

Somaliland Renewable Energy Fund Window 1: Energy Service Providers

Responses to Concept Note Application Questions 13 May 2019

Question 1

It is one of the conditions to assign a senior engineer with 5 years experience for each project or site. But this is not practical as available engineers are junior with 2 to 3 years experience. Some engineers have master of engineering certification but with only 1 or 2 years experience. We suggest that you ease that condition and provide employment opportunity to junior engineers.

Response

The ESRES PM feels strongly that the successful implementation of SREF-funded projects will require the active engagement of an experienced project engineer. In recognition of the limited number of experienced project engineers in Somaliland, we had already lowered this requirement from 10 to just 5 years, and this is as low as we can go without significantly increasing the risk of project implementation delay or failure.

Regarding employment opportunities, ESPs are encouraged to hire junior engineers that can be supervised by the more senior project engineer so that they can gain experience, and the ESRES PM agrees that an ESRES project is an excellent learning opportunity for local engineers.

Question 2

Can an applicant assign a project manager for multiple sites? If this is allowed it will reduce project costs and will make coordination better.

Response

Yes, the ESRES PM agrees that this is a reasonable accommodation. If a given applicant proposes more than one otherwise-eligible project, then they may use the same project manager/senior project engineer for multiple locations. However, a given project manager/senior project engineer may only be proposed by a single applicant. If two different applicants propose the same project manager/senior project engineer, only one of those applicants would be able to be selected.

Question 3

It is required for each site to submit billing records for one year. Detailed bills for each customer for a whole year will be huge. Can we summarize the bills so that each customer has one record showing the 12 months bills? We suggest that you provide a template.

Response

To clarify, the ESRES PM is only looking for the monthly summaries of customer billing records, not individual bills for each customer. We have also prepared an illustrative template (attached). It would be appreciated if applicants could use this template, but we recognize that different billing systems produce different outputs, so as long as the output is substantially similar to the illustrative template (using one row for each customer on each monthly sheet), that will be fine.

Note that it is very important that the applicant classify customers by type (Residential, Small Business, Large Business, Other). The ESRES PM recognizes that these categories may not precisely match the applicant's internal classifications (and in fact that the applicant may not have previously classified their customers), but if an applicant has or is proposing a tariff structure that differentiates among customer types, then it is a requirement to have the billing information consistently classified. It will not be acceptable that a customer differential is made where billing records do not allow for this differentiation. It is acceptable to propose to reform the billing records to allow for differentiation as part of the project.

Finally, the data must be in an Excel file so that the evaluation committee and ESRES PM can analyse the data as part of the concept note evaluation process.

Very Important: This Excel file will be considered Annex 6: Billing Records for the Last Year of the Applicant. The file name should include the name of the applicant (E.g., ABC ESP Billing Records for SREF.xls), and it must be e-mailed to info@esres-somaliland prior to the Concept Note Application deadline of 4 pm Hargeisa time on 23 May 2019. This is the only part of the Concept Note Application that will be accepted electronically.

Question 4

Section 6.1.3 of the SREF Window 1 Guidelines (the "Guidelines") requires the Applicant to have two years of experience as ESP at the proposed location. The launch announcement encourages applications from interested international participants, who will not meet this criteria. If an application is submitted at Concept Stage with a confidential shortlist of three ESPs with whom the international partner plans to form a JV, will such a Concept Note application be eligible under s.6.1.3?

Response

The launch announcement encouraged *attendance* from international participants, not applications. The SREF Window 1 applicant must be a Somaliland ESP. Therefore, the scenario posited of an applicant submitting a concept note application with a confidential shortlist of three ESPs is not possible—the applicant must be the ESP and the applicant cannot be anonymous. However, a Somaliland ESP is welcome to partner/collaborate with another firm (international or domestic) in preparing a concept note application and, if selected, the full business plan proposal. This partnership may take the form of a formal JV if the parties choose, but the actual applicant (legal entity) that applies must be the Somaliland ESP with at least two years of operating experience at the proposed project location. Any subsequent grant agreement would also have to be between the ESRES PM and the successful applicant.

Question 5

Please confirm that the final bid and business plan may be submitted by a company newly incorporated by the ESP and international partner.

Response

The applicant cannot be a newly incorporated entity. Please see response to Question 4 above.

Question 6

Is there a minimum ESP % ownership in the Company, for the Applicant to be eligible under s.6.1.3?

Response

As noted in the responses to Questions 4 and 5 above, the applicant must be the Somaliland ESP that has operated at the proposed project location for at least two years. This applicant will be the legal entity with which the ESRES PM engages and signs any subsequent grant agreement should the concept note be shortlisted and the business plan proposal selected.

If the applicant chooses to enter into a JV or other legal arrangement with a partner, the ESRES PM does not impose any a priori terms or conditions on such an arrangement, but it must be disclosed and it will be subject to the due diligence review of the ESRES PM.

Question 7

Section 6.2.1 requires the entire proposed location to have a single ESP. Many towns in Somaliland have multiple ESPs and would not meet this criteria (refer to Annex 1.1). Moreover, a generation company supplying to multiple distribution grids has more scope to achieve best price, given that PSAs are not formalised in the market and the new Energy Act has not yet been enacted. Please clarify the meaning and scope of 6.2.1 and whether such a project may be eligible when supplying to multiple distribution grids.

Response

Section 6.2.1 states that, “The entire proposed location (i.e., the city/town/village) must have a single ESP.” This criterion is included because SREF Window 1 projects will include distribution system improvements, and the ESRES PM does not want to get involved with overlapping/redundant distribution systems. Even if within a city, town, or village with multiple ESPs there’s an area/neighbourhood that is currently served by one ESP, a project serving that area is not eligible for SREF funding because the ESRES PM does not want to get involved in a situation that could become a service territory dispute. Therefore, the ESRES Joint Steering Committee (JSC), comprised of the MoEM and DFID, decided that ESRES will not invest in such areas.

Question 8

Has ESRES completed any initial due diligence to confirm which of the ESPs in Annex 1.1 are acceptable partners under s.11.2.3 of the Guidelines?

Response

There is no Annex 1.1 with a list of ESPs. Section 1.1 of the Concept Note Form (Annex 1) just asks for the name of the Applicant. The ESRES PM has not pre-identified any applicants or performed any initial due diligence. It’s the Applicant’s and/or partner’s responsibility to conduct their own internal due diligence. The ESRES PM will conduct its own due diligence during the evaluation process and prior to signing any grant agreement.

Question 9

s.11.2.3 defines “any close family connection to officials” as a conflict of interest. [Company name redacted], while not having any government relationships, has the

potential to partner with local companies and existing ESPs which might present such a conflict in particular given the significant extent of second and/or third degree family relationships in Somaliland. Could you please define “any close family connection to officials”?

Response

A conflict of interest could include a personal, professional, financial, or business relationship. As noted in Section 11.2.3, “Conflicts of interest may or may not be disqualifying, but they must be declared so that the ESRES PM can make this determination.” If the Applicant is discover to be in an undeclared conflict of interest following concept note submission, this will be is ground for suspension or cancelation of any subsequent grant agreement., applicants are encouraged to disclose any connection or relationship that could be construed as a potential conflict of interest. If in any doubt, disclose it.

Question 10

Does ESRES have a template for calculating Social Return on Investment as outlined in s.5.2.2?

Response

Yes, please see the table below:

Summary of Proposed Project Social Return

Customer Type	Current			Post-Project		Social Return		
	Annual Billed	Annual	Energy Consumption per Customer (kWh)	Tariff (USD/kWh)	Number of Customers	Tariff (USD/kWh)	Additional Customers	
	Consumption	Consumption						
	Customers	(kWh)	(kWh)	(USD/kWh)	Customers	(USD/kWh)	Customers	
Value of Tariff Reduction (USD)*								
Residential			--				-	-
Small Business			--				-	-
Large Business			--				-	-
Other			--				-	-
Total =	-	-			-		-	-
Weighted Average =			--	--		--		

*Note that to avoid double-counting, this is based on the tariff reduction times the current consumption. At this stage, it ignores the additional demand from new connections and the likely increase in consumption resulting from the reduced tariff.

Do not fill in the purple areas. These values will be calculated automatically.

The electronic version of this table is included in the billing data template, and applicants should fill out the data in the Excel sheet.

Note that during the concept note stage, the evaluation committee is only explicitly evaluating the social return in terms of the tariff reduction and the increase in new connections. For simplicity and to avoid double-counting, the ESRES PM is currently keeping these two elements separate, even though we realize that these do in fact combine to increase the social benefit. During the proposal stage, the evaluation of social return will be more detailed and extensive.

Question 11

Has ESRES established a priority list of locations (based on areas that have not previously had any such support) that have the potential to maximise Social Return PV solar mini grids, as defined under s5.2 of the Guidelines? Perhaps based on the need for additional Output Capacity or rate reductions as outlined in Annex 1.1.

Response

No, the ESRES PM has not established a priority list of locations. Any prospective project that satisfies the eligibility criteria will be considered.

Question 12

Is site selection required at Concept Note submission stage, or can a shortlist of 3 locations be submitted with the final location to be selected at Business Plan submission, in co-ordination with ESRES?

Response

Yes, the concept note application must specify the proposed project location. However, an applicant is free to submit separate applications for multiple locations.

Question 13

Does ESRES have any specific requirements for the Solar PV and battery technology to applied in the project (e.g. from European suppliers)? If so can a shortlists be provided?

Response

No, the ESRES PM does not have any specific technology or supplier requirements. There is no country of origin restriction. Applicants are encouraged to identify technologies and suppliers that they feel are most appropriate and provide the best value. The evaluation committee and ESRES PM will assess these choices as part of the evaluation process, particularly during the business plan proposal stage.

Question 14

Can ESRES supply the costing and economics of hybrid PV projects completed in Somaliland in phase 1 (either on a project or redacted basis), as applied under the use of proceeds of public funds?

Response

Please see the table below that was presented during the Launch Event. The contribution of the individual implementing partners (IPs) is not public information, but in aggregate they matched approximately 100% of the ESRES grant amount. Note that the ESRES investment focused on the renewable energy components of the hybrid mini-grid systems, while the IP’s contribution focused on civil works and required infrastructure improvements.

ESRES Phase 1 Project Summary

Location	IP	Contractor	Battery Storage	Operational Acceptance Certificate	ESRES Contribution (USD)	ESRES PV Capacity (kWp)	ESRES Cost per kWp (USD)
Borama	Aloog	PURE	No	December 18, 2017	625,403	400	1,564
Gabiley	Sompower	PURE	No	December 17, 2017	460,400	354	1,301
Sheikh	Beder	DHybrid	Yes	December 18, 2017	391,868	200	1,959
Burao	HECO	PURE	No	August 23, 2017	693,823	500	1,388
Buhoodle	Telesom	DHybrid	Yes	February 23, 2018	391,829	150	2,612
Badhan	Badhan Electricity	PURE	No	August 23, 2017	375,965	270	1,392
Total =					2,939,288	1,874	
Average =					489,881	312	1,703

Question 15

Please could you provide the final timetable further to the draft in section 10 of the Guidelines?

Response

The Guidelines include a detailed timeline of the Concept Note Application process. Everything has so far gone according to schedule. The only two remaining dates are not expected to change and are as follows:

- 23 May. Deadline to submit Concept Note Application.
- 20 June. Selection notification and invitation to submit business plan proposal.

Following the concept note stage of the process, the exact schedule for the second stage of the Window 1 procurement process (the Business Plan Proposal) will be determined by the ESRES PM and ESRES Joint Steering Committee (JSC) following the evaluation of the concept note applications. However, the indicative schedule is that those invited to submit full Business Plan Proposals will be given approximately eight weeks to prepare their proposals.

Question 16

Please can you supply the templates for Annexes 1-3 referenced in the Guidelines?

Response

The ESRES PM does not have templates for the documents requested for these annexes. Annex 1 is the applicant's business registration certificate, and Annex 2 is a tax compliance certificate. Both of these documents are issued by the Government of Somaliland, so the ESRES PM does not have a template for them. Annex 3 is for the CVs of the core project team. The ESRES PM does not require a standard template for these, but applicants are encouraged to limit the CVs to 2-3 pages.

Question 17

Section 1.18 of the final posted application form asks how much energy the applicant produced in 2018. Is this just an annual number or should it be monthly?

Response

Please provide this information on a monthly basis. This will help the ESRES PM better understand seasonal load patterns and losses.

Question 18

Question 2.5 of the Concept Note Application refers to "synchronized generation capacity." Please clarify what capacity we should indicate if we don't have a synchronization panel.

Response

If an applicant doesn't have synchronized generation capacity, then the current total capacity (kW) is that of the largest single generation unit that can operate. Therefore, the capacity per customer will be the capacity of this single-largest operating unit divided by the current number of active customers.

Question 19

We are considering a smart meter solution. However, the application form doesn't have space to include much detail about this. How should we explain our solution?

Response

The Concept Note Application does include space for including a smart meter solution. In Section 2.6, there is space to include the cost of the meters (as you would with analogue). There is also a separate line for "Other smart meter system costs". This is where you would include the additional costs associated with installing and maintaining a smart meter system, including communications, back-end systems, and any recurring licensing fees.

Then, in Section 2.10, you would include a description of your smart meter solution. At this stage, this only needs to be a general description of the type of meter, intended functionality (e.g., pre-paid, time-of-use pricing, etc.), and how you see the system reducing your operating costs, lowering tariffs, and improving customer service. It should also explain the key cost elements associated with the smart meter solution included in Section 2.6.