



# **Nigeria Electrification Project**

## **Development of Solar Hybrid Mini Grids for Rural Economic Development–Minimum Subsidy Tender**

**(Phase 1 – 4 lots)**

### **Requests for Clarifications**

**May 21<sup>st</sup>, 2019**

**Employer:** Rural Electrification Agency

**Project:** Nigeria Electrification Project

**Contract Title:** Development of Solar Hybrid Mini Grids for Rural Economic Development - Minimum Subsidy Tender (Phase 1 – 4 lots)

**Country:** Nigeria

**Credit No.:** 62910

**ISD No:** REA-NEP-SHM1

Date of Clarification	Number	Question	Response
May 3 <sup>rd</sup> 2019	1	We would like to clarify Section 4 of the RFP regarding technical capacity. The definition of mini grid does not include the word "solar". Do you literally mean any system generating between 10kW-10GW and connected to two or more customers, regardless of technology qualifies?	<p>In Section III - Initial Selection Criteria and Requirements, the Applicant must use <b>solar and solar hybrid</b> mini grids, with generation capacity between 10kW and 10MW, and a network that distributes power to two or more customers, to show its experience in:</p> <ul style="list-style-type: none"> <li>• Developing mini grids (criterion 4.1 and rated criterion 1)</li> <li>• Operating mini grids (criterion 4.2 and rated criterion 2).</li> </ul>
May 3 <sup>rd</sup> 2019	2	Are state-owned enterprises eligible?	<ul style="list-style-type: none"> <li>• State-owned enterprises are eligible as per clause 4.2 of the Instructions to Applicants (ITA).</li> <li>• Further, as per clause 4.9 of the ITA, Applicants that are state-owned enterprises or institutions in the Employer's Country may be eligible to be initially selected, compete and be awarded a Contract(s) only if they can establish, in a manner acceptable to the Bank, that they (i) are legally and financially autonomous (ii) operate under commercial law, and (iii) are not under supervision of the Employer.</li> </ul>
May 3 <sup>rd</sup> 2019	3	On page 33 of the attached, requirement, 3.3 states that applicants must have twice raised \$5 million in debt for infrastructure projects. The requirement seems rather narrowly tailored, so we wanted to ask how strict it will be on the specifics. Do the raises have to be debt, or can they be equity? Does it really have to be \$5M twice, or could it be, say, \$4M thrice?	The Applications will be evaluated based on criterion 3.3. The Applicant must have raised debt successfully for at least two (2) projects in infrastructure since January 2014, for an amount of at least USD5 million or its Nigeria Naira equivalent for each project.

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May 3 <sup>rd</sup> 2019	4	<p>On page 34, requirement 4.2 requires the operation of 2 minigrids since January 2014. Is this a continuous operation requirement- in other words, it is required that the applicant has been operating minigrids nonstop for the last 5 years straight- or is the requirement that the developer has spent some amount of time operating minigrids, and that operation wasn't all before 2014?</p>	<ul style="list-style-type: none"> <li>• The requirement is for the Applicant to have operated at least two (2) mini grids in the past five (5) years (since January 2014).</li> <li>• There is no requirement of continuous operations of mini grids in the past 5 years. The Applicant may have operated the 2 mini grids during any period between January 2014 and the issuance of the initial selection document.</li> <li>• Further, for criterion 4.2, there is no restriction as to the commissioning date of the mini grids operated by the Applicant.</li> </ul>
May 3 <sup>rd</sup> 2019	5	<p>Page 59, Section A Overview of the Opportunity:          "The REA, with support from the World Bank, will provide a subsidy to cover part of the capital expenditure to Successful Proposers. Proposers will compete on a minimum subsidy basis. This means that Proposers will propose the lowest amount of subsidy required to develop a portfolio of mini grids for a minimum number of connections."          According to INVITATION LETTER, the subsidiary suggested by proposers will be highly considered who will be final competitive successor. Here to clarify based on what ground the subsidiary is calculated and compared, on the capacity of power plant or connector numbers?          If different proposers bids for different lots, there is no comparability at all.</p>	<p>We understand "subsidiary" to mean "subsidy" in this context, for this clarification and for clarifications number 7.</p> <p>The financial proposal, i.e., the subsidy request, is expected to be on a per connection basis. In other words, in their financial proposal for a given lot, Proposers would indicate the \$/connection that they require to build and operate all of the mini grids in that lot. Proposals for each lot will be compared to other proposals for that particular lot, not across lots. Finally, the financial proposal is only one part of the evaluation. The evaluation will also take into account the technical proposal.. The specifics regarding the evaluation criteria will be disclosed with the Request for Proposals.</p>

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May 3 <sup>rd</sup> 2019	6	<p>Page 63, Section A Overview of the Opportunity It is mentioned that "Applicants are encouraged to partner with local companies."</p> <p>Page 23, ITA 4.2, "Any unincorporated single entity or Joint Venture will be required to be incorporated in the Federal Republic of Nigeria before signing the Grant Agreement with the REA"</p> <p>Does proposer have to register branch company in Nigeria for the implementation of proposed project according to regulations, is that a mandatory rules for bidding purpose?</p>	<p>Any single entity or Joint Venture may submit proposals, so incorporation in Nigeria is not required in order to bid. However, if selected, it would need to have been incorporated in Nigeria before REA will enter into a Grant Agreement with it. It is mandatory for the company entering into a contract with the REA to register with the Corporate Affairs Commission (CAC) in Nigeria for the purpose of tax remittances under the project to the Federal Government of Nigeria. It is a statutory requirement of the Federal Republic of Nigeria.</p>
May 3 <sup>rd</sup> 2019	7	<p>Page 71, Section A.3 Arrival of Main Grid Assets financed by grants are not eligible for compensation (these assets become ownership of the community)</p> <p>Question: What does "GRANTS" refer to here, is it equivalent to the subsidiary granted in compliance with grant agreement?</p>	<p>Details on the regulatory treatment of subsidies for asset compensation in case of grid arrival will be provided at RFP stage.</p>
May 3 <sup>rd</sup> 2019	8	<p>Commercial operation of mini-grid: whose responsibility to collect electrical bill charge, by proposers or NERC? And what currency will be paid to proposers, USD or Nigerian Naira? how many years?</p>	<ul style="list-style-type: none"> <li>• It is the responsibility of the developer to collect payments from the customers for electricity provided.</li> <li>• As these communities are in Nigeria, it is expected that subscribers will pay in Nigerian Naira.</li> <li>• There is no time limit for the operations of the mini grids.</li> </ul>
May 3 <sup>rd</sup> 2019	9	<p>If the distribution grid will be included in the construction? If it is, will the customers pay for the fee for the connection to the main grid?</p>	<p>It is up to the developer to design its financial model and incorporate any charges it expects its customers to make prior to determining its cost per connection.</p>

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May 10th 2019	10	<p>Component: Minimum Subsidy Tender</p> <p>Reference: Invitation for initial selection - ITA 1.1, Page 23 + P. 60</p> <p>The Invitation for Initial selection refers to lots, awarded to applicants. Can you confirm there will be 4 different lots, 1 for each region, as detailed p.60?</p>	Yes this is confirmed. There will be four (4) different lots, one per state (not region).
May 10th 2019	11	<p>Component: Minimum Subsidy Tender</p> <p>Reference: Invitation for initial selection - 25.3 – 25.4, P.16-18 + ITA 25.3 P. 27</p> <p>According to the Invitation for Initial selection applicants may submit proposals for multiple lots, requiring that they fulfill the aggregated financing requirements:</p> <ul style="list-style-type: none"> <li>• Could you please detail the requirements to bid for multiple lots, compared with 1 lot?</li> </ul> <p>Should applicants indicate which lots they are submitting for at the pre-qualification stage or only at the RFP stage?</p>	Details of how application for multiple lots should be submitted will be provided at RFP stage. Applicants are not required to indicate which lots they wish to bid for at the initial selection stage.
May 10th 2019	12	<p>Component: Minimum Subsidy Tender &amp; Performance based-grant Reference: General</p> <p>Could you please confirm that:</p> <ul style="list-style-type: none"> <li>• Minimum Subsidy Tender sites will be located only in Niger, Ogun, Sokoto and Cross Rivers State, both during phase I (57 sites) and phase II (250 sites)?</li> </ul> <p>Performance based-grant can be delivered for sites in any state in Nigeria?</p>	<p>The Minimum Subsidy Tender (Phase I) will be for sites located in Niger, Ogun, Sokoto and Cross River. The geographic scope for Phase II will be announced when Phase II is launched.</p> <p>Applications for Performance Based Grants can be submitted for any of the developer's site located in Nigeria.</p>

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May 10th 2019	13	<p>Component: Minimum Subsidy Tender</p> <p>Reference: Invitation for initial selection - 24.1 Page 16.</p> <p>The Invitation for Initial selection refers to Nominated sub-contractors. It is not clear whether or not, nominated sub-contractors will be selected to perform part of the works (example: construction).</p> <p>Will there be any nominated sub-contractors participating in the Minimum Subsidy Tender? If yes, for which scope and in which case? If not, can you confirm applicants may select independently their own sub-contractors?</p>	<p>As stated in the Initial Selection Data Sheet (ISDS), "The REA does not intend to execute certain specific parts of the contract by Subcontractors selected in advance."</p> <p>Applicants may select their own subcontractors so long as they comply with Instructions to Applicants (ITA) 24.2:</p> <p>"The Applicant shall not propose to subcontract the whole of the contract. The Applicant may propose subcontractors for certain specialized parts of the contract. Applicants planning to use such specialized subcontractors shall specify, in the Application Submission Letter, the parts of the contract proposed to be subcontracted along with details of the proposed subcontractors including their qualification and experience."</p>

May 10th 2019	14	<p>Component: Minimum Subsidy Tender</p> <p>Reference: Invitation for initial selection - 24.2 Page 16.</p> <p>The Invitation for Initial selection refers to sub-contractors that may be proposed by the applicants.</p> <p>Shall the applicants define their sub-contractors before signature of the Grant Agreement? If yes, at which stage shall sub-contract be determined (Pre-qualification, RFP, Grant agreement)?</p>	<p>As stated in the Instructions to Applicants 24.2: The Applicant shall not propose to subcontract the whole of the contract. The Applicant may propose subcontractors for certain specialized parts of the contract.</p> <p>Applicants planning to use such specialized subcontractors shall specify, <b>in the Application Submission Letter</b>, the parts of the contract proposed to be subcontracted along with details of the proposed subcontractors including their qualification and experience.</p> <p>Instructions regarding the Application Submission Letter are provided in Section C of the Instructions to Applicants (pp. 12-14): 12.1 The Applicant shall complete an Application Submission Letter as provided in Section IV, Application Forms. This Letter must be completed without any alteration to its format.</p> <p>The Application Submission Letter template in Section IV includes the following paragraph:</p> <p><b>(h) Subcontractors and Specialized Subcontractors:</b> We, in accordance with ITA 24.2 and 25.2, plan to subcontract the following parts of the contract:</p> <p><i>[Insert any part of the contract which the Applicant intends to subcontract along with complete details of the Specialized Subcontractors, their qualification, and experience]</i></p> <p>This is where Applicants would need to define their subcontractors as part of their Initial Selection submission.</p>
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May 11 <sup>th</sup> 2019	15	What's the exactly "Minimum Subsidy" meaning? It refers to the minimum subsidy of the EPC cost of this project or the minimum subsidy of FIT (electricity tariff per KWh)?	<p>"Minimum subsidy" tender refers to a tendering process where, in their financial proposals, bidders would compete to request the lowest amount of subsidy they require to build and operate the mini grid projects. Developers requesting lower subsidy would be scored higher during evaluation of financial proposals.</p> <p>However, please note that the evaluation of proposals will be based on the quality of the technical proposal and the financial proposal (amount of subsidy requested).</p> <p>Feed-in-tariffs are not applicable in this tender because the mini grid operator sells electricity to customers (domestic and commercial customers), and not to a utility.</p>
May 11 <sup>th</sup> 2019	16	What's the business structure before the main grid comes on site?	This program does not prescribe the business structure for the mini grids to be built and operated. It is the developer's responsibility to determine which business model would be suitable to ensure the continued operation of the mini grids it intends to develop under this sub component.
May 11 <sup>th</sup> 2019	17	What's the business structure after the main grid comes on site?	Please refer to the NERC Mini Grid Regulations 2016 on options available to mini grid developers in the event that the main grid comes to their site(s).



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May 11 <sup>th</sup> 2019	18	For the operator, how it collects the payment for the power generated from hybrid plant? From the Disco or from the individual population of village? Can it be paid in US dollars?	It is up to the developer to determine the most suitable means of collecting payment for power generated from the mini grids. The communities that have been selected under this tender are all completely off grid and are not being served by any DisCo. The customers that will use the power generated from the mini grids are residents in these communities. It is expected that the developer will charge in local currency, as payment to be collected from these customers will be in local currency.
May 11 <sup>th</sup> 2019	19	After the COD (Commercial Operation Date), can the operator transfer to a third party or within a limited period?	Restrictions (if any) on the sale or transfer of projects will be described at the RFP stage.
May 11 <sup>th</sup> 2019	20	Applicant must provide evidence of having experience in raising the debt; the question is, what if you have been funding your project by yourself, what do you now tender as evidence to raise debt?	If you have been financing projects only with your own resources, then you would not have experience raising debt. Having raised debt for any infrastructure project, not necessarily for mini grid projects, would satisfy this requirement.
May 11 <sup>th</sup> 2019	21	How many companies can form a joint venture (JV)?	Two (2) or more companies can form a joint venture depending on the parties involved. There is no restriction on the number of companies forming a joint venture. Joint ventures are encouraged in World Bank financed projects particularly if it will enhance their qualifications and capabilities. A joint venture may be for the long term (independent of any particular procurement), or for a specific procurement. All the partners in a joint venture shall be jointly and severally liable for the entire contract.

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May 11 <sup>th</sup> 2019	22	Are all the joint venture submitting various requirements separately or on the joint venture should have all the necessary requirement?	The submission requirements of the entities within a JV are clearly stated in the Initial Selection Document (ISD) (section III) Some criteria should be met by each member of the joint venture, some should by all the members, and some criteria should be met by one member of the joint venture only.
May 11 <sup>th</sup> 2019	23	The 3 years financial document stated in the document is it the provision of bank statement or provision of audited accounts?	The document referred to, is the three (3) years audited financial statements of the company, duly signed and stamped by certified financial auditing firm.
May 11 <sup>th</sup> 2019	24	For the "minimum subsidy" from World Bank, it will be in USD or Nigerian Naira? Will it be paid to the account of selected proposers directly? If the selected proposer refers to receive in overseas region which is in USD/RMB, is it possible?	The CBN restricts disbursement of the grants in Naira for companies registered in Nigeria. All the details of how the grant will be disbursed will be described at the RFP stage.
May 11 <sup>th</sup> 2019	25	For the electric bill charge from the customer, the developer, the developer collect payment from customer directly or from "community"? We understand the "community" will collect the payment from customer directly and then transfer to developer.	The developer is expected to collect payment from customers directly.
May 12 <sup>th</sup> 2019	26	On the eligibility for several REA programmes, NEP and NESP IMAS: can we enter into different JVs to submit for distinct programmes for instance JV1 submitting for NEP programme and JV2 submitting for IMAS programme?	<p>Our focus for this REA-World Bank supported programme is the Nigeria Electrification Project (NEP). Kindly ensure that you review the qualification criteria as stated in the Initial Selection Document for the NEP to ensure that you meet the eligibility requirements.</p> <p>Eligibility for the NEP has nothing to do with IMAS, so being in a particular JV for IMAS should not prevent a developer from being part of a different JV for NEP.</p>

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May 12 <sup>th</sup> 2019	27	On the expected return: are there any threshold on the IRR that can be gained by the minigrid operators in the context of the tender Phase 1? Or any commitment to provide a minimum guaranteed grant in order for the minigrid operators to secure a decent IRR while providing customers with affordable electricity?	The subsidy that is competitively determined through the tender is provided to the winning developers as viability gap funding. Therefore, it is incumbent on the developer to specify the level of subsidy they require to make the projects viable when they bid. NEP cannot provide any guarantee that the developer will be able to achieve any specific level of returns.
May 12 <sup>th</sup> 2019	28	On the eligibility within 1 single programme: can we enter into different JVs with distinct local partners as long as the contracts we apply for are different lots? That raised the question of the definition of a contract: a distinct lot or the tender Phase 1? <ul style="list-style-type: none"> <li>• For instance can one company do a JV1 with Partner 1 and JV2 with Partner 2 where</li> <li>• JV1 would submit for lot 1 and JV2 for lot 2 for the Phase 1 Tender, lot1 and lot2 being different?</li> </ul>	Applicants are not required to indicate which lots, or contracts, they will bid on at initial selection stage
May 12 <sup>th</sup> 2019	29	On the expected return: are there any threshold on the IRR that can be gained by the mini grid operators in the context of the tender Phase 1? Or any commitment to provide a minimum guaranteed grant in order for the mini grid operators to secure a decent IRR while providing customers with affordable electricity?	The subsidy that is competitively determined through the tender is provided to the winning developers as viability gap funding. Therefore, it is incumbent on the developer to specify the level of subsidy they require to make the projects viable when they bid. NEP cannot provide any guarantee that the developer will be able to achieve any specific level of returns.
May 15 <sup>th</sup> 2019	30	ITA 4.2.: Do the "Members of a Joint Venture" need to have an equity stake, or can the JV be based on joint governance or other contractual relationship? If	There is no specific equity requirement or particular governance or contractual relationship required to qualify as a joint venture; indeed, for an intended JV

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		there is an equity requirement, please specify if there are any thresholds or other considerations we should be aware of.	a simple letter of intent is sufficient. However, all members of a joint venture shall be jointly and severally liable for the execution of the entire Contract in accordance with the Contract terms.
May 15 <sup>th</sup> 2019	31	ITA 4.2.: Please clarify at which point the applicant needs to be a registered Nigerian entity.	An applicant does not have to be registered in Nigeria at the stage of Initial Selection. Please refer to ITA 4.5 and ITA 5.1.
May 16 <sup>th</sup> 2019	32	<p>With reference to the Section III of the Initial selection document related to the development of solar hybrid mini grids for rural economic development, mini grids are defined as systems with both:</p> <ul style="list-style-type: none"> <li>• A generation capacity between 10kW and 10MW</li> <li>• A network that distributes power to two or more customers.</li> </ul> <p>Would projects developed with net metering methodology qualify as mini grids? Net-metering defined as a billing mechanism that allows customers to feed Solar PV electricity to the local distribution system and credits solar PV system owners for the electricity they add to the distribution network. Meaning that we have two customers (the main private off taker and the national grid operator). Would this be accepted?</p>	No. The national grid operator would not be considered a customer to which power is distributed, but rather the entity buying power from eligible net metering systems. This arrangement would therefore not be considered a mini grid for the purpose of establishing the Applicant's experience under Technical Capacity criteria 4.1 and 4.2.