



Mini-Grid Acceleration Scheme

Call for Proposals

Rural Electrification Agency

On behalf of the Federal Ministry of Power, Works and Housing

With the support from the Nigerian Energy Support Programme (NESP)

Implemented by

giz Deutsche Gesellschaft
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Zusammenarbeit (GIZ) GmbH

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Overview of the Call for Proposals

- Outline of the funding mechanism process
- Benefits for Developers
- Introduction to Technical Assistance and to the KeyMaker Model

Introduction Mini-Grid Acceleration Scheme (MAS)

Nationwide 1-step **open competitive tender** divided into 6 Lots

- Scheme Managers are FMPWH, REA, NESP, the European Union and the German Government (+ Observers)
- Aim to provide **21,000 customers** with access to reliable electricity at an affordable tariff via the support to privately-led off-grid solar mini-grid projects

Funding Mechanisms

Partial capital in-kind grants

Total Value of EUR 6 Million

- Procurement of distribution assets of EUR 1 Million in value each
- Allocated to each of Nigeria's geopolitical zones

1. Technical Assistance

- Pool of short-term experts
- Provision of technical and transaction advisory support to Scheme Managers and to selected bidders for the awarded projects

Funding Mechanism Process

In-kind grants with total amount of **EUR 6 Million**

1.

Divided into 6 even parts of EUR 1 Million each.
Each 1/6th to be allocated to one geopolitical zone = lot.

2.

Bidders to submit projects per lot, with plan to achieve 3,500 effective connections in one or more sites for that lot. Total private investment should be a minimum of 50% of the total investment.

3.

Submissions will be ranked for each lot. Grant resources to be allocated to the first ranked bidder for each lot individually and always for the maximum grant allowed per lot (EUR 1 Million).

4.

In case of excess in any lot, excess will be distributed across other lots where demand for subsidies exceeds allocated grant resources.
Ratio 50:50 grant/private investment ratio will be maintained in all cases.

Funding Mechanism Details I

- Sites can be freely selected by bidders
- Bidders can apply for all lots, but can only be awarded a **maximum of two lots** (Bidders must indicate preferred lots in their proposal if applying for more than two Lots)
- Each lot should aim for a total of 4,000 and an effective minimum of 3,500 connections
- All bidders to partner with a local business for implementation of a **KeyMaker Model** alongside the mini-grid business

Funding Mechanism Details II

- Grant will cover costs of **purchase and procurement** of grid code compliant distribution equipment from the distribution box of the power station until the meter (excl. the meter)
 - Poles
 - Cables
 - Grid connection (Dropdown lines)
- Generation and metering assets, transportation and installation of all assets to be covered by bidders
- In case there is grant excess (i.e. distribution assets less expensive than EUR 1 Million), NESP will consider to add additional locally purchased equipment e.g. meters with remaining grant

Technical Assistance

Technical Assistance will be provided to all selected bidders

Pool of transaction, finance, engineering and legal consultants to assist with:

i. Refining of business plan

i. Finalising acquisition of regulatory approvals

i. Engineering aspects during project implementation

i. Developing legal templates

i. Developing the KeyMaker Model

i. Acquiring finance

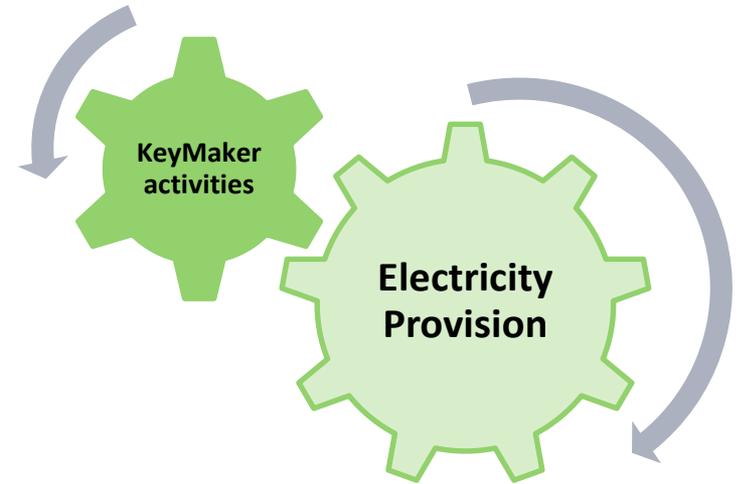
Introduction to the KeyMaker Model

Electricity provision acts as an **enabler for KeyMaker activities:**

Related business opportunities with synergies to the mini-grid business and value chains that open up through electricity provision

Examples:

- Freezing and wholesale distribution of fish
- Processing, freezing and wholesale distribution of beef



KeyMaker Model Submission Details

All proposals to contain the following in relation to the KeyMaker Model:

- **Letter of Intent** co-signed with partner firm for implementation of the KeyMaker Model, including broad outline of how partnership will look like
- **Expected revenue and cost calculations** based on sound data references and analysis
- **Outline of synergies** to existing business
- **Implementation plan** for KeyMaker specific activities at a minimum of one site per lot (recommendation is more than one site)

Summary of MAS Benefits to Developers

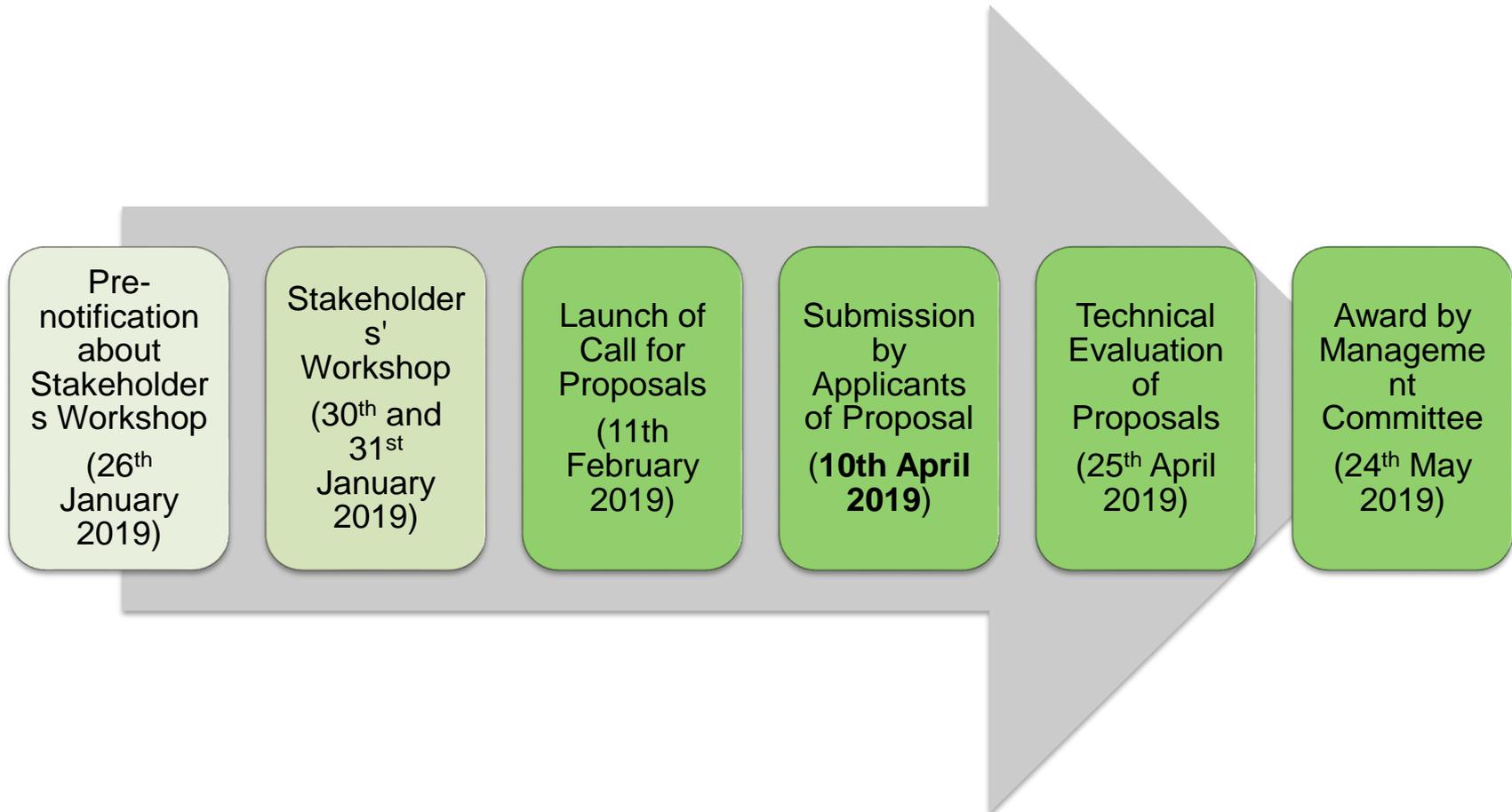
- ✓ Developers can choose sites freely
- ✓ EUR 2 Million in in-kind grant assets for total of 7,000 effective connections
- ✓ Technical Assistance to be provided by leading experts
- ✓ KeyMaker Model providing additional revenue stream
- ✓ Potential access to debt finance through increased project revenues
- ✓ Shorter than other tenders with lower transaction costs, as 1 step tender only



Selection Process

- Timeline for Call for Proposals
- Introduction Odyssey
- Evaluation and Publication of Results
- Assessment – Overview and Deep Dive into Eligibility Criteria
- Evaluation Methodology and Discussion of Key Aspects
- Technical Specs and Minimum Service Level Requirements

Timeline for Selection Process



Introduction Odyssey

- Web-based platform that streamlines the work flow for building and financing mini-grid projects
- Aim to connect all stakeholders in the energy access sector (developers, financiers, donors)
- Registration to be done through separate website, detail to be provided in CfP
- Requests for clarification to be asked through support chat (**not** the forum)
- Five tools that are expected to be used:
 - i. Site and Survey Data
 - ii. Load Forecast Model
 - iii. System Design
 - iv. Tariff Design (using MYTO tool)
 - v. Financial Model



Evaluation and Publication of Results

Three steps to determine winning bidders:



Preliminary Check

- ↪ Confirmation that all documentation is duly completed (Odyssey offers to do this check if proposals are submitted one week early).



Eligibility Assessment

- ↪ Submitted documents will be checked vis-à-vis the eligibility criteria.



Evaluation of proposals

- ↪ Projects will be assessed and ranked per lot. Proposal with highest score will be selected as the winner of the lot.

Non-selected candidates may request for a review of their evaluation within two weeks. Winning candidates will be made public and invited to sign the Grant Agreement. If winner withdraws, subsequent bidders for that lot will be selected, as long as they have achieved minimum score in proposal.

Assessment – Overview of Eligibility Criteria

Separated into four broad categories. The company should:

Eligibility Criteria

i.Be well-established in Nigeria and compliant to all laws and regulations

i.Be able to attract third-party finance

i.Be capable to implement mini-grid projects

i.Prepare a sound proposal

Eligibility Criteria - Establishment in Nigeria

Eligibility criteria	Proof of eligibility through
Incorporated as a for profit company in Nigeria.	Certificate of Incorporation with Corporate Affairs Commission (CAC).
No tax dues.	Two (2) years Tax Clearance Certificate.
License as an Electrical Contractor by the Nigerian Electricity Management Service Agency (NEMSA).	Copy of License.
Compliance with the Pension Reform Act 2004 & 2014.	Certificate of compliance issued by the National Pensions Commission (PENCOM).
Compliance with the Industrial Training Fund Amendment Act 2011	Certificate of Compliance.
Registration on the BPP National Database.	Evidence of registration on the BPP National Data Base.
Compliance with the Nigerian Social Insurance Trust Fund (NSITF)	Certificate of Compliance.

Eligibility Criteria – Ability to attract finance

Eligibility criteria	Proof of eligibility through:
Proof of sufficient insurance coverage.	List of insurance coverage and policies on all entities relevant to the project or its parent companies.
Proof of a positive credit report.	Credit report of all companies related to the project from a credit bureau.
Outstanding loans are repaid in timely manner.	For entities with outstanding loans - Letters from all banks with status, terms, amount remaining and standing of the project company and all companies related to the project.
Valid bank account.	Bank reference letter.
Evidence of audited financial statements.	Audited Accounts for 2016 and 2017, signed and stamped by a certified Auditor Provide, in addition to the most recent year's management financial accounts (2018) for all companies involved. In the case of a new subsidiary company, provide the financial statements of the parent company.

Note: Further financial viability needs to be proven as part of the conditions precedent during the step of „transfer of possessory rights“ – To be covered later

Eligibility Criteria – Capability to implement projects

Eligibility criteria	Proof of eligibility through:
Bidder must have received mini-grid-specific technical trainings and/or assistance from reputable organisation	Certificate(s) of any mini-grid specific trainings conducted by at least 2 staff or letter by training organisation to confirm type of training carried out.
Experience with similar projects.	Evidence of contracts of similar nature executed in last 3 years.
Proof that key management staff has sufficient experience with mini-grids and you meet minimum 20% female participation.	Passport copies and CVs of management involved in leadership, financial and technical components.
Access to inventory relevant to project in terms of tools, vehicles, machines.	Evidence of ownership or assured access to relevant inventory, by way of an audited recent financial statement.
COREN registered engineer on the team.	Evidence that one of key personnel is a COREN registered Engineer.
Lead applicant must be a COREN registered company	Evidence that company is a COREN registered company.
Experience installing and operating solar mini-grids.	Evidence that it has deployed and operated a solar mini-grid, or several mini-grids with a minimum cumulative capacity of 20 kWp in Nigeria for at least 6 months;

Eligibility Criteria – Preparing a sound proposal

Eligibility criteria	Proof of eligibility through:
Proof that sites are developed under exclusive arrangement with community and relevant authorities.	NERC’s exclusivity agreement for all targeted sites.
Overview of all organisations involved in the project.	Listing of shareholders, directors and percentages of ownership of beneficial owners of all entities involved and org chart of project company and all related companies.
Technical design must meet minimum technical specifications.	Evidence that proposed project meets minimum technical specifications regarding mini-grid equipment to be procured.
Tariff shall be compliant with NERC’s mini-grid MYTO.	Fully filled NERC mini-grid MYTO tariff calculation tool showing tariff to be applied.
KeyMaker Model must be based on sound market data.	Market data including reference to data resources regarding the KeyMaker activity.
Proof that the KeyMaker product will find a market.	Co-signed letter of intent with a partner company for deployment of the KeyMaker activity.
Commitment to statements and declarations via a sworn affidavit.	Accurately filled sworn affidavit as per a template, including evidence that firm has an authorised signatory.

Evaluation Methodology

Evaluation will be based on business plans and data submitted via Odyssey

- Maximum score of 1,000 points
- Proposals below 500 points automatically rejected

Proposals to include

Project
background

Profile of project
sites and Demand
Assessment

System Design

Business Model
incl. KeyMaker
Model

O&M and CRM

Financial
Modelling incl.
tariff

Implementation
Strategy and
Regulatory Process

Risk and SWOT
Analysis

Important notes to the evaluation

Evaluation will include both **project** and **company** aspects to strengthen a company's ability to pass **financial due diligence**.

Company aspects that will add points to the proposal include:

- ✓ Sound company profile and experience
- ✓ Submission includes ready-signed contract with KeyMaker partner instead of Lol
- ✓ Annual revenue exceeding 50% of total project value
- ✓ Positive cashflow for last six months
- ✓ Positive average EBITDA over last three years
- ✓ Experience handling loans for (solar) projects

Key Aspects of the proposals – What are we looking for?

1. Clear explanation what **benefits** this projects creates
 - Social: Creation of Employment, Community Buy-In
 - Environmental: Use of renewables and environmentally friendly technology
 - Financial: Economic stimulation and long-term local benefits
2. **Sound and profitable KeyMaker business** leading to financially sustainable overall project
3. **Logical and modular system design** approach capable of adapting to growth in demand
4. **Reasonable financial assumptions** with a profitable business overall
5. **Projects focused on long-term**, with sustainable operations and maintenance and customer engagement approach
6. Clear and well thought-out **risk analysis and mitigation approach**

Technical Specifications

- Aim of quality, durability, standardised approaches and overall sustainable design
- **Only solar PV + battery storage solutions** (with potential for diesel genset) are eligible – Minimum renewables fraction of 50%
- Access to Tier 5 electricity service to be guaranteed for customers
- Two aspects to be considered
 - Minimum Service Quality Requirements
 - Technical System Minimum Requirements
- Datasheets of all specified products and solutions are to be provided
- Design to be done as per NERC Mini-Grid Regulations 2016
- Details of all aspects will be covered in Call for Proposals

	Category 1-A	Category 1-B	Category 2
Battery inverter continuous output in year 3 after commissioning	10 ... 300 kW		150 ... 1000 kW
Description	Modular single phase, one battery per inverter cluster	Modular three phase, one battery per inverter cluster	Large modular or central three-phase inverter, multi string central battery system



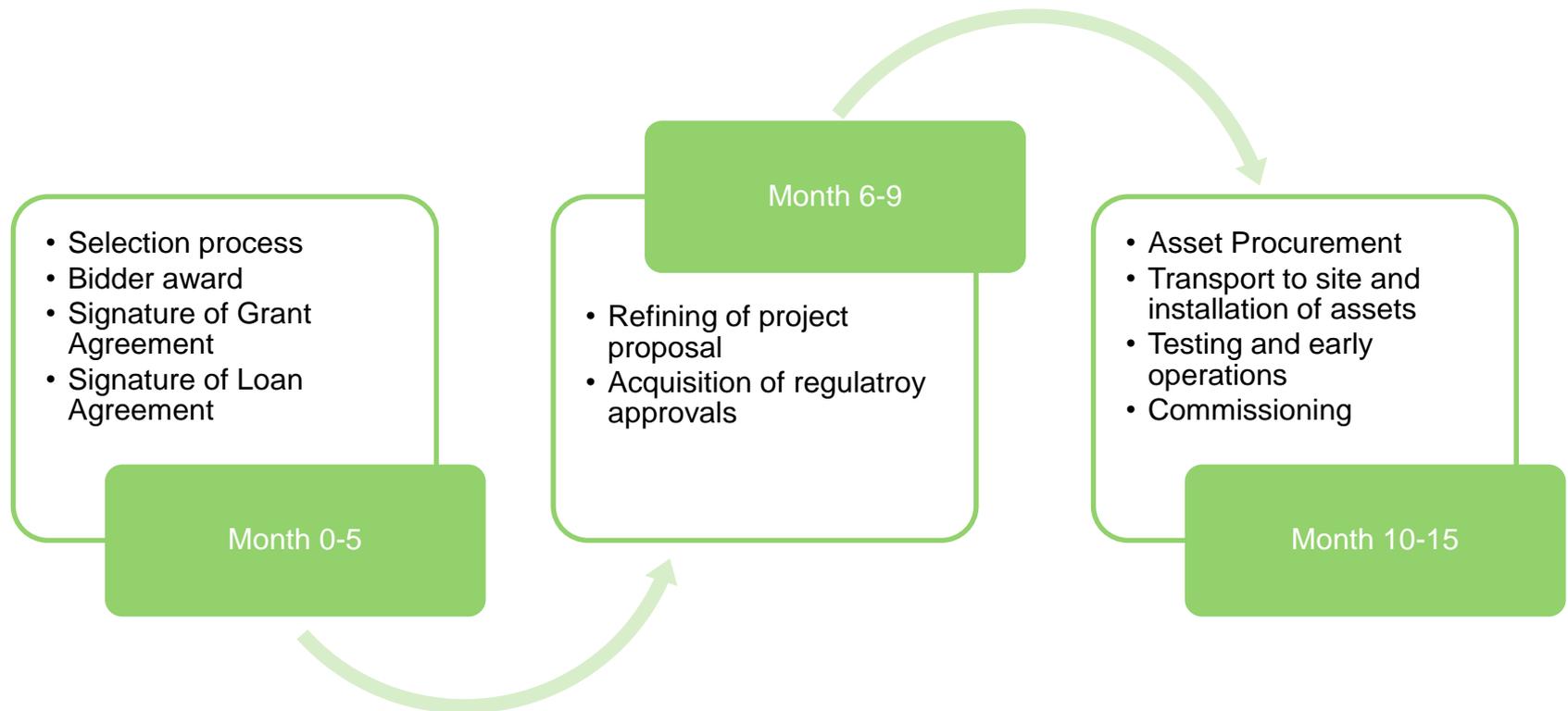
Questions



Implementation Process

- Timeline for Implementation Process
- Conditions Precedent
- Monitoring Stages

Timeline for Implementation Process



Conditions for Transfer of Ownership – Three Steps

1. Signature of Grant Agreement:

REA and selected bidder establish Grant Agreement

2. Conditions Precedent met leading to transfer of possessory rights:

If Conditions Precedent are met, NESP procures grant assets on REA's behalf and transports them to an accessible point. The selected bidder transports the equipment to site and REA transfers possessory rights (in form of a licence). Selected bidder procures privately financed assets and transports them to site.

3. Conditions and transfer of ownership:

Selected bidder installs all assets (granted and privately financed) and tests them. If mini-grid project meets Conditions, the REA transfers the ownership over the grant assets to selected bidder. This will lead to the commissioning of the project.

Conditions Precedent for transfer of possessory rights

1. Notification of project award by REA and Grant Agreement with REA signed
2. Business plan certified via Technical Assistance
3. Proof of acquisition of all required regulatory approvals
4. Proof of establishment of contractual relations with third parties
5. Proof that at least one company in consortium has annual revenue exceeding 50% of total proposed project value.
6. Proof that at least one company in consortium has positive cashflow for last 6 months, or positive average EBITDA over last three years.
7. Evidence of access to a loan or third-party equity investment in past 5 years for value of at least EUR 50,000 (from at least one company in the consortium).
8. Evidence of availability of, at least, 10% of the total project costs in the form of equity.
9. Proof of acquisition of all necessary private investment to pay for costs of project not covered by Grant (e.g. equity availability, signed loan agreement)
10. Certificate of project assets, proof of shipment of equipment and their arrival to site, for all assets procured by the selected bidder
11. Progress report
12. Mini-grid component recycling plan with a specific focus on battery recycling
13. Confirmation from the first verification visit by REA that the quality and quantity of project assets on-site as procured by the selected bidder corresponds with the proof submitted

Conditions Precedent for transfer of ownership

1. Certificate (issued by the appropriate Authority) of installation (including testing) of the mini-grid assets, as indicated in the Grant Agreement
2. Proof of number of connections, as indicated in the Grant Agreement
3. Final report by the selected bidder
4. Confirmation from second verification visit by REA during early stages of operations and after technical commissioning to verify that project assets were properly installed and system supplies electricity up to standards
5. Procurement of valid and enforceable Advance Payment Performance Guarantee in favour of REA, for which duration shall not extend beyond date of completion of minimum number of connections

Monitoring Stages

