



SUNCORP SOLAR (PTY) LIMITED

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Attention: Suncorp Solar Potential Investors and Shareholders

SMALL IPP PROGRAM - SOUTH AFRICA RENEWABLE ENERGY MARKET

The purpose of this document is to provide a brief summary of the South African small IPP Program (200MW) introduced to the South African Renewable Energy market by the Department of Energy (“DOE”) as an addition to the 3200MW still available in the IPP program which accommodates projects up to 75MW.

The intention of this Company (“Project Company”) which was registered with the purpose to present a bid response on the 14th of October 2013 within the parameters of the small IPP program is to develop 5MW at one of three project sites.

Introduction of the small IPP Program:

The small IPP Program was introduced to the South African market on the 21st of August 2013 just two days after Bid Window three of the IPP Program closed. One needs to remember that the small IPP Program has nothing to do with the IPP Program and that 200MW was allocated to the small IPP Program. One also needs to keep in mind that no project can be more than 5MW and smaller than 1MW.

This RFP of the Small IPP Program 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 which have a Contracted Capacity between 1 (One) MW and 5 (Five) MW.

The overarching objectives of the Small IPP Procurement Programme are:

- To allow South African citizens who are, or who own or control, SMEs and or emerging, smaller power developers an opportunity to participate in the Renewable Energy generation sector
- To give South African power generation equipment manufacturers, who may not have international certification, the opportunity to supply equipment for the Projects procured under the Small Projects IPP Procurement Programme.
- To limit the cost-at-risk incurred by Bidders by participating in the Small Projects IPP Procurement Programme by conducting the procurement in 2 stages.

Although the equipment to be used in respect of the Facility does not have to be internationally certified and may be manufactured locally, the Facility and the equipment is still required to comply with the standards imposed by SABS and the Codes and to satisfy all the technical criteria set out in clause 2.4 of Part B (*Stage 1 Qualification Criteria*) and clause 2.6 of Part C (*Stage 2 Qualification Criteria*). DOE recommends that Bidders, who propose using equipment that is not internationally certified, engage with prospective lenders as early as possible in the procurement process to obtain the approval of the prospective lenders to such equipment.

Due to the unique elements of the Projects envisaged under the RFP, a specific Scheduled Operating Period has not been prescribed for the PPA. Bidders are therefore required to propose a Scheduled Operating Period that must be between 5 (five) years and 20 (twenty) years. For instance, it may be necessary for a Project that is financed by external debt finance to have a longer Scheduled Operating Period in order to repay the loan than a Project that is funded by a related party

The small IPP Program is opening doors for Project Companies who was not successful during any of the Bid Window's under the IPP Program to Bid once again but the project capacity can unfortunately not be more than 5MW. This also includes projects registered under the IPP Program which due to unforeseen reasons did not bid during any of the Windows since 2012.

The following are being quoted directly from part A of the RFP:

A Bidder that, registered to submit a bid response in respect of a project under the IPP Procurement Programme and which then did not (or will not, as the case may be) submit a bid response on a bid submission date; or a bidder that submitted a bid response in respect of a project under the IPP Procurement Programme and who was unsuccessful and accordingly, was not appointed as preferred bidder in respect of that project, may participate in, and submit a Bid Response in respect of the same project in response to this Small Projects IPP Procurement Programme, to the extent that the project and the Bidder meet the goals and requirements of this Small Projects IPP Procurement Programme, including those South African Entity Participation and shareholding by SMEs.

However, a Bidder may not register or submit a bid response in respect of a project under the IPP Procurement Programme in conjunction with the submission or registration of the same project under this Small Projects IPP Procurement Programme. A Bidder may also not split the contracted capacity of a project that was previously registered and or submitted, or is currently registered and or will be submitted under the IPP Procurement Programme into two or more Projects in order to comply with the requirement of this Small Projects IPP Procurement Programme that a Project must have a Contracted Capacity between 1 (one) MW and 5 (five) MW. This prohibition does not restrict a Bidder from reducing the contracted capacity of a project to between 1 (one) MW and 5 (five) MW.

Bidders and their Members will be required to disclose to the Department if their Project was previously registered under the IPP Procurement Programme and or the subject of a bid response under the IPP Procurement Programme on registration of their Stage 1 Bid Submissions. Bidders will also be required to provide an undertaking to the Department in Schedule 14 (Declaration of Bidder) in Volume 1, Part 2 (Stage 1 Returnable Schedules) that the disclosure made in this regard is true and correct in all respects. A Bidder may, in the sole discretion of the Department, be disqualified from participating under the Small Projects IPP Procurement Programme where the Department discovers that a Bidder made a false, misleading or incorrect disclosure in relation to its participation or registration under the IPP Procurement Programme.

The small IPP Program is very unique in the sense that it is very cost effective to bid because of a two stage approach.

If a project is being selected in the first stage as a selected bidder then all what the bidder has to do is to follow the rules of part C and D of the RFP which entails the signing of the PPA on the end of the day.

A Bidder will only be permitted to submit its Stage 1 Bid Submission at the relevant Stage 1 Bid Submission Date, and only if a Bidder fulfils the requirements of the Stage 1 Qualification Criteria and is awarded Selected Bidder status, will the Bidder have the opportunity to prepare its Stage 2 Bid Submission to be submitted at a Stage 2 Bid Submission Date subsequent to the Bidder being awarded Selected Bidder status.

There are 4 (four) Stage 1 Bid Submission Phases and 4 (four) Stage 2 Bid Submission Phases in respect of this Small Projects IPP Procurement Programme.

The total allocation of 100 (one hundred) MW pursuant to the First Determination will be split between the first 2 (two) distinct Stage 2 Bid Submission Phases.

The due dates for the Bid Submissions for Stage 1 submissions are the following:

1. 14 October 2013 - Selected Bidders announcement is 29 November 2013.
2. 10 February 2014 - Selected Bidders announcement is 28 March 2014.
3. 14 July 2014 - Selected Bidders announcement is 29 August 2014.
4. 12 January 2015 - Selected Bidders announcement is 27 March 2015.

The Department (DOE) will evaluate the Stage 1 Bid Submissions and select Selected Bidders who will be given the opportunity to submit Stage 2 Bid Submissions at any Stage 2 Bid Submission Date.

Notes: Selected Bidders can choose any of the following Stage 2 Bid Submission dates:

1. 14 April 2014
2. 23 March 2015
3. 1 June 2015
4. 21 March 2016

The Department will evaluate the Stage 2 Bid Submissions of the Selected Bidders and select Preferred Bidders. The Department will also play an ongoing role up to and beyond Financial Close in facilitating the conclusion of the Implementation Agreement, the PPA and the Direct Agreement by the relevant

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The Department recognises that the Projects submitted under the Small Projects IPP Procurement Programme may be at different stages of readiness and that some Projects may require more time in order to satisfy the criteria for a Stage 2 Bid Submission after selection of Selected Bidders pursuant to a Stage 1 Bid Submission. Therefore, once a Bidder has submitted a Stage 1 Bid Submission and has been awarded Selected Bidder status, the Selected Bidder may elect on which Stage 2 Bid Submission Date it will submit its Stage 2 Bid Submission. For example, a Selected Bidder that submits a Stage 1 Bid Submission on the First Stage 1 Bid Submission Date will not be obliged to submit its Stage 2 Bid Submission on the First Stage 2 Bid Submission Date, but may do so on the second Stage 2 Bid Submission Date when the Selected Bidder is in a position to comply with and satisfy the requirements of Part C (*Stage 2 Qualification Criteria*) and Part D (*Stage 2 Evaluation Criteria*) of the RFP. Accordingly, a Bidder will only be considered by the Department for appointment as a Preferred Bidder, once that Bidder has submitted a Stage 1 Bid

Submission on a Stage 1 Bid Submission Date and been selected as a Selected Bidder, and it has submitted a Stage 2 Bid Submission on a Stage 2 Bid Submission Date.

Stage 1 Bid Submissions will be assessed in order to determine whether they are Stage 1 Compliant Bid Submissions.

Part B of the RFP is setting out the rules in order to be bid Compliant and needs to be adhered to. See the attached document which is Part B of the RFP. Part B sets out the requirements for the Stage 1 submissions.

Stage 1 Compliant Bid Submission is a complete Stage 1 Bid Submission that is in the format set out in clause 52 (*Format of the Bid Responses*) of this Part A of the RFP and meets or exceeds the threshold requirement in respect of every applicable Stage 1 Qualification Criterion set out in Part B (*Stage 1 Qualification Criteria*), including in respect of sub-criteria which are set out under an umbrella category of Stage 1 Qualification Criteria. The Stage 1 Qualification Criteria contemplate the provision of basic information about the Bidder and the Project in order to provide the Department with sufficient information for the Department to assess whether the Project is properly conceived and whether the Bidder has the technical and commercial capacity to implement and operate the Project.

The Stage 1 Qualification Criteria are divided into the following categories in Part B (*Stage 1 Qualification Criteria*):

- Legal Criteria and Evaluation;
- Land Acquisition and Land Use Criteria and Evaluation;
- Environmental Criteria and Evaluation;
- Technical Criteria and Evaluation; and
- Economic Development Criteria and Evaluation.

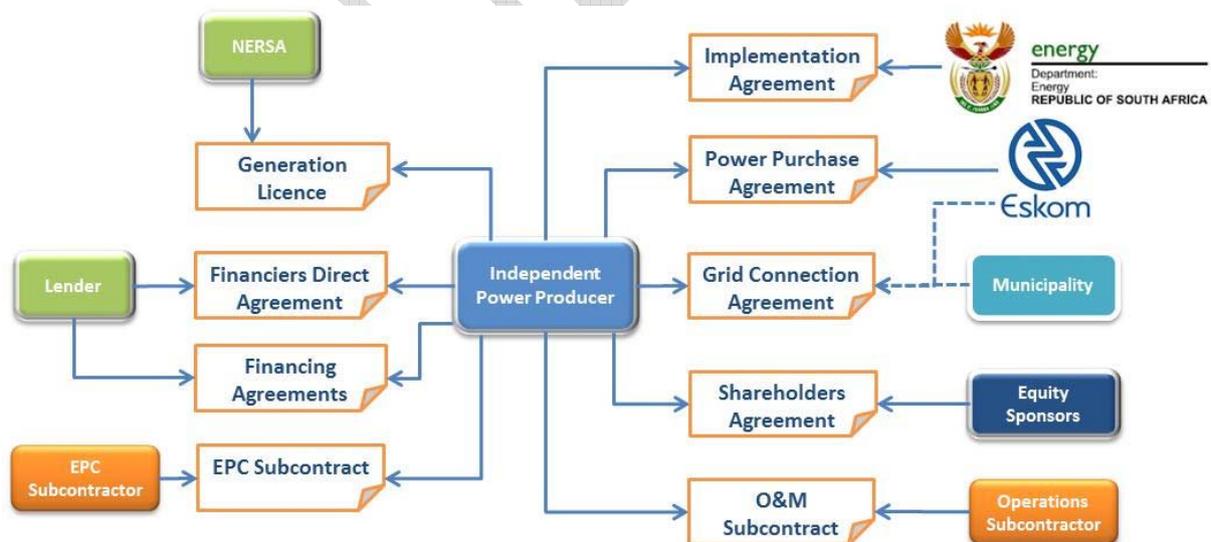
In the second stage, using Part C of the RFP (*Stage 2 Qualification Criteria*), all Bid Responses will be assessed in order to determine whether they are Stage 2 Compliant Bid Submissions. The Stage 2 Qualification Criteria entail detailed legal, financial, technical, Economic

Development and commercial information about the Bidder and the Project, divided into the following categories:

- Structure of the Project;
- Legal Criteria and Evaluation;
- Land Acquisition and Land Use Criteria and Evaluation;
- Environmental Consent Criteria and Evaluation;
- Financial Criteria and Evaluation;
- Technical Criteria and Evaluation;
- Economic Development Criteria and Evaluation; and
- Value for Money.

The fully-indexed Price to be proposed by Bidders in their Bid Responses at the relevant Bid Submission Date cannot exceed the cap for each Technology. Solar Photovoltaic has a cap off R1 400 (one thousand four hundred rand) per MW/hour.

The diagram below reflects the legal and contractual framework of the Small Projects IPP Procurement Programme:



The RFP requires that a Bidder must have an initial South African Entity Participation of 40% (forty percent). The participation have to increased to 60% (sixty percent) after a period of no more than one third of the Scheduled Operating Period of the PPA which should be after a period of 6 (six) years.

The RFP also requires that shareholding by SMEs must be 10% (ten percent) which after a period of no more than one third of the Scheduled Operating Period of the PPA have to be increased to 30% (thirty percent) The definition of SME is set out as follow in the RFP: "**SME**" - Small and Medium business Enterprise and bears the same meaning assigned to this expression in the National Small Business Act 102 of 1996, with specific reference to Electricity, Gas and Water sector

The National Small Business Act 102 of 1996 defines small enterprise as follow:

"small enterprise" means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule and classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule.

"small enterprise organisation" means any entity, whether or not incorporated or registered under any law, consisting mainly of persons carrying on small enterprise concerns in any economic sector, and established for the purpose of promoting the interests of or representing small enterprise concerns, and includes any federation consisting wholly or partly of such association, and any branch of such organisation.

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. 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

In order to demonstrate that two (2) projects are separate, the Department would expect to see at least the following:

- Separate Project Companies
- Separate notarial leases
- Each Project Company to comply with the PPA and Connection Agreements with respect to connection and metering.

Sharing of common infrastructure between Projects is acceptable, provided that the common infrastructure is upstream of the turbine/s for the Project and the common infrastructure is clearly defined. Each Project has clear and strong contractual rights to use the common infrastructure in a way that will not hamper their individual operation and that these rights cannot be withdrawn from any Project Company as long as the PPA is in place.

A clear contractual allocation between the Project Companies of responsibility for operating and maintaining the common infrastructure exists. A clear contractual allocation between the Project Companies, of responsibility for funding the operation and maintenance exists and in the case where one Project Company has become insolvent the other Project Company must be able to retain access to the infrastructure and must be protected so that it is not adversely affected by the insolvency of the other Project Company. However, sharing of common infrastructure downstream (namely export cable and bay at the substation) will not be acceptable.

We have looked at various financial options for three projects we envisaged to develop as soon as possible. We are looking to develop each of the projects to the maximum allowance of 5MW and average 1750 sun hours per annum.

Our financial model projects the following on the basis that 75% of the development cost is being borrowed from the South African lending entities at 12% interest while 25% is provided from shareholders equity:

1.	Revenue over 20 year PPA period	-	R 461 360 000
2.	Construction Cost	-	R 104 386 000
3.	Equity	-	R 29 919 000
4.	Interest payable	-	R 58 216 000
5.	Company tax (28%)	-	R 60 740 000
6.	NPAT (Net Profit After Tax)	-	R 160 452 000

This short executive summary was compiled Irma Schoeman (Project Management)
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