

# Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA  
REPUBLIEK VAN SUID-AFRIKA

Vol. 523

Pretoria, 30 January 2009  
Januarie

No. 31852

---

**CONTENTS • INHOUD**

No.

Page  
No.    Gazette  
      No.

**GOVERNMENT NOTICE**

**Minerals and Energy, Department of**

*Government Notice*

80	Notification of decision to negotiate with Suez Ikhanyezi in connection with the DME IPP Peaking Power Generation Project.....	3	31852
----	--------------------------------------------------------------------------------------------------------------------------------	---	-------

---

---

**GOVERNMENT NOTICE**

---

**MINERALS AND ENERGY****No. 80****30 January 2009****NOTIFICATION OF DECISION TO NEGOTIATE WITH SUEZ IKHANYEZI IN CONNECTION WITH THE DME IPP PEAKING POWER GENERATION PROJECT**

1. The DME has publicly announced as early as April 2008 that it has decided to enter into negotiations with the Suez Inkanyezi consortium led by GDF Suez Energy International (formerly Suez Energy International) ("GDF Suez Consortium") regarding the procurement of an Independent Power Producer for the development, design, engineering, construction, financing, ownership, operation and maintenance of two (2) fuel oil fired peaking power generation facilities, one in Port Elizabeth (Coega) with a capacity of 288 to 382 MW and the other in Kwazulu-Natal (Avon) with a capacity of 684 to 764 MW (the "Projects") including the negotiation and conclusion of power purchase and transmission agreements with Eskom and land sale and/or lease agreements with land owners. This decision was taken after the DME was unsuccessful in the negotiations with the AES Khanya consortium, which was appointed as the preferred bidder following the DME's evaluation of the bids it received in response to RFPs issued by DME in relation to the Projects.
2. After due consideration of the various alternatives available to DME for the procurement of the Projects, including discussions with the respective pre-qualified consortia, the practicality of going through another competitive bidding process having regard to each of the pre-qualified bidders and the two bidders who had submitted a proposal, the process that had already been followed by DME in the procurement of the Projects, and the pressing need for the development of the two power stations in view of the electricity crisis in South Africa, DME decided during May 2008 to enter into direct negotiations with the GDF Suez Consortium pursuant to the provisions of Treasury Regulations 16A6.4. The electricity crisis in South Africa has significantly necessitated that DME adopts emergency measures in procuring the Projects with regard to the practicalities of the various procurement options considered at the time of the DME's decision.
3. As the GDF Suez Consortium was the only other bidder in response to the RFPs issued in the course of the afore-mentioned competitive bidding process and had in the consultations that DME engaged upon expressed the most willingness to develop the Projects, the DME considered the GDF SUEZ Consortium to be best placed to engage with the DME pursuant to the provisions of Treasury Regulation 16A6.4. The decision has been largely influenced by the better advanced state of readiness that GDF Suez Consortium is in to negotiate and conclude the transaction in time for commencement with the power production in 2010, and their immediate ability to capitalise on the progress that has been achieved with the negotiation of the EPC Contracts in the preceding negotiation process with the AES Khanya Consortium for the Projects .
4. DME has commenced with the negotiations with the GDF Suez Consortium, which are done based on a process that does not strictly follow the RFP stipulations of the initial bidding process. The negotiations are based on the bid submitted by the GDF Suez Consortium as a starting point. The agreement to be reached between DME and the GDF Suez Consortium will reflect a negotiated outcome and may contain provisions that deviate from the terms of the project agreements that were issued as part of the RFP documentation for the initial procurement process.
5. DME wishes to thank all of the parties that have participated in the procurement process.