

Renewable Energy Tenders and Community [em]Power[ment]

Hugo Lucas

Head of the Energy Department

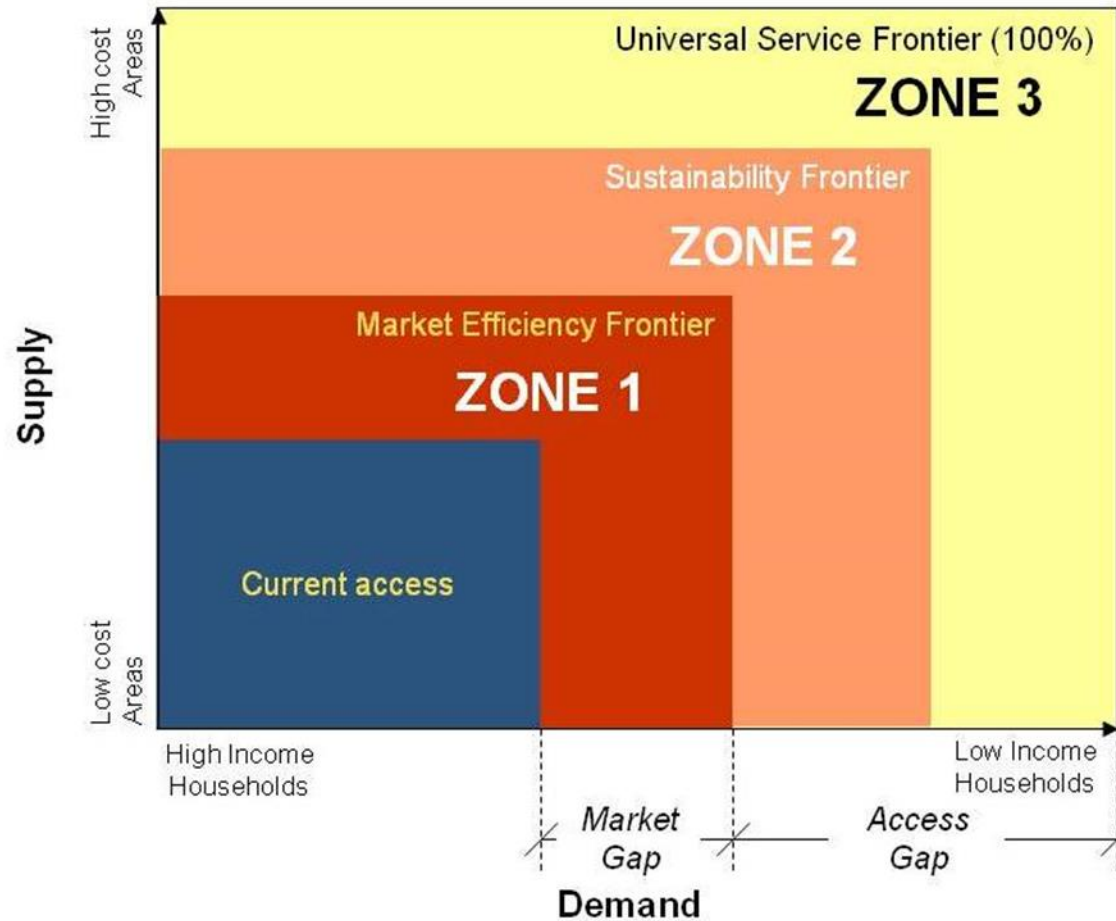
Factor

Asia Clean Energy Forum

8th June 2017

Factor
Ideas for change







Increasing use of tenders to purchase renewable energy electricity

When well designed, the price competition inherent to the tenders increases cost efficiency and allows price discovery of renewable energy-based electricity, avoiding potential windfall profits and underpayments.

Adequate mechanism to promote PV because these projects are easy to develop and implement, can be standardized.

Increasing experience in the design, possibility to tailor their design to the existing market conditions and secondary objectives (integration in the grid, in the market, employment, etc.).

Increasing number of international players as well as development of local markets.



1. Object of the call for tender (size, technology, location)
2. Requirements (company, project)
3. Type of the auction
4. Selection criteria
5. Guarantees and sanctions
6. Payments (PPA, source of funding, de-risking mechanism)
7. Transparency



Requirements:

- Company (legal, technical reputation and financial reputation).
- Project (technical, administrative).

Technical reputation:

- Similar projects in size and technology.
- Similar projects in the region.
- CV of the team.

Requirements for the project in hybridisation are not important (site specific).



Bid bond. It is executed in the event that a winning bidder does not sign the contract.

Challenge bond. It is established to avoid delays due to the unjustified challenge of the result of the auction.

Completion bond. It is executed in the case that the contract has been signed, but the project is not finalized or is delayed heavily.

Performance bond. To ensure the compliance during the duration of the PPA.

Dismantling bond. In Uruguay, part of the completion bond is retained throughout the lifetime of a project to ensure proper dismantling.



Sealed-bid is simple to implement, is the most popular and has given optimum results.

Multi-criteria selection systems are more complex to implement and should be very well defined in advance to mitigate the perception of not being transparent.

Multi-criteria analysis need clear definition of the different criteria and an objective scoring for each criteria and their aggregation.

Multicriteria analysis need technical capacities difficult to find in the country.

There are better ways to pursue secondary objectives (factors, other support mechanism).



Key Lesson: Secure source of funding

NPP



Investment PHP



TCGR-SAGR
PHP/kWh



SAGR
PHP/kWh



UCME:

Output Based Aid
(OBA)
Tender price (True cost)
– SAGR (subsidized
tariff)

Cross subsidy from
electricity tariff
(Universal Charge for
Missionary
Electrification)

UCME:
RE Incentive

Tax incentives ...



Key Lesson: Comprehensive support package and technical assistance

The experiences suggest that the auction procedure should be combined with market-based de-risking mechanisms which directly reduce the financing costs and participation risks in order to attract potential bidders.

The details of the PPA have to be known in advance (preferably include the standard PPA as one annex in the tender documents). Long-term PPA, in US\$ and indexed annually, offer the best guarantees to close the financing.

The experiences in developing countries include technical assistance in order to develop human, regulatory and institutional capacities, investments in technical capacities for the development.



Requirements for bids. local content (local qualified employees).

Requirements for bidders, adapted to community power.

Financial guarantees. Establishing the level according to the type of actor/ bidder favors diversity.

Auctioned quantity. Retain a part of the quantity to be auctioned for a specific group of actors such as cooperative or community projects.

Selection (multi) criteria: employment; actors diversity.

Final price. After identification of the winning projects, offer the price of the most expensive bid accepted to projects from desired actors.

iThank You!

hlucas@iamfactor.com