



GET FiT NEWS

GET FiT Zambia awards 120MW_{ac} in highly competitive international solar PV tender

Friday, April 5th, 2019

Lusaka, Zambia

GET FiT Zambia is pleased to announce the award of six (6) solar PV IPP projects, totalling 120MW_{ac}. The lowest successful bid came in at 3.999 USc/kWh and the weighted average of all six successful projects is 4.41 USc/kWh¹. This is the largest single Solar PV tender implemented in Sub-Saharan Africa (SSA) to date outside of South Africa, and is the first time a tariff below 4 USc/kWh is achieved through a public tender in SSA.

The GET FiT tender had a target outcome of 100MW_{ac}, but due to the favourable results, the GRZ and GET FiT Investment Committee decided to award an additional 20MW_{ac}. Notably, the award was not based on price alone but was based on a total combined technical and financial score.

GET FiT is the Government of the Republic of Zambia's programme to facilitate private sector investment in small- and medium-scale Renewable Energy Independent Power Projects (IPPs) in Zambia. The programme is a partnership between the Department of Energy and the German Development Bank, KfW, and is implemented by the GET FiT Secretariat (staffed by Multiconsult).

The Government's committed to renewable energy

The tender represents the first phase of implementing the Government of the Republic of Zambia's (GRZ) REFiT Strategy, launched in 2017. The press conference hosted by the Ministry of Energy Permanent Secretary Brigadier General Emelda Chola (Rtd.) confirms GRZ's commitment to enabling renewables, as well as their satisfaction with the results of this solar PV tender.

Successful consortiums

The consortiums that have proven successful in the tender are summarized below. The consortiums all consist of highly reputable companies with solar PV and African track-records. Each of them have passed a rigorous and competitive pre-qualification, and have submitted comprehensive technical and financial proposals. An important aspect of the tender design has been to ensure timely implementation and compliance to both technical and environmental compliance, including IFC E&S Performance Standards. These elements were captured in the technical minimum criteria and scoring.

- 1st Award – Two Proposals of Joint Venture Building Energy & Pele Energy - Bulemu East & West– 20MW_{ac} each at USDc **3.999/kWh_{ac}**.
- 2nd Award- Two Proposals of Joint Venture GlobeEq & Aurora Power Solutions - Aurora Sola One & Two - 20MW_{ac} each at USDc **4.52/kWh_{ac}**.
- 3rd Award – Two Proposals of Joint Venture of InnoVent & CEC - Garneton North & South Solar- 20MW_{ac} each at USDc **4.80/kWh_{ac}**.

In addition to the awarded bidders, two consortiums have been awarded "Reserve" status. GET FiT Zambia reserves the right to call upon these consortium, each of which have also submitted bids for a total of

¹ It is noted that 10% of the tariffs will be indexed to the US Producer Price Index.

40MW_{ac} each, in the event that any of the awarded consortium are unable to either meet pre-established timeframes and/or meet compliance requirements.

Local content and capacity building

It is notable that not only does one of the consortiums consist of a strong local partner (CEC), but as part of the technical proposal, all bidders have committed to local capacity building programs.

No market distortions

Ryan Anderson, the Tender Agent Team Leader notes, “*it is important to recognize that these tariff results represent a truly competitive outcome. Not only were developers required to find and acquire their own suitable sites and pay for shallow grid connection, but GET FiT Zambia has offered no form of grant financing, nor has it arranged for concessional finance.*” Marco Freitag of KFW Development Bank agrees, “*what has made this such a competitive outcome is the bankable standardized transaction agreements, the effective tender implementation and the steadfast commitment of the Government of Zambia and ZESCO.*” It is however noted that GET FiT Zambia made concerted efforts to facilitate bidders’ access to competitive finance, including ATI’s Regional Liquidity Support Facility which provides short-term liquidity backing for ZESCO’s offtake commitment under the PPAs.

Trinity International LLP prepared the standardized transaction documents including the PPA, IA and GCA.

Ms. Orli Arav (GET FiT Investment Committee member) also emphasized the reputation and role of GET FiT Zambia and KFW Development Bank; “*The GET FiT program has now established a track-record in two countries in terms of enabling renewable IPPs, first in Uganda, and now in Zambia. KFW’s role as an honest broker in terms of finalizing transaction documents and advising the Government is central to the success of this model.*”

A competitive process

GET FiT Zambia is proud that following the launch of the tender, all key milestones have been achieved. Following 23 submissions at the PQ stage, 10 consortiums were invited to submit up to two project proposals. Out of these, 8 consortiums delivered proposals for 15 projects. Of these 15 submissions, 11 passed all minimum technical criteria. All 15 project submissions were subject to detailed evaluations, including site visits. The technical and financial scoring were both decided upon in two separate Investment Committee meetings, constituted by 5 independent regional experts.

It is notable that the primary reason that consortiums did not meet minimum criteria was due to deficiencies in complying with or demonstrating sufficient commitment to IFC E&S Performance Standards.

Contributing to affordable clean power in Zambia

These results make a considerable contribution to Zambia’s efforts to expand access to affordable, reliable and clean power, while also diversifying the generation mix. Ryan Anderson explains, “*In consultation with our Zambian counterparts, we decided to target 100MW_{ac} and the tender has thus resulted in some 156MW_p of peak installed capacity. Combined with the fact that all successful bidders have chosen to use trackers and some even bifacial panels, the result is an estimated annual generation of 360GWh in the first year of production.*”

Marco Freitag, the KfW programme manager emphasized, “*The tender results are extra-ordinarily favourable for the Zambian people and ZESCO, as they contribute to the ultimate goal of least cost power procurement.*”

Combined with the Scaling Solar projects, these results solidify Zambia as a true market leader in Africa when it comes to pursuing a clean energy development path.

A truly successful tender will only be achieved once all projects have been commissioned and are serving the Zambian national grid. A key step to getting there will be the signing of all Power Purchase Agreements (PPA) and Intergovernmental Agreements (IA) with ZESCO and GRZ, respectively. In this regard, GET FiT Zambia commends the commitment of GRZ to put the power sector on a more sustainable footing through the implementation of a set of ambitious sector reforms that Cabinet has adopted in 2018. Judy Raphael, GET FiT Zambia Director also emphasizes that *“now that the awards are in place and the projects will have to sign PPAs and achieve financial close, the importance of ensuring a financially viable sector becomes even more pressing. GET FiT Zambia looks forward to working with GRZ and ZESCO to ensure timely implementation of these projects.”*

Cooperation delivering results

The GET FiT Zambia tender has been characterized by dedicated and steadfast cooperation between the GET FiT Secretariat, KfW Development Bank, the Department of Energy, ZESCO, ERB and OPPPI. This cooperation has been critical to timely and effective implementation of the tender, and will key to ensuring effective implementation of GET FiT going forward.

Looking ahead

The GET FiT Secretariat looks forward to working with our Zambian counterparts and the successful bidders to implement these projects in a timely and compliant manner. The GET FiT Secretariat will now also follow the projects all the way to commissioning. Rene Meyer, the Tender Design Expert with the GET FiT Secretariat emphasized that *“our team has included some innovative terms and mechanisms meant to prevent delays and ensure overall compliance. In particular, we believe that these innovations will mitigate the risk of delays during implementation. Nonetheless, ensuring timely PPA signing, financial close and construction start will be a focus of our team going forward.”*

GET FiT small hydro Tender

In addition to this solar PV tender, GET FiT Zambia has already initiated its small hydro tender. Specifically, the results of the pre-qualification will soon be announced. A process to allocate pre-feasibility rights and a request for proposal during the course of 2019 will follow this. For more information on the GET FiT hydro tender, please see: Ms. Judith Raphael at the GET FiT Zambia Secretariat.

The Government of Zambia, KfW Development Bank and the GET FiT Secretariat wish to extend their appreciation to the bidding consortia for participating in this tender of national importance for Zambia.



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