

## **The Order of the Minister of Energy of Georgia**

**on**

### **Announcement of the Expression of Interest for Conducting Technical and Economic Feasibility Study, Construction, Ownership and Operation of the Tskhenistskali Hydro Power Plants Cascade Scheme I and Scheme II on the rivers Zeskho and Tskhenistkali in the Tsageri and Lentekhi Municipalities, Racha-Lechkhumi and Kvemo Svaneti Region**

According to the General Administrative Code of Georgia, Paragraph 3 of Article 1 of the “Rule of Expression of Interest for Construction Technical and Economic Feasibility Study, Construction, Ownership and Operation of Hydropower Plants in Georgia” resolution №214 of 21 August 2013 approved by the Government of Georgia and on the bases of the Paragraph 2 of Article 4 of the Government Decree №97 dated 26 April 2013 on approval of regulations of the Ministry of Energy of Georgia

#### **ORDER:**

1. Announce the Expression of Interest for the construction technical and economic feasibility study, construction, ownership and operation of the cascade of Tskhenistskali hydropower plants (Scheme I) in Racha-Lechkhumi and Kvemo Svaneti Region, in Tsageri and Lentekhi municipalities, on rivers: Zeskho and Tskhenistskali. Therefore, terms and conditions of the Expression of Interest for construction technical and economic feasibility study, construction, ownership and operation of the cascade of Tskhenistskali hydropower plants (Scheme I) shall be determined according to Appendix 1.
2. Announce the Expression of Interest for the construction technical and economic feasibility study, construction, ownership and operation of the cascade of Tskhenistskali hydropower plants (Scheme II) in Racha-Lechkhumi and Kvemo Svaneti Region, in Tsageri and Lentekhi municipalities, on rivers: Zeskho and Tskhenistskali. Therefore, terms and conditions of the Expression of Interest for construction technical and economic feasibility study, construction, ownership and operation of the cascade of Tskhenistskali hydropower plants (Scheme II) shall be determined according to Appendix 2.
3. Determination of the winner in the Expression of Interest foreseen by the article 1 of this Order calls forth automatic suspension of the Expression of Interest process stated in the article 2 of this Order. Signing the Memorandum of Understanding with the winner of the Expression of Interest leads to termination of the Expression of Interest process.
4. In case of negative outcome of the Expression of Interest foreseen in the article 1 of this Order, the Expression of Interest foreseen by the article 2 of this Order remains in force, continues and will be completed in accordance with terms and conditions set forth in this Order.
5. The present Order and attached Terms and Conditions of the Expression of Interest for conducting feasibility study, construction, ownership and operation of the Tskhenistskali Hydro

Power Plants Cascade Scheme I and Scheme II on the rivers Zeskho and Tskhenistskali in the Tsageri and Lentekhi Municipalities, Racha-Lechkhumi and Kvemo Svaneti Region to be placed on the website of the Ministry: <http://www.energy.gov.ge/>

6. Charge the Legal, Investment Projects and Energy Departments to prepare the draft of the Memorandum of Understanding in accordance with the appendixes of this Order and to place together with documentation foreseen in the article 5 of this Order.

7. The Order is in force from the date of signing.

**Terms and Conditions of the Expression of Interest for Conducting Feasibility Study, Construction, Ownership and Operation of the Tskhenistskali Hydro Power Plants Cascade Scheme I on the rivers Zeskho and Tskhenistkali in the Tsageri and Lentekhi Municipalities, Racha-Lechkhumi and Kvemo Svaneti Region**

**1. Project Description**

- 1.1. Name: “Tskhenistskali Hydro Power Plants Cascade” Scheme I
- 1.2. Location: Georgia, Racha-Lechkhumi and Kvemo Svaneti Region.
- 1.3. Upper Elevation – Lower Elevation: 1505 - 510 m. above sea level.
- 1.4. Approximate Installed Capacity: 357.1 MW.
- 1.5. Average Annual Generation: 1579.9 million KW/h.
- 1.6. Approximate Investment Amount: 695 000 000 US Dollars.
- 1.7. Completion date of the project feasibility study and environmental and social impact assessment: shall not exceed 24 month from the day of signing of Memorandum of Understanding.
- 1.8. Hydro power plant construction commencement date according to the construction permit: shall not exceed 12 month from the day of making decision on construction of the hydro power plant.
- 1.9. Hydro power plants cascade operation commencement date: shall not exceed 60 months from the day of construction works commencement according to the construction permit.
- 1.10. Maximum selling price of electricity to JSC “Electricity System Commercial Operator”: 5.5 US cents per 1 KW/h.

**2. Obligatory Requirements for the Participants of Expression of Interest**

- 2.1 Company, interested in the Expression of Interest, shall submit to the Ministry of Energy of Georgia the statement in accordance with dates set in paragraph 8.1. The statement shall contain the proposal of the participant regarding the implementation of the project according to terms and conditions of this Expression of Interest. Following documents shall be attached to the statement as well:
  - 2.1.1 Certificate of Incorporation of the company and notarized company charter. In case if company is registered in foreign country, this documentation shall be approved according to the Georgian legislation.
  - 2.1.2 Copy of Identification Documents of the authorized representative(s).

- 2.2 The statement of the participant company as well shall include proposal of the company in regard to the electricity price stated in the paragraph 6.3 of this Expression of Interest (the participant of Expression of Interest can submit this proposal in sealed envelope).

### **3. Qualification Requirements**

- 3.1. The Qualification Requirements for participants of Expression of Interest are as follows:
  - 3.1.1. The proposed selling price of electricity to JSC “Electricity System Commercial Operator” by participant company shall not exceed the maximum limit set in paragraph 1.10 of this Expression of Interest terms and conditions;
  - 3.1.2. The statement submitted to Ministry of Energy of Georgia by participant company of the Expression of Interest shall be in compliance with article 2 of this Expression of Interest terms and conditions.

### **4. Expression of Interest Winner Determination**

- 4.1. After the expiry date of the Expression of Interest as stated in paragraph 8.1, Ministry of Energy of Georgia sends written notification to the participants, who satisfy all the terms and condition as stated in this Expression of Interest, and gives additional time, not exceeding 15 days, to submit pre-construction bank guarantee as stated in paragraph 4.4.
- 4.2. Statements by the Expression of Interest participant companies, who provide pre-construction bank guarantee in accordance to paragraph 4.4, will be presented to the Government of Georgia for the determination of the winner.
- 4.3. Ministry of Energy of Georgia will not review statements by the companies, who do not: satisfy terms and conditions of the Expression of Interest, meet due date, submit the pre-construction bank guarantee in accordance to paragraph 4.4. Companies violating above-mentioned terms will receive corresponding notification.
- 4.4. Participant of Expression of Interest, who satisfies the terms given in the Expression of Interest, in accordance to 4.1 paragraph, is obliged to provide a bank guarantee 1 785 500 US Dollars (“pre-construction bank guarantee”) or its equivalent in Euro (at exchange rate set by the National Bank of Georgia at that time) issued to the Government of Georgia, that will ensure signing of the Memorandum of Understanding in accordance with terms of this Expression of Interest and implementation of the obligations by the company in the pre-construction phase. Designated bank guarantee should be valid for 40 months.
- 4.5. The Government of Georgia determines winner of the Expression of Interest.
  - 4.5.1 If Government of Georgia is presented two or more statements in terms of Expression of Interest, Government of Georgia will determine the winner company based on the lowest proposed selling price of electricity to JSC “Electricity System Commercial Operator”, in accordance with paragraph 2.2.

4.5.2 If two or more companies, in accordance with paragraph 4.5.1, are equally rated, Government of Georgia will provide additional time to those participants for further improvement of their offers.

4.5.3 In case, there is only one statement submitted to the Government of Georgia, Government is entitled to determine this company as a winner of the Expression of Interest.

4.6. The Memorandum of Understanding is signed with the winner of the Expression of Interest for the implementation of the project. Ministry of Energy will return the pre-construction bank guarantee to the rest participants of the Expression of Interest within 15 days from the announcement of the winner.

## **5. Signing Memorandum with the Winner of the Expression of Interest**

5.1. Winner of the Expression of Interest is obliged within 120 days from the announcement of the winner to sign Memorandum of Understanding regarding implementation of the project with the Government of Georgia and JSC “Electricity System Commercial Operator”. Ministry of Energy will elaborate standardized draft of MOU and upload it on website.

5.2. In the draft of MoU, by the decision of Government of Georgia some amendments may be made without changing terms and conditions of the Expression of Interest.

5.3. In case if MoU was not signed with the winner, Government of Georgia, will be entitled to announce a new winner and sign Memorandum of Understanding with the participant who had proposed next lowest selling price to ESCO, in accordance to the paragraph 4.5.1.

## **6. Obligations of the Winner in the Expression of Interest**

6.1. In addition to the Memorandum of Understanding provisions, during the pre-construction phase, the winner in the Expression of Interest is obliged to:

6.1.1. Complete feasibility study of the project;

6.1.2. Complete environmental impact assessment, present it to the interested audience and organize public discussion.

6.2. In addition to the MOU provisions, during the construction phase, the winner in the Expression of Interest is obliged to:

6.2.1. Gain rights over the land plots within the construction area;

6.2.2. Obtain construction permit for the project implementation purpose;

6.2.3. Commence the construction of “Tskhenistskali HPPs Cascade” Scheme I in accordance to Georgian legislation, construction environment protection and safety norms. Complete construction and commence the operation of the hydro power plant in accordance to enacted rules.

- 6.3. The winner in the Expression of Interest, who has signed Memorandum of Understanding in accordance to the terms and conditions of this Expression of Interest, for the first ten years of operation, beginning from the date of commencement of operation of the hydro power plant is obliged to sell 20% of the annual electricity generated by the hydro power plant during the months of October, November December, January, February and March according to the power purchase agreement signed with JSC “Electricity System Commercial Operator”, where electricity price will be determined in the amount that determined the winner of the Expression of Interest.
- 6.4. The winner in the Expression of Interest, who signed Memorandum of Understanding in accordance to the terms and conditions of this Expression of Interest is obliged to submit bank guarantee in amount of 50 000 US Dollars or its equivalent in Euro (at exchange rate set by the National Bank of Georgia at that time) per MW of this hydro power plant to the Ministry of Energy of Georgia for the construction phase in accordance to the terms set out in the Memorandum of Understanding. The bank guarantee term shall exceed by 4 months the term set by paragraph 1.9 of this Expression of Interest.

## **7. Special Regulations of Expression of Interest**

- 7.1. Until the Memorandum of Understanding is signed regarding the project implementation, Ministry of Energy is entitled at any stage to make a decision on the cancellation of the Expression of Interest. In such case, all the presented documents and pre-construction guarantees will be returned to respective participant companies of the Expression of Interest.
- 7.2. The expenses related to the implementation of the project shall be fully borne by the winner in the Expression of Interest.
- 7.3. Incurred expenses of the company, regarding participation in the Expression of Interest, will not be reimbursed to the participant companies.
- 7.4. Expression of Interest is considered to have negative outcome from the first moment any of below mentioned events occurs:
  - 7.4.1. None of the statement was submitted in the terms of this Expression of Interest in accordance to the paragraph 8.1.
  - 7.4.2. None of the company, participating in the Expression of Interest, satisfies qualification requirements in terms of this Expression of Interest.
  - 7.4.3. None of the company, participating in the Expression of Interest, submitted bank guarantee in accordance to the terms and conditions of this Expression of Interest.
  - 7.4.4. None of the companies, participating in the Expression of Interest, was determined as a winner of the Expression of Interest.
  - 7.4.5. No Memorandum of Understanding was signed with any company, participating in the Expression of Interest.

## **8. Terms of Expression of Interest and Contact Information**

- 8.1. Interested parties willing to participate in the Expression of Interest shall submit their statements in accordance to the conditions set out by this document, until 18:00, March 14, 2014.
- 8.2. Statements can be submitted during the working hours in the Ministry of Energy of Georgia (Address: 4<sup>th</sup> floor, № 2 Sanapiro Str., Tbilisi, Georgia, 0105).
- 8.3. Contact person for additional information:

Ms. Liza Tavdumadze

Head of the Investment Projects Department

Ministry of Energy of Georgia

№ 2 Sanapiro Str., Tbilisi, Georgia, 0105.

Mob.: +995 577 555093

Tel.: +995 32 2357825

E-mail: [L.Tavdumadze@menr.gov.ge](mailto:L.Tavdumadze@menr.gov.ge)

Web: <http://www.energy.gov.ge/>

**Terms and Conditions of the Expression of Interest for Conducting Feasibility Study, Construction, Ownership and Operation of the Tskhenistskali Hydro Power Plants Cascade Scheme II on the rivers Zeskho and Tskhenistkali in the Tsageri and Lentekhi Municipalities, Racha-Lechkhumi and Kvemo Svaneti Region**

**9. Project Description**

- 9.1. Name: “Tskhenistskali Hydro Power Plants Cascade” Scheme II
- 9.2. Location: Georgia, Racha-Lechkhumi and Kvemo Svaneti Region.
- 9.3. Upper Elevation – Lower Elevation: 1505 - 660 m. above sea level.
- 9.4. Approximate Installed Capacity: 212 MW.
- 9.5. Average Annual Generation: 972 million KW/h.
- 9.6. Approximate Investment Amount: 512 950 000 US Dollars.
- 9.7. Completion date of the project feasibility study and environmental and social impact assessment: shall not exceed 24 month from the day of signing of Memorandum of Understanding.
- 9.8. Hydro power plant construction commencement date according to the construction permit: shall not exceed 12 month from the day of making decision on construction of the hydro power plant.
- 9.9. Hydro power plants cascade operation commencement date: shall not exceed 60 months from the day of construction works commencement according to the construction permit.
- 9.10. Maximum selling price of electricity to JSC “Electricity System Commercial Operator”:  
5.5 US cents per 1 KW/h.

**10. Obligatory Requirements for the Participants of Expression of Interest**

- 10.1 Company, interested in the Expression of Interest, shall submit to the Ministry of Energy of Georgia the statement in accordance with dates set in paragraph 8.1. The statement shall contain the proposal of the participant regarding the implementation of the project according to terms and conditions of this Expression of Interest. Following documents shall be attached to the statement as well:
  - 10.1.1 Certificate of Incorporation of the company and notarized company charter. In case if company is registered in foreign country, this documentation shall be approved according to the Georgian legislation.
  - 10.1.2 Copy of Identification Documents of the authorized representative(s).



10.2 The statement of the participant company as well shall include proposal of the company in regard to the electricity price stated in the paragraph 6.3 of this Expression of Interest (the participant of Expression of Interest can submit this proposal in sealed envelope).

## **11. Qualification Requirements**

11.1. The Qualification Requirements for participants of Expression of Interest are as follows:

11.1.1. The proposed selling price of electricity to JSC “Electricity System Commercial Operator” by participant company shall not exceed the maximum limit set in paragraph 1.10 of this Expression of Interest terms and conditions;

11.1.2. The statement submitted to Ministry of Energy of Georgia by participant company of the Expression of Interest shall be in compliance with article 2 of this Expression of Interest terms and conditions.

## **12. Expression of Interest Winner Determination**

12.1. After the expiry date of the Expression of Interest as stated in paragraph 8.1, Ministry of Energy of Georgia sends written notification to the participants, who satisfy all the terms and condition as stated in this Expression of Interest, and gives additional time, not exceeding 15 days, to submit pre-construction bank guarantee as stated in paragraph 4.4.

12.2. Statements by the Expression of Interest participant companies, who provide pre-construction bank guarantee in accordance to paragraph 4.4, will be presented to the Government of Georgia for the determination of the winner.

12.3. Ministry of Energy of Georgia will not review statements by the companies, who do not: satisfy terms and conditions of the Expression of Interest, meet due date, submit the pre-construction bank guarantee in accordance to paragraph 4.4. Companies violating above-mentioned terms will receive corresponding notification.

12.4. Participant of Expression of Interest, who satisfies the terms given in the Expression of Interest, in accordance to 4.1 paragraph, is obliged to provide a bank guarantee 1 060 000 US Dollars (“pre-construction bank guarantee”) or its equivalent in Euro (at exchange rate set by the National Bank of Georgia at that time) issued to the Government of Georgia, that will ensure signing of the Memorandum of Understanding in accordance with terms of this Expression of Interest and implementation of the obligations by the company in the pre-construction phase. Designated bank guarantee should be valid for 40 months.

12.5. The Government of Georgia determines winner of the Expression of Interest.

4.5.4 If Government of Georgia is presented two or more statements in terms of Expression of Interest, Government of Georgia will determine the winner company based on the lowest proposed selling price of electricity to JSC “Electricity System Commercial Operator”, in accordance with paragraph 2.2.

4.5.5 If two or more companies, in accordance with paragraph 4.5.1, are equally rated, Government of Georgia will provide additional time to those participants for further improvement of their offers.

4.5.6 In case, there is only one statement submitted to the Government of Georgia , Government is entitled to determine this company as a winner of the Expression of Interest.

12.6. The Memorandum of Understanding is signed with the winner of the Expression of Interest for the implementation of the project. Ministry of Energy will return the pre-construction bank guarantee to the rest participants of the Expression of Interest within 15 days from the announcement of the winner.

### **13. Signing Memorandum with the Winner of the Expression of Interest**

13.1. Winner of the Expression of Interest is obliged within 120 days from the announcement of the winner to sign Memorandum of Understanding regarding implementation of the project with the Government of Georgia and JSC “Electricity System Commercial Operator”. Ministry of Energy will elaborate standardized draft of MOU and upload it on website.

13.2. In the draft of MoU, by the decision of Government of Georgia some amendments may be made without changing terms and conditions of the Expression of Interest.

13.3. In case if MoU was not signed with the winner, Government of Georgia, will be entitled to announce a new winner and sign Memorandum of Understanding with the participant who had proposed next lowest selling price to ESCO, in accordance to the paragraph 4.5.1.

### **14. Obligations of the Winner in the Expression of Interest**

14.1. In addition to the Memorandum of Understanding provisions, during the pre-construction phase, the winner in the Expression of Interest is obliged to:

14.1.1. Complete feasibility study of the project;

14.1.2. Complete environmental impact assessment, present it to the interested audience and organize public discussion.

14.2. In addition to the MOU provisions, during the construction phase, the winner in the Expression of Interest is obliged to:

14.2.1. Gain rights over the land plots within the construction area;

14.2.2. Obtain construction permit for the project implementation purpose;

14.2.3. Commence the construction of “Tskhenistskali HPPs Cascade” Scheme II in accordance to Georgian legislation, construction environment protection and safety norms. Complete construction and commence the operation of the hydro power plant in accordance to enacted rules.

14.3. The winner in the Expression of Interest, who has signed Memorandum of Understanding in accordance to the terms and conditions of this Expression of Interest, for the first ten years of operation, beginning from the date of commencement of operation of the hydro power plant is obliged to sell 20% of the annual electricity generated by the hydro power plant during the months of October, November, December, January, February and March according to the power purchase agreement signed with JSC “Electricity System Commercial Operator”, where electricity price will be determined in the amount that determined the winner of the Expression of Interest.

14.4. The winner in the Expression of Interest, who signed Memorandum of Understanding in accordance to the terms and conditions of this Expression of Interest is obliged to submit bank guarantee in amount of 50 000 US Dollars or its equivalent in Euro (at exchange rate set by the National Bank of Georgia at that time) per MW of this hydro power plant to the Ministry of Energy of Georgia for the construction phase in accordance to the terms set out in the Memorandum of Understanding. The bank guarantee term shall exceed by 4 months the term set by paragraph 1.9 of this Expression of Interest.

## **15. Special Regulations of Expression of Interest**

15.1. Until the Memorandum of Understanding is signed regarding the project implementation, Ministry of Energy is entitled at any stage to make a decision on the cancellation of the Expression of Interest. In such case, all the presented documents and pre-construction guarantees will be returned to respective participant companies of the Expression of Interest.

15.2. The expenses related to the implementation of the project shall be fully borne by the winner in the Expression of Interest.

15.3. Incurred expenses of the company, regarding participation in the Expression of Interest, will not be reimbursed to the participant companies.

15.4. Expression of Interest is considered to have negative outcome from the first moment any of below mentioned events occurs:

15.4.1. None of the statement was submitted in the terms of this Expression of Interest in accordance to the paragraph 8.1.

15.4.2. None of the company, participating in the Expression of Interest, satisfies qualification requirements in terms of this Expression of Interest.

15.4.3. None of the company, participating in the Expression of Interest, submitted bank guarantee in accordance to the terms and conditions of this Expression of Interest.

15.4.4. None of the companies, participating in the Expression of Interest, was determined as a winner of the Expression of Interest.

15.4.5. No Memorandum of Understanding was signed with any company, participating in the Expression of Interest.

## **16. Terms of Expression of Interest and Contact Information**

16.1. Interested parties willing to participate in the Expression of Interest shall submit their statements in accordance to the conditions set out by this document, until 18:00, June 13, 2014.

16.2. Statements can be submitted during the working hours in the Ministry of Energy of Georgia (Address: 4<sup>th</sup> floor, № 2 Sanapiro Str., Tbilisi, Georgia, 0105).

16.3. Contact person for additional information:

Ms. Liza Tavdumadze

Head of the Investment Projects Department

Ministry of Energy of Georgia

№ 2 Sanapiro Str., Tbilisi, Georgia, 0105.

Mob.: +995 577 555093

Tel.: +995 32 2357825

E-mail: [L.Tavdumadze@menr.gov.ge](mailto:L.Tavdumadze@menr.gov.ge)

Web: <http://www.energy.gov.ge/>