



**REQUEST FOR PROPOSALS
FOR THE PROVISION OF COMMERCIAL ADVISORY SERVICES TO
WESTERN POWER COMPANY LIMITED**

Ngonye Falls Hydroelectric Project
Zambia

Date of issue: 4th May 2021

Proposal submission deadline: 14th May 2021

Proposed selection date: 19th May 2021

CONFIDENTIAL INFORMATION

This Request for Proposals is provided to prospective commercial advisers on a strictly confidential basis and its contents must not, without the prior written consent of Western Power Company Limited, be discussed with, or copied or disclosed to, any person other than employees of the recipient. All work associated with the preparation of submissions will be at the adviser's sole expense and no liability is accepted for any costs incurred in connection with such work.



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1 Overall Objectives of this Procurement

Proposals are being invited by Western Power Company Limited ("**WPC**" or the "**Company**") for a Commercial Adviser to provide advisory services to the Company. The services procured under this request for proposals will be principally in relation to WPC's work to secure a bankable power purchase agreement ("**PPA**").

WPC is looking for a firm with strong relevant experience relating to financing of power projects, with experience in Africa and in particular in Zambia (where experience of dealings with the Government of the Republic of Zambia ("**GRZ**") and the national electricity utility ZESCO will be useful). Experience of hydroelectric projects is not essential but will be helpful.

2 The Client

WPC is an Independent Power Producer, incorporated in Zambia to develop, finance, construct, own, operate, maintain and manage a 180MW installed capacity run-of-river hydroelectric power generating facility situated at the Ngonye Falls on the Zambezi River, Western Province, Zambia (the "**Project**").

All advice provided to WPC will be disclosed to its shareholders. The voting shareholders of WPC are African Power Projects Limited ("**APP**"), Scintilla Limited ("**Scintilla**") and InfraCo Africa Limited ("**InfraCo**"), together the "**Shareholders**". The equity interests at the time of signature of the PPA are expected to be approximately 50:50 among InfraCo on the one side and APP and Scintilla on the other.

APP (incorporated in Mauritius) and Scintilla (incorporated in Zambia) are private companies set up by the founders of WPC, who are a team of Zambian and British businessmen with expertise in engineering, construction, agricultural and real estate development and banking.

InfraCo (incorporated in England and Wales) is a donor-funded privately managed project development company incorporated by the Private Infrastructure Development Group ("**PIDG**"). InfraCo's mandate is to develop and structure financeable private sector and PPP investment opportunities with the objective of increasing private sector involvement in Sub-Saharan African infrastructure by taking on early stage development risks. Details of InfraCo's mission and mandate can be found on its web site at www.infracoafrica.com, and information about PIDG can be found at www.pidg.org.

The development of the project through to financial close is managed by a joint development team drawn from APP and InfraCo. WPC has also worked with, and received development funding from, DBSA since the early stage of the Project.

3 Background and Description of the Project

3.1 Project Overview

The Project site is located on the Zambezi River at Ngonye Falls in the Western Province of Zambia, approximately 270km north west of Livingstone and 110 km north of Sesheke, the nearest grid power

interconnect. The scheme is run-of-river, comprising a diversionary barrage and an overtopping weir to divert water through a 3km open canal exiting via a power house downstream of the falls. The Project is located close to an existing 66kV spur transmission line from Sesheke to Mongu, which is insufficient to evacuate the power, and ZESCO, the Zambian national power utility, is committed to constructing a 220kV transmission line for the same route. There is good road access from Livingstone running close to the site.

3.2 Project Objectives

WPC is developing the Project as an Independent Power Producer on the basis of an unsolicited scheme (as opposed to a government-tendered site). The Project meets GRZ's objective for the country's installed electricity generation capacity to be increased through both public and private development projects. The Project is expected to have significant benefits for the country and the Western Province, including:

- increasing overall installed capacity;
- providing a major electricity generation facility in the underdeveloped Western Province to assist the economic growth in that region;
- strengthening and stabilising the Zambian power network and reducing transmission network power flows and losses from Southern Zambia to Western Zambia; and
- demonstrating private sector capability to work with government to deliver new power infrastructure in the Western Province of Zambia.

3.3 Project Status

3.3.1 Engineering and construction

WPC has completed detailed engineering, environmental and social feasibility studies for the Project. It received ZEMA approval for its ESIA in April 2021.

The EPC tender process has been started on the basis of these detailed feasibility studies and EPC contractors have been shortlisted. As the scheme is run of river and there is no tunnelling. The construction period is estimated at 36 months.

3.3.2 PPA and Project documents

An Implementation Agreement with GRZ was signed on 8th December 2015; an Implementation Amendment Agreement will shortly be negotiated alongside the PPA.

A full PPA based on an earlier agreed heads of terms is under advanced negotiation with ZESCO. The PPA allows for an open book cost-reflective tariff structure. The Connection Agreement to the national grid and commissioning arrangements are being developed with ZESCO as part of the PPA negotiations.

ZESCO's technical and financial advisers have recently completed initial due diligence including the technical specification and the financial model.

3.3.3 Transmission line

WPC is working to support ZESCO on its planned construction of a 220 kV transmission line from Sesheke to Mongu past Sioma through which the power will be evacuated. This will be an extension to the national grid, but the timely construction of this T-line is essential to the Project and the current expectation is that the 110km stretch from Sioma to Sesheke will be factored into the scope of the Project, and would therefore need to be addressed in the Project's commercial agreements (e.g. EPC contract, PPA) and project finance documents.

3.3.4 Timeline

It is anticipated that, if the bankability issues could be resolved, financial close could be reached in 2022 though the sponsors are eager to achieve this as soon as possible. The table below provides an estimated project timeline.

Table 1. Project Timeline

	Activities	Status or target
	Right to carry out feasibility study for the Project (on an IPP basis) granted by Ministry of Energy and Water Development	Issued 2011
	Implementation Agreement with Ministry of Energy	Signed December 2015
	Technical feasibility study for the Project including water flow, bathymetric, hydrodynamic modelling studies, geotechnical coring and studies	Completed 2019
	Environmental and Social Impact Assessment	Approved April 2021
	Negotiate off-take and connection agreements	Advanced; expected to conclude 2021
	Negotiate Government support agreements (if required)	2021/2022
	Procure and negotiate EPC, operation and management contracts in compliance with European Union procurement guidelines	Re-start in 2021
	Negotiate project financing	2021-2022
	Financial close and start of construction	2022 followed by 36 month construction period

3.4 Community objectives

WPC is committed to support long-term community development through both a community equity participation in the Project with the traditional authorities (the Barotse Royal Establishment, "**BRE**") and the provision of a fixed amount of annual Project revenues for community development projects. WPC and the BRE signed a Community Partnership Agreement in May 2017 that sets out headline terms and key principles. Detailed arrangements to put these principles into effect will include the establishment of a community development fund that will be administered by a trust with broad local membership and conforming to international governance requirements. The BRE shareholding in the project, which will be held on behalf of the community of the Western Province, is set at a 'golden' 6% to be held as a separate, non-voting class of shares.

3.5 Project values

WPC is committed to this Project realising a transformative outcome for the Western Province of Zambia. It is committed to the values of transparency and openness of the PIDG.

Through its involvement with the community and its objective of bringing in Zambia's National Pension Scheme Authority ("**NAPSA**") or an equivalent state body as a shareholder post COD, it intends to set out a clear statement that the Project is a joint enterprise between developers, finance and the people of Zambia.

The EPC contract is required to be managed to the highest standards of engineering and safety.

3.6 Financing

Construction will be funded by a mix of senior debt and equity. It is currently envisaged that the senior lenders to the Project will be international Development Finance Institutions and/or Export Credit backed commercial banks. The reason for this is the credit support requirements coupled with the long tenor required. DBSA is expected to participate in the debt financing following its support for the Project's development phase.

The founders of WPC (i.e. APP and Scintilla) intend to maintain a long term equity interest in the Project through construction and operation. The community will maintain a 6% interest under the arrangements outlined in section 3.4 above. InfraCo wishes to remain for a shorter term in the Project, exiting on market terms at an appropriate point to be determined.

3.7 Project advisors

WPC is currently advised by Mott MacDonald as the owner's engineer. White & Case have been appointed as the Company's legal advisors and will be responsible, inter alia, for the EPC Contract and Project Finance documents. The PPA, Connection Agreements and Implementation Amendment Agreement with GRZ are being handled by Osborne Clarke.

4 Scope of Work

4.1 Overall Scope of Work

The Commercial Adviser will be retained principally to advise WPC with the objective ("**Objective**"): *to achieve a bankable PPA for the Project.*

The Commercial Adviser will be expected to work with the Development Team and the Board (and, where matters are reserved to decision by the Shareholders, the Shareholders directly) to achieve the Objective. It will also be expected to work closely with the Company and Shareholders and their existing external consultants.

4.2 Specific elements

To assist bidders to prepare comparable quotations, the following table of specific deliverables is drawn from the broader Objective listed above. All of these elements are expected to be conducted in a collaborative and iterative process between the Commercial Adviser and the Shareholders.

Element	Item
(A)	Provide a strategy and engagement plan for achieving a bankable PPA, and assist WPC to implement this.
(B)	Provide commercial advice to WPC in respect of the PPA and related agreements through the remainder of the negotiation process, in order to ensure that WPC secures an offtake agreement that will be considered bankable by senior lenders to the Project.
(C)	Advise in particular on the credit arrangements in the offtake and other agreements that will be necessary to achieve bankability (e.g. guarantees, escrows, letters of credit), factoring in the likelihood of success in the specific context of Zambia and the Project, and assist WPC in the achievement of such arrangements.
(D)	Review and advise WPC on the Project's financial model as applicable to achieving the Objective.
(E)	Advise on the development of associated Project documents such as the Implementation Amendment Agreement where applicable and/or necessary to the Objective.

5 The Proposal

Respondents to this RFP should provide a full proposal (maximum 10-12 pages plus appendices). The appendices should contain the description of the team proposed and the detailed explanation of the fee proposal.

General information on expertise and experience of the firm that does not relate to the proposed Project team will not be highly weighted in the evaluation of the offer.

The proposal should set out:

Service proposed

- A description of the services the respondents will provide for their fee bid, explaining how these can be co-ordinated with work already in hand;
- A description of other services which the respondent considers will be necessary but are not included in this scope; and
- A method statement for the provision of the required services and who will be carrying out the work, including
 - (i) each team member's name, title and office location;
 - (ii) a description of their role in the representation; and
 - (iii) the expertise, qualifications and experience they have to undertake this assignment.

Timing

- The proposed timetable for completing the tasks outlined in the Scope of Work, broken down into phases with relevant decision gates, and allowing for necessary flexibility resulting from the fact that PPA negotiations may be partly outside the Project's or the Commercial Adviser's full control; and
- Confirmation that the respondent is available to commence immediately upon appointment, and to complete the work according to the proposed (flexible) timetable.

Team

- Details of the proposed team members' track record in Africa, in particular Zambia, including any experience of working with GRZ and ZESCO;
- Details of the proposed team members' track record in structuring and negotiating PPAs and bankability solutions, including experience with both public and corporate counterparties;
- Details of the proposed team members' track record in project finance transactions; and
- Details of the firm's resilience in the event that team members are no longer available.

Capability

- Confirmation of capability to execute an engagement agreement on the terms described in section 7 below;
- Confirmation that neither the respondent nor proposed team will have any conflict of interest with respect to the proposed transaction and a declaration of past engagements with APP, Scintilla or InfraCo; and
- Names of two past/current clients that may be contacted for references.

Fees

- A copy of the respondent's proposed terms of business;
- Proposed fee structure with a breakdown of fees against the specific items marked in the table of elements;
- A breakdown of anticipated disbursements; and
- Explanation of how UK and/or Zambian VAT, reverse VAT and withholding tax may be relevant to the engagement and how the proposed engagement might be structured in order to minimise unnecessary liability therefor on WPC (including an agreement to appoint a tax agent in Zambia if required by WPC). Bidders will have access to summary tax advice obtained by WPC but are expected to satisfy themselves in this respect.

WPC requires the respondent to provide an estimate of fees and expenses for providing the required services, and to propose a cap on fees. The proposal should evidence how the estimate and cap have been arrived at and their components. The proposal should set out all assumptions relied on, and how the cap might be varied should such assumptions prove to be incorrect.

The proposal should be denominated in US dollars and should include detailed terms of payments. The successful respondent will be responsible for the payment of all taxes (UK, Zambian or otherwise) arising from provision of services. The respondent should explain how their services will be provided so that WPC bears no irrecoverable liability in respect of Withholding Tax and so as to minimise irrecoverable liability for Reverse VAT.

Proposals will be evaluated to identify the firm that can provide the best proposal on a balance of:

Qualifications and experience of the respondent's proposed team	40%
Technical proposal to achieve the Objective	30%
Fees and expenses proposal	30%

During evaluation of the proposals, WPC may ask for clarification of the proposal and for a presentation to the project development team.

Proposals are sought on a competitive basis and may be subject to negotiation. The bidder shall bear all costs associated with the preparation and submission of its proposal.

It should be noted that WPC's choice of preferred Commercial Adviser and any proposed fee arrangements will be subject to agreement among the Shareholders.

6 Submission Details

Proposals should be submitted to Philippa Viljoen (Director) and to Hugh Meares (Director) by email to: pviljoen@infracoafrica.com and hugh.meares@westernpower.org. All proposals must be received by 23:00 Zambia time on the date stated on the front of this RFP.

If any clarification on the required services is required, please send an email to the address noted above. The clarification will be provided to all bidders.

7 Engagement Agreement

Following the selection of the preferred bidder, WPC will prepare a draft engagement agreement incorporating the terms of the preferred proposal, including phases as proposed and if necessary negotiated. WPC reserves the right to negotiate the proposed terms of business before including them in the engagement agreement. It is WPC's intention to award and sign the engagement agreement by the date stated on the front of this request for proposals.

No adjustments by the Commercial Adviser to the agreed fee arrangement or to the Scope of Work set out in the engagement agreement will be permitted, for any reason whatsoever, including due to any increase in the cost of professional labour, subcontractors, travel costs, taxes, errors in the estimation of man-hours/man-days to perform the services, or misunderstandings of the Scope of Work.

8 Transparency

Applicants should be aware that details of high value contract(s) are published by InfraCo and/or PIDG on their respective websites, including contract values and the identities of suppliers, and applicants hereby consent to such publication should they be awarded the engagement.

9 General

This request for proposals does not intend to and does not create legal rights and obligations between WPC or its Shareholders (or their representatives) and the bidder other than as set out herein. WPC is not under any obligation to award the work set out in this request for proposals to any party. WPC reserves the right to reject any bid or to amend, suspend or abandon the process of selection of a bidder(s) at any stage prior to the signature of an engagement letter.

Respondents will be asked to enter into an NDA and are kindly requested to treat with the necessary confidentiality all of the information herein relating to WPC and its Shareholders and to the details of the Project. No publicity by applicants (including statements to the media) regarding the request for proposals or its content or the award of any contract is permitted unless and until WPC has given its express written consent to the relevant communication.

Further information about WPC and the Ngonye Falls Project is available at www.westernpower.org.