

INVESTMENT IN SOLAR PV HYBRID MINI-GRIDS IN TURKANA COUNTY

Call for Expression of Interest by Private Companies

The Opportunity

Private companies interested in investing in the energy sector have the opportunity to be supported financially in the development, commissioning and operation of solar PV hybrid mini-grids in Turkana County of Kenya. Barclays Bank of Kenya has partnered with the German Technical Cooperation to provide financial incentives through a Results Based Financing (RBF) project. Expression of interest is open from **13 – 27 January 2016**.

Background

The RBF project is funded by the UK Department for International Development (DFID) and hosted by Energising Development Programme (EnDev) and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) in Kenya through the Promotion of Solar Hybrid Mini-Grids (ProSolar) Programme. Barclays Bank of Kenya (BBK) is responsible for execution of the RBF programme, with technical support by GIZ. The aim of the RBF project is to assist in market creation for private sector operated solar PV hybrid mini-grids in Kenya.

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Target Locations

The interested firms will develop solar PV hybrid mini-grids in three village centres in Turkana County, namely: **Lolupe**, (with an estimated solar PV plant capacity of 16kW_p) **Nadwat** (with an estimated solar PV plant capacity of 32kW_p) and **Kataboi** (with an estimated solar PV plant capacity of 20kW_p).

(At the end of this Brief is a map showing the locations).

What is Results-Based Financing?

*Results-Based Financing (RBF) is a new financing approach introduced by the UK Department for International Development (DFID) and implemented by Energising Development (EnDev) in several countries, including Kenya. The idea behind the approach is to reward private companies for achieving pre-agreed and verified results. The Mini-grids RBF is therefore a private sector support mechanism to motivate companies to move into this emerging business area in renewable energy. RBF is different from traditional grants, which offer grants in advance; the key feature of RBF is payment upon delivery – meaning after agreed actions and related results are proven. Private companies are expected to take full investment risk until the contracted results, in this case the successful construction, commissioning and operation of a solar PV hybrid mini-grid, have been achieved. This means that participating companies will have to pre-finance their projects, through private equity, bank loans or other sources of funds. Independent verification of pre-agreed results will be undertaken, after which the pre-agreed financial incentive will be disbursed. Upon setting-up the infrastructure, the successful developers will be **partially** compensated with the RBF incentive, thereby improving their business case.*

Who is eligible?

BBK is calling for expressions of interest from interested private firms already active in the electricity generation, distribution or retail services. Companies expressing interest may associate with other firms in the form of a joint venture to enhance their qualifications, but one firm can only submit an EOI for one village. Private firms, private individuals, registered associations and cooperatives are eligible to apply. NGOs, charities and government organisations are not eligible for support. However, these organisations can team up with an eligible company that will be the project implementer and applicant.

Excluded from support are:

- Charities and research/academic institutions operating in or outside Kenya.
- Public institutions including energy sector government agencies/corporations.

Private companies owned by or associated with staff of energy sector Government agencies, Turkana County Government, Barclays Bank of Kenya, GIZ, Energising Development (EnDev) programme or any other institution directly involved in the EnDev programme.

Requirements at EOI stage:

- Be duly registered in Kenya as a private company, or registered association.
- Be registered with the Kenya Energy Regulatory Commission (ERC) - Class C1 licence (this requirement is to be fulfilled latest before signing the RBF contract)
- Have clearly identifiable and accessible physical office(s) or business premises in Kenya;
- Have no grant financing from other donors or donor-financed institutions; grants from Kenyan public institutions, Counties or local contributions are allowed.
- Have valid income tax registration in Kenya; be iTax compliant.
- Comply with all the terms and conditions set out in this brief.

Requirements at RBF contracting stage:

In order to enter into agreement with Barclays Bank for the RBF incentive, the applicant must:

- Have a letter of support or no-objection from the County Government of Turkana relating to provision of electricity in the County from the proposed site.
- Have a commercial bank account;
- Demonstrate own equity and / or other sources of finance and potential availability of funds necessary for implementation of the project.
- Have complete procurement and implementation plan of the project.
- Have a business plan demonstrating ultimate profitability and viability of the project.
- Demonstrate that the project has realistic commercial potential and is technically viable and environmentally safe.
- Have clear understanding of the market and detailed plans to connect customers physically to the mini-grid.
- Have a clear plan for the maintenance of the mini-grid.
- Comply with all the terms and conditions set out in this brief.

What technologies are supported?

A hybrid power plant can utilize any other source of energy alongside solar PV, based on resource availability; in the target locations this will typically be diesel or wind.

However, qualifying hybrid projects are **only those that have a minimum of 50% of the energy produced emanating from solar power.**

Characteristics of the solar PV hybrid mini-grids:

- Solar generation capacity of the plant should be between 10-50 kWp.
- The mini-grid must aim to connect at least 40 paying customers.
- Plants with a total capacity of 50-100 kW may be considered under special circumstances with proof of ERC approval, market / commercial justification and demonstration of high technical and managerial capacity of the project developer/s.

What is the scale of support?

BBK will provide support through incentives to the solar PV hybrid mini-grid developers. The calculation of the incentive will be based on the business plan and energy delivery objectives associated with connection of electricity to the ultimate consumers. The RBF incentive will therefore take into consideration the profitability of the project, the technology applied and the service provided to consumers. The resultant viability gap funding (the total amount of RBF incentives to be availed to a company) or the means of its calculation will thereon be pre-determined. The incentive will be paid in four parts:

1. Construction Progress Incentive; payments based on pre-agreed project implementation milestones.
2. Power Plant Commissioning Incentive; a one-time payment as RBF contribution to the investment cost after the mini-grid power plant is completed and commissioned.
3. Connection Incentive; a pre-agreed per customer per quarter payment for every paying customer during the first 2 years of operation.
4. Energy Production Incentive; a quarterly pre-agreed incentive on the amount of electrical energy produced from solar PV and delivered to the customers for the first two years of operation.

A single company or investor shall not participate in more than one project in this EOI or receive more than 25% of the total available RBF funding.

The sum of construction progress, commissioning and connection incentives shall not exceed 35% of a project's total investment cost.

What are the milestones?

Upon selection, successful developers will build, own and operate the mini-grids in the identified locations.

For companies to receive the incentive, they have to:

- Be selected after application.
- Have signed an RBF funding agreement
- Construct a solar PV hybrid mini-grid power plant in one of the identified locations.
- Construct an electricity distribution grid to serve customers in the area of project implementation (depending on the business model adopted).
- Connect customers in remote rural areas with electricity generated from the solar PV hybrid mini-grid.

What are the technical requirements?

EnDev Kenya aims to leave as much freedom as possible to the project developers with regards to technical design and business model. However, some minimum requirements for the quality and safety of the mini-grid must be fulfilled to ensure:

- Reliability of power supply to consumers;
- Quality of electricity supplied to ensure consumer satisfaction and protection of electrical appliances connected; and
- The safety of the customers and staff.

Sector regulations shall apply as necessary. Other applicable regulations such as environmental, transport, construction and health regulations shall also apply.

Barclays Bank and GIZ ProSolar shall offer additional guidance on technical requirements where necessary.

Which actors are involved?

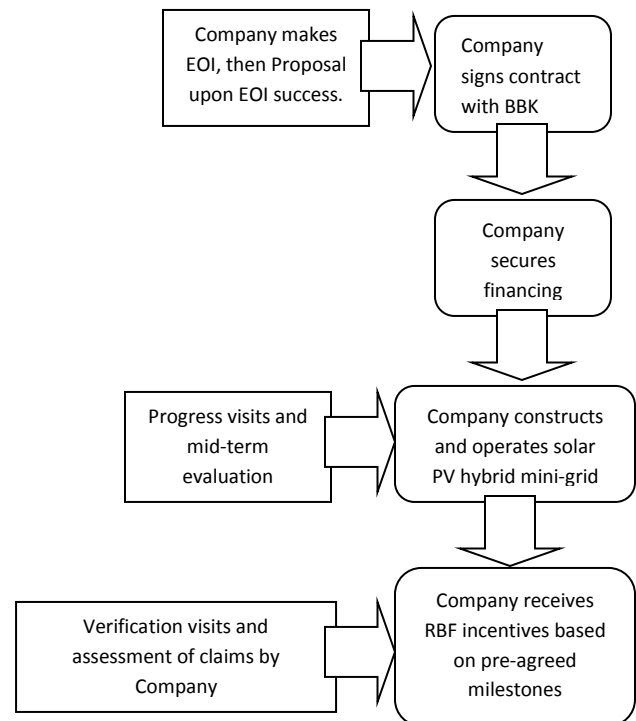
Barclays Bank of Kenya (BBK) was through a call for proposals selected to execute the mini-grids RBF programme. BBK is responsible for all the financial management of the relevant RBF funds on behalf of Energising Development Kenya. BBK will assess all applications and enter into contractual arrangements with successful applicants. BBK will administer the funds and disburse the incentives, monitor and verify – directly and through independent verification agents, RBF claims by project developers.

Energising Development (EnDev) Kenya

Energising Development (EnDev) is an energy access partnership currently financed by six donor countries – the Netherlands, Germany, Norway, Australia, the United Kingdom and Switzerland. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH acts as lead agency for the implementation of the programme. EnDev has a mandate to facilitate and finance the access of households to electricity through mini-grids in Kenya.

EnDev through GIZ ProSolar will assist BBK and project developers from a technical capacity perspective during assessment and implementation of the projects.

Overview of the process



Application process

Companies can apply for support by submitting an EoI to BBK. Expression of Interest documents are available from BBK – contact details are given at the end of this Brief.

The EOI should be submitted to the Tender Box at the Ground Floor, Bishops Gate Building, 5th Ngong Avenue.

All applications must be in English.

Applications will be assessed on a first-come, first-served basis.

During the proposal preparation stage, applicants may use their business plans – including anticipated RBF incentives – as a basis for application of funding from other sources (subject to the exclusion of other donor funds as indicated in this brief).

If the application is successful, the company will conclude a contract with BBK that fixes the maximum results that have to be fulfilled (e.g. connecting 200 customers), and the incentives that can be received per contract. Pre-agreed incentives are guaranteed subject to the pre-agreed results being verified as having been achieved.

Support to the application process

After a successful EOI stage, selected companies will receive support during the project application process, to bring their project proposals to maturity.

Scheduled meetings will be conducted for project developers, taking them through each step of the desired project proposal format and advising them on how to collect, analyse and present data supporting their project proposals.

This support will be offered by BBK in collaboration with GIZ ProSolar and their service providers as may become necessary. All such support will be offered through technical assistance, e.g. group meetings, brainstorming sessions, networking, one-on-one support, field visits, Q&A sessions, etc., and does not contain any monetary support to project developers.

Timeline

This call for Expression of Interest will close on January 27, 2016.

Claims, verification and incentive disbursement

Each participating company will be accorded up to **6 months** from the time of signing of an RBF contract with BBK to complete the construction of the mini-grid. BBK and GIZ ProSolar will carry out site visits as may be necessary, including a mid-term review visit, to assess progress and provide additional guidance on the implementation of the project. Thereafter incentives will be paid according to the incentive type and a pre-agreed incentives maturity checklist to be contained in the RBF contract. To receive incentives, the project developer will be required to make formal claims based on a pre-agreed incentives application format, which will include details such as the power plant construction progress, distribution grid progress, customer connection progress, location and contact details of customers, amounts and trends in customer payments, etc.

BBK will conduct a document completion check, leading to verification and payment of incentives.

Verification will be based on either all customers or a sample thereof, depending on numbers and logistics, and will include actual site visits to the site and to the connected customers and other stakeholders as may become necessary. The mode and scope of verification will be at the discretion of the independent verifier, working in consultation with BBK and GIZ ProSolar.

For further information, write to the addresses given below not later than **20th January 2016**. You may also request for a physical meeting, which will be granted based on the necessity of the meeting, to the Project Manager at BBK.

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Proposed mini-grid site locations

