

The background of the slide features a large, faint, light blue watermark of the coat of arms of Georgia. It includes a crown at the top, two lions on the sides, and a central shield with a knight on horseback. Below the shield is a ribbon with Georgian text.

Ministry of Energy of Georgia

INVESTMENT OPPORTUNITIES

Implementation of Potential Power Projects in Georgia

Resolution of the Government of Georgia



August 21, 2013 № 214 Resolution of the Government of Georgia

About approval of the rule of expression of interest for conduction of technical and economic feasibility study, construction, ownership and operation of hydropower plants in Georgia.

Abovementioned rule regulates

- Terms and conditions of expression of interest announced by the Ministry of Energy of Georgia about conduction of technical and economic feasibility study, construction, ownership, operation of power plants in Georgia
- Submission of applications by interested parties in process of expression of interest
- Selection of winner of expression of interest and terms
- Conditions of memorandum of understanding for conduction of technical and economic feasibility study, construction, ownership and operation of the power plant(s).

Resolution of the Government of Georgia



August 21, 2013 № 214 Resolution of the Government of Georgia foresees two means of project implementation

1. Announcement of Expression of Interest - Implementation of the projects placed in the list of potential power plants approved by The Ministry of Energy of Georgia
2. Direct Negotiation - Georgian Government is authorized to enter into a Memorandum of Understanding for conduction of technical and economic feasibility study, construction, ownership and operation of the power plant(s), not included in the list of the potential power plants approved by The Ministry.

Announcement of Expression of Interests



Implementation of the projects included in the list of potential power plants approved by The Ministry of Energy of Georgia

Potential Project Selection and Proposal Submission

Stage I



Interested party submits official proposal letter to the Ministry of Energy after reviewing prefeasibility studies of the potential power projects placed in the list of potential power plants approved by the Ministry of Energy and chooses desired project(s) for implementation

Official Proposal Letter should Contain

1. Project name and location (GPS coordinates)
2. Preliminary scheme
3. Estimated capacity and output
4. Tentative dates for the implementation of the project (completion dates of the power plant construction and technical – economic feasibility study and environmental impact assessment, dates of commencement of construction works and operation of the power plant according to construction permit).

Decision regarding the announcement of Expressions of interest is made by the Ministry of Energy.



Revelation of Expression of Interest by the Ministry of Energy

Stage II

Ministry of Energy of Georgia will announce expressions of interest and publishes it on its website after reviewing and accepting scheme and the parameters of the project selected by an interested party. Proposal should be in consistent with the information contained in the list and/or the proposed project should ensure maximum utilization of the river's hydro power potential

Expression of Interest Announced by the Ministry of Energy should Contain

- Potential power plant 's name
 - Estimated location of the project
 - Preliminary scheme and the estimated main technical parameters
 - Dates for completion of a feasibility study, commencement and completion of construction in accordance with the construction permit.
 - The estimated investment amount of the project
 - Qualification requirements
 - Selection criteria of the winner of Expression of interest
 - Place and deadline for submission of applications
 - Draft of memorandum of understanding to be signed with the winner of Expression of Interest
- Additional information or requirements that might be prescribed by the Ministry of Energy according to the specifics of a particular project.

Qualification Requirements of Expression of Interest Stage III



Qualification Requirements Determined for Participants in Expression of Interest

1. For participating in expression of Interest parties must submit applications that include person's consent about conduction of technical-economic feasibility study, construction, ownership and operation of the power plant(s), according to announced terms and parameters
2. Application must be accompanied by an expression of interest, terms and conditions set forth in the information / documentation and must meet the terms and conditions set by the expression of interest
3. Proposed evaluation criteria should not be more than the maximum limit established by the expression of interest
4. Other requirements defined by terms and conditions

Participants of the expression of interest are required to present their applications and required documents in accordance with form approved by the Ministry of Energy.

The Winner of the Expression of Interest

Stage IV



- The government reveals the winner of the expression of Interest
- The only criterion selecting the winner of expression of interest is lowest price of the electricity which will be sold to JSC "Electricity System Commercial Operator" (hereinafter "ESCO"). The winner should sell to ESCO 20% of the total annual output of the power during first ten years of operation under guaranteed power purchase agreement
- The price of electricity to be sold to JSC "Electricity System Commercial Operator" proposed by participant of expression of interest shall not exceed the maximum limit set in terms and conditions
- The participants of expression of interest can submit proposals of the price of electricity to be sold to ESCO in sealed envelope
- The envelopes will be opened immediately after the expiration of the term of expression of interest. Participants of the expression of interest shall be entitled to attend the opening ceremony

The winner in the Expression of Interests

Stage IV



The Ministry of energy of Georgia contacts those parties who successfully pass the qualification stage

- The party is required to submit bank guarantee (Pre-construction guarantee) in amount of USD 5 000 (or Its equivalent in Euro) for each MW of the total installed capacity of the power plant no later than 15 days after receipt of the notice. Pre-construction guarantee should be issued by the bank licensed in any member countries of the Organization for Economic Cooperation and Development (OECD) and/or in Georgia
- If a party involved in the Expression of Interest will not present a pre-construction guarantee in required amount and/or in specified period of time, will be removed from the process.

The winner in the Expression of Interests

Stage IV



- ✓ Applications submitted in compliance with the requirements will be sent to the Government for consideration
- ✓ If two or more applications are submitted to the Government for the specific power plant, the Government of Georgia reveals the winner with the lowest price of electricity offered to JSC Electricity System Commercial Operator (ESCO)
- ✓ If two or more applications have proposed equal lowest prices, The Government determines additional time for the parties to make improved proposals in regards to evaluation criteria
- ✓ Government discloses the winner, by the established evaluation criterion, from the Improved applications (offers) submitted within the specified time period

Signing a Memorandum and General Terms and Conditions

Stage V



The Memorandum is signed with the winner according to the Resolution of the Government of Georgia (GoG). The parties of the Memorandum are the GoG, ESCO and the Winner in the respective Expression of Interest.

General Terms and Conditions of MOU

Stage V



The Memorandum of Understanding - Preconstruction and Construction phases

Pre-Construction phase

1. Complete feasibility study and present it to the GoG.
2. Prepare the Environment Impact Assessment Report of the project

According to the feasibility study and the Environment Impact Assessment Report of the project, GoG and the winner of the Expression of Interests jointly decide further implementation of the project by moving to the construction phase of the plant

Construction phase

1. Land acquisition within the project area
2. Construction permits required for the project
3. Commencement of construction works of the power plant on the basis of construction permits
4. Start operation of the power plant

General Terms and Conditions of MOU

Stage V



- **New resolution** - It applies to the projects found in the list of potential HPPs located on our website. Potential HPP that is not in our list is a subject of a direct negotiation between the Government and Investor
- **Bank Guarantee** - Preconstruction Guarantee shall amount to 5 000 (five thousand) U.S. dollars or its equivalent in euro. Construction Guarantee shall amount to 100 000 USD (or equivalent in Euro) per one megawatt of installed capacity for project(s) with installed capacity of 100 megawatts or less, and 50 000 USD (or equivalent in Euro) for the projects with installed capacity of more than 100 megawatts
- **Fining system** - If company will not meet its obligation under the terms and conditions of the Memorandum of Understanding, it will be charged 0.5% of total bank guarantee amount for each overdue day (*according to old regulation, GoG was requesting full amount of bank guarantee*)
- **Reduce Bank Guarantee-** Investor can reduce its bank guarantee amount in proportion to its capital investments during the course of project implementation.



Direct Negotiations

Selection of The Potential Projects and Making Proposals

Stage I



The Ministry of Energy expresses its readiness to accept and review all the projects researched and developed independently by any interested party, projects that are not included in the list of potential projects approved by the Ministry of Energy. The Government of Georgia welcomes such an initiative and proposal from the potential investors and offers Memorandum of Understanding through direct negotiation

Proposal presented by the interested party should include:

- Pre Feasibility Study
- Name and location of the project (GPS coordinates)
- The estimated scheme of the project
- Estimated capacity and annual output
- Tentative dates for the implementation of the project (timeline for the completion of the Feasibility Study and Environmental Impact Assessment for the construction of the power plant, commencement of the construction on the basis of the Construction Permit and putting into operation)
- The investor's preferred tariff at which the electricity will be purchased by the state

Ministry of Energy of Georgia reviews submitted technical and economic pre-feasibility study of the potential plant(s) to avoid overlap of the project site(s). if there are no remarks or comments from the Ministry, it is authorized to get into direct negotiation and sign Memorandum of Understanding with an investor



***Thank You for Your
Attention***