



IPP PROCUREMENT PROGRAMMES

JUNE 2020

EVOLUTION OF SELLER REFINANCING NOTICES

REFINANCING PROTOCOL
/ GUIDELINE



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Department of Energy

IPP PROCUREMENT PROGRAMMES

EVALUATION OF SELLER REFINANCING NOTICES

REFINANCING PROTOCOL/GUIDELINE

JUNE 2020

GUIDANCE NOTE 3

16 September 2020



**mineral resources
& energy**

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

1. **Introduction**

- 1.1. The Department of Energy issued the Refinancing Protocol dated June 2020 (“the Protocol”).
- 1.2. The Department Issued Guidance Note 1 dated 23 July 2020 (“Guidance Note One”) and Guidance Note 2 dated 19 August 2020 (“Guidance Note Two”).
- 1.3. Unless otherwise expressly stated, or the context otherwise requires, words and expressions defined in the Protocol and the Guidance Notes shall bear the same meanings in this Guidance Note.

2. **Purpose of the Guidance Note**

The purpose of this Guidance Note is to:

- 2.1. Provide guidance to IPPs in respect of the timing of secondary transactions in relation to the utilisation of the new Equity IRR as the reference rate for the calculation of the Refinance Gain.
- 2.2. Provide IPPs with clarification pertaining to the “Base Case Equity IRR” as defined in Clause 4.1.1 (b) in the Protocol.

3. **Timing of Secondary Transactions**

- 3.1. Given the significant number of secondary transactions the Department made the following concession as outlined in Guidance Note:

“The Department is however willing, given the number of secondary transactions concluded, to consider the application of a revised Equity IRR where one or more secondary transactions has taken place, some or all of the original shareholders have been replaced and the new Equity IRR, applicable to the most recent transaction can be evidenced through the applicable secondary transaction Financial Model”

- 3.2. The Department specifically confirms that the revised Equity IRR will only be applied towards the calculation of the Refinancing Gain in respect of IPPs whom concluded their secondary transaction prior to the release of Guidance Note One i.e. 23 July 2020.

4. **Base Case Equity IRR**

For calculating the Refinancing Gain, the Base Case Equity IRR means the nominal post-tax internal rate of return on Equity over the full period up to the expiry of the Term as specified in the Financial Model at the Effective Date.

5. **Schedule of Guidance Notes**

Guidance Note Number	Date	Details of Guidance Notes
1	23 July 2020	The purpose of Guidance Note 1 is to (i) provide guidance on the CPI indexation rate applicable to Refinancings; (ii) provide for inclusion of Letters of Credit introduced in substitution of reserve accounts; (iii) deal with the utilisation of the Base Case IRR as contained in the Financial Close Model and the exceptions thereto; and (iv) deal with the deletion of Clause 4.1.2(a)(ii).
2	02 September 2020	The purpose of Guidance Note 2 is to provide (i) further guidance to IPPs in respect of suggested scope of work to be included in the model audit letter by IPPs that have entered into secondary transactions through the insertion of a new Clause 5.3; (ii) an outline of the minimum standards to be applied in respect of model audits through the insertion of a new Clause 5.4; (iii) guidance/clarification to IPPs following the receipt of queries around changes that may be incorporated in the pre

		and post Refinance Models; and (iv) for replacement of Clause 5.2(e).
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