

Ngqura Gas Supply Aggregation

Scope of Work

for

Gas Aggregator Partner

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1. DISCLAIMER

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This RFP is provided solely for the purpose set out herein and is not intended to form any part or basis of any investment decisions by the participants, their shareholders, members, or their lenders. Each person who accesses this RFP must independently

assess the information provided, taking such advice (whether professional or otherwise) as it deems necessary.

No bid participants, their shareholders, members, contractors, suppliers or lenders shall have any claim against the CEF, its partners, officers, employees, servants, agents or Bidder or Potential Partners, under any circumstances whatsoever, arising out of any matter relating to this RFP or subsequent processes of any nature whatsoever, including where such claim is based on any act or omission by CEF, or any of its officers, employees, servants, agents or Bidder or Potential Partners of any nature whatsoever, or where such claim is based on the content of, or any omission from, this RFP of any nature whatsoever. Submission of a response to this RFP does not constitute an obligation by CEF or its partners to the respondent.

CEF reserves the right to split the award of the contract to more than one partner, should it be more advantageous in terms of, amongst others, cost or developmental considerations at CEF's discretion.

2 . DEFINITIONS AND INTERPRETATION

- 2.1. **Department of Mineral Resources and Energy (DMRE)** – The Ministry responsible for regulating, transforming, and promoting the minerals and energy sectors, providing sustainable and affordable energy for growth and development, and ensuring that all South Africans derive sustainable benefit from the country's mineral wealth;
- 2.2. **Central Energy Fund (CEF)** – a State-Owned Company (SOC) under the Department of Mineral Resources and Energy, incorporated in terms of the Central Energy Fund Act No 38 of 1977 in the Republic of South Africa and mandated to contribute towards national and regional energy security of supply, by operating in the energy value chain, and which together with its subsidiaries, constitutes the CEF Group of Companies;
- 2.3. **The South African Gas Development Company SOC Ltd (iGas)** – Wholly owned subsidiary of CEF mandated to develop Gas.
- 2.4. **Gas Aggregator/s** – an entity/ies or consortium which has the ability to consolidate the gas demand for a number of customers and cost-effectively supply LNG to match that demand;
- 2.5. **Integrated Resource Plan (IRP)** – The Integrated Resource Plan issued by the Minister under Notice No. 42784 dated 18 October 2019 in Government Gazette 1360, pursuant to the Electricity Regulation Act;
- 2.6. **Liquefied Natural Gas (LNG)** – Natural Gas that has been cooled to a liquid state, at approximately -162°C (minus one hundred and sixty-two degrees Celsius), enabling storage and transportation thereof by ship, road or rail due to the volume of natural gas in the liquid state being significantly lower than its volume in the gaseous state;
- 2.7. **National Energy Regulator of South Africa (NERSA)** – The National Energy Regulator of South Africa, established pursuant to Section 3 of the National Energy Regulator Act No. 40 of 2004;
- 2.8. **Procurement** – The process of sourcing and purchasing goods and services from an external source, like a third-party vendor or supplier.
- 2.9. **Project** – the project to:
 - Procure a Gas Aggregator/s with access to LNG, capital, and operational expertise to provide for the LNG needs, and balance the LNG requirements

for the LNG users at the Port of Ngqura and Coega precinct, and drive increased gas provision efficiencies;

3 . I N T R O D U C T I O N A N D B A C K G R O U N D

The Department of Mineral Resources and Energy (DMRE) is responsible for ensuring national energy security, regulating the sector and enabling the development of the energy sector through policy. The National Energy Act, 2008 (Act No. 34 of 2008) is the enabling legislation that empowers the Minister of Energy to ensure that diverse energy resources are available in sustainable quantities and at affordable prices in the South African economy to support economic growth and poverty alleviation, while also taking into account environmental, socio-economic and social considerations.

The DMRE has provided certainty regarding gas utilization through policy that emphasizes a diverse energy mix as articulated in the Integrated Resource Plan (IRP). Since the early 2000s, various studies have been carried out in evaluating gas development options. Liquefied Natural Gas (LNG) is one of a suite of options that can be implemented to ensure energy security.

In the Energy budget vote speech of 11th July 2019, the Honourable Minister of Mineral Resources and Energy, pronounced that the Department will implement the importation of LNG with Coega as the initial hub. In addition, the DMRE is embarking on a Gas to Power Programme to appoint Independent Power Producers (IPPs) to contribute to the production of 3000 MW of gas-generated electricity in line with the IRP 2019. It is anticipated that at least 1000 MW will be allocated to the Port of Ngqura.

In 2021 three (3) State Owned Entities entered into a Joint Development Agreement for planned Ngqura LNG Terminal and have jointly prepared submission to the Strategic Infrastructure Development Program. The parties are collaborating in order to leverage key competencies and respecting mandates to implement the national strategic gas priority project supporting The project focuses on infrastructure which would enable receiving and transmitting of gas.

On 7th of July 2021 the honorable minister of the Department of Mineral Resources and Energy announced 9 preferred bidders for the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP) of which 5 were the Gas to Power Project. 2 of these Gas to power projects were located in the Port of Ngqura. These were for 450MW and 320MW.

Depending on the load factor of these power stations, the average Gas Demand could be more than 200Mscf/day. Such volumes can be managed through multi-billion rand contracts per annum. It would be recommendable to consider aggregating supply to the port of Ngqura so as to maximize the benefits of economies of scale.

CEF is mandated to ensure the security of supply and has the ability to establish and incubate new entities that will assist it in advancing its mandate. South African Gas Development Company SOC Ltd is a wholly-owned subsidiary of CEF that is mandated as the official State Agency for the development of the hydrocarbon gas industry in South Africa. It is also empowered to form joint ventures

Figure 1 illustrates the related infrastructure located in port of Ngqura



Figure 1: Illustrative location of gas infrastructure in the Port of Ngqura

NB: This information is only shared to give context and is excluded from the RFP scope.

4 . P R O J E C T O V E R V I E W

CEF is mandated to ensure the security of supply, and in its efforts to deliver its mandate, it must continually balance commercial and developmental mandate. CEF seeks to aggregate gas supply for Ngqura to support the development of the planned Coega LNG Terminal Project and support the Gas to Power program by the department. The Ngqura precinct has the potential gas demand as tabled below:

	Potential Gas Anchor Offtakers	Approximate Capacity (MW)
1	Dedisa Dual Power station (Private)	330
2	Planned 1000 MW Power Plant by CDC	1000
3	Karpowership (RMIPPPP)	450
4	Mlilo Total (RMIPPPP)	320
5	NGQURA AGGREGATE GAS POWER DEMAND	2100

5 . S C O P E O F W O R K

CEF looks to support the development of the Gas Market by aggregating Ngqura import demand to land gas at the most economical price in South Africa. Since CEF has not been trading gas, there is an acknowledgment of a lack of capacity, systems, and processes. There is also an appreciation of the Gas Supply Agreements' complexity as they can be multi-year and multi-billion contracts with material risks. Therefore, for these reasons, CEF seeks to appoint a Gas Aggregator Partner that will support CEF in establishing and capacitating a State-Owned Gas Trading Entity (SOGTE) that must be fully independent within 5 years. It is desired for the Gas Aggregator to start trading in 2022. The Gas Aggregator Partner is expected to:

- Assist with establishing the SOGTE
- Assist with drafting and lodging of applications for permits, licenses, and regulatory approvals
- Assist with Gas Pricing Mechanism
- Assist with development of currency exposure protection mechanism such as Gas Equalisation Fund or Hedging

- Develop and implement Systems, Processes, and Procedures for the Aggregator
- Assist in sourcing, negotiating, and concluding Gas Supply Agreements
- Prepare an economic paper that reflects the optimum load factor for Gas Power Plants to support optimum Gas Load in consultation with Peakers and Eskom.
- Assist in marketing and negotiating Gas Sales Agreements with Power Plants and bulk off-takers

Note: This SOGTE must start trading in the current year (2022)

6 . N a t u r e o f S e r v i c e s R e q u i r e d

The Bidder or Potential Partner will be required to provide support, guidance and source advisory services that will ensure that the successful delivery of this project is in line with best practice, yield optimal returns for the partnership, deliver optimal results for the economy, and manage risk exposure to the partnership.

The services should ensure effective consideration and application of all economic and regulatory requirements, including evaluating and computation of all applicable regulatory methodologies.

The Bidder or Potential Partner should source the relevant advisory services that will incorporate the following disciplines: (i) Gas market analysis, (ii) Financial, (iii) Legal, (iv) Regulatory, (v) Technical, for the partnership to achieve the following objectives:

- Secure the necessary regulatory approvals;
- Design a robust commercial contracting structure;
- Ensure the auditable execution of a fair, transparent, equitable, and cost-effective, competitive procurement process that results in the selection of credible service providers and/or partner(s);
- Source financial facilities for gas trading.

The services of the Bidder or Potential Partner, as well as those of the various service providers and/or discipline, leads contracted in by the Bidder or Potential Partner , will be initiated and confirmed for each phase of work via the issue of a phase-specific instruction to proceed.

DELIVERABLES TO INCLUDE BUT NOT LIMITED TO THE FOLLOWING		
Scope	SCOPE ELEMENT	Outputs
1	Proposed Partnership Strategy	- Proposed Aggregator Business Model that clearly stipulates preferred interest in either taking equity position or simply providing technical expertise to CEF. - Provide proposed Process Manual, Organogram, Systems and procedures - Provide Execution plan that outlines all the step that will be required to get the Aggregator ready to trade. This must include all approval and timelines - Provide letters of interest and/or conditional financial facilities to support trading activities and indicate quantum of interest - Provide letters of support from Gas Owners and/or Portfolio Traders - Provide alternative Gas Pricing mechanism considered and recommended mechanism that will support license and tariff application. - Propose currency fluctuation protection options such as developing Gas Equalisation Fund and/or Hedging. - Provide a developmental and capacity building plan that will enable CEF to be fully independent within 5 years.
2	Draft Commercial Agreements at Head of Terms Level	- Aggregator Draft Memorandum Of Incorporation and/or partnership agreement - Draft Gas Supply Heads of Agreement - Draft Gas Sales Agreement - Draft Gas Transportation Agreement - Draft infrastructure use related agreement - Draft Technical Service Agreements (e.g IT solutions and/or Gas Management systems)

7. OVERALL CONTRACTING STRATEGY

CEF (SOC) Ltd will reserve the right to procure all services for this partnership, therefore the Bidder or Potential Partner must comply with all South African Laws and regulations.

The contract will be awarded on a most economical and favorable basis as recommended by the Bid Evaluation Committee to the Bid Adjudication Committee. The Bidder or Potential Partner must nevertheless provide a clear and detailed partnership commercial structure(s) indicating but not limited to the following:

- a. Ownership structure(s)
- b. Skill transfer plan and programme roll-out.

- c. Gas pricing models, quantity and volume comparism, determination and assessment matrices including actual ratio fluctuaction tolarence levels.
- d. Risk-in take levels and exclusions.
- e. Competition and anti- trust framework, strategy and policy
- f. Cost contribution and recovery models.
- g. Profit-sharing mechanism(s)

Note: The successful Bidder or Partner, a consortium of Bidder(s) or members of the successful consortium will not be permitted to advise any other third parties in South Africa on Gas Aggregation as this could be deemed a conflict of interest.

8 . O V E R A L L P R I N C I P L E S

The principles of work execution include:

- a. Contracts and procurement policies will be strictly adhered to at all times.
- b. Scope changes [also applicable to "work at risk"] will be via a management of change process and with appropriate approval processes. No additional work is to be executed without the relevant CEF approval as per its governance processes.
- c. The Bidder or Potential Partner is expected to continuously review the schedule and identify where time optimizations can be made to minimize the total duration
- d. The Bidder or Potential Partner is expected to manage the work professionally, timeously identify threats, and maintain frequent and open communication with the CEF and/or its appointed representatives.
- e. The Bidder or Potential Partner is expected to engage and utilize the multi-disciplinary resources made available by CEF and/or its appointed representatives to meet the study requirements.
- f. The Bidder or Potential Partner shall endeavor to release deliverables in a piece-meal fashion as needed to support project requirements and improve overall schedule performance.

- g. The Bidder or Potential Partner shall agree on meeting schedule(s) with the project the CEF and/or its appointed representatives, generally expected to be a weekly teleconference / electronic meeting. The Bidder or Potential Partner will take and issue minutes for these meetings.
- h. The Bidder or Potential Partner must issue weekly Flash Reports on the Project Progress.

9 . M E E T I N G S C H E D U L E

Where possible, meetings should be held virtually via MS Teams. It is anticipated that various meetings between the project partners and the Bidder or Potential Partner will be required for the smooth execution of the study. The following meetings are suggested as the minimum requirements. Durations and venues for the meetings have been suggested but are to be confirmed by the Bidder or Potential Partner . The Bidder or Potential Partner is to produce a full meeting schedule detailing proposed meetings, locations, attendee requirements, agenda and objectives of such meetings.

Suggested minimum meeting schedule:

a. Kick-off Meeting

The venue to be confirmed (TBC) as either the CEF Offices in Sandton or electronically via MS Teams. The agenda shall include the following points for discussion: scope clarification and schedule alignment.

b. Site visit(s)

No site Visits Planned.

c. Meeting to confirm and document the project location

Venue TBC or via MS Teams with an estimated duration of 1 day

d. Feedback meetings

MS Teams on a weekly basis. This meeting will be aimed at high-level management feedback, discussion of interim deliverables, and setting expectations for study close-out.

The Bidder or Potential Partner and project partners may decide to combine some of the above meetings to improve the overall efficiency of the project team and reduce travel expenditure.

P r o j e c t O f f i c e L o c a t i o n

- a. The bidder(s) must specify the location(s) (City and Office address) of their proposed Project Office(s) for the execution.

D o c u m e n t a t i o n a n d D r a w i n g s

- a. All documentation and correspondence between Bidder or Potential Partner, sub-contractors, and the project partners must be electronic and compatible with the project partner's software systems (Microsoft Office, Latest Version).
- b. The Bidder or Potential Partner must develop a document register listing the documents to be produced and dates of delivery.
- c. All documentation must be provided electronically in both native software format and .pdf (portable document format)

R e p o r t i n g a n d C o m m u n i c a t i o n

- a. No communications to external parties or media by the Bidder or Potential Partner will be permitted without prior consent of the project partners.
- b. An Bidder or Potential Partner -project partner communication plan detailing information flows between Bidder or Potential Partner staff and specific project partner staff members will be described at the kick-off meeting. The Bidder or Potential Partner and project partner organograms supporting the flow of information will also be presented.
- c. All correspondence will be in English.
- d. All units of measure shall be reported in SI units. There may be a few exceptions, e.g. gas flow in mmscfd but these exceptions must be reported in both the SI and traditional units.
- e. The Bidder or Potential Partner shall produce both progress reports and cost reports once per month on a consistent schedule with the Parties' current practices.

- f. The progress report shall detail the work accomplished, the work plan ahead, any items that need resolution, and a comparison of actual cumulative work completed versus plan. These reports may be in MS PowerPoint format or in an MS Office format consistent with the Parties' current reporting formats.