods.

Note 1. 123 preferred bidders selected under REIPPPP BW1 – 6, 11 preferred bidders selected under RMIPPPP, 5 under BESIPPPP, and 2 Peakers projects. Note 2. 9 906 MW from BW1 – 6 + 1 998 MW from RMIPPPP + 513 MW from BESIPPPP + 1 005 MW from Peakers. Note 3. R274.3 billion from 123 projects in BW1-6 + R60.2 billion from 11 projects in RMIPPPP + R16.8 billion from BESIPPPP + R9.7 billion from Peakers. Note 4. R234.1 billion from 102 projects in BW1-5 + R33.4 billion from 6 projects in RMIPPPP + R9.7 billion from 2 Peakers. Note 5. One project reached Commercial Close by December 2023, but failed to reach Financial Close by the cut-off date of 31 March 2024. As a result, the project is no longer active.

THE IPPPP at a glance

Key Achievements as at end March 2024

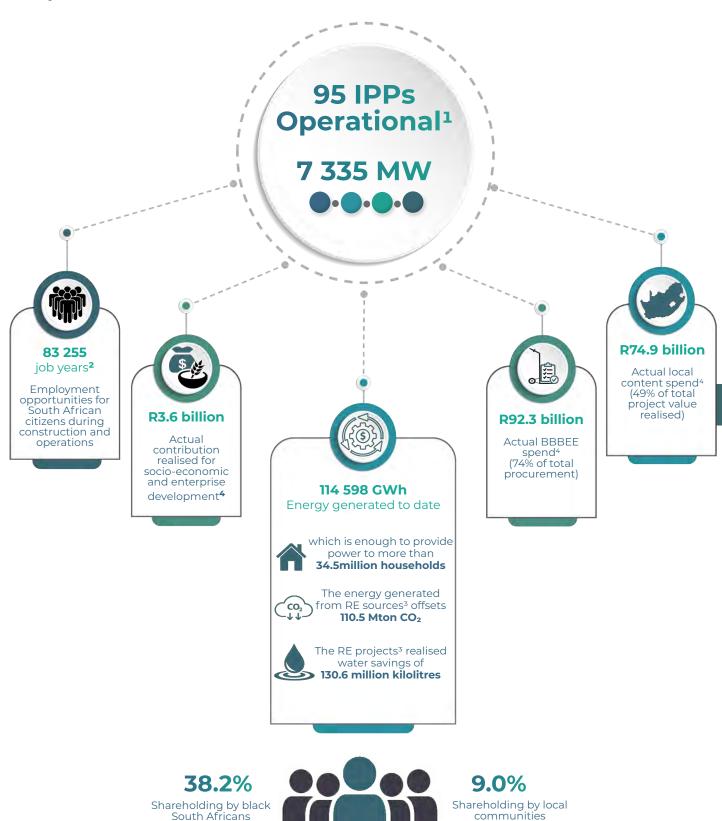


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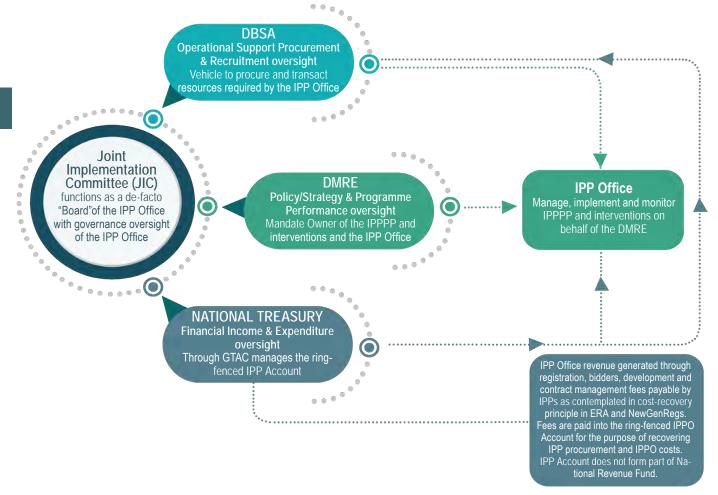
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ABOUT THE IPP OFFICE

The Department of Mineral Resources and Energy (DMRE), National Treasury (NT) and the Development Bank of Southern Africa (DBSA) established the IPP Office for the specific purpose of implementing the IPPPP.

The IPP Office is governed in terms of a tripartite Memorandum of Agreement. A Joint Implementation Committee (JIC) provides governance oversight of the IPP Office. The Office generates its own revenue through the IPP Programmes, and the funds are held and managed by National Treasury, through GTAC, in an IPP Account. The IPP Account is not part of the National Revenue Fund. The IPP Office is independently audited by the Auditor General and statements are incorporated in DMRE Annual Financial Statements.



The IPP Office Mandate

The mandate of the IPP Office is to enhance private sector participation in electrical power generation capacity in the country, whilst contributing to broader national development objectives. The IPP Office is a programme office that provides independent and transparent procurement management, contract management and professional advisory services to the DMRE.





SERVICES PROVIDED MANDATE DERIVED FROM The capacity allocated to renewable energy and non-renewable generation in the Integrated Resource Plan (IRP) **Procurement** Management **(MANDATE** Ministerial Determination Facilitate and deliver on the issued by the relevant Minister Monitoring, evaluation and IPPPP Objectives on behalf of ((in terms of Section 34 of the contract management **DMRE** Electricity Regulation Act (ERA) and the NewGenRegs Mandate Instructions Professional energy issued by DMRE to the IPP Office advisory services

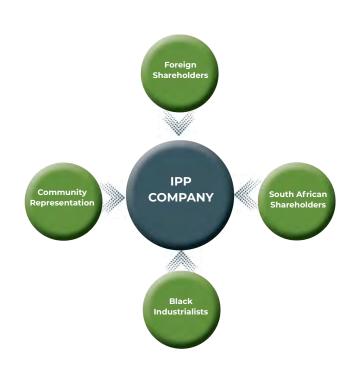
The Office's mandate is derived from the capacity allocated to renewable and non-renewable generation in the IRP, which together with the associated Ministerial Determinations, set the pace and direction of the roll out of the Independent Power Producers Procurement Programme (IPPPP). The IPPPP activities continue to evolve in order to effectively respond to the planning and development needs in the current energy context.

THE IPP PROCUREMENT PROCESS

What is an IPP?

An IPP is a Company (Consortium) established by a range of shareholders for the sole purpose of bidding for constructing and operating an independent power plant.

Typically the IPP company structure could consist of Black Industrialists, other South African shareholders, community trusts representing the local communities where the projects are located, and foreign shareholders bringing foreign direct investment (FDI) that improves the country's balance of payments, and transfer skills & expertise.



Why should IPPs be used for energy generation?

Not only do IPPs attract much needed new investment, skills, technologies and competition into the industry, but they also stimulate local industry development and job creation.

The IPPPP procurement design approach ensures a balance of risks between private sector and government. The IPPs provide all the funds for the construction and operation of the power plant and bears all the construction and site risks of the project. Any delays or cost overruns are for the account of the IPP and not recoverable.

IPPs need to commit to a specified date to start generating power and is penalised if they are late, so they generally provide the needed power on time. The risk of operation of the power plant over the lifetime of the projects also lies fully with the IPP and all cost overruns (such as increased maintenance cost) are for the account of the IPP and is not recoverable.

An IPP only starts recovering its investment when the power plant starts generating power, charges pre-determined and predictable prices, and also bears all the risk of reduced revenues when the power plant is not operational or produces less power. The IPP needs to commit upfront to achieving targets in respect of job creation, economic development and socioeconomic upliftment.



How are IPPs procured?

The development of new generation capacity is steered by South African planning and electricity policy frameworks (such as the Integrated Resource Plan or IRP) and given effect by Ministerial determinations. The process of Ministerial determinations provides suitable process flexibility to allow adjustments to accommodate power system requirements and technology developments and price trends. Within the scope of determined capacity, each IPPPP bid round is initiated with a DMRE procurement instruction detailing a capacity allocation (or cap) and targeted technology mix.



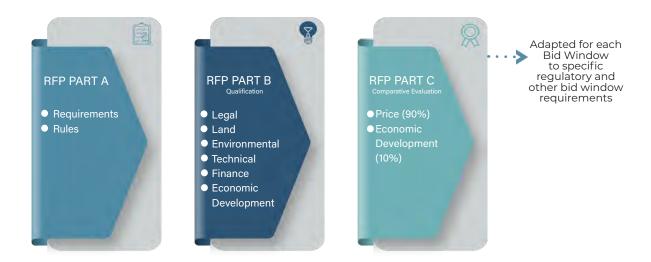
The IPP Procurement Process

Stage 1: Request for Proposals (RFP)

A bid round or bid window is opened with a request for proposals (RFP) issued to the market.

A Request for Information [RFI] is often used in the bid preparation process, especially in the procurement of new technologies / approaches.

The request for proposal is made up of three parts. The qualification criteria and comparative evaluation criteria is adapted for each bid window, according to design requirements.



Stage 2: Bid Submission

Interested bidders prepare and submit bid submissions in response to the RFP within specified timelines. As minimum qualification criteria, every project has to show a very advanced stage of development, as demonstrated by:

- · Having secured land rights to the project site via ownership, leases or options;
- · Having certain permits in place, most notably an authorisation under the country's environmental legislation;
- Having the whole project structure finalised, complete with technology suppliers, EPC contractors and financiers (both equity and debt);
- Fulfilling a range of technical requirements such as a yield assessment based on at least 12 months of measurements or data:
- · Meeting minimum economic development requirements such as job creation and localisation;
- Offering an electricity tariff that is equal to or less than the technology tariff cap R/kWh (if applicable); and
- · Providing a bid guarantee to Government.

Stage 3: Preferred Bidders Announced

Qualifying bid submissions are adjudicated after an extensive evaluation process using independent advisors before preferred bidders are announced by the DMRE. The procurement evaluation process is conducted in a highly secured environment by an independent evaluation team. This independent and secure process is facilitated by the IPP Office.

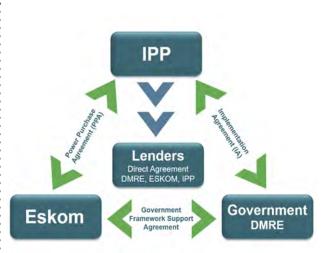


Stage 4: Financial close

Preferred bidders are then required to finalise and sign all project agreements (implementation agreement and power purchase agreement, generally referred to as Legal Close) and financing agreements (where applicable) and meet all required conditions contained in them, to reach financial close. These non-negotiable agreements are included in the RFP to provide full transparency of the terms and conditions.

Stage 5: Construction

Following financial close the construction phase of the IPP facilities commences. Each facility procured in terms of the IPPPP is required to complete construction and achieve commercial operation by no later than the dates set out in the RFP. Within this prescribed window period, each IPP is contracted to their targeted commercial operation date (COD).



Implementation Agreement

- Provides comfort to the lenders in terms of Eskom Default under the PPA and Expropriation
- Does not provide support for IPP default but allows lenders to remedy the situation before terminating the agreements
- Corrupt Act is also dealt in accordance with RSA laws

Power Purchase Agreement

- Eskom purchases the electricity and sells it to the consumer
 - It is a take or pay agreement in terms of RE but different for RMIPPPP of the Peakers

Direct Agreement

- Provides no compensation to the lenders for IPP default
- Allows lenders to step-in and remedy the default before termination

Government Support Framework Agreement

- Provide support to Eskom for its payment obligations under the PPA
- · Eskom will report any potential risk that might trigger the government support

Connection Agreements with either

- The National Transmission Company (if the grid connection will be at transmission level.
- The Distributor (if the grid connection will be at distribution level); or
- The Self-Build Agreement with Eskom, or into a municipal distribution agreement with the relevant municipality

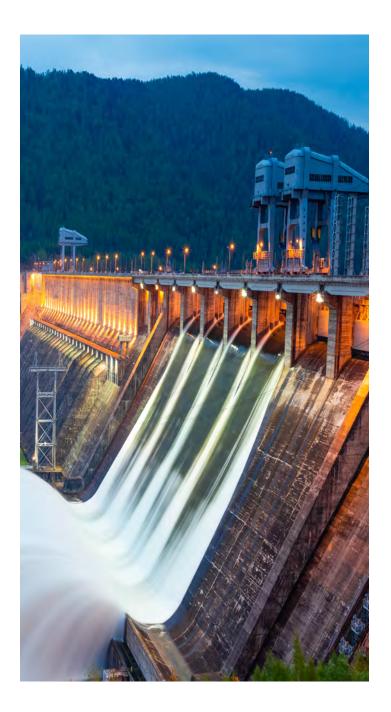
Stage 6: Commercial Operation Date (COD)

Commercial Operation Date marks the successful completion of construction and grid integration.



Renewable Energy
Independent Power Producer
Procurement Programme
(REIPPP)

REIPPPP HIGHLIGHTS



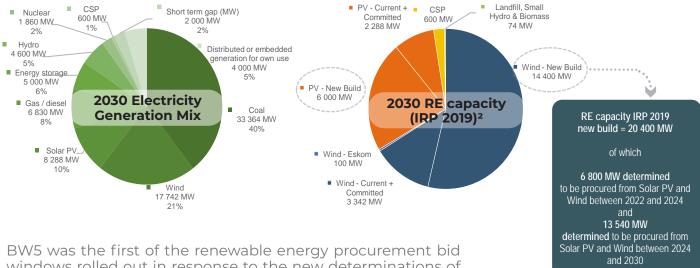
Overview

South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) is one of the world's most successful and progressive private sector renewable energy procurement programmes. Through its innovative approach and design, the programme is effectively contributing to transforming the economy towards a sustainable, lowcarbon energy growth trajectory, while securing an inclusive and equitable society.

The programme is a competitive tender process and is structured into rolling bid windows that not only allows for continued market interest, but increased competitive pressure among bidders to participate and offer reduced pricing.

According to the IRP 2019, a total of 20 400 MW of new capacity from renewable energy needs to be added to the energy mix by 2030 - 14 400 MW from Wind (45.7% of total new capacity by 2030), and 6 000 MW Solar photovoltaic (PV) (19.1% of total new capacity by 2030).

To date 20 340 MW capacity has been determined to be procured from Solar and Wind IPPs between 2022 and 2030.



BW5 was the first of the renewable energy procurement bid windows rolled out in response to the new determinations of the IRP 2019. The total capacity procured from these projects totals 2 583 MW. The MW capacity under the BW6 was increased to 4 200 MW which is within the limit of the current determinations, so as not to delay the procurement. The bid submissions for this bid window was received on the 3 October 2022, however due to grid availability the outcome of the BW was lower than planned, with only 1 000 MW procured from solar PV projects.

The RFP for BW7 was released on 14 December 2023 and aims to procure 5 000 MW from solar and wind technologies. To date, all bid windows have been oversubscribed, and the majority of bid responses were well prepared resulting in a high level of competition.

Through the competitive bidding process the IPPPP effectively leveraged rapid, global technology developments and price trends, buying clean energy at lower and lower rates with every bid cycle, resulting in SA getting the benefit of RE at some of the lowest tariffs in the world. The estimated, average portfolio cost for all technologies under the REIPPPP has dropped consistently in every bid period to a combined average of R0.54/kWh in BW6.

In addition, the rolling bid windows allows for continued refinement and design improvements that aim to attract greater private investment, while optimizing the national development plan objectives. The high level of competition among projects has been supporting socio-economic transformation and encouraging black participation. The design improvements of bid obligations in BW5 onwards, specifically aimed at historically excluded and vulnerable groups, and on improving gender and disability equality will ensure that the programme's contribution to national objectives are intensified.

REIPPPP bidding process outcomes to date

409

Bid submissions received to date in BW1 to BW6, offering 36.8 GW for procurement

123

Preferred bidders selected (for 9 906 MW)

102

Preferred bidders that reached Financial Close (for 7 465 MW)

R0.54/kWh

Combined average portfolio cost in BW6 in April 2023 terms

Note 1. In July 2020 the first determination under the IRP 2019, for the procurement of various technology solutions to close a 2 000 MW gap between 2019 and 2022, was gazetted. A second determination, for the procurement of 11 813 MW new generation capacity (including 6 800 MW solar PV and wind capacity for 2022 to 2024, 513 MW energy storage for 2022, 3 000 MW gas for 2024 to 2027 and 1 500 MW coal for 2023 to 2027), was promulgated in September 2020. The third determination, as gazetted in April 2023, makes provision for the procurement of 14 771 MW from renewables and storage technologies (3 940 MW solar PV, 9 600 MW wind and 1 231 MW storage) for the years 2024 to 2030. Note 2. Excluding Hydro, but including 74 MW committed (included under distributed generation allocation) for landfill gas, small hydro, and biomass.

Key achievements as at end March 2024



Investment attracted from projects that reached financial close

R234.1 billion



IPPs that have reached financial close

102



Electricity capacity available from projects that reached financial close

7 465 MW

90 of these IPPs have started commercial operations



Electricity capacity delivered to the grid by operational IPPs

6 180 MW



Energy generated by renewable energy sources

108 656 GWh



Energy generated by these projects are enough to provide power to more than 32.7 million households



Electricity generated by these projects are offsetting 110.3 Mton CO₂



These projects realised water savings of 130.4 million kilolitres



Employment opportunities for South African citizens during construction and operations

78 075



Actual contribution realised for socioeconomic development

R2.8 billion



Actual contribution realised for enterprise development

R0.8 billion



Actual local content spend (49% of total project value realised) 37.8% 8.5%

Shareholding by black South Africans

Shareholding by Local communities

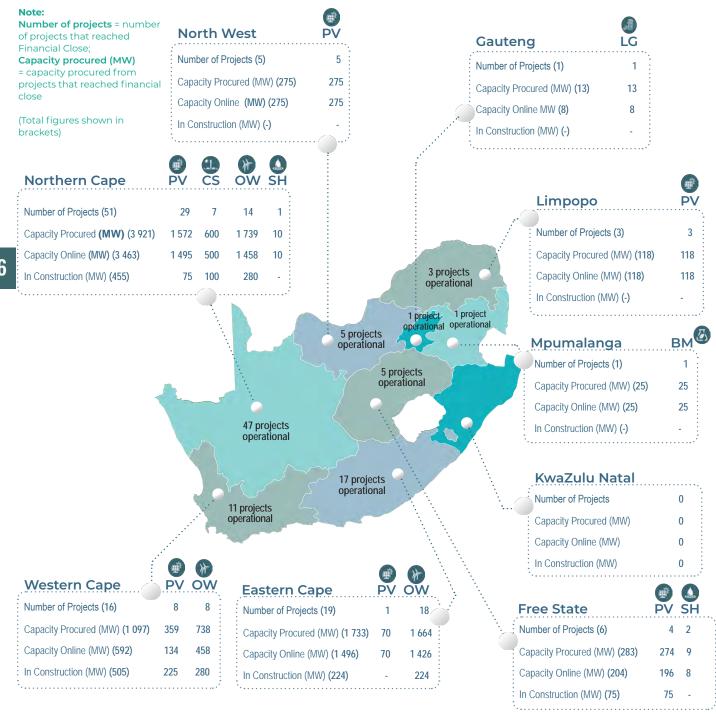
Actual BBBEE spend (83% of total procurement)

R90.2 billion

R69.0 billion

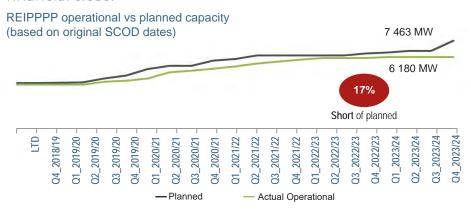
Diversifying the energy mix through the portfolio of RE capacity

The REIPPPP has successfully procured 7 465 MW from 102 IPPs (that reached financial close) in BW1 to BW5, which are at various stages of construction or have commenced with commercial operation. By end March 2024, 6 206 MW of the procured capacity started operations and delivered 6 180 MW of actual capacity (i.e. 90 IPPs delivering 26 MW short of procured capacity).



Building capacity to power the country

At the end of March 2024, 90 projects (88%) out of 102 originally scheduled to be operational had reached COD. 7 463 MW was originally scheduled to be operational by end of March 2024, with 6 180 MW realised (83% of the scheduled capacity). A total of 1259 MW of the 1283 MW shortfall is as a result of projects that have not started operations as originally scheduled. Based on the latest scheduled commercial operations dates, it is only the one BW3.5 project (100 MW) that has not achieved commercial operations as scheduled. Only 24 MW of the shortfall is attributed to under delivery against contracted capacity as at financial close.

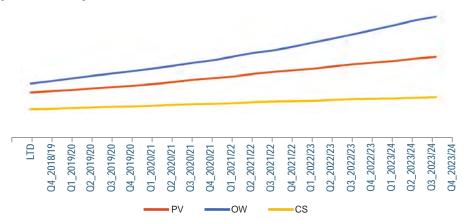


Significant renewable energy capacity can be brought online within a short timeframe. The average construction lead time for the current portfolio is 793 days i.e. 6 180 MW generation capacity was delivered within 2.2 years.

Energy Supplied

The first IPP reached COD, supplying power to the grid, in November 2013. Total renewable energy generated by the IPPs since the first project became operational totals 108 656 GWh, from the 90 projects that are operational. The overall decrease in energy generation from 4 616 GWh in the previous quarter to 4 047 GWh in this quarter was driven by declines across most technologies, notably a significant 69% drop in generation from the Biomass project and a 36% decrease in CSP off-peak generation, offsetting gains made by Small Hydro projects which saw a 24% increase in generation.

REIPPPP energy generation per RE technology inception to date (cumulative)



Since inception, renewable energy generation per RE technology has been as follows:

- Onshore Wind projects: 61 227 GWh
- Solar PV projects: 35 889 GWh
- CSP projects: 10 463 GWh
- Landfill Gas projects: 189 GWh
- Small Hydro projects: 664 GWh
- Biomass projects: 225 GWh

Bid Window Status Overview as at end March 2024

Bid Window 1

All 28 projects (1 415 MW) reached COD

Bid Window 2

All 19 projects (1 033 MW) reached COD

Bid Window 3

All 16 projects (1 428 MW) reached COD One project (17 MW) cancelled

Bid Window 3.5

One project (100 MW) reached COD One project (100 MW) in construction

Bid Window 4

26 projects (2 205 MW) reached COD

Bid Window 5

11 projects (1 159 MW) in construction 14 projects (1 424 MW) did not reach financial close by 31 December 2023 - winding down of projects to commence

Bid Window 6

6 projects (1 000 MW) preparations for commercial close underway

Energy Generation as at end March 2024

້(ຣົ) 108<u>656 GWh</u>

energy generated by renewable energy sources - enough to provide power to more than



32.7 million

Projected (P50) Total Realised Past 12 month 27 737 GWh

period

17 077 GWh

Operational Projects 20 231

Attracting significant investment into the South African economy

The REIPPPP has been an innovative vehicle for promoting private investment from foreign and local sources in the development of the REIPPs. The total investment (total project costs¹), including interest during construction, of projects that reached financial close in BW1-5 is R234.1 billion. This includes R43.1 billion (18%) in foreign investment and financing. Prominent global renewable energy project developers and component manufacturers from at least 27 different countries have been participating in the programme. The main participating countries are Germany, France, Italy, Spain and USA.

The influx of foreign investment and funding was enabled by the growth potential of the programme, localisation requirements, the programme's transparency, and government support. Since inception the programme has facilitated:

- local production, manufacturing and new service industries;
- the formation of new research and knowledge centres amongst tertiary institutions and in the private sector; and
- economic activity and opportunities, particularly in rural areas.



investment attracted into South Africa's economy for energy infrastructure from projects that reached financial close



The map shows the origin of foreign direct investment for all procured projects under REIPPPP BW1 to BW6, RMIPPPP as well as BESIPPPP.



*European countries of origin

Germany | Debt: R 1 245.2 million | Equity: R 814.6 million | Italy | Debt: R 259.1 million | Equity: R 8 476.5 million | Netherlands | Debt: R 872.0 million | Equity: R 6 421.4 million | Spain | Debt: n/a | Equity: R 1 482.1 million; | Denmark | Debt: n/a | Equity: R 945.1 million

France | Debt: R 264.0 million | Equity: R 5 004.8 million Luxembourg | Debt: R 560.0 million | Equity R 897.9 million Norway | Debt: n/a | Equity: R 734.5 million; Turkey | Debt: n/a | Equity: R 1 308.9 million

[Approximately R307 million foreign equity not attributable to a single country of origin i.e. not shown]

Note 1. Total Project Costs means the total capital expenditure to be incurred up to the commercial operations date in the design, construction, development, installation and/or commissioning of a project, which is equal to the total debt and equity related to a project as reported at commercial close. Note 2. UK, Ireland and British Virgin Island. Note 3. Including Mauritius.

Ensuring South African citizen shareholding

The importance of retaining shareholding in IPPs for South Africans was recognised and incorporated into the procurement conditions, requiring that at least 40% of each project should be owned by South African entities with level 5 contributor status.

For projects that reached financial close in BW1 to BW5, the South African (local) equity shareholding equates to 54% (R35.3 billion) of total equity (R66.0 billion), which is substantially more than the 40% requirement. Foreign equity amounts to R30.7 billion (46.5% of total equity).

The REIPPPP contributes to Broad Based Black Economic Empowerment and the creation of black industrialists. Black South Africans own, on average, 38% of projects that have reached financial close (i.e. projects in BW1 – BW5), which is 8% higher than the 30% target.

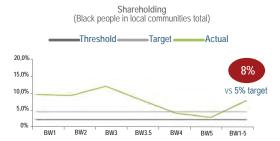
This includes black people in local communities that have ownership in the IPP projects that operate in or nearby their vicinities, and represents the majority share of total South African Entity Participation. On average, black local communities own 8% of projects that have reached financial close. This is well above the 5% target.

Shareholding by black South Africans has also been secured across the value chain.

An average of 23% shareholding by black people in engineering, procurement and construction (EPC) contractors has been attained in projects that have reached financial close under the REIPPPP. This is 3% higher than the 20% target.

Furthermore, shareholding by black people in operating companies of IPPs has averaged 33% (against the targeted 20%) for the 90 projects in operation (i.e. in BW1 – 4).









Broader economic and socioeconomic impacts

In addition to the financial investments into the economy and favourable equity structures that had been secured, the REIPPPP is targeting broader economic and socio-economic developmental benefits.

The Programme was designed and established at a time when the country was facing critical socio-economic challenges, which still persist today. In order to respond to these challenges, Economic Development (ED) elements was included as central pillars of the Programme, cognisance of the taking broader legislative and policy environmentl. Bid obligations and minimum thresholds are utilised as mechanisms to capture a share of the value/prosperity from the programme for South Africans and local communities. places obligations the private sector to actively contribute to economic and social transformation in the country and to enhance opportunities for people previously disadvantaged under apartheid to gain access to the formal economy.

> The REIPPPP ED Framework for BW1 to BW4 is aligned to the original B-BBEE Score Card of the Department of Trade and Industry and Competition (DTIC), but with one main difference: the programme's ED Framework was designed to be forwardlooking, in that it is based Economic Development commitments to be fulfilled over the 20-year term of the IPP Projects. The DTIC B-BBEE Score Card is retrospective, in the sense that it primarily assesses past behaviour of businesses to determine their B-BBEE rating, in order to determine whether or not they qualify for participation Government procurement processes, programmes incentive schemes.

> There were little design changes between BW1 to BW4, only slight improvements with regard to local content obligations, however

the IPP Office updated the REIPPPP RFP for BW5 and BW6 to align with the socio-economic transformation agenda government and in line with the economic policies of the country. The new framework builds on the socio-economic transformation successes achieved Window 4 and have incorporated lessons learnt from previous Bid Windows. ED elements have been aligned as far as practically and commercially possible to the Amended B-BBEE Codes of Good Practice, and have deliberately been designed to exceed the targets of the generic B-BBEE scorecard, with a view to ensure that the IPPPP optimises benefits for local communities and leaves an indelible mark on social and economic development, local industrialisation and poverty alleviation. All sub-elements in the generic B-BBEE score card have been catered for and improved on in one way or another.

In BW1 to BW4, evaluation was based on a 70% Price and 30% ED commitment assessment as per the bespoke ED scorecard. BW5 evaluation was different from previous REIPPPP procurement rounds, in that it was based on the principle of a 90% Price and 10% Contributor Status Level (CSL) assessment2. Bidders only needed to comply with Economic thresholds Development part of the Qualification criteria. This approach has resulted in much lower ED commitments compared to previous REIPPPP bid windows, and evaluation reverted to an ED commitment assessment in BW6.

Improvements of bid obligations is specifically aimed at historically excluded and vulnerable groups, and on improving gender and disability equality.

IPPs are required to report on their economic development achievements on a quarterly basis against their annual economic development obligations ensure developmental impact is adhered to and maximised.

ED Elements

Bid Window 1 to 4:

- Job creation
- Local content
- 2. 3. Ownership
- Management control
- Preferential procurement
- Enterprise development
- Socio-economic development (SED)

Evaluation BW1-4:

Bid Window 5 to 6:

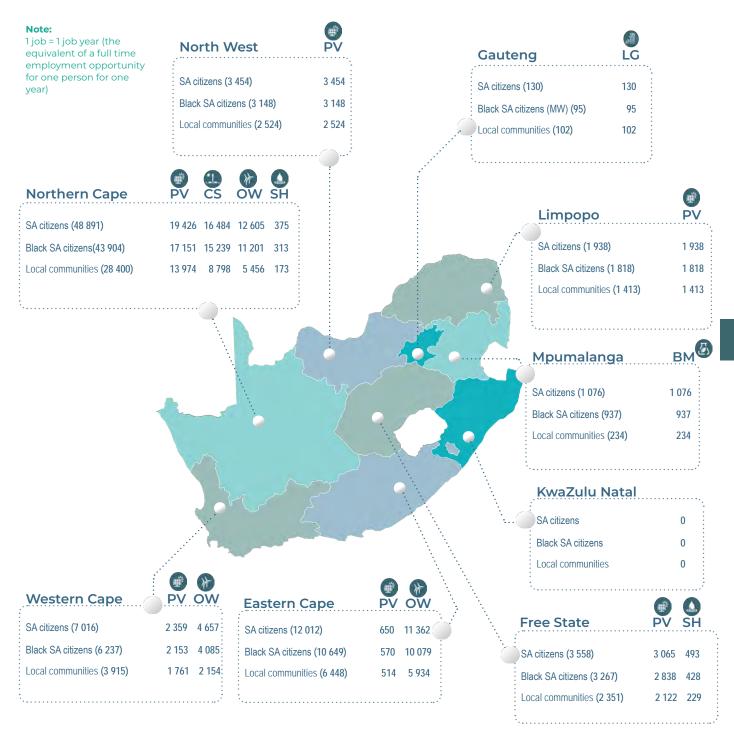
- Job creation
- Local content
- 3. Ownership
- Management control
- 4. 5. Preferential procurement
- Enterprise and supplier development
- Socio-economic development (SED)

Evaluation BW5:

Evaluation BW6:

Leveraging employment opportunities towards a more equal society

Numerous employment opportunities are being created by the REIPPPP. To date, a total of 78 075 job years have been created for South African citizens, of which 53 737 were in construction and 24 338 in operations. Employment opportunities for equity categories are being tracked for the programme. Equity categories with contractual commitments in BW1 to BW4 include employment secured for South African citizens, black South African citizens and local communities.



Total of 78 075 job years for SA citizens during construction and operations

Data on priority employment categories as identified by national objectives and the NDP (e.g. youths, women, people with disabilities and rural communities) is also collected, but is not a mandatory reporting requirement and not verified by the IPP Office (for BW1-4). To date, 13 315 employment opportunities have been created for women and 38 728 job years for youth.

Local content encouraging the development of a local green industry

The REIPPPP represents the country's most comprehensive strategy to date in achieving the transition to a greener economy. Local content minimum thresholds and targets were set higher for each subsequent bid window. For a programme of this magnitude, with construction procurement spend alone estimated at R77.5 billion (for projects that have reached financial close), the result is a substantial stimulus for establishing local manufacturing capacity.

Local content commitments by IPPs that reached financial close amount to R73.6 billion or 45% of total project value (R164.7 billion).

Actual local content spend reported for IPPs that have started construction amounts to R69.0 billion against a corresponding project value (as realised to date) of R140.3 billion. This means 49% of the project value has been locally procured, exceeding the 44% commitment from IPPs.

For the 90 projects that have reached COD, local content spend has been R63.6 billion against a committed R63.1 billion.



Local Content achievements per Province (total spend from inception to end March 2024)



Preferential procurement spend enabling South African suppliers to capture a share of the value of the programme

The share of procurement that is sourced from Broad Based Black Economic Empowered (BBBEE) suppliers, Qualifying Small Enterprises (QSE), Exempted Micro Enterprises (EME) and women owned vendors are tracked against commitments and targeted percentages. The actual spend per province (from inception to date) is provided below.

Northern Cape	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R58.4 billion	79.59%	7
QSE & EME	R22.3 billion	30.44%	((
Women-owned	R3.9 billion	5.36%] `
Western Cape	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R8.7billion	86.51%	
QSE & EME	R4.2 billion	41.96%	(0
Women-owned	R0.9 billion	8.55%	,
Eastern Cape	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R14.3 billion	90.71%	
QSE & EME	R4.3 billion	26.97%	(0
Women-owned	R1.4 billion	8.97%	
North West	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R2.6 billion	88.59%	
QSE & EME	R0.6 billion	21.36%	((
Women-owned	R0.2 billion	5.99%	, ,
Free State	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R2.6 billion	88.60%	
QSE & EME	R0.8 billion	29.11%	(c
Women-owned	R0.2 billion	7.25%	
Limpopo	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R2.2 billion	106.74%	
QSE & EME	R0.5 billion	22.79%	(c
Women-owned	R0.1 billion	4.41%	
Mpumalanga	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R1.4 billion	89.16%	
QSE & EME	R0.6 billion	41.02%	(c
Women-owned	R0.1 billion	9.14%	
Gauteng	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	R0.2 billion	59.26%	
QSE & EME	R4.2 billion	1.29%	(c
Women-owned	-	-	
KwaZulu Natal	Achieved during construction and operations (billions)	% of total procurement spend achieved	
BBBEE	-	-	
QSE & EME	-	-	(c
Women-owned	-	-	

R73.4 billion

Total procurement spend (construction and operations) in NC

R10.0 billion

Total procurement spend (construction and operations) in WC

R15.8 billion

Total procurement spend (construction and operations) in EC

R2.9 billion

Total procurement spend (construction and operations) in NW

R2.9 billion

Total procurement spend (construction and operations) in FS

R2.0 billion

Total procurement spend (construction and operations) in LP

R1.5 billion

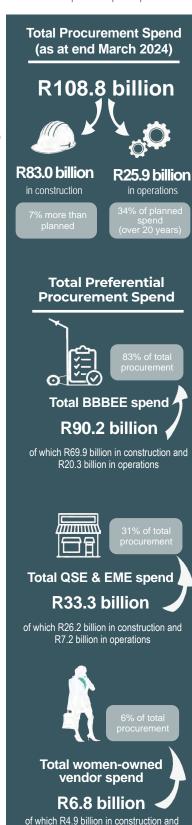
Total procurement spend (construction and operations) in MP

R0.3 billion

Total procurement spend (construction and operations) in GP

R0.0 billion

Total procurement spend (construction and operations) in GP



R1.9 billion in operations

Socio-economic development and enterprise development contributions

An important focus of the REIPPPP is to ensure that the build programme secures sustainable value for the country and enables local communities to benefit directly from the investments attracted into the area.

As part of the bid obligations, IPPs had to commit to contribute a share of the revenue to community needs. These contributions accrue over the 20 year project lifetime and are being used for housing and infrastructure as well as healthcare, education and skills development, and other community and enterprise development initiatives.

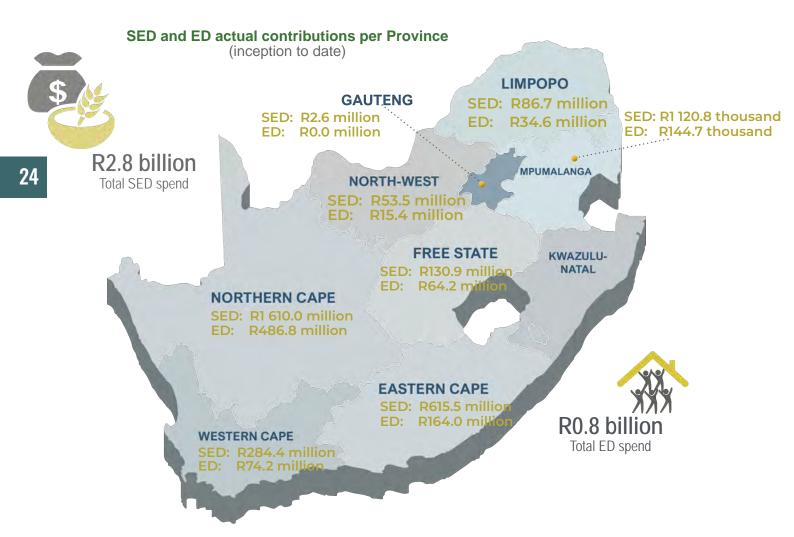
IPPs are required to contribute a percentage of projected revenues accrued over the 20 year project operational life toward socio-economic development (SED) and enterprise development (ED) initiatives. The minimum compliance threshold for SED contributions is 1% of

revenue with 1.5% the targeted level over the 20 year project operational life. The average commitment level for the current portfolio (BW1-4) is 2% or 101% more than the minimum compliance threshold.

The target for IPPs to spend on enterprise development is 0.6% of revenues over the 20 year project operational life. IPPs, for the current portfolio, have committed an average of 0.63% or 0.03% more than the target.

As a percentage of revenue, SED and ED obligations become effective only when operations commence and revenue is generated.

SED contributions amount to R2.8 billion to date (1.3% of total revenue generated to date). A total of R839 million has been contributed to ED (0.4% of total revenue generated to date).



Enterprise and socio-economic development commitments have been made in five categories; namely, education and skills development, social welfare, healthcare, general administration, and enterprise development. The distribution of the combined ED and SED spend is shown across activity categories below (projects spend reported to date as % of total):











REIPPPP LOOKING FORWARD

Bid Window 6 progress

The RFP for BW6 was released to the market on 6 April 2022 to procure 2 600 MW (1 600 MW from wind resources and 1 000 MW from solar PV. However, the capacity allocation was increased to 4 200 MW in August 2022 (3 200 MW from wind and 1 000 MW from solar PV).

Evaluation of the 56 bids, that was received on 3 October 2022, was completed by the end of November 2022. Five (5) preferred bidders (860 MW) were announced on 8 December 2022. An additional preferred bidder (identified as an eligible bidder on 8 December 2022) was announced on 23 March 2023 to increase the procured MW to the maximum 1 000 MW from solar PV.

As a result of no grid availability in the Western Cape, Eastern Cape and the Northern Cape, no wind project could be considered in the evaluations, since all of the wind bid responses were located in these areas.

The closure of Preferred Bidders appointed under the REIPPPP Bid Window 6 continue to be impacted by delays in the issuing of Budget Quotes by Eskom. Two (2) of the six (6) projects received BQs from Eskom in December 2023 and have been finalising preparations for the signing of the agreements, which is planned for April 2024. The remaining four (4) projects are at various stages of preparation for signing, but are experiencing challenges, mostly in respect of the issuing of Budget Quotes from Eskom, and interdependencies in the completion of the Eskom Artemis MTS Substation, which is currently at risk of delay.



Bid Window 7 progress

The RFP for BW7 was released to the market on 14 December to procure 5 000 MW (3 200 MW from wind resources and 1 800 MW from solar PV). The Bid Submission date was extended to 30 May 2024.



RMIPPPP HIGHLIGHTS

Overview

The Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) has been designed to procure 2 000 MW of new generation capacity from different types of dispatchable electrical power generation projects. This technology agnostic programme aims to fill the supply gap, alleviate the medium term electricity supply constraints and reduce the extensive utilisation of diesel-based peaking electrical generators.

Eleven (11) preferred bidders (1998 MW) have been selected to enter into 20-year Power Purchase Agreements (PPAs) with Eskom to provide new generation capacity in compliance with the performance requirements of the electricity system operator, among other things. The programme attracted a variety of technologies:

- projects consisting of more than one facility combining gas technologies and solar photovoltaic;
- projects consisting of more than one facility combining gas technologies, solar photovoltaic and battery storage;
- projects combining wind, solar photovoltaic, battery storage and gas;
- projects with only solar photovoltaic and battery storage combinations; and

floating powerships.

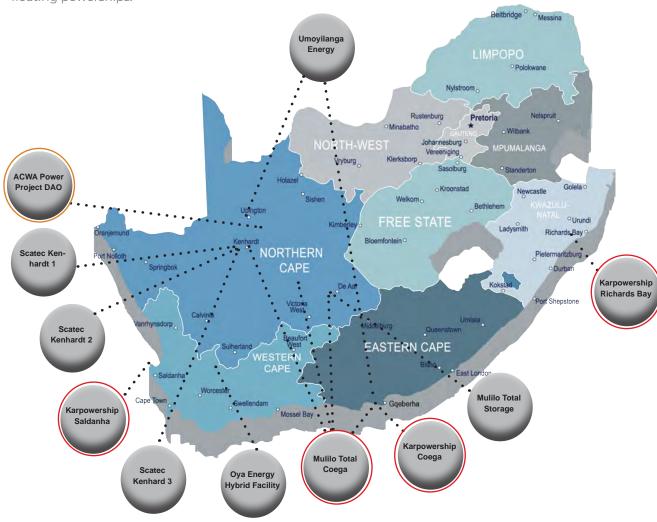
The RMIPPPP projects are located in 4 of the 9 provinces and are distributed as follows:

- · Northern Cape: 5 projects
- · Eastern Cape: 2 projects
- · Western Cape: 2 projects
- Kwazulu Natal: 1 project

One project is has sites located in both the Northern- and Eastern Cape.

The map shows the locations of the 11 procured projects.

Four of the projects (highlighted in red in the map below) did not manage to reach Commercial Close by the deadline of 31 December 2023, and the process to wind down the projects has been initiated. One project (highlighted in orange) reached Commercial Close by December 2023, but failed to reach Financial Close by the cut-off date of 31 March 2024. As a result, the project is no longer active.



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Project Progress

Seven (7) out of the eleven (11) appointed Preferred Bidders under the RMIPPPP, reached legal and commercial close by the final cut-off date of 31 December 2023, however, one project failed to reach financial close by the cut-off of March 2024, and is no longer active. There are three (3) projects (278 MW) in construction, and three (3) projects (150 MW) in operations.

The IPP Office submitted for approval the closure protocols for the winding down of those projects that failed to reach commercial and financial close. Once approved, the closure protocols will be implemented in the new financial year to bring these projects to a close.

Key achievements as at end March 2024

A summary of achievements for the programme is provided below.



To date, the six active projects have attracted R33.4 billion in investment. This includes R7.2 billion (21%) in foreign investment and financing. The South African (local) equity shareholding equates to 55% (R3.3 billion) of total equity (R6.1 billion).

Black South Africans own, on average, 46% of projects that have reached financial close, which includes black local communities that own 25% of projects that have reached financial close. The projects spent a total of R4.6 billion on procurement during construction and operations. Of this, R2.1 billion (45% of total procurement) was BBBEE spend, R622.6 million was QSE & EME spend, and R101.9 million was procurement sourced from women-owned vendors.

Actual local content spend reported for the IPPs during construction and operations amount to R5.9 billion against a corresponding project value (as realised to date) of R12.1 billion. This means 48% of the project value has been locally procured.

By the end of March 2024, the projects created employment opportunities for 1 478 South African citizens during construction and operations.

Socio-economic development and enterprise development contributions

An important focus of the RMIPPPP is to ensure that the build programme secures sustainable value for the country and enables local communities to benefit directly from the investments attracted into the area.

As part of the bid obligations, IPPs had to commit to contribute a share of the revenue to community needs. These contributions accrue over the 20 year project lifetime and are being used for housing and infrastructure as well as healthcare, education and skills development, and other community and enterprise development initiatives. The RMIPP projects that reached financial close made a commitment to contribute R25 billion towards socio-economic development and R8.4 billion towards enterprise development over the 20 year planned project operational life.

As a percentage of revenue, SED and ED obligations become effective only when operations commence and revenue is generated. At the end of March 2024, SED and ED contributions (for the three projects in operation) amount to R2.5 million (0.7% of total revenue generated to date) and R0.9 million (0.3% of total revenue generated to date) respectively.

Enterprise and socio-economic development commitments can be made in five categories; namely, education and skills development, social welfare, healthcare, general administration, and enterprise development. The distribution of the combined ED and SED spend for RMIPPPP projects is shown across activity categories below (projects spend reported to date as % of total):

















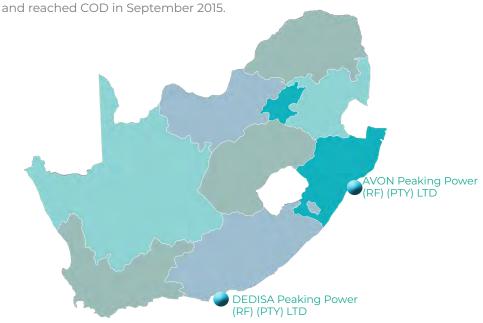


PEAKERS HIGHLIGHTS

Overview

The IPP peaking power generation project consists of two greenfield power generation plants, each based on diesel-fired open-cycle gas turbines ("OCGT"). In respect of facilities, these plants are capable of 'closing in the cycle' and converting to combined cycle gas turbines ("CCGT") and in so doing improve the plant efficiencies and the electrical generation from the plant.

The **Avon Plant** is located near Shakaskraal, Kwa-Zulu Natal, with a capacity of 670 MW and reached COD on 20 July 2016. The **Dedisa Plant** is located in the Coega Industrial Development Zone, Eastern Cape, with 335 MW capacity and reached COD in Sentember 2015.



At the end of March 2024, 100% of Peakers scheduled to be operational have started commercial operations and delivered 1 005 MW of capacity to the grid. The average lead time for these 2 projects to completion was **2.5 years.**

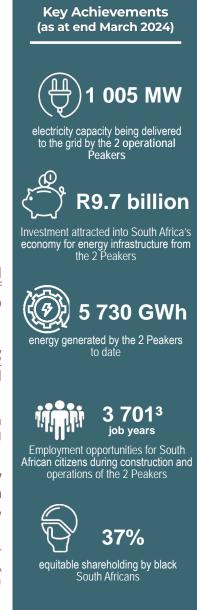
The two projects have already generated 5 730 GWh of energy to date, of which 304 GWh was generated in this quarter. Over the past 12 months (April 2023 – March 2024) a total of 1 515 GWh was generated by the two projects.

The projects are also supporting broader development objectives in terms of attracting investment, creating employment and ensuring equitable shareholding for SA citizens.

The total foreign equity and financing invested in Peakers was R917 million, of the R9.7 billion total investment attracted. South African financial institutions provided R8.2 billion of the required funding, while R539 million were local equity.

The two projects created **3 701 direct Job Years1 (4 200 FTEs²)** for South African citizens by March 2024. Of the jobs created for SA citizens, 3 045 (82%) were created during construction and 656 (18%) during the operational phase of the projects.

Black people with voting rights and with an economic Interest in the projects hold **37%** of the equity shares in the Peakers.





GASIPPPP **HIGHLIGHTS**

Overview

The Gas Independent Power Producers Procurement Programme (GASIPPPP) seeks to procure 3 000 megawatts (MW) from gas-fired power generation technology, in line with the determination, in terms of section 34 of the Electricity Regulation Act No. 4 of 2006, issued by the Minister of Mineral Resources and Energy.

The 3 000 MW will be procured through 2 Request for Proposals (RFPs):

- · Bid Window 1 (BW1): 2 000 MW Site Agnostic; and
- Bid Window 2 (BW2): 1 000 MW Site Specific (in the Coega Special Economic Zone).

Progress

Bid Window 1

The Department launched the RFP for BW1 under the GASIPPPP on 14 December 2023. BW1 calls for 2 000 MW of new generation capacity from projects utilising gas-fired power technology on a site-agnostic basis. The GASIPPPP specifically targets land-based electricity generation facilities utilising natural gas, located anywhere within the borders of the Republic of South Africa. BW1 is site agnostic but capacity in Richard's Bay is limited to 1 000 MW, and Zone 13 near the port of Ngqura is excluded.

The submission date for applications to obtain a Cost Estimate Letter from Eskom was extended to 29 February 2024. Bid submission date is 30 August 2024.

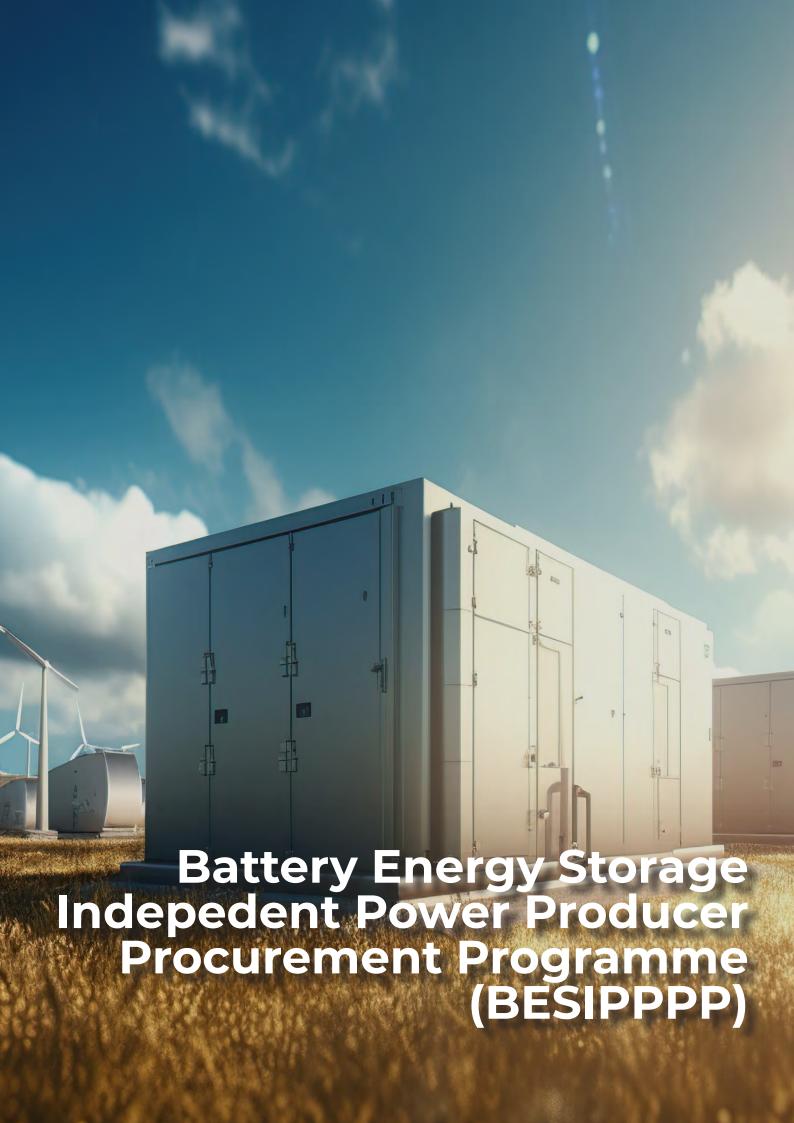
Preferred Bidder announcement is targeted approximately 3 (three) months post the Bid Submission Date and Financial Close will be approximately 4 (four) months post Preferred Bidder announcement.

Bid Window 2

BW2 will seek to procure 1 000 MW from a single natural gas fired power generation project at Coega. The BW is still in design phase.

Uncertainties, delays and challenges related to key interfaces with stakeholders (CDC, CEF, SFF, Eskom and TNPA) have impacted the planned release of an RFQ. The Department did not approve the extension of the RFQ timeline (planned for release by the end of this quarter), but recommended that the option to issue an RFP by Q.4 2024/25 be considered.

A concept note for the RFP is being drafted.



BESIPPPP HIGHLIGHTS

Overview

The Battery Energy Storage IPP Procurement Programme (BESIPPPP) seeks to procure new generation capacity from battery energy storage in accordance with Ministerial Determinations gazetted under the Integrated Resource Plan 2019.

Project Progress

- The Department released the first Bid Window (BW1) calling for 513 MW and announced four (4) preferred bidders (360 MW) on 30 November 2023. An additional Bidder (153 MW) was announced on 28 March. Aiming for commercial close of BW1 projects by June 2024, although the issuing of BQs is delayed.
- Battery Energy Storage BW2 RFP was released on 14 December 2023, and call for procurement of 615 MW. Bid submission was extended to 6 June 2024, as a result of the extension of the CEL application timeline.
- The RFP for BW3 was released to the market on 28 March 2024, with a focus on procuring 616 MW from 5 battery energy storage facilities. Bid submission is currently set for 31 July 2024.

Project Impact

A total of 513 MW have been procured from 5 IPPs in the first round. The projects will attract R16.8 billion in investment (equity and debt). South African entities holds 19.8% of shares in the successful projects, while 42.0% of shares are held by black South Africans.

The projects have committed to a range of economic development outcomes:

- Local content spend to the value of R4.9 billion R2.2 billion during construction, and R2.7 billion during operations;
- Employment opportunities for South African citizens during construction and operations the 5 projects committed to create 1 093 job years1 in total; and
- Socio-economic, enterprise and skills development spend of R0.5 billion





REFINANCING HIGHLIGHTS

Overview

The Refinancing Initiative was launched by the Department of Mineral Resources and Energy (DMRE) in 2020 with the aim of reducing the tariffs associated with Bid Window 1 - 3.5 of the REIPPPP and as such contribute to lowering national electricity prices for consumers.

"Refinancing" includes any change in the nature of or the terms governing the financing arrangements of a project, as agreed at Financial Close, that may have the effect of increasing or accelerating the dividends or other distributions deriving from the project for the benefit of the shareholders, or of reducing their funding commitments in respect of the project. The upside (referred to as the "refinancing gain") of this voluntary process is to be shared between the Department and the Seller. The minimum sharing percentage is 50/50, although higher sharing percentages can be agreed between the parties. The Department's share is applied towards a tariff reduction.

The refinancing may not result in an increase in contingent liabilities associated with the project, and the refinancing should result in a reduction of tariffs over the remainder of the power purchase agreement (PPA) term.

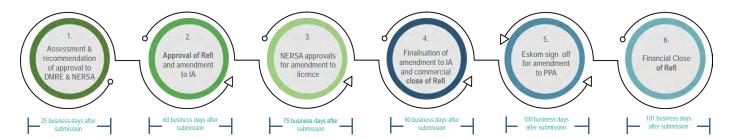
To ensure a standardised approach, the Department issued the Refinancing Protocol supported by Guidance Notes (1-5). The protocol aims to ensure that the process followed when undertaking a refinancing is transparent, consistent and is supported by all parties.

The indicative process and timelines for the consent to or approval of a refinancing notice is provided below.

Start:

Seller submits

- · Refi notice to Department aligned to protocol
- · Required info to NERSA to start tariff reduction approval process



Progress

By the end of March 2024, the Department has granted approval for twenty five (25) Refinancing Applications resulting in savings of about R5 billion over the remaining terms of the PPA.

- · Nineteen (19) of these Refi applications have been finalised.
- One (1) project reached Financial Close during this quarter.
- · There are now six (6) projects that have reached Financial Close and are in the PPA amendment stage.
- · 4 additional projects have submitted applications during the quarter and are still under assessment.



DEFINITIONS & TERMINOLOGY

Contract definitions and terminology

- "Capital Expenditure" means any expenditure treated as capital expenditure under GAAP.
- "Commercial Operation Date (COD)"
 means the date specified in the Notice of
 Commencement of Facility i.e. it is the date on
 which the Independent Engineer ascertains that
 the Facility is completed, connected to the Grid
 and able to generate power
- "Contracted Capacity" means the anticipated Capacity of the Facility at the Delivery Point and expressed as AC power capacity, net of autoconsumption and the electrical losses up to the Delivery Point.
- "Contract Quarter" means the periods:
 - a. 1 April to 30 June;
 - b. 1 July to 30 September;
 - c. 1 October to 31 December; and
 - d. 1 January to 31 March.

Should the Effective Date fall within any of the periods referred to above (and not commence on 1 April, 1 July, 1 October or 1 January), then the first Contract Quarter shall commence on the Effective Date and shall be the remaining portion of the Contract Quarter in which the Effective Date falls, plus the next Contract Quarter.

- "Contract Year" means each twelve (12)
 Contract Month period commencing at 00:00 hours on 1 April and ending at 24:00 hours on 31
 March of the following year provided that:
 - a. the first Contract Year shall commence at 00:00 hours on the first day after the Effective Date and shall end at 24:00 hours on 31 March of the following year; and
 - b. the final Contract Year shall end at 24:00 hours on the Termination Date;
- "CPI" means the weighted average consumer price index (Dec 2012 = 100) as published by Statistics South Africa (or its equivalent successor entity), which is referred to as "Headline CPI All urban areas" in Statistical Release P0141 from time to time (or equivalent successor index).

- "Direct Agreement" means the direct agreement entered into (or to be entered into) between the Buyer, the Seller, the DMRE and the Lenders (or their agent) in relation to the PPA and the Implementation Agreement.
- "FTE" means Full Time Equivalent Employment Created. It refers to one person-year of employment. In this report the EPWP definition is used where one person year is equivalent to 230 person days of work. The 230 days are effective days of work after subtracting provision for non-productive days in a year (e.g. leave, holidays, etc.).
- "GAAP" means generally accepted accounting practice in the Republic of South Africa as approved from time to time by the South African Accounting Practices Board.
- "Implementation Agreement" means the implementation agreement to be entered into between the Seller and the DMRE.
- "Local Content" means the portion of the Total Project Value that is in respect of South African Products.
- "NERSA" refers to the National Energy Regulator of South Africa, established pursuant to Section 3 of the National Energy Regulator Act, 40 of 2004.
- "Operating Expenditure" means any expenditure treated as operating expenditure under GAAP.
- "Operating Period" means the period from the later of the Commercial Operation Date and the Scheduled COD to the Termination Date.
- "PPA" means the power purchase agreement to be entered into between a Project Company, as the Seller, and the Buyer pursuant to the IPP Procurement Programme.
- "P50 / P90" refers to probabilities for annual energy production which are expressed as P values. A P50 figure is the level of generation that is forecasted to be exceeded in 50% of years

DEFINITIONS & TERMINOLOGY

over a 10 year (or sometimes 20 year) period. Similarly, a P90 figure is the level of generation that is forecasted to be exceeded in 90% of years over a 10 year period – in other words, the risk that an annual energy production of P90 is not reached is 10%.

- "Procurement spend" refer to "Total Amount of Procurement Spend".
- "Total Amount of Procurement Spend" means
 the monetary spend on the procurement of
 goods and services for purposes of undertaking
 the Project Activities (without double counting),
 excluding costs of imported goods and services,
 taxation, salaries and wages.
- "Total Project Cost" means:
 - a. for the purposes of calculating the Development Fee, an amount equal to the

- aggregate of the total Debt and Equity which is, as at the Signature Date, forecast in the Financial Model to be contributed up to the Commercial Operation Date; and
- b. for all other purposes, the total capital expenditure to be incurred up to the commercial operations date in the design, construction, development, installation and/ or commissioning of a project, which is equal to the total debt and equity related to a project as reported at commercial close.
- "Total Project Value" means the total project cost that involves the capital costs and costs of services procured for the construction of a project, but excludes finance charges, land costs, mobilisation fees to the operations contractor and the costs payable to the distributor, national transmission company and/or a contractor for the distribution or transmission connection works.

Other definitions and terminology used in this report

- Job years. Employment / Job creation is reported in job years (i.e. the equivalent of a full time employment opportunity for one person for one year, i.e. defined in the IA as 174 hours per month for BW1 and BW2 and 160 hours per month for BW3, BW3.5, and BW4).
- Employment numbers are expressed as a percentage of the sum of StatsSA reported employed and unemployed numbers.



THE END

III 2024