



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

Cape Town IPP Procurement Program

Western Cape Government Energy Workshop

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Making progress possible. **Together.**

# Ever-changing Energy Landscape

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- National energy demand/supply balance becoming more precarious
- Change in City political leadership with emphasis on “energy security” - Specific focus on ending loadshedding within the City
- City has launched embedded RE IPP procurement program (Feb2022)
- City developing dispatchable energy procurement program (market engagement Q1 of 2023)
- S34 determination – not needed for IPP Procurement
- Macro-economic picture impacted by international events – global logistics challenges and increased demand seeing rise in RE components pricing and threatens RE project business cases
- Shades of real urgency from National Government to address energy crisis – pursuit of gas-to-power program positive development (could the Western Cape play key role here?)

# CoCT Embedded IPP Program

- Targeting “lower carbon energy” embedded IPPs up to 200MW
- Fully lifted licensing exemption threshold may speed up process
- City will still conduct grid integration studies to ensure network stability
- Energy cost savings key benefit being pursued by program – financial offers must beat Eskom
- Proposed tariff regime encourages supply of energy over peaks
- Energy may be available for loadshedding mitigation / peak shaving
- This is but one LS Mitigation action being pursued by the City
- First power expected end 2025



**Very encouraging response received from market so additional bid windows planned for future**

# CoCT Dispatchable IPP Program (Initial Design)

- City fully intent on improving energy security and mitigate against loadshedding impacts
- Over medium/long term: MUST either self-build or buy dispatchable, high CF energy - CAPEX burden decider
- Technology agnostic, but MUST be dispatchable and able to generate for extended periods
- Competitive tender process will be followed
- Larger scale than Embedded IPP Program envisaged
- Wheeling will be allowed
- Higher complexity level; City is procuring TA Services to support
- First power expected 2026
- Depending on technologies, various infra enablers may be needed



**Dispatchable Energy program has significant catalytic potential for economic growth in City and Province**

# Final Thoughts

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- **Concentration of awards to small group** of bidders has seen limited pool of IPP's actually able to deliver – need mechanism to increase size of pool without incurring undue risk to municipalities
- **Lenders will not finance “newbies”** – is there a mechanism to unlock funding for bidders without long track records? Lack of sovereign guarantee impediment to lender support
- **Increase in component costs** may impact ability to meet tariff requirements, while potential **changes in Eskom tariff structure** may impact business case for IPP Procurement. Sustainability of local component manufacturing is critical to ensure price stability and shock mitigation
- **Access to land** is very real constraint – revised municipal spatial planning process can enable greater availability of land specific to RE development
- **Regulatory environment** still has blind spots, but this is progressively being cleared up by national government
- **Fast-changing power industry and environment** is challenge – we need to cater for changes coming a decade from now in the PPA through sound risk allocation
- **Additional cost burden** of dispatchable energy procurement may be bridge too far for Munics that are less strong financially
- **Infrastructure requirements** must be met to ensure success of energy procurement programs (e.g. gas import capacity at ports)

**Unlocking of infrastructure enablers requires coordinated effort from all stakeholders**



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**Thank You**

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**Making progress possible. Together.**