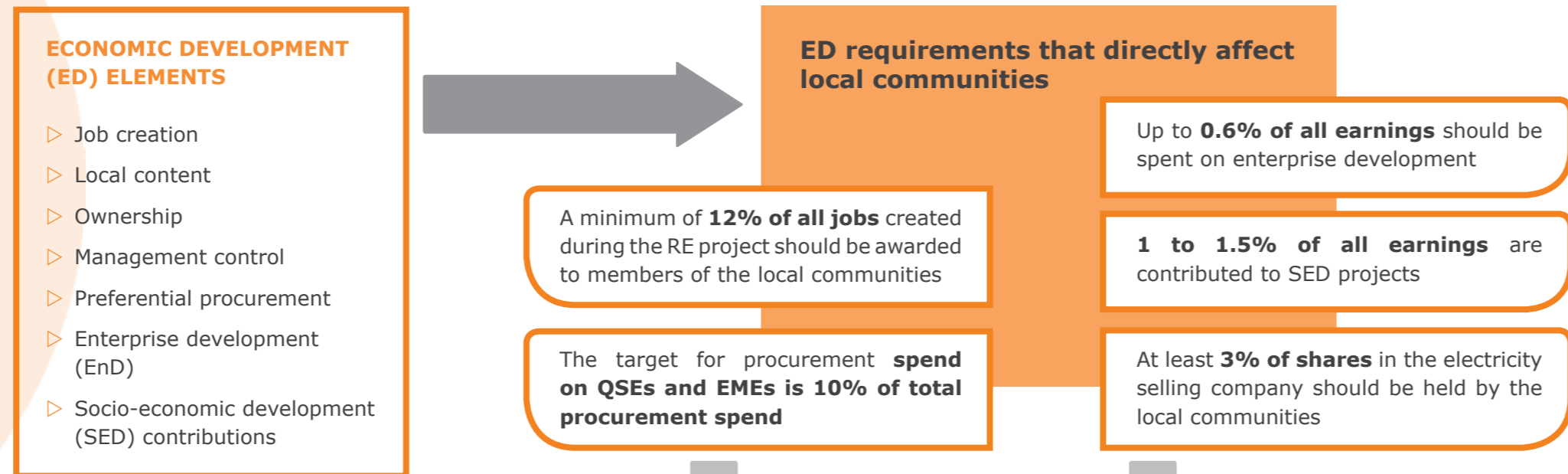


REIPPPP FACTS

- ▷ Launched in August 2011 as a tendering scheme for electricity generation capacity from renewable energy (RE) sources with several bidding windows
- ▷ 6 376 MW procured so far, 2 150 MW already online
- ▷ 5 bidding windows (BW) have taken place to date
- ▷ 92 projects have been awarded preferred bidder status
- ▷ The REIPPPP aims to procure sustainable power while fostering industry and local development
- ▷ **In each bidding window, project developers go through several phases as depicted below**



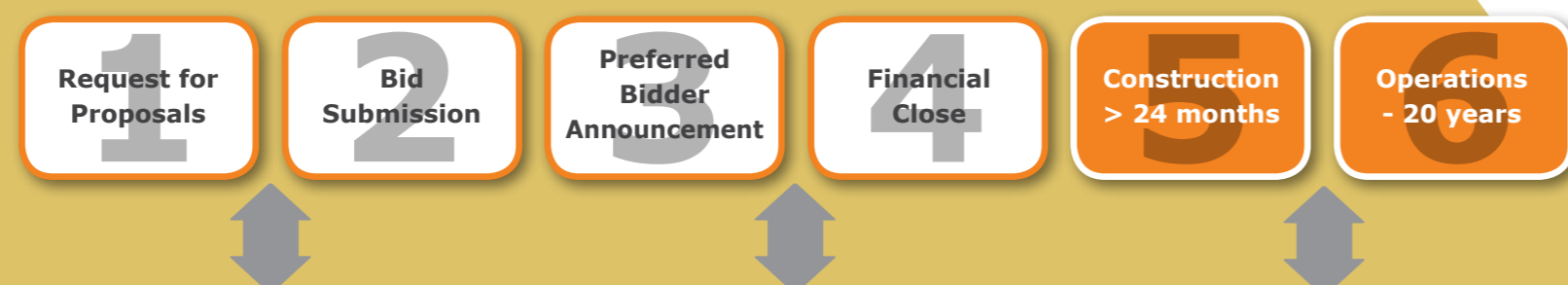
Commitments on indicators for ED are determined in the bidding process

THE BIDDING PROCESS

- ▷ Procurement of IPPs follows strict criteria in a transparent, competitive process
- ▷ Bid proposals are evaluated based on the price of electricity (70%) and commitments to economic development (30%)
- ▷ Economic development consists of 7 elements

After bid submission, the bids are scored by the IPP Office to select preferred bidders

IPP Project Phases per BW



Create an enabling environment to attract IPP projects

Initiate a dialogue with the IPP and engage local communities

Co-operate with IPP to maximise local development benefits

Phases for Local Government Involvement

Independent Power Producer (IPP)

Commercial project development companies bid in the REIPPPP to get a long-term power purchase agreement. This contract lays the foundation for a project company to become an IPP in the South African electricity market.

Local Communities

In the request for proposals for the REIPPPP issued by the DoE, local communities are defined as villages or residential areas within a 50km radius of the project size, or the closest community if no communities can be found in a 50km radius. This radius is set irrespective of municipal borders, and local communities can be located in several municipalities.

Community Trusts

Community Trusts are a vehicle to establish ownership for local communities. A bank gives the trust a loan to buy shares. The trust will then repay its debt and finance social projects from the returns. In general, steering is the responsibility of a committee of independent persons, the IPP and local representatives (local government officials and councillors are excluded by the DoE).

Renewable Energy Technologies



Wind power

The wind activates the blades and the rotor of the wind turbine, which, via a gearbox for example, drives the generator, which produces electrical output. Wind turbines can operate from a wind speed of between 3 and 25 metres per second. Wind turbines of over 150 metres in height and up to 7.5 MW are being deployed.

Biomass

Biomass such as wood residues, sugar cane, cow manure or organic waste is either burned directly or digested to produce methane, which is then burned. With the resulting heat, steam is produced to drive a turbine.

Photovoltaic (PV)

As a source of energy, PV is used worldwide, from simple applications to run a calculator to complex systems that energise homes and businesses or feed in the national transmission grid. In a PV cell, the sunlight puts electrons in movement, thus directly producing electricity.

Concentrated Solar Power (CSP)

CSP plants concentrate the sunlight with mirrors to heat a fluid, which in turn is utilised to fuel a turbine that produces electricity. CSP provides an opportunity to store energy through the heated fluid, enabling the plant to produce electricity even after sunset.

Hydro power

Hydro power plants utilise the flow of water in a turbine to generate electricity. Conventionally, dams are used and the flow of water can be modified rapidly so that the electricity output can be adjusted to the demand.

Visit www.salga.org.za for more information

GIZ SAGEN

The South African-German Energy Programme SAGEN forms part of the bilateral cooperation between South Africa and Germany implemented by the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. SALGA is one of the major partners for SAGEN's activities in RE and energy efficiency.



Implemented by **giz** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Rules of the Game

- ▷ IPP project sites are selected by the developers, who are thereby enabled to offer low prices and who also take on the associated risks, both of which benefit the state and the country economically
- ▷ IPPs are usually consortia of international developers, local equity partners and community trusts
- ▷ An engineering, procurement & construction (EPC) service provider takes on most construction activities on behalf of the IPP
- ▷ During the construction phase, which is less than 2 years the IPP projects show high level of activity
- ▷ Much less work is required in operations, but over a much longer time of 20 years
- ▷ IPPs are required to fulfil economic development criteria, as the programme aims to not only procure sustainable energy at a competitive price but also to create a national industry and to foster local development
- ▷ The responsibility for monitoring IPP's and their delivery against commitments made on ED Elements is with the IPP Office
- ▷ While IPP projects are not a silver bullet solution to local problems, positive results can be achieved when working together
- ▷ Contracts are concluded for a large number of projects and it is important to work constructively in the framework provided by these contracts to maximise benefits for communities
- ▷ The IPP's financial contributions to local development projects cannot be transferred to local government directly

USEFUL LINKS AND RESOURCES

- ▷ Open source map and project info <http://www.energy.org.za>
- ▷ Maps published by DEA including a map of sites that had Environmental Impact Assessments for IPP projects <https://dea.maps.arcgis.com>
- ▷ Eastern Cape sustainable energy homepage, providing news and knowledge, for example an SMME resource pack in the download section <http://greenenergy-ec.co.za/knowledge-hub>

The information presented in this brochure is explained in more detail in the full info package available on:

www.salga.org.za

Actions for Local Government

POSSIBLE INVOLVEMENT OF LOCAL GOVERNMENT IS TWOFOLD:

- ▷ **Local government can help create an enabling environment for the development of REIPPPP projects in their area of jurisdiction and**
- ▷ **Local government should strive to maximise the benefits from the ED Elements locally.**

Cooperation between IPP and Local Government is not mandatory in the REIPPPP. It is however a great opportunity and if local government wants to maximise the benefits, **it must be proactive!**

CREATING AN ENABLING ENVIRONMENT

- ▷ Identify REIPPPP project sites, in line with provincial or national RE development strategies, to attract further investments
- ▷ Prepare land for IPP projects and associated industries, for example by rezoning land and developing infrastructure
- ▷ Pre-develop potential sites by taking long-term measurements on the availability of the renewable resource (i.e. solar irradiation or wind speed), conducting a pre-feasibility and preparing a preliminary Environmental Impact Assessment
- ▷ Ensure timely processes for the permits and licenses needed for the REIPPPP projects
- ▷ Sell or lease municipal land for REIPPPP projects, where available by drafting council resolutions and agreements, in line with applicable legislation

CO-OPERATION IN ECONOMIC DEVELOPMENT

- ▷ Engage IPP on local development as soon as the IPP investigates a project site in the area to start the dialogue, which is to be deepened once the IPP has reached preferred bidder status
- ▷ Give inputs to the IPP's SED and EnD strategies by identifying local economic and social development projects, possibly aligned with the municipal Integrated Development Plan (IDP)
- ▷ Facilitate the dialogue of IPPs with local communities, ideally after financial close of the project to provide information about the IPP project and possible benefits for local development
- ▷ Facilitate the establishment of a community committee, which would represent the communities' interests in the trust
- ▷ Connect the IPP with the local workforce, especially during construction
- ▷ Integrate local businesses in the value chain of the RE project by connecting small to medium sized companies or local business chambers with the IPP's procurement units



Local economic benefits in the Renewable Energy Independent Power Producer Procurement Programme

July 2016

KEY OBJECTIVES OF THIS BROCHURE AND THE ACCOMPANYING REPORT:

- ▷ Provide local government with information on the Renewable Energy Power Producer Procurement Programme (REIPPPP)
- ▷ Show opportunities for local development and outline an approach towards realising and maximising such benefits
- ▷ Induce a dialogue on the potential role of local government in the REIPPPP and work towards substantial co-operation between local government and independent power producers (IPP)

