



Tlamelo Solar Investment (Pty) Limited
AFRICA & BEYOND

March 2012 Solar Development Initiatives

TO WHOM IT MAY CONCERN

RE: SOLAR POWER PARKS & OTHER SOLAR INITIATIVES

Sir/Madam

We are currently in need of investors so we can participate in the South African IPP Procurement Program initiated by the South African Government. Our need is joint venture partners who have the confidence to invest in South Africa and willing to be working tirelessly with us so we can achieve our national objectives and also contribute our share to climate change.

The IPP Procurement Programme has been designed to procure the target of 3725 megawatts and to contribute towards socio-economic and environmentally sustainable growth, and to start and stimulate the Renewable Energy industry in South Africa.

The Department of Energy is running the program and the first 18 licenses for 621 MW's Solar Photovoltaic has already being awarded. This constitutes the formal invitation to Bidders to submit their detailed Bid Responses for the supply of Energy generated from new Renewable Energy power generation Facilities. The procurement documents were released by the Department of Energy on the 3rd of August 2011 and compulsory bidder's conference for the first and second window was on the 14th of September 2011. The IPP Procurement Program makes provision for 3625MW which means that more than 3000 MW's is available for the next three rounds of the Bidding process.

The South African Government RFI seeks to determine the available projects both in and outside South Africa, the timeframes by which they can be commissioned, the amount of power that can be obtained from such projects and at what estimated costs.

This company has focused on the investigation of feasibility, development, ownership, operation, maintenance, acquisition and management of electricity generation projects in South Africa, Botswana, and Namibia which augurs very well with the country's objective to address regional integration on economic development to create interconnectivity.

We therefore have various solar sites ready and available in joint venture with property owners namely:

1. Mabula development site, Lephalale, Limpopo Province.
2. Vangpan development site, Lephalale Limpopo Province.
3. Steenbokpan development site, Lephalale, Limpopo Province
4. Buffalo River Valley development site, Dundee, Kwa-Zulu Natal Province.

Each site has its own challenges in terms of the type of Environmental approval needed for commencement of solar developments. This entails that various cost factors were identified and needs to be accommodated in future planning and funding modalities.

Various Environmental studies are completed for the Vangpan development at Steenbokpan. It is the same with the Buffalo River Valley development site at Dundee. This entails that a lot of work has already been done and this will obviously save a lot of time.

Bids are closing in August 2012 and the preferred bidders will be announced in November 2012.

The bidding process is not complicated. We have therefore highlighted the following as the most important aspects of the bidding criteria:

1. Projects submitted in respect of any other Bid Submission Date and that utilise any of the Technologies must be capable of beginning commercial operation before the end of 2016.
2. "**Bidder**" - any legal entity or consortium of legal entities that submits a Bid Response.
3. "**Project Company**" - the special purpose Company that a Bidder proposes using as the vehicle to undertake the Bidder's Project, that is the subject matter of a Bid Response, and to be the Seller in terms of the PPA.
4. "**Shareholders**" - the shareholders of the Project Company;
5. "**Black Enterprise**" - a legal entity with 50.1% or more of its equity owned by Black People and which is controlled by Black People.

6. **"Development Fee"** - the fee payable by the Project Company of a Preferred Bidder to the department in accordance with the provisions of clause 24.5 (*Bid Security and Development Fee*) of this Part A (*General Requirements, Rules and Provisions*);
7. **"Economic Development"** - the objectives of the Department in relation to Job Creation, Local Content, Ownership, Management Control, Preferential Procurement, Enterprise Development and Socio-Economic Development (as those terms are defined in Appendix S (*Economic Development Goals and Instructions to Bidders*) of Volume 5 (*Economic Development Requirements*);
8. **"Economic Development Scorecard"** - means the scorecard containing the targets of the Department in relation to Economic Development, which is annexed to Volume 5 (*Economic Development Requirements*) as Appendix T (*Economic Development Scorecard*);
9. **"Economic Development Matrix"** - means the matrix to be completed by the Bidders to indicate the quantum of the committed percentage levels in response to the Economic Development Scorecard, annexed to Volume 5 (*Economic Development Requirements*) as Appendix U (*Economic Development*);
10. **"Environmental Consents"** - any consents, licences, authorisations, permissions or approvals required from any organ of state in the local, provincial or national sphere of government or any regulatory agency required in terms of any environmental law or heritage law for the development, Construction or Operation of the Facility.
11. **"Equity Finance"** - funding to be provided to the Project Company by its shareholders either by way of share capital or subordinated debt;
12. **"Financial Advisor"** - the firm or firms advising a Bidder on the raising of debt and Equity Finance in respect of its Bid Response and the Project;
13. **"IRR"** - the real post tax rate of return which a holder of equity in the Project Company is forecast in the Financial Model applicable at the relevant Bid Submission Date to achieve on its investment in equity over the term of the PPA;
14. **"Land Use Consents"** - any consents, authorisations, permissions or approvals required from any organ of state in the local, provincial or national sphere of government or any regulatory agency required in terms of any land use law for the development, Construction or Operation of the Facility;
15. **"Lead Member"** - a Member (being a legal entity) of a Bidder which has been appointed by the other Members to take the lead in the preparation of that Bidder's Bid Response and to be the lead Member of that Bidder;

16. **"Legal Advisor"** - the law firm or firms advising a Bidder in respect of its Bid Response and, if that Bidder becomes a Preferred Bidder, in respect of the negotiation of the Bidder's contractual arrangements and Project Documents with, *inter alia*, its Members, Contractors, equipment suppliers and Lenders (if any);
17. **"Lender"** - any financial institution that is party to a term sheet that is submitted by a Bidder as part of its Bid Response;
18. **"Local Community"** - local community, as the term is defined in Appendix S (*Economic Development Goals and Instructions to Bidders*) of this RFP;
19. **"Member"** - any legal entity and or natural person that is a member of a Bidder;
20. **"Third Bid Submission Date"** - the date identified as the third possible Bid Submission Date in clause 10 (*Timetable for IPP Procurement Programme*) and clause 35(*Submission of Bid*) of this RFP, namely 20 August 2012;
21. During the course of 2009, NERSA published two documents relating to Renewable Energy Feed-In Tariffs ("**REFIT**"). 1. The REFIT Guideline contains the REFIT Phase I Tariff, and the REFIT Decision contains the REFIT Phase II Tariff. NERSA has recently announced its intention to review these tariffs, through the Review of the Renewable Energy Feed in Tariffs Consultation Paper, March 2011 ("**REFIT Consultation Paper**").

The draft tariffs as published in the REFIT Consultation Paper are intended to apply in respect of a specific REFIT based procurement programme. This IPP procurement Programme is not structured or intended to be a REFIT procurement programme as contemplated in the REFIT Consultation Paper.

In terms of this IPP Procurement Programme, the Bidders will be required to bid the Price which will be payable by the Buyer pursuant to the PPA to be entered into between the Buyer and the Project Company of a Preferred Bidder. The Price bid should not exceed the cap allocated for each Technology set out in the table under Clause 5.1.4.5. The Price will be included as an evaluation criterion to be taken into.
22. The Department of Water Affairs has declared South Africa a water scarce country² and, as such, the Government is mindful of the impact that this IPP Procurement Programme will have on the water resources of the country.
23. Accordingly, the Department intends to encourage, as far as possible, the use of water efficient Technologies.

In particular, proposed Projects located in areas of the country that are water stressed should employ solutions providing 'best available technology' solutions in order to promote the efficient use of water in such areas.

24. In this IPP Procurement Programme, the Price to be proposed by Bidders in their Bid Responses should not exceed the cap for each Technology set out in the table below:

Technology Unit Commercial Energy Rate

Onshore Wind R/MWh R1 150/MWh

Solar Photovoltaic R/MWh R2 850/MWh

Concentrated Solar Power R/MWh R2 850/MWh

Biomass R/MWh R1 070/MWh

Biogas R/MWh R800/MWh

Landfill gas R/MWh R600/MWh

Small Hydro R/MWh R1 030/MWh

25 Financial Requirements

The Bidder is required to provide two Financial Models detailing each of its 'Sponsor' case and its 'Bankers' case. Where possible, the Bidder may combine these two cases into one Financial Model, provided that both cases may be readily ascertainable.

26. The Bidder is required to offer two Prices, the first, based upon the full CPI rate, and the second, based upon the Bidder's proposed percentage of CPI (partial indexation in respect of CPI). The base date for the CPI rate shall be April 2011 and adjusted annually thereafter on 1 April every year, reflecting any change in CPI in the immediately preceding year commencing 1 January and ending 31 December.

All sources of funding must be denominated in Rand.

The Qualification Criteria are divided into the following umbrella categories in Part B (*Qualification Criteria*):

Structure of the Project (*clause 2.1 of Part B (Qualification Criteria)*);

Legal Criteria and Evaluation (*clause 2.2 of Part B (Qualification Criteria)*);

Land Acquisition and Land Use Criteria and Evaluation (*clause 2.3 of Part B (Qualification Criteria)*);

Environmental Consent Criteria and Evaluation (*clause 2.4 of Part B (Qualification Criteria)*);

Financial Criteria and Evaluation (*clause 2.5 of Part B (Qualification Criteria)*);

Technical Criteria and Evaluation (*clause 2.6 of Part B (Qualification Criteria)*);

Economic Development Criteria and Evaluation (*clause 2.7 of Part B (Qualification Criteria)*); and

Submission of Bid Guarantee (*clause 2.8 of Part B (Qualification Criteria)*).

27. To enable the Department to consider those Bid Responses submitted by Bidders that:
Are technically, financially and legally qualified to execute the Project and meet the criteria described in Part B (*Qualification Criteria*);
Have sufficient experience, commitment and resources to meet the criteria of a Compliant Bid in respect of Part B (*Qualification Criteria*);
Fulfil the competitive Evaluation Criteria and requirements as detailed in Part C (*Evaluation Criteria*);
Are able to execute their Project and provide a Facility as envisaged by the Department;
To provide details of the remainder of the IPP Procurement Programme, including timeframes; and to enable the Department to select Preferred Bidders.

28. The Department of Water Affairs has advised the Department that it will only consider applications for water use licences made by Bidders once Bidders are appointed as Preferred Bidders by the Department.

29. Third Bid Submission

Notification by the Department of the Third Bid Submission Date in accordance with clause 9.5 of this Part A 14 May 2012 Bidders to notify the Department of the information required pursuant to clause 9.7 of this Part A if submitting a Bid Response in respect of Third, Fourth or Fifth Bid Submission Dates 14 June 2012 Last date for Bidders to submit written questions in terms of clause 31 (*Time for requests and clarifications*) of this Part A 23 July 2012 Last date for Department to issue Briefing Notes in terms of clause 44 (*Briefing Notes and Changes to bid process*) of this Part A 30 July 2012 Third Bid Submission Date 20 August 2012 Evaluation of Bid Responses submitted in response to the Third Bid Submission Date 21 August 2012 – 22 October 2012 Selection of Preferred Bidders in respect of the Third Bid Submission Date 29 October 2012 Preferred Bidders to finalise their contractual arrangements, excluding the PPA, Implementation Agreement, Direct Agreement, and Connection Agreements, with, *inter alia*, their Members, Contractors, equipment suppliers and Lenders in respect of the Third Bid Submission Date, and application by the Preferred Bidders of a budget quotation from a Grid Provider and a generation licence from NERSA 30 October 2012 – 30 April 2013 Signing and effective date of PPAs, Direct Agreements, Implementation Agreements and Connection Agreements and Financial Close not later than 31 May 2013.

The IPP Procurement Programme Economic Development Policy will be applied when evaluating the Bid Responses.

The Economic Development elements will be evaluated within the maximum 30 points, using the scoring matrix developed for the purposes of this IPP Procurement Programme.

30. Economic Development Elements

The following elements have been formulated to address the objectives of the Department, as stated above in Clause 12.1.1.6 for the IPP Procurement Programme:

Job creation, which places emphasis on jobs for South African citizens, South African citizens who are Black People and South African citizens from Local Communities;

Local content, which requires that a certain percentage of the total value of the Project to be spent in South Africa;

Ownership, which requires ownership by Black People and Local Communities in the Project Company, and ownership by Black People in the Contractor responsible for Construction and Operations Contractor;

Black management, which focuses on the involvement of Black People in management;

Preferential procurement, which focuses on subcontracting to empowered enterprises, Black Enterprises and enterprises owned by women;

Enterprise development, which focuses on the development of emerging enterprises, and those emerging enterprises located in Local Communities; and socio-economic development, which attempts to address the socio-economic needs of emerging enterprises and those emerging enterprises located in Local Communities.

31. Structure of Economic Development Requirements

The requirements for Economic Development are contained in different parts of the RFP, namely:

Clause 2.7 (*Economic Development Criteria and Evaluation*) of Part B (*Qualification Criteria*) – which requires a Bidder to:

Have a South African Entity Participation of 40%;

Have a weighted Contributor Status Level of 5 in respect of the South African Entity Participation; and comply with the minimum thresholds as indicated in the Economic Development Scorecard.

Volume 5 (*Economic Development Requirements*) – which requires a Bidder to submit a detailed proposal on Economic Development Elements, which will be scored against the Economic Development Scorecard of the Department for the relevant Technology; and Schedule 2 (*Economic Development Obligations*) to the Implementation Agreement, which seeks to contractually commit a Bidder to the commitments made in the Economic Development proposal submitted in response to Part C (*Evaluation Criteria*).

32. Environmental Consents and Land Use Consent Considerations

The Qualification Criteria in respect of Land Use Consents, land acquisition and Environmental Consents are contained in clauses 2.3 (*Land Acquisition and Land Use Consents Criteria and Evaluation*) and 2.4 (*Environmental Consents Criteria and Evaluation*) of Part B (*Qualification Criteria*), respectively. Schedule 9 (*General Overview of Environmental and Land Use Consents*) in Volume 1, Part 1 (*Legal Notices, Government Policies and Background Documents*), provides information about the Environmental Consents and Land Use Consents which are likely to be required in respect of each type of Technology. It also provides an indication of the evidence that is likely to be regarded by the Department as acceptable evidence that the Bidder has the required Environmental Consent or Land Use Consent in place.

Please note, however, that each Bidder bears full responsibility for ascertaining which Environmental and or Land Use Consents are required for its Project and cannot rely on the inclusion or absence of an Environmental and Land Use Consent from the relevant table in Schedule 9 (*General Overview of Environmental and Land Use Consents*) found in Volume 1, Part 1 (*Legal Notices, Government Policies and Background Documents*) as indicative of whether or not a particular Environmental Consent and Land Use Consent is required for a particular Project or class of Projects.

The conflict between the potential of agricultural land for production purposes and food security versus the pressure for land that can be used for Renewable Energy purposes makes heavy demands on the availability of land. The Department of Agriculture, Forestry and Fisheries ("**DAFF**") has the mandate to protect and manage the natural agricultural resource base of the country through legislation, acts and policies. In accordance with its mandate, DAFF has established a National Policy on the Preservation of Agricultural Land which can be found at Schedule 10 (*National Policy on the Preservation of Agricultural Land*) in Volume 1, Part 1 (*Legal Notices, Government Policies and Background Documents*) of this RFP. DAFF has also prepared draft Regulations for the evaluation and review of applications pertaining to wind farming on agricultural land, which can be found in Volume 1, Part 1 (*Legal Notices, Government Policies and Background Documents*) as Schedule 11 (*Regulations for the Evaluation and Review of Applications pertaining to Wind Farming on Agricultural Land*). These Regulations and the National Policy on the Preservation of Agricultural Land will assist the Bidders in understanding the constraints imposed on the use of agricultural land as Project Site and the steps that must be taken by the Bidders in order to establish Land Use Consents on agricultural land.

For the purposes of submitting a Bid Response, a Bidder may be either a single corporate entity or a consortium. A consortium shall be converted into an incorporated single purpose company, with the various Members becoming members of that company. The Preferred Bidder shall provide the Department with certified copies of the CM1, CM44, CM29, CM22 or CoR14.1, CoR39, CoR21, memorandum of incorporation, if applicable, and share register of its Project Company within 20 Business Days of the date of establishment and incorporation of its Project Company.

33. Separate Bid Response for each Project

A Bidder shall be required to submit a separate Bid Response for each Project and only one PPA (if that Bidder is appointed a Preferred Bidder) will be entered into in respect of a Project and a Facility. In respect of Projects utilising landfill gas Technology, if a Bidder submits one Bid Response that relates to a number of Units on a number of different Project Sites, that Bid Response shall be deemed to be in respect of one Project, those Units shall be deemed to be one Facility and one PPA (if that Bidder is appointed a Preferred Bidder) will be entered into in respect of all of those Units.

A Bidder shall be entitled to submit more than one Bid Response and may submit different Bid Responses in respect of different and discrete Projects at each Bid Submission Date.

34. Bid Guarantee

Each Bidder shall provide the Department with a single Bid Guarantee (in Rand's) in an amount equal to R100 000 (one hundred thousand Rand) per MW of the nameplate capacity of the proposed Facilities for the Project in respect of which that Bidder submits that Bid Response.

35. Development Fee

The Project Companies of the Preferred Bidders will be required to pay a Development Fee of 1% of the Total Project Cost to the Department on the Effective Date of the Implementation Agreement. The Development Fee payable by the Project Companies of the Preferred Bidders must be paid to the Project Development Fund for Renewable Energy projects, and will be used by the Department to cover the cost incurred as well as the cost that may be incurred by the Department for the procurement of Renewable Energy.

We are willing to start with negotiations should any party be interested to walk the solar road with us in this very exciting world now opening up for the South African Market.

Our current need in exchange for 60% of the development is € 10 Million of which only € 1 Million (10%) is required at this stage for completion of Environmental Studies and the Bid Process.

Regards

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