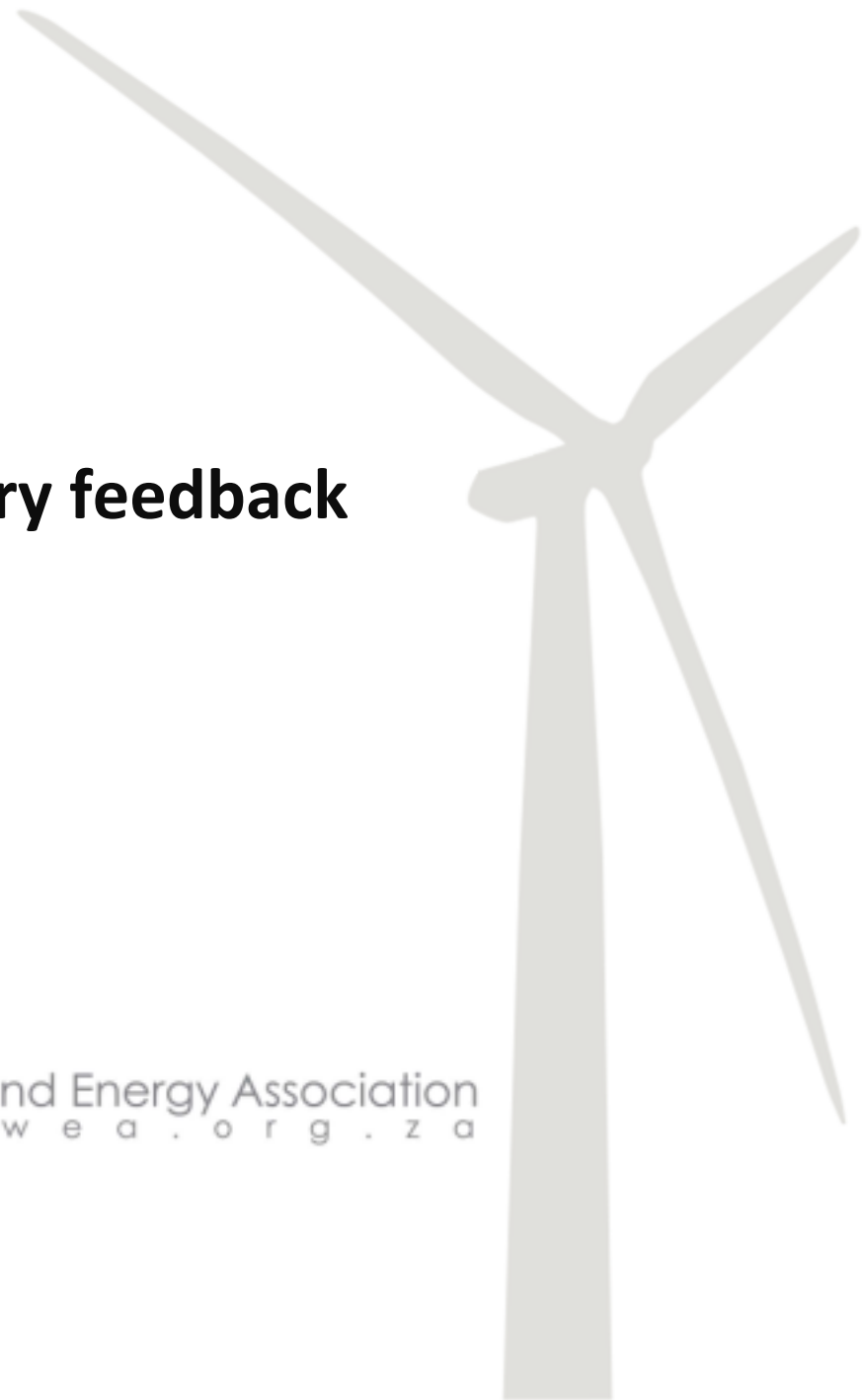


DEA and Treasury feedback



South African Wind Energy Association
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DEA

- Letter sent to DG on 14th of February 2011
- Subsequent letter sent 18th of February 2011
- Response received on 23rd of Feb



Dear Messrs Tanton and Van den Berg

I refer to your letter of 18 February 2011, and our subsequent telephone discussions.

As has been explained already there is no moratorium at all. All applications are still being evaluated. What has happened was that an official who has not been directly involved in the SEF process used bad wording in an e-mail. This obviously caused major concern quite rightly. This was rectified as soon as it came to our attention, but unfortunately a lot of anxiety has already been created by that time. I am really sorry about that, and would like to apologize to all parties affected as a result of this misunderstanding. (Few of us use English as a first language).

In the spirit of cooperative government, DEA has consulted with other authorities in the evaluation process. You are aware of the fact that we have commissioned a strategic environmental study to assist us in the evaluation process. The information contained in this study also covers that of other institutions, and therefore we incorporated them. The reason for this is to fulfil our obligation to ensure sustainable development.



Feedback on the specific applications will be given in the normal way.

As explained telephonically, I cannot make any commitments on the evaluation process itself, but you can be assured that is taking place in accordance with our mandates.

As also mentioned, the relevant officials are not available on 24 February for a meeting as far as I could establish, and you should preferably arrange this directly with mr D Mthembu and C Agenbach.

We will arrange a workshop to discuss the strategic environmental framework as soon as we have confirmation on funding for the next phase, because we would like to use this opportunity to get feedback from the industry and to plan how we can take it further. This details will be communicated as soon as we have certainty that we can proceed with this work.

Kind regard
Wynand Fourie
Senior Scientific Advisor



DEA – Next steps

- Clarity on framework
- Meeting with DEA
- Escalate to other departments



Treasury

- **REFIT Process**
- DOE is still the lead department now assisted by national treasury
- The initial PPA was considered unbankable and has been revised accordingly
 - PPA will be tailored to technology
 - Next draft expected to be circulated internally next week (1st week of March)
- Regulations on new generation need to be promulgated before the procurement process can begin (expected end March)
- Eskom will be the buyer of the power but will have no decision making power in the procurement process
- The evaluation of BIDs will be done by the advisors to treasury and recommendations forwarded to the Treasury/DOE committee



- DTI is driving the local content agenda
 - There is still no consensus on the level of local content,
 - the advisors are cognisant of the fact that the project will not be bankable if they set the bar too high and have asked the industry for input,
 - local content targets will be technology specific.
- The BID pack will be released by latest 31 March
- The key driver for Treasury is to ensure that projects are signed up before the COP at the end of November
- **Suitable projects**
- The procurement of projects will be broken down into 2 streams, namely small and large scale
- Small scale projects will be treated in a different manner to large scale in the following manner:
 - There will be a support package offered from the DBSA for small scale projects
 - The advanced nature of project development required for large scale procurement will not be required
 - Debt and Equity underwrites will not be required for small scale



- Large scale projects will be required to have completed the following to be eligible for BID
 - Final EIR lodged with the department with a strong preference for projects with a positive ROD
 - CAA approval
 - Committed equity and a debt underwrite
 - Debt underwrite meaning a credit committee approval with completed due diligence
 - Wind resource assessment needs to be of a quality/duration to pass scrutiny of the lenders and a third party independent assessment will be required in the bid
 - A letter from Eskom indicating that they can evacuate the power (No requirement for a line through property)
 - Once the project is selected as preferred, the successful sponsor will engage with Eskom, facilitated by Treasury, to finalise details around the grid connection.
 - Local Economic Development and job creation will score highly
 - The DBSA will provide the details of the BEE finance in the BID pack and there will be no prejudice to BIDs that make use of this underwrite

A sponsor lock-in will be required



- **Procurement phases**
- BID submission is expected to take place within 3 months of publication
- Treasury expects only a handful of projects to be eligible for the initial round of procurement
- The successive rounds of procurement will take place within six to ten weeks from the conclusion of the previous
- The procurement process should be viewed as a rolling procurement process within one REFIT programme (i.e. there will be no REFIT 2,3 etc.)
- NERSA will set a tariff for projects reaching COD in 2014 -2016 by the end of March
 - The REIFT tariff will track the MYPD and as such will be adjusted in tri annual cycles
 - The tariff will not be bid on
- Procurement will take place within the framework of the IRP2010 and as such Treasury expects to procure projects in a rolling fashion until the allocation under the IRP2010 is exhausted
- A BID bond will be required but funds will not be required to go into and escrow account



Comments and Questions



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