



# ECG Concession Bidders' Conference

## RfP Stage

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# Presentation Outline

Background to the Transaction

The ECG Concession

Overview of the Request for Proposals, RFP

Bidding and Proposal Evaluation

Post Proposal Arrangements

## Background to the Transaction

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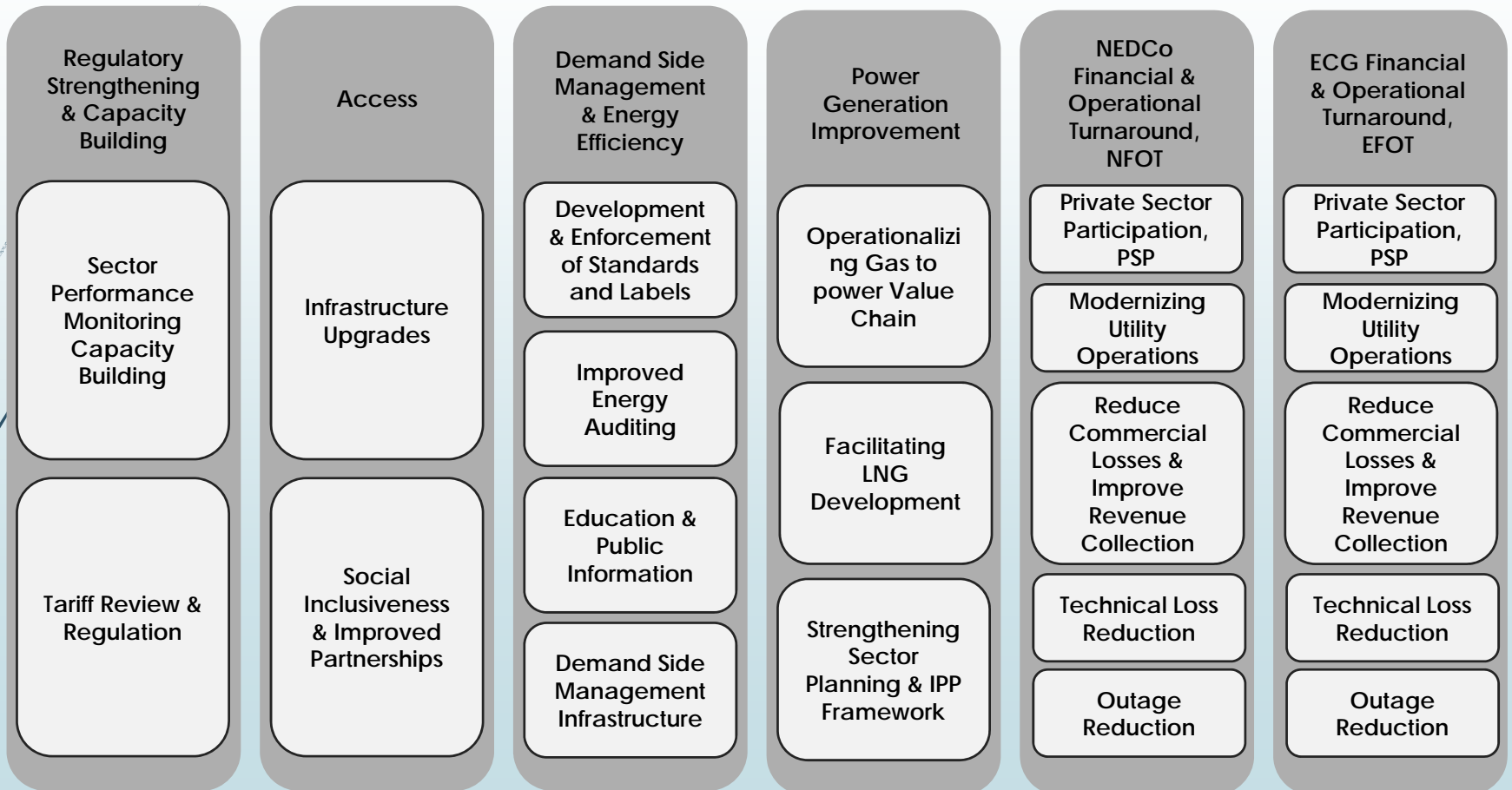


Fin. Min. Seth Terkper signs COMPACT II for Ghana and CEO Dana Hyde for MCC. Pres. Mahama and Sec. Kerry look on.

# The Power Compact

- ▶ An international treaty signed between Ghana and the United States of America in August 2014
- ▶ Its goal is “poverty reduction through private sector-led economic growth”;
- ▶ The programme seeks to:
  - ▶ Provide adequate and secure power to meet stakeholder needs;
  - ▶ Make the distribution operators economically and financially sound;
  - ▶ Make sector governance framework meet the needs of all stakeholders;
- ▶ Its interventions are being carried out through six ‘Projects’.

# Compact Projects



# EFOT Project

ECG Financial  
& Operational  
Turnaround,  
EFOT

Modernizing  
Utility  
Operations

Reduce  
Commercial  
Losses &  
Improve  
Revenue  
Collection

Technical Loss  
Reduction

Outage  
Reduction

Private Sector  
Participation,  
PSP

The five activities under the EFOT project are designed to:

- ▶ Reduce implicit subsidies;
- ▶ Ensure ECG becomes a credit-worthy power off-taker under Power Purchase Agreements;
- ▶ Ensure ECG recovers its costs and undertakes routine maintenance and expansion without GoG Support;

Pursues two-pronged approach to:

- ▶ Undertake infrastructure and foundational investments designed to reduce technical, commercial and collection losses, and improve service quality; and
- ▶ Strengthen governance and management by bringing in an Acceptable PSP Provider (with the requisite track record and experience in distribution, and adequate financial capacity).

# Principles of PSP in ECG

- The process of procuring a private sector partner for ECG is being carried out through an Acceptable ECG PSP Transaction under the following guiding principles:
  - ▶ Selection of the Acceptable PSP Provider through a competitive, open, fair and accountable process;
  - ▶ Treats staff of ECG equitably;
  - ▶ Enables Ghanaians to participate in ownership and operations;
  - ▶ Respects the customs and traditions of Ghana; and
  - ▶ Fulfils local content requirements;
- ▶ Through extensive studies, expert consultations, and nation-wide consensus-building, the government of Ghana chose the concession option as the preferred mode of private sector participation in ECG.

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# PSP in ECG – The Process

- ▶ The transaction management effort started in July 2015 after the signing of the Compact in August 2014
  - ▶ Held a road show event in Accra in April 2016
  - ▶ Issued a Request for Qualification in April 2016
  - ▶ Notified Pre-qualified Applicants in August 2016
- ▶ Prequalified consortia are led by:
  - ▶ The Tata Power Company Ltd (India), with CDC
  - ▶ Manila Electric Company (Philippines)
  - ▶ ENEL S.p.A. (Italy)
  - ▶ CH Group (Ghana), with EDF and Veola
  - ▶ BXC Company Ghana Ltd (Ghana)
  - ▶ Engie Services S.A. (France)
- ▶ MiDA issued the RFP to Pre-qualified Applicants in August 2016

# Proposed Concession Structure

- ▶ Ghana is seeking a private partner, through a specially created investment vehicle, NewCo, and will:
  - ▶ Operate ECG's distribution business for 20 years
  - ▶ Include a 51% minimum Ghanaian private equity participation;
  - ▶ Retain all current ECG staff for its operations;
  - ▶ Meet local content requirements;
  - ▶ Make a minimum of \$500m of investments in the first five years; and
  - ▶ Meet key performance indicators over the life of the concession.
- ▶ Retail competition may be introduced after the fifth year
- ▶ Government of Ghana will not own shares in NewCo

# Proposed Concession Structure II

- ▶ **Lease payments shall be made up of**
  - ▶ Debt service for loans for distribution assets
  - ▶ Administrative costs for restructured ECG
  - ▶ Depreciation charge on ECG's assets
- ▶ **Indemnity**
  - ▶ ECG to indemnify NewCo for land, social, and environmental risks
  - ▶ NewCo to indemnify ECG for 5 years after concession
- ▶ **Pre-transfer date working capital and construction works in progress, CWIP**
  - ▶ will remain with ECG
  - ▶ ECG will sign an agency agreement with NewCo to manage them
- ▶ **Performance Indicators**
  - ▶ Regulatory regime will not change
  - ▶ More stringent requirements within the law will apply

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# Components of the RFP

- Request for Proposals (RFP) constitutes an invitation to Pre-qualified Applicants to submit a proposals to operate, manage, and invest in the electricity distribution business of ECG;
- The RFP document includes the following draft Transaction Agreements:
  - A draft Lease and Assignment Agreement, LAA;
  - A draft Bulk Supply Agreement, BSA;
  - A draft Support Agreement;
- Addenda to the RfP will include:
  - A Financial Evaluation Model
  - A Tariff Methodology;
  - A Distribution License;
  - A Sale License;

# Lease & Assignment Agreement

- The primary agreement. It sets out the relationship between ECG and NewCo.;
- Transfers leasehold interest in leased assets from ECG to NewCo.;
- Transfers ECG's rights and titles to some of its movable property to NewCo.; and
- Grants NewCo. access to other assets of ECG.

# Government Support Agreement

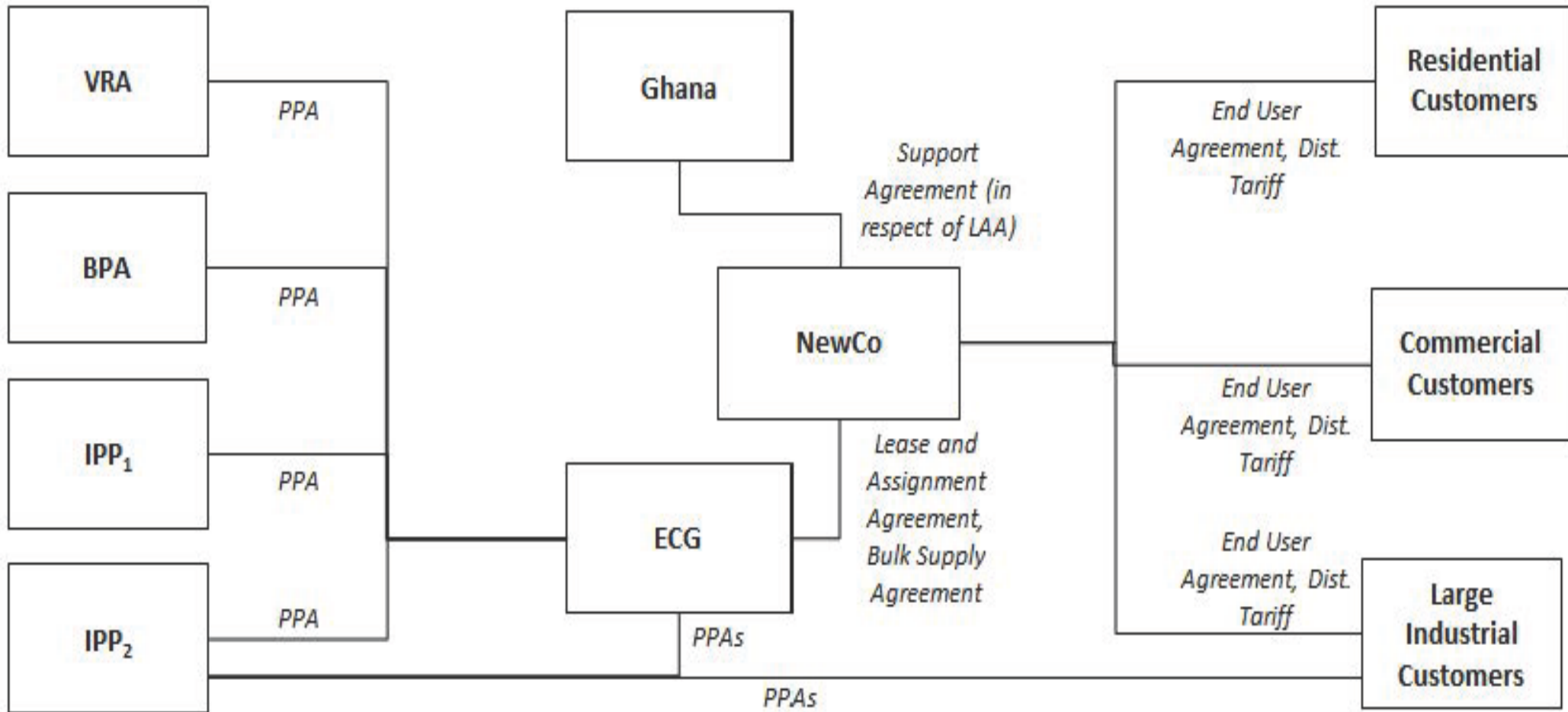
- Guarantees payment of the buyout price;
- Guarantees other specific exposures;
- Indemnifies NewCo. from and against losses incurred by ECG; and
- Guarantees energy consumption by critical GoG (security) installations

# Bulk Supply Agreement

- Describes arrangements for bulk power supply to NewCo
- ECG will retain current PPAs;
- Includes a back-to-back agency agreement with NewCo. to manage ECG's portfolio PPAs; and
- NewCo will pay the IPPs directly (or through a coordinated regulated arrangement);



# Overview of Key Agreements



Background to the Transaction

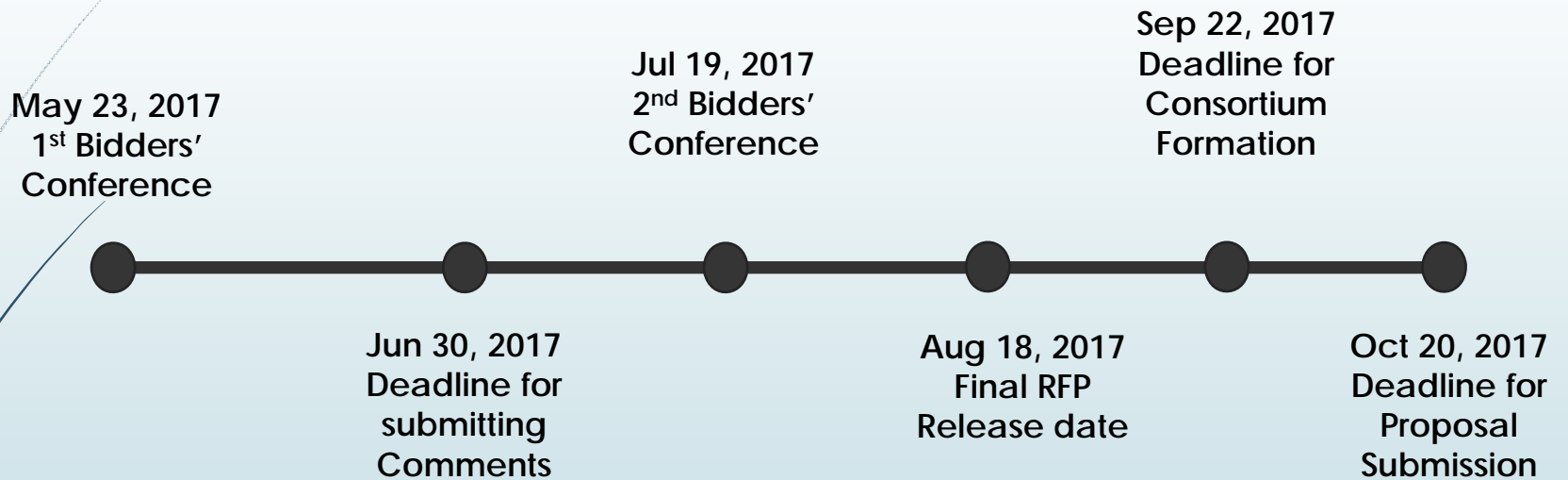
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# Timeline to Proposal Submission



► Any changes will be communicated as necessary

# Preparation of Proposals

- Prior to the submission of Proposals Applicants are invited to submit their comments on the RfP and Transaction Agreements in accordance with Section 2.4 of the RfP, these comments will be discussed during the 2<sup>nd</sup> Bidders' Conference
- Ghana may at its discretion issue addenda to the RfP and/or Transaction Agreements in accordance with Section 2.4 of the RfP.
- A virtual data room has already been opened and updated data will be shared as they are made available. A physical data room has been established at ECG's Head Office.
- Site visits have been planned for this week. Additional visits may be organized at future dates. Applicants should contact MiDA to coordinate these visits
- Pre-Qualified Applicants may identify any Exceptions they intend to take to the terms of the Transaction Agreements as part of their Proposal in accordance with Section 3.2.1 of the RfP.

# Submission of Proposals

- Proposals must be prepared and submitted in accordance with Section 3 of the RFP and includes the following:
  - All Proposals shall be written in English;
  - Applicants may submit only one Proposal, which shall consist of a Technical Proposal and a Financial Proposal
  - The Form of Proposal Letter which affirms that the Applicant continues to satisfy the pre-qualification criteria set forth in the RfQ, and certifies that each of the statements made in the Affidavit(s) (including any actual or potential conflicts of interest, or any offers or payments) submitted pursuant to requirements set out in the RfQ remain true and correct;
  - The Technical Proposal must include updated financial statements that demonstrate that the Pre-Qualified Applicant continues to meet the Net Worth pre-qualification criteria;
  - A Bid Bond in the amount and form as prescribed in Annex 7 of the RFP;
  - Shall remain valid for a period of 240 Days;
- Formatting, Signing, Sealing, and Marking of the Proposal shall be in accordance with Section 3.5 of the RFP; and
- Shall be received by Ghana at the address specified in Annex 4 no later than the time and date stated in Annex 3 (as amended) as the Proposal Submission Deadline.

# Evaluation of Proposals

- Changes to consortia must follow the procedure set out in Section 3.8 of the RfP, Applicants must obtain the prior written consent of MiDA to change the members of the consortium, and must demonstrate that the new consortium meets the pre-qualification criteria. This would require evaluation of the new members of the Consortium.
- Pre-qualified Applicants must continue to satisfy the pre-qualification criteria;
- Evaluation of Proposals will be done in accordance with Section 4 of the RFP as follows:
  - Establishment of Tender Evaluation Committee;
  - Opening of Technical Proposals (Section 4.2);
  - Evaluation of Technical Proposals (Section 4.3);
  - Evaluation of Financial Proposals (Section 4.4);
- Bidders will be ranked according to a combined financial-technical score based on weights as indicated in section 4.3 of the RFP;

# Technical Evaluation

- Evaluation of Technical Proposals will be done in accordance with Sections 4.3 (Technical Evaluation) of the RFP. No criteria other than those stated in the RFP will be used;
- Technical Evaluation involves 2 steps and includes:
  - Step 1
    - Each Technical Proposal will be evaluated to confirm that it is complete and contains all of the required components of a Technical Proposal specified by the RFP as described in Section 3.2.1; and
  - Step 2
    - The Tender Evaluation Committee shall evaluate the *Strategic Plan; Investment Plan; Communications and Public Relations Plan; Structure, Organization, and Staffing Plan; Financing Plan; Local Content Plan, and Other Components of Business Plan*. (Details are provided in Section 4.3.2 of the RFP).

# Financial Evaluation

- Evaluation of Financial Proposals will be done in accordance with Sections 4.4 (Financial Evaluation) of the RFP. No criteria other than those stated in the RFP will be used;
- Financial Evaluation involves and includes the following:
  - Financial Proposals shall not be opened until the Technical Proposals have been evaluated in accordance with Section 4.3;
  - Financial Proposals shall be opened publicly in the presence of the representatives of the Bidders who choose to attend;
  - Bidders Technical Score and the FNPV calculated by each Bidder shall be read aloud and recorded when the Financial Proposals are opened;
  - Minutes of the opening of the Proposal Envelopes shall be taken and provided promptly to all Bidders following the completion of such opening process;
- A "Financial Evaluation Model" will use:
  - (i) the Financial Criteria proposed by each Pre-Qualified Applicant as inputs; and
  - (ii) Assumptions to project the FNPV of each Bidder.



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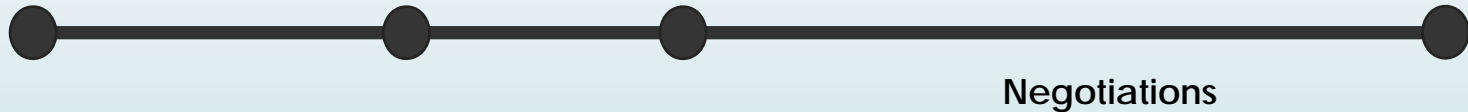
**Post Proposal Arrangements**

# Timeline to Commercial Close

May 23, 2017  
1<sup>st</sup> Bidders'  
Conference

Dec 1, 2017  
Notification to  
Preferred Bidder

May 4, 2018  
Commercial  
Close



Oct 20, 2017  
Deadline for  
Proposal  
Submission

► Any changes will be communicated as necessary

Thank You