

DEPARTMENT OF ENERGY

NO. 732

18 AUGUST 2015

GAS IPP PROCUREMENT PROGRAMME 2015 AND AMENDMENT TO THE BASELOAD IPP
PROCUREMENT PROGRAMME 2012 AND MEDIUM TERM RISK MITIGATION PROJECT IPP
PROCUREMENT PROGRAMME 2012 DETERMINATIONS

DETERMINATION UNDER SECTION 34(1) OF THE ELECTRICITY REGULATION ACT, 2006
(ACT NO. 4 OF 2006)

PART A

The Minister of Energy ("the Minister"), in consultation with the National Energy Regulator of South Africa ("NERSA"), acting under section 34(1) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (as amended) ("the ERA") and the Electricity Regulations on New Generation Capacity (published as GNR. 399 in Government Gazette No. 34262 dated 04 May 2011) ("Regulations"), has determined that:

1. The Baseload IPP Procurement Programme 2012 Determination published as Government Notice No 1075 in *Government Gazette* 36005 dated 19 December 2012 ("the Baseload Determination 2012") and the Medium Term Risk Mitigation Project IPP Procurement Programme 2012 Determination published as Government Notice No 1076 in *Government Gazette* 36005 dated 19 December 2012 are hereby amended by deleting Paragraph 2, which deals with the new generation capacity generated from gas, from both of the above mentioned Determinations; and
2. The Baseload Determination 2012 is hereby further amended by amending paragraph 4 thereof by the deletion of the wording struck through and the addition of the wording in underlining below:

"4. electricity produced from the Coal, ~~Natural Gas~~ and Hydro energy sources described above ("the electricity"), shall be procured through one or more IPP procurement programmes as contemplated in the Regulations, which may include, where appropriate and having regard to all relevant circumstances, tendering processes, direct negotiation with one or more project developers, or other procurement procedures ("procurement programmes");"

WHEREFORE the Baseload IPP Procurement Programme 2012 Determination published as Government Notice No 1075 in *Government Gazette* 36005 dated 19 December 2012 ("the Baseload Determination 2012") and the Medium Term Risk Mitigation Project IPP Procurement Programme 2012 Determination published as Government Notice No 1076 in *Government Gazette* 36005 dated 19 December 2012 having been amended as set out above.

THEREFORE the following determination as set out in Part B is hereby published in respect of new generation capacity generated from gas.

PART B

The Minister, in consultation with NERSA, acting under section 34(1) of the ERA and the Regulations, has also determined as follows:

1. the new generation capacity is needed to contribute towards energy security, including 3126 megawatts (MW) to be generated from gas as described in more detail in paragraph 2 below, which represents the capacity allocated to "Gas CCGT (natural gas)" and "OCGT (diesel)", under the heading "New build", for the years 2019 to 2025, in Table 3 of the Integrated Resource Plan for Electricity 2010-2030 (published as GN 400 of 06 May 2011 in *Government Gazette* No. 34263) ("IRP 2010-2030");
2. notwithstanding that the IRP 2010 - 2030 appears to primarily contemplate LNG as the potential source of natural gas for power generation and indicated (amongst other things) that other sources still require further research, the new generation capacity determined as necessary in paragraph 1 above, may be generated from any gas type or source (including natural gas delivered to the power generation facility by any method including by pipeline from a natural gas field or elsewhere or an LNG based method; coal bed methane; synthesis gas or syngas; above or underground coal gasification; Shale Gas and any other gas type or source as may be considered appropriate by the procurer), and may be generated using any appropriate technology, notwithstanding that the IRP 2010 - 2030 may not have contemplated such technology or have considered it viable;
3. electricity produced from gas as described above ("the electricity") shall be procured through one or more IPP procurement programmes as contemplated in the Regulations, which may include, where appropriate and having regard to all relevant circumstances including the urgent need to secure connection to the Grid as soon as possible for some or all of the electricity

- procured pursuant to this Determination, tendering processes, direct negotiation with one or more project developers, or other procurement procedures (“procurement programmes”); any procurement programme or programmes may target or distinguish between types and sources of gas and technologies for electricity generation and certain types, sources or technologies may be specifically excluded from any procurement programme;
4. one or more of the procurement programmes may require or permit cross border projects or the procurement of electricity generated outside of South Africa;
 5. the procurement programmes shall target connection to the Grid for the new generation capacity as soon as reasonably possible, taking into account all relevant factors including the time required for procurement, according to a schedule that may differ from the timetable set out in Table 3 of the IRP 2010-2030;
 6. the electricity may only be sold to the entity designated as the buyer in paragraph 9 below, and only in accordance with the power purchase agreements and other project agreements to be concluded in the course of the procurement programmes, provided that this shall not preclude multi-buyer agreements or arrangements in terms of which, by agreement with the buyer, the electricity is sold to both the buyer and one or more third parties or related parties;
 7. the procurer in respect of the procurement programmes will be the Department of Energy;
 8. the role of the procurer will be to conceptualise and conduct the procurement programmes, including preparing any requests for information, requests for qualification, requests for proposals and/or all related and, associated documentation, negotiating the power purchase agreements, facilitating the conclusion of the other project agreements, and facilitating the satisfaction of any conditions precedent to financial close which are within its control;
 9. the electricity must be purchased by Eskom Holdings SOC Limited or by any successor entity to be designated by the Minister of Energy, as buyer (off-taker); and
 10. the electricity must be purchased from independent power producers.

Concurrence to this Determination given by
the National Energy Regulator of South
Africa on the below mentioned date:

Signed: 

MR JACOB MODISE

CHAIRPERSON: NERSA

DATE: 30/07/2015

Determination made by the Minister of
Energy on the below mentioned date:

Signed: 

MS TINA JOEMAT-PETTERSSON, MP

MINISTER: ENERGY

DATE: 8/5/2015