Annexure D: Scenario 4 & 5 Roadmap - MIPPP BASED ON DEVELOPING AND OPERATING OWN POWER PLANT

Project Initiation

Overall timing for planning differs from muni to muni. We recommend appropriate time is spent before proceeding to next phases

Initiation

Initiation Report or Pre-feasibility Report

Define strategic intent of building and operating own power plant

Establish the extent to whichbuilding and operating own power plantaligns with other municipal strategic objective; priorities; development objectives; budgets and plans (e.g. IDP)

Produce the initiation report which defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies

Mega capital projects should be subjected to pre-feasibility assessment to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality's policy approved by the Municipal Council

Concept or Feasibility Study

The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach.The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required

Note: The Concept Report should provide the following minimum information:

Concept Report or Feasibility Report

The Concept/Feasibility stage presents an opportunity for the development of different design concepts to satisfy the project requirements. This stage presents opportunity to assess alternative approaches and an opportunity to select a particular conceptual approach

The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required

The deliverables for this stage are Concept Report and Feasibility Report

The Concept Report should provide the following minimum information

Concept Report must document the initial design criteria, cost plan, design options of the power plant

Establish the detailed brief, scope, scale, form and cost plan for the power plant, including, where necessary, the obtaining of site studies and construction and specialist advice

Provide an indicative schedule for documentation and construction, or maintenance services, associated with the construction and operation of the plant

Include a site development plan, or other suitable schematic layouts, of the works. e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the construction and operation of the plant

Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act

Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages

- **NOTE:**
  A mega capital project will require a feasibility study
- **The feasibility study must provide the following minimum information**
- **The feasibility study will be subject to a gate review process**

Gateway review

If the power plant is a mega capital project, one the feasibility study is completed, the project must be subjected to review

The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on (i) deliverability;(ii) expected benefits: within the declared cost, time and performance area; (iii) affordability and (iv) value for money.

A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter

A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions

The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team's assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information

Feasibility report will not be approved until such time that all the gateway review findings have been resolved

Design Development

The Design Development Report must, as necessary

Develop, in detail, the approved concept to finalise the design and definition criteria

Establish the detailed form, character, function and costings

Define the overall size, typical detail, performance and outline specification for all components

Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained

Confirm that the project scope can be completed within the budget, or propose a revision to the budget

Policy support from the Minister for the construction and operation of power plants by the municipalities

Regulation 5 does not clarify the pointn at which Ministerial Consent should be sought but DMRE insists that it is sought upfront

There are Constitutional questions and statutory interpretation questions regarding whether Section 34 of the ERA, the IRP and Regulation 5 of the New Gen Regulations can in fact preclude municipalities from building their own utility or distributed generation facilities without Ministerial consent. For present purposes we do not recommend that the Regulation 5 consent or Determination should be sought upfront

Note:
*** Regulation 5 Consent and/or Ministerial Determination were insisted upon by NERSA to licensing the generation facility.**

*** Because of recent change that 100MW facility only requires registration - we do not see value in seeking Regulation 5 consent or Determination because they are not registration requirements**

*** If it becomes clear that Determination or Regulation 5 consent is required, we would recommend that this is obtained at Preferred Bidder stage**

Procurement activities and approvals

Initiate the procurement process and document design

Initiate a procurement process

Designated person or body makes the decision to proceed/not to proceed, with the procurement ofthe infrastructure (following the establishment and clarification of the procurement need, preparing a scope of work, estimate of financial value etc.)

Determine if any market analysis work is required (e.g. expression of interest (EOI and requests for qualification (RFQ)

Complete procurement strategy and obtain approval for the procurement strategy to be adopted

Delegated person or body approves the procurement strategy that is to be adopted (following deciding on contracting and pricing strategy, establishing an appropriate allocation of responsibilities and risks etc.)

Prepare procurement documents

Prepare procurement documents that are compatible with (i) approved procurement strategies and project management design documentation

The procurement documentation should*inter alia*contain clear qualification and evaluation criteria

Consider if there will be a need for optimizing the procurement documentation (i.e. seek views of the potential bidders before the procurement documentation is released to the market)

Confirm that cash flow processes are in place to meet projected contractual obligations

Release procurement documents to the market to solicit bids

Attend to clarification of bidder questions during briefing session and clarification period

Attend to processes relating to receiving bid responses after bid response date

Evaluation

The bid evaluation committee evaluates bid response according to the pre-determined selection criteria and prepare evaluation report on submissions received

Clarifying bid responses (if required)

The bid adjudication committee adjudicates the bid evaluation recommendations and select preferred bidders and reserve bidders

Obtain municipal resolution to conclude commence negotiating the PPA and ancillary agreements (if any)

Communicate with the Preferred Bidders

Notify unsuccessful bidders

Negotiation and Contracting

Timing largely driven by the parties and prescribed timelines (eg: Section 33 process timeline)

Negotiation and Contract Approvals

Commence negotiation with the Preferred Bidders

The construction contract may be a short-term and thus not require the MFMA section 33 approval process. However, if the construction or the operation and maintenance services contractis a long-term contract, section 33 approval process would be required

For purposes of section 33 of the MFMA, the draft PPA should be made available to public for comment.

The invitation to the public must made 60 days before the date on which the municipal council will approve the PPA

Simultaneously solicit the views of views of National Treasury and relevant provincial treasury; COGTA and DMRE as the national department responsible for electricity regulation. This level of consultation requires that policy approval/alignment of the municipal IPP procurement programme or other arrangement with a municipal offtaker is sought early in the process one so that approvals required under section 33 are not delayed

Compile and submit the MFMA section 33 report to municipal council. As a minimum the report will consist of a report containing public comments and responses thereto, the final construction and/or the operation and maintenance services contract and a report reflecting the views and recommendations of the National Treasury and the relevant provincial treasury and relevant sectoral government departments

Obtain municipal council resolution approving conclusion of the construction and/or the operation and maintenance services contract)

Commercial Close

Seeking all outstanding buyer/municipal approvals

Preferred bidder seeking all the outstanding authorisations including registration certificate for 100MW facilities or less If more than 100MW, licence will be required

Registration certificate is issued within 60 days of NERSA receiving all the required documentation

Municipal manager and the authorised representative of the contractor sign the construction and/or the operation and maintenance services contract

Implementation and Contract Management

Put in place a clear contract management plan including mechanisms formanaging the contract's strategic objectives and contract administration requirements

Periodic review of the construction and/or the operation and maintenance services contract (if long-term contracts) against the objectives of the project as set out in the feasibility study