

Approved by the Government of Georgia

Resolution # \_\_\_\_ date \_\_\_\_ 2008

State Program "Renewable Energy 2008"

Rule on the construction of the new renewable energy sources in Georgia

1. The purpose of the state program "Renewable Energy 2008" – the rule of construction of the new renewable energy sources (hereinafter referred to as a "regulation"), is to support new renewable energy sources construction in Georgia by attracting foreign investments.
2. In order to support the construction of new renewable energy sources, in case of interest or after expression of interest, in accordance with the conditions of the presented program, the Memorandum of Understanding (MOU) should be signed between the Government of Georgia, Electricity System Commercial Operator, LTD (ESCO) and an appropriate party. The Memorandum is an agreement on the cooperation of the parties.
3. In order to attract investments for the construction of the new renewable energy sources in Georgia, the Ministry of Energy of Georgia has published a list of the potential renewable energy sources on its official web-site ([www.minenergy.gov.ge](http://www.minenergy.gov.ge)). The list includes location schemes, and main technical parameters. The list is a subject to a regular updates by the Ministry of Energy of Georgia.
4. On behalf of the Government of Georgia, the Ministry of Energy of Georgia announces the expression of interests for building, operation and ownership of the renewable energy power sources. The expression of interest will be announced in the press distributed on the territory of Georgia and on the official web-site of the Ministry of Energy ([www.minenergy.gov.ge](http://www.minenergy.gov.ge)).
5. Expression of interest announced by the Ministry of Energy should contain the following:
  - a. Name(s) of the power plant(s) listed in the list of potential renewable energy sources, possible location scheme(s) and the main technical parameters;
  - b. Conditions and criteria to determine the best application;
  - c. Application submission address and detailed contact information (telephone; e-mail);
  - d. Terms of Application review and a bank guarantee submission ;
  - e. Any and all relevant information about the project requested by the Ministry;
6. The Ministry of Energy should publish on its official web-site ([www.minenergy.gov.ge](http://www.minenergy.gov.ge)) the draft of Memorandum of Understanding mandatory for the applicants and changes to it can be made with the consent of Government.
7. Terms and conditions for building, operation and ownership of the power plant(s):
  - a. During the 10 years of the power plant operation, in the winter season of each year during three months agreed by the memorandum, the electricity produced by the power plant shall be realized (according to the electricity balance) to ensure only the domestic consumption;

- b. During the 10 years of the power plant operation, in the winter season of each year during three months agreed by the memorandum, depending on the choice of the appropriate person, the electricity produced by the power plant shall be realized to any buyer in Georgia by free (deregulated) tariff and/or by means of the guaranteed purchase agreement agreed upon in advance with ESCO (standard form enclosure in the article 2 of this regulation) in which the tariff is determined according to the acting legislation;
  - c. In order to guarantee on time construction and exploitation of the power plant, a bank guarantee should be provided by an appropriate party. Bank guarantee should be issued for USD 170 000 for each megawatt, according the power plant total capacity, by any bank in Georgia or abroad licensed by OECD. Amount of the guarantee should not exceed 15% of bank's capital.
8. Parties interested in the project should submit to the Ministry the application form filled out according to the regulations set by this Resolution. Submitted application should include the information about the parties participating in the expression of interest, name of the power plant(s) listed in the list of potential renewable energy sources, construction starting and ending dates and operation terms. The application should include the consent given by the participant on the project obligations and the published draft Memorandum of Understanding. Any interested party or a group of persons has the right to express interest and fill out an application for the maximum of 7 power plants from the list. Interested party can apply for the other power plants only after they fulfill their obligation under Memorandum to construct the power plant and bring it into an operational condition.
9. Submitted applications are registered at the Ministry of Energy (the registry). Within two working days, the Ministry of Energy will publish all submitted applications on the official web-site ([www.minenergy.gov.ge](http://www.minenergy.gov.ge)). Applications will be listed on the web-site in the "List of Potential Renewable Energy Sources of Georgia". Information will include names of the power plant(s) for which the applications are submitted and the deadline for expression of interest on these power plants for other applicants. Applications submitted after that deadline will not be accepted. The term for the deadline shall be 30 calendar days from the initial application date.
10. According to the Article 8 of this regulation, the Ministry will review submitted application(s), within 5 working days after the application submission deadline,; if the application(s) completely satisfies the requirements, conditions and criteria declared in the expression of interest, Ministry shall set the term for providing a bank guarantee. This term shall not exceed the 5 working days after application review. In case of presenting a bank guarantee determined in item "c" of article 7 a short list of qualified candidates will be forwarded to the government of Georgia for making final decision.
11. Should there be only one application for particular power plant(s), the Ministry will act according to the Article 10.
12. Should there be 2 or more prospective investors announcing interest for the same power plant (s) project, priority will be given to the applicant providing:
  - a. Commitment to faster time for construction and setting into operation of the power plant
  - b. Higher percentage of a bank guarantee calculated for each megawatt.
13. Criteria given in the Article 12, paragraphs "a" and "b" are given 50-50% weight and are evaluated on a 10 point scale. The highest grade is given according to the less construction and exploitation period and higher financial guarantee for the power plant construction for each megawatt. Other criteria are evaluated on the comparison bases with all submitted applications. The final grade shall

be given to application according to its multiplied and added weight of the other criteria mentioned above.

14. If submitted application does not satisfy the requirements, conditions and criteria and/or is not submitted on time, and if a bank guarantee is not provided on set time, application(s) will not be forwarded to the government of Georgia for discussion. Information stating the above mentioned will be sent to the applicant during 10 working days after discussion of the application.
15. In accordance with the Articles 12 and 13 of this regulation, if submitted applications are determined to be similar, according to the Government decision, the Ministry has the right to send a notice to the applicant and ask to improve the proposal. Improved applications should be submitted to the Ministry during 10 working days after the relevant request. The Ministry will then forward improved applications to the Government of Georgia for a decision.
16. In accordance with the Article 13 of this regulation, The Government of Georgia is entitled to determine the best application(s) and the date for signing the memorandum no later than 3 months after the decision is made.
17. The Ministry will send a notice to the selected applicant along with details on the time frames for the signing the memorandum. The other applicants will be notified and a bank guarantee provided for the selection process will be returned to them within 5 working days after their request.
18. The Ministry will introduce to the Government the draft Memorandum to be signed with selected applicant. If the Memorandum is approved by the Government it shall be signed for the construction, operation and ownership of the power plant.
19. By requesting from the selected party's site or by its own initiative the Government will consider to grant the selected party land area necessary for the construction of power plant in accordance with the current regulations.
20. After the memorandum of understanding is concluded and signed, the information will be published on the official web-site of the Ministry ([www.minienergy.gov.ge](http://www.minienergy.gov.ge)). The information will also include names of power plants listed in the list of renewable energy sources and terms of power plant construction.
21. The monitoring on fulfillment of the terms and conditions of the MOU is conducted by the Ministry of Energy.
22. To support the construction of new power plants, the Ministry of Energy in accordance with the memorandum coordinates it with appropriate organizations.
23. Power Plants of 100 MW and over 100 MW capacity are not effected by this Resolution.
24. If the interested party(s) denies to sign a guaranteed purchase agreement to be concluded in advance with ESCO and is (are) a qualified enterprise or the main shareholder(s) (and/or a person directly or indirectly connected) of such enterprise and the total capacity of the power plant does not exceed 125% of its own consumption, in such case by the decision of the government of Georgia the above mentioned rule is not effective.
25. The Government of Georgia shall separately discuss power plant(s) construction issues and make a decision if any particular case arises in accordance to the above mentioned articles 23 and 24.