



Avon and Dedisa Peaking Power (Pty) Ltd  
Building 1  
Country Club Estate  
21 Woodlands Drive  
Woodmead  
2191

30 March 2020

Dear Fuel Supplier,

## **PRE-QUALIFICATION FOR FUEL SUPPLY TO AVON AND DEDISA PEAKING POWER GENERATION FACILITIES**

### **1. Introduction**

- 1.1 Avon Peaking Power (RF) (Pty) Ltd (“**Avon**”) and Dedisa Peaking Power (RF) (Pty) Ltd (“**Dedisa**”) are project companies that each own and operate diesel fired open-cycle gas turbine (“**OCGT**”) power generating plants with a capacity of 335 MW (Dedisa) and 670 MW (Avon), located in the Eastern Cape Province & in the KwaZulu-Natal Province respectively (collectively hereinafter referred to as the “**Facilities**”).
- 1.2 Dedisa reached commercial operation date (“**COD**”) on 30 September 2015 while Avon reached COD on 20 July 2016. The fuel used for the Facilities is supplied under a 7 year exclusive fuel supply agreement (“**FSA**”).
- 1.3 The Facilities supply electricity to the National Grid during peak demand hours as well as during emergency situations under a 15-year Power Purchase Agreement (“**PPA**”) concluded with Eskom SOC LTD (“**Eskom**”) in 2013. In addition to their generating capabilities, the Facilities can also be used to regulate network voltage fluctuations, that is, to stabilize the grid. Both Dedisa and Avon are located adjacent to an existing high-voltage Eskom substation, with the electricity being fed into the transmission system at 400 kV (Dedisa) and at 275kV (Avon).



- 1.4 Avon and Dedisa have each entered into an implementation agreement ("IA") with the South African Government via the Department of Mineral Resources and Energy ("DMRE")
- 1.5 The Facilities are owned by a consortium of South African and international sponsors comprising ENGIE (France) 38%, majority black owned Legend Power Solutions (RSA) 27%, Mitsui & Co, Ltd (Japan) 25% and The Peaker Trust 10%, a B-BBEE Trust benefiting black enterprises.
- 1.6 Please note that any information disclosed to you for the purposes of this request for qualification ("RFQ") is for the sole purpose of enabling you to provide a proposal. Therefore, the contents and any subsequent clarifications should, accordingly, be kept strictly confidential and should not be used by you for any other purpose.

## 2. Proposed Expression of Interest for Pre-qualification

- 2.1 Dedisa is soliciting written proposals for pre-qualification from various fuel suppliers, who are licensed to supply petroleum fuels on a wholesale basis in South Africa, to act as Fuel Supplier to the Facilities.
- 2.2 Avon is soliciting written proposals for pre-qualification from various fuel suppliers, who are licensed to supply petroleum fuels on a wholesale basis in South Africa, to act as Fuel Supplier to the Facilities.
- 2.3 Pre-qualified fuel supplier(s) will be invited to submit a final bid under a competitive process at which time the form (Principal Terms and Conditions) of the proposed FSA will be made available. The selected fuel supplier (s) will be invited to work in close cooperation with Dedisa and Avon on all aspects of the fuel supply and to finalise mutually agreeable terms and conditions for the FSA for each separate Facility.
- 2.4 The fuel supplied must be Automotive Diesel Fuel of (500/50ppm) and must also be compliant with SANS 342:2016. See Exhibit A.

## 2.5 Timelines:

The procurement process will follow the following timelines as required by the Avon and Dedisa PPA:

Date	Action
31 March 2020	Issue request for pre-qualification
30 April 2020	Submission of RPQ proposals
15 May 2020	Selection of the pre-qualified fuel suppliers
31 May 2020	Inform Eskom of the list of Pre-qualified Fuel Bidders.
16 May to 29 September 2020	Avon and Dedisa to follow process as detailed in the PPA.
30 September 2020	Issue an invitation to bid for the FSA to the pre-qualified fuel suppliers

## 3. Your Proposal

Your proposal and required internal approvals should be based on your ability to deliver given the following assumptions ("**Proposal Assumptions**"):

- 3.1.1. Invoices submitted by Dedisa and Avon to Eskom shall separately itemise the allowance for fuel cost recovery. Eskom will pay this allowance into a separate ring- fenced bank account. Dedisa and Avon shall grant the Fuel Supplier security over the ring-fenced bank accounts for any amounts due by them to the Fuel Supplier under the Fuel Supply Contract.
- 3.1.2. Subject to the heat rate of the power generation facility, fuel consumption for twenty five (25) Guaranteed Capacity Hours at the Dedisa Facility is equivalent to approximately 3,000 m<sup>3</sup> per week.
- 3.1.3. Subject to the heat rate of the power generation facility, fuel consumption for twenty five (25) Guaranteed Capacity Hours at the Avon Facility is equivalent to approximately 6,000 m<sup>3</sup> per week.

- 3.1.4. Total working capacity of the fuel storage tanks at the Dedisa Facility is approximately two tanks of 6,800m<sup>3</sup> each.
- 3.1.5. Total working capacity of the fuel storage tanks at the Avon Facility is approximately two tanks of 9,600m<sup>3</sup> each.
- 3.1.6. The fuel unloading capacity and capabilities at each of the Facilities is as follows: four (4) fifty-five (55) tonne (gross vehicle mass) road tankers, each comprising a main tanker and a trailer which can be unloaded simultaneously via eight (8) Fuel unloading points, on four (4) bays, designed to offload such road tankers in maximum ninety (90) minutes each.
- 3.2. Your proposal should include the following information ("**Proposal Requirements**"):
- 3.2.1. The FSA to be entered into will cover a duration of five (5) years, with the provision of early termination on a 12 month notification. Note that Avon and Dedisa are currently assessing the feasibility of converting their facilities to utilise natural gas. Should the gas conversion not go ahead, there is a possibility for a 3-year renewal after the initial 5-year term at the discretion of Avon and Dedisa.
- 3.2.2. The FSA to be entered in will cover a liability for a minimum replenishment rate per week of twenty five (25) Guaranteed Capacity Hours ("GCH") per Facility. This quantity is divided as follows; (11) GCH as the midweek replenishment obligation, and eleven (14) GCH as the weekend replenishment obligation. However, note that the actual fuel consumption is subject to the amount of running hours following dispatch requirements of Eskom. This replenishment rate is to have the flexibility to increase based on demand.

*3.2.2.1. Guaranteed Capacity Hours ("GCH") is defined as: the amount of Fuel (expressed in litres) necessary to deliver an amount of net electrical output equivalent to one (1) hour of operation of the Facility at its full capacity which for the purpose of this definition shall be equal to [120 000 / 240 000] litres of*

*Fuel. [the former being for Dedisa and the latter for Avon – both figures to be confirmed]*

- 3.2.3. Detail the location of your depots relative to the Facilities for logistics consideration. Also, provide your ability to offer unhindered, priority and dedicated access to fuel gantries at the fuel depots to ensure a maximum of eighty (80) minutes total loading time (depot arrival, loading, sealing and departing) per vehicle.
- 3.2.4. Pricing of the fuel, including any discount percentage. For each Billing Period Avon and Dedisa shall pay to Fuel Supplier a price in ZAR cents per litre (“**Fuel Price**”) for Fuel delivered during such Billing Period, equal to the wholesale list price (expressed in cents/litre) for diesel 0.05% sulphur, being the value of the wholesale list price for diesel 0.05% sulphur (including the zone differential for zone 1A) published by the DMRE to take effect on the first Wednesday of the Billing Period concerned (or, in the case of the first Billing Period, if the first Wednesday of the month including the First Fuel Delivery Date precedes the First Fuel Delivery Date, being the value of the wholesale list price for diesel 0.05% sulphur (including the zone differential for zone 1A) most recently published by the DMRE) (“**Wholesale List Price**”), less an amount of [Insert Amount] cents/litre (“**Rebate**”).

Should the basis of calculation of the Diesel Wholesale List Price change in any material way at any point during the Term, the Parties shall meet and seek to agree such amendments to the FSA as may be necessary, including appropriate adjustments to the pricing formula in order to ensure that Supplier is in the same financial position under the FSA as it would have been in had the change in the basis of calculation of the wholesale list price not occurred.

- 3.2.5. No Take-or-Pay; notwithstanding anything to the contrary herein, Dedisa and Avon shall have no obligation to accept and/or pay for any volume of Fuel other than pursuant to a Binding Order (term detailed in the final Fuel Supply Agreement).
- 3.2.6. Disclose any conditions under which your fuel supply commitment is valid with respect to the procurement process.

- 3.2.7. A clearly described mechanism how to manage the quality of fuel, including critical properties specification as mentioned in Exhibit A.
- 3.2.8. Specifically mention a guaranteed minimum calorific value on a lower heating value basis, if this value is in excess of the value as mentioned under Fuel Specifications.
- 3.3. Avon and Dedisa request you to provide the information above for 3 scenarios:
- 3.3.1. **Scenario A:** entering into a FSA for the Dedisa Facility and in parallel a FSA for the Avon Facility.
- 3.3.2. **Scenario B:** entering into a FSA for the Dedisa Facility only.
- 3.3.3. **Scenario C:** entering into a FSA for the Avon Facility only.

Level of approvals obtained by your company in submitting this proposal. Avon and Dedisa requests that you obtain an approval from your credit committee before submitting your proposal.

#### 4. Selection Process

Avon and Dedisa note that all proposals received, shall be subject to a Bid Evaluation Committee review based on the requirements detailed in the IA and PPA.

Preference will be given based on the following general principles (in no particular order):

- Compliance to requests of this document and subsequent queries.
- Economic terms, credit limit capabilities and discount structure.
- Diesel volume capacity at respective depots.
- Priority access to fuel gantries at the fuel depots.
- Road distance to depots.
- B-BBEEE status.



## 5. Schedule for Expression of Interest and RFQ Submission

We hold ourselves available should you have any queries with respect to the information disclosed in this request for Expression of Interest (“EOI”) and RFQ Submission. All clarifications requests between now and the proposal submission on the project should be submitted by e-mail to:

**Ajay Brijmohan**

Chief Operations Office

(email): [Ajay.Brijmohan@peakers.com](mailto:Ajay.Brijmohan@peakers.com)

We request you to submit your proposal for pre-qualification by no later than Thursday 30<sup>th</sup> April 2020. No extensions to this deadline shall be granted. Your duly signed proposal submission should be sent in electronic form by e-mail to [ajay.brijmohan@peakers.com](mailto:ajay.brijmohan@peakers.com)

We expect you to hold your proposal valid for 6 months from the date of submission in order to comply with the provisions under our PPA.

After evaluating your proposals and where required, seeking additional clarifications, we shall shortlist fuel suppliers who will be invited to bid for the Avon and Dedisa FSA.

We look forward to receiving your proposal.

Yours faithfully,

Tebogo More

**Chief Executive Officer**

Avon Peaking Power (RF) (Pty) Ltd and Dedisa Peaking Power (Pty) Ltd

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**EXHIBIT A**  
**COMMISSIONING FUEL SPECIFICATIONS**

Part 1 of 2 Standard Fuel Specifications (in accordance with SANS 342:2016 Edition 5.1)



Standard Property	Value	Test Method	
		ASTM	IP or ISO or EN
Distillation temperature for 90% (by volume) recovery, °C, max.	<b>362</b>	ASTM D86 <sup>a</sup>	IP 123 or ISO 3405
Flash point, °C, min.	<b>55</b>	D 93 <sup>a</sup>	IP 34 or ISO 2719
Sulphur content, % (by mass), max.	<b>0.05</b>	D 2622 or D 5453 <sup>a</sup> or D4294 <sup>b</sup>	IP 336
Cetane Number <sup>b</sup> , min.	<b>45</b>	D613a <sup>a</sup> , D6890, D7668, D7170a	, IP 4, ISO 5165, EN 15195, IP 498
Copper strip corrosion (3h at 100°C), classification, max.	<b>1</b>	D 130 <sup>a</sup>	IP 154, ISO 2160
Cold filter plugging point (CFPP) <sup>c</sup> , °C, max.	<b>-4 or 3</b>	D6371	IP 309 <sup>a</sup> or EN 116
Carbon residue on 10% (by volume) distillation residue, % (by mass), max.	<b>0.3</b>	D4530 <sup>a</sup>	ISO 10370
Ash content, % (by mass), max.	<b>0.01</b>	D 482 <sup>a</sup>	IP 4 or ISO 6245
Water content, max. (mg/kg) ASTM or IP 356	<b>250</b>	D6304 <sup>a</sup> , D 4377	IP 74, ISO 12937 or IP 356
Total contamination, mg/kg, max.	<b>24</b>	-	EN 12662 or IP440 <sup>a</sup>
Lubricity, corrected wear scar diameter (wsd 1.4) at 60°C, max.	<b>460</b>	-	ISO 12156-1 <sup>a</sup> , IP 450
Viscosity at 40°C, mm <sup>2</sup> /s	<b>2.2 to 5.3</b>	D 445 <sup>a</sup> , D7042	IP 71 or ISO 3104
Density at 20°C, kg/m <sup>3</sup> , min.	<b>800,0 min</b>	D 4052 <sup>a</sup> , D1298b	IP 160, IP 365, ISO 3675, or ISO 12185
Oxidation stability, mg/100ml, max.	<b>2.0</b>	D 2274 <sup>a</sup>	IP 388 or ISO 12205
Calorific Value, MJ/Kg, min.		D 4858	-

<p><sup>a</sup> This is the referee test method and shall be used in the case of a dispute regarding the determination of a specific property.</p> <p><sup>b</sup> Provided a proven correlation between Cetane Number and Cetane Index (ASTM D 976b/ASTM D 4737) has been established (for the crude being refined), the Cetane Number specification may be replaced by a Cetane Index specification with a minimum value of 48. The basic need is that the product shall have a minimum Cetane Number of 45. The reference method is ASTM D 613b/IP 41.</p> <p><sup>c</sup> Unless otherwise acceptable, a product with a minimum CFPP of</p> <p style="text-align: center;">Summer 1 October to 31 March (inclusive) Winter 1 April to 30 September (inclusive)</p>
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Part 2 of 2: Specific Fuel Elements

Specific Fuel Elements	Measurement	Maximum Value	Test Method
Solid content of filtered fuel (upstream of the terminal point of supply of the gas turbine) Total: 2µm < d < 10µm d > 10µm d > 25µm	ppm (wt)	≤ 20 ≤ 18 ≤ 2.0 0	ASTM D 3605
Total Sodium (“Na”) and Potassium (“K”): max	ppm (wt)	0.5	DIN 51790 ASTM D 3605
Vanadium (“V”), max	ppm (wt)	0.5	DIN 51790 ASTM D 3605
Total heavy metals (“V” + “Pb” + “Zn” + “Ni”): Max	ppm (wt)	1.0	DIN 51790 ASTM D 3605
Lead (“Pb”), max	ppm (wt)	1.0	DIN 51790 ASTM D 3605
Calcium (“Ca”), max	ppm (wt)	10.0	ASTM D 3605
Nitrogen (FBN = Fuel Bound Nitrogen), max	% (wt)	0.015	ASTM D 1945
Mercaptane, max	ppm (wt)	10	ASTM D 3227



**Note:**

The standard limit of 0.5 ppm (wt) shall be applied to the sum of sodium and potassium. At coastal and industrial sites, such limit shall be reduced to 0.3 ppm (wt), provided that no air analysis has been performed.

**For avoidance of doubt compliance to SANS 342:2016 Edition 5.1 is a minimum requirement.**