



**GET FiT
ZAMBIA**

Hydro Tender Announcement

26.09.2018

In collaboration with the Ministry of Energy (MoE) and other Zambian government stakeholders, GET FiT Zambia is actively creating the framework for Round 2 of the program, the 100 MW GET FiT Zambia Small Hydro Tender. In line with the REFiT Strategy, this tender will support the development of small hydro projects up to 20 MW of installed capacity.

- I. The tender process will include a Prequalification Procedure (PQ) in Q4 2018 followed by up to three successive Request for Proposal (RfP) windows between 2019 and 2020 to award the full 100 MW of capacity allocated to this tender. Additional PQ rounds may be implemented in 2019 as required.
- II. Prequalified developers will be eligible to apply for feasibility study rights for projects which will be issued through MOE in line with a process currently in final stages of preparation. Please note that the Ministry of Energy recently announced a moratorium on feasibility study rights applications for small hydro projects until after the PQ is complete.
- III. Developers with existing feasibility study rights will retain their rights. However, they must either prequalify or partner with a prequalified developer if they wish to become eligible for the RfP and support through the GET FiT Zambia program.
- IV. The application and approval process for feasibility study rights will be managed by MOE and will commence immediately after the conclusion of the PQ. GET FiT Zambia will work with the MOE to ensure that feasibility study rights for projects are awarded expeditiously. It is envisaged that developers will be able to obtain feasibility study rights for two projects and, in cases of relevant, verifiable project

experience, for up to three depending on the verifiably available capital for project development (see below).

- V. In parallel to the feasibility study rights review process, GET FiT Zambia will carry out required grid assessments to determine the viability of evacuating power from individual and/or clusters of projects for which feasibility study rights are sought. More details will be presented on the grid assessment process at the private sector pre-tender launch event in coming weeks. However, interested firms should take due consideration of the status of the existing grid and, to the degree possible, confirmed grid upgrades and expansions.
- VI. While the technical minimum criteria for the PQ will be presented in due course, the GET FiT Secretariat already informs interested firms about the financial minimum criterion. The financial minimum criterion will require applicants to provide evidence of available capital for bringing a small hydro project to full feasibility stage level. As such, the requirement agreed with MOE is:
- Proof of available capital for project development of **USD 200,000 per project**

This proof of funds could be validated via the following:

- 1) Original or certified copy of a stamped bank statement of the Applicant's bank account (SPV and/or sponsor/owner) showing the required funding amounts;
- 2) Unconditional confirmation by a credible third-party sponsor or a reputable bank confirming the intention to avail project development capital to the Applicant (development banks or agencies, DFIs, commercial banks or similar); or
- 3) Most recent Audited Financial Statements of the Applicant.

Interested firms shall note that the number of feasibility study rights granted will correlate with the amount of capital available to the firm. As such, if a firm is only able to evidence available funds for one project (USD 200,000), only feasibility study rights for one project can be obtained. The GET FiT Zambia deems it necessary to inform interested firms about the financial minimum criterion well in advance of the PQ as it assumed that the mobilization of funds may take more time than the envisaged PQ phase of 30 days.

- VII. REFITs for small hydro projects are currently being developed by the Energy Regulation Board (ERB) with support from Power Africa's Southern Africa Energy Program and GET FiT Zambia. These REFITs will be the base tariff used in Power Purchase Agreements (PPA) for projects supported under the GET FiT Small Hydro Tender. The draft presentation by ERB along with REFIT model inputs from the first stakeholder

engagement held in Lusaka on 24 September are available on the GET FiT and ERB websites. Comments on the presentation and REFIT model inputs are due by 8 October and should be sent to rmuyangwa@erb.org.zm with info@getfit-zambia.org in copy.

- VIII. The agreed REFITs will be presented at the private sector pre-tender launch event tentatively scheduled for late October or early November (date to be confirmed in a subsequent memo). This launch event will also cover the prequalification criteria, tender framework, and legal documentation.
- IX. Projects selected for support under the RfP will be eligible to receive the Viability Gap Funding availed under GET FiT Zambia. With the support of the German Financial Cooperation, grant payments will be made available to successful developers. While the detailed modalities of the VGF mechanism are yet to be determined, the VGF will in any case increase a project's financial viability through performance-based, front-loaded grant disbursements as an additional revenue stream besides the REFIT-based energy charge payable by the offtaker ZESCO under the PPA.
- X. Projects supported under the GET FiT Zambia Small Hydro Tender will need to comply with IFC Performance Standards during all phases of preparation, implementation and operation of the projects. Compliance with IFC Performance Standards will be a key requirement for the RfP and will be closely monitored by KfW and the Implementation Consultant. GET FiT Zambia will host a workshop on IFC Performance Standards the same week as the private sector pre-tender launch event. Due to the critical importance of IFC Performance Standards compliance for GET FiT Zambia eligibility, developers interested in participating in the GET FiT Small Hydro Tender are strongly encouraged to participate with key staff and the firm's E&S consultants in this event.
- XI. Indicative timeline:
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| 31 October: | Private sector pre-tender launch event and E&S workshop |
| 7 November: | Launch RfQ |
| Mid-January: | Prequalified applicants announced |
| Q1 2019: | Hydro feasibility study rights issued to prequalified applicants |
| Q3 2019: | RfP Window 1 |
| Q1 2020: | RfP Window 2 |
| Q3 2020: | RfP Window 3 (if necessary) |

For any further clarification, please contact us at info@getfit-zambia.org