



PRE-QUALIFICATION QUESTIONS AND ANSWERS

**THIRD BGFA CALL FOR PROPOSALS (BGFA3)
UGANDA**

Helsinki, 8 June 2021



These Questions and Answers form an integral part of the BGFA3 Pre-Qualification Guidelines:

Q1	Are there any specific indicator, evidence or justification required to demonstrate whether a customer is in the residential, commercial or institutional category?
A1	<p><i>Yes, you need to demonstrate that the customer complies with the relevant requirements. For ease of reference repeated in the following: A residential customer is an end-customer (person or household) receiving energy services for dwelling purposes. A commercial customer is an end-customer (businesses, including small and medium-sized enterprises, industries and to some extent also the so-called informal sector) receiving energy services for power appliances (e.g. lighting, phone charging, etc.) and/or the use of electrical machinery and/or any type of electrical productive-use equipment used in the production of goods or services for the purpose of the end-customer's income-generating activity. Small informal businesses qualify as commercial customers, as long as the energy service is used solely for an income-generating activity (i.e. not serving a residential end-customer). An institutional customer is an end-customer (a public or private entity) receiving energy services to provide public services, free or at a reasonable cost, to a community (e.g. health, education, drinking water, street lighting, etc.).</i></p>
Q2	<ol style="list-style-type: none"> 1. API: Will we be automatically pushing data to your systems? How frequently, and could you tell me what data? 2. Certification: We are currently in the process of obtaining our IEC 62509 certification will this be sufficient? 3. Distribution Limitations: Our products allow for the development of Solar Mesh Grids, with this we achieve a CAPEX reduction of about 1/3 meaning more people can get power, but, our distribution is in 50V DC, will this be a problem? 4. SHS: If the distribution is a problem, our systems can also be implemented as high power SHS with 1.2Kw output. Are there any limitations on SHS systems other than Certification?
A2	<ol style="list-style-type: none"> 1. <i>The integration must be able to support an automated daily (minimum) transfer of a range of data points related to customer information, energy service specifications, geography/location, power storage and load data, payments and transactions, consumption, etc.</i> 2. <i>The documentation required to demonstrate eligibility and quality will depend on the nature of the proposed product or technology solution. Annex C of the Pre-Qualification Guidelines lists the different requirements applicable to each technology solution.</i> <i>When assessing a specific technology solution, emphasis is placed on a holistic assessment of the entire proposed technology, not merely the quality of a specific component. Certification of one component (e.g. IEC 62509 certification for charge controllers) would for instance not cover certification of other components possibly forming part of the proposed technology solution. Therefore, provision of an IEC 62509 certification would not be sufficient for a multi-component system.</i> 3. <i>Under the Pre-Qualification Guidelines, "DC Mini-grids are not eligible for financing under BGFA3." Depending on the product, Standalone DC solutions could be financed in under Lot #8.</i> 4. <i>It is unclear to us what the Applicant means by 'limitation'. If the Applicant believes that the proposed system cannot be tested or verified as a solar home system, the</i>

	<p>system might qualify under the definition of Nano-grids. Reference is made to Annex 6 of the Pre-Qualification Guidelines stating as follows:</p> <p><i>“Widely accepted technical standards applicable to Nano-grids are not available at this point in time. Technical requirements for Nano-grids are expected to be established at the due diligence stage on a case-by-case basis, and may refer to a combination of technical standards applicable to the Standalone and Mini-/Micro-grid Funding Lots, as appropriate, depending on the size and complexity of the technology employed and the overall infrastructure of the proposed project.”</i></p> <p><i>The Applicant is encouraged to consult both Annex C and Annex D of the Pre-Qualification Guidelines when determining whether to see if it is possible to categorise the system either as an SHS or a Nano-grid. However, there is no defined maximum size for a SHS/standalone system: even large SHS/standalone systems can be eligible for funding under Lot #8.</i></p>
Q3	<p>Are mini-grids supporting cold chain hubs a feasible project under lot 8 or 9 of the funding round? This would exclude residential connections, focusing primarily on cold chain and additional productive use activities.</p>
A3	<p><i>In the Pre-Qualification Guidelines, the term Mini-grids “[r]efers broadly to an isolated or grid-connected power distribution network, including its own renewable generation capacity, load management and control as well as distribution infrastructure, built and operated by a micro ESP utility.”</i></p> <p><i>It is up to the Applicant to decide which Funding Lot it prefers to apply for funding. If the proposed solution does not enable residential connections it would not comply with the definition of Mini-grids, which requires a ‘distribution infrastructure.’ Therefore, it might be better to apply for funding for this solution under Funding Lot #8.</i></p>
Q4	<p>Re Lot 8 market experience requirements:</p> <p>[XXX] does not have yet 24m track record in Uganda or 3000 units sold. However in Kenya we have been operating since 2015. My question is what is considered a ESS and "prior operational experience"? We have sold directly to rural consumers (mostly women) c. 10,000 solar home systems and lamps, c.20,000 efficient biomass stoves, c.25,000 LPG kits, c.300 electric pressure cookers, all of these with payment plans. We wonder if our experience is enough for you to prove we have experience, skills, team and systems to serve consumers in the last mile with energy standalone products although not all are electricity generating goods.</p>
A4	<p><i>Since you do not yet have a sufficient track record in Uganda, you are required to demonstrate market experience in another, specified Sub-Sahara African country, i.e. that you have at least 24 months of operational experience meeting or exceeding the following metrics, as relevant to the specific technology type applied for under the various Funding Lots:</i></p> <ul style="list-style-type: none"> <i>o Standalone: a minimum of 20,000 ESS</i> <i>o Mini-/Micro-grids: a minimum of three privately owned and/or operated systems with a total of a minimum of 500 ESS</i> <p><i>ESS will be considered deployed if the customer is paying or has paid for the service.</i></p>
Q5	<p>Could you enlighten us on the current status and scope of REA providing distribution infrastructure, installing the network and connecting households free of charge, under the existing licence exemption process? Should this be reflected in the financial model/budget?</p>

A5	<p><i>Nefco's implementation partner, REEEP is currently discussions with REA on this and other matters. We expect to be able to provide more details on this in the Final Application Guidelines.</i></p> <p><i>So far, REA has indicated to REEEP that it usually undertakes to construct the distribution network when making available Mini-grid sites to ESPs. However, the new Mini-grid regulatory framework has not been finalized and the details of any such arrangement may still change. Applicants are encouraged to liaise directly with REA to seek more information and make it clear in their PQ proposal whether they presume that REA will make distribution infrastructure available.</i></p>
Q6	Does 'indicate individual contract size' refer to the total project size or to the grant amount size?
A6	<i>It refers to the total amount of BGFA3 funding (incentive) sought by the Applicant.</i>
Q7	Available daily energy is an estimate tied to a specific use case. While multiple use cases are tested, only one is highlighted in the Verasol report. Would you consider a system that meets/exceeds 20Wh under at least one of the tested / advertised usage cases?
A7	<p><i>Under the Pre-Qualification Guidelines Applicants/Lead Applicants are required to submit proof of Verasol certification for all products proposed for funding under BGFA3 during the Final Application stage. If the proposed system does not meet/exceed 20Wh under the Verasol-specified test usage case, that product will not be eligible for funding under BGFA3. We kindly ask you to consult Annex C for more detailed information.</i></p>
Q8	<ol style="list-style-type: none"> 1. Due to our experience in Uganda, we are aware that regulators will want a tariff of circa \$0.30 per kWh or below, and a concession period of up to 10 years. Given that the free equity available may not be enough to compensate for the costs associated with the project, especially when taking into account that we will most likely be paying for the distribution grid, do we have an idea of targeted tariffs? For example, if a \$0.50 per kWh tariff is permissible, we would require less free equity, but are unsure whether this would be acceptable to regulators. Has the above been discussed with the appropriate regulatory authority? It would be useful to know their stance on appropriate tariffs/concession periods, as well as the potential for REA to help pay for the distribution grid. Having greater clarity on the above issues will help us in our proposal, as we would like to be competitive but at the same time are aware that competing bidders may bid more aggressively on matters that won't meet regulatory requirements yet may progress through the final application stage and beyond. 2. Are applications that ask for the lowest funding amount preferred? i.e. is the BGFA partial to spreading the funding across various projects/companies, or will companies that ask for up to EUR 4 million be held in the same regard? 3. BGFA financing is results-based and provided in return for ESPs selling an agreed number of energy service subscriptions (ESS) to end-customers in peri-urban and rural areas. Will this impact us if we choose sites with fewer connections but with the same or greater installed capacity? i.e. is more connections favourable? When considering value for money, is the BGFA mostly concerned with the level of free equity required per ESS?

	<ol style="list-style-type: none"> 4. When considering value for money, is the level of energy service you provide i.e. larger loads also taken into consideration? 5. Can the market experience of our parent company be considered when evaluating our proposal? 6. If our Equity ratio does not meet requirements yet our Current ratio does, can we just upload the Equity ratio of our parent company? 7. When listing our financial metrics, is it suitable to state figures from our own accounts (that may not meet requirements) and simply reference that our parent company meets financial requirements, or do we have to upload the metrics of our parent company? This is taking into consideration that the audited accounts of our parent company will be uploaded, allowing for the accounts to be reviewed independently. 8. Can you please clarify/outline the calculation for the Equity ratio? Past calculations for BGFA 1 & 2 have skewed unusual figures with regards to the automated calculation. 9. Can the applicant be an International based company or one solely based in Uganda?
A8	<ol style="list-style-type: none"> 1. <i>Nefco's implementation partner is in an on-going dialog with both ERA and REA on matters such as tariffs and distribution. To REEEP's knowledge matters are still pending, including the tariff rate. The Applicants are encouraged to seek information directly from the local authorities and clearly state in their PQ proposals any assumptions they make.</i> 2. <i>During the Final Application stage, project proposals will be evaluated and ranked based on each proposal's expected overall value for money to meet the BGFA3 targets. The projects with the most solid business plans that request the least BGFA funding per ESS (after applying a weighting mechanism) will be ranked highest. The total amount of funding requested by the ESP is not relevant in the value for money calculation.</i> 3. <i>The offered value-for-money in energy provision will be determined using certain calculations. Reference is made to Annex D of the Pre-Qualification Guidelines stating that "[t]he energy service Tiers included in the proposed project will be weighted in line with the overall objectives of BGFA3. The weighting criteria will be described in the Final Application Guidelines. During the Final Application stage, applications will be evaluated based on their ability to maximise the value for money offered with BGFA3 funding." Reference is also made to Table 5 of Annex D, which describes the categories of energy provision. Higher Tiers of Energy Service will be given more weight when determining the value for money.</i> <i>The Final Application Guidelines will include information about the weighting process, and any company invited to take part in the Final Application stage will be able to take this into account when preparing their business plan.</i> 4. <i>Yes, Applicants/Lead Applicants invited to take part in the Final Application stage will be required to use the Tier differentiation in their business plan when describing the ESS they expect to be able to establish with BGFA3 funding. The energy service Tiers included in the project proposal will be weighted in line with the overall objectives of BGFA3 and reflect the proposed increase in the quality of energy services.</i> 5. <i>The Applicant/Lead Applicant can only rely on local, hands-on market experience either in Uganda or other SAA countries as described in the PQ Guidelines.</i>

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| | <ol style="list-style-type: none">6. <i>If the Applicant/Lead Applicant is a subsidiary of a parent company and it does not meet the financial requirements, the parent company's financials may be used instead, provided that a parent company guarantee upon request can be given prior to contracting.</i>7. <i>Yes, you can refer to and fill in the parent company financial data in the SmartME field "Source of data for calculating the current ratio and the equity ratio" and upload the parent company data.</i>8. <i>The equity ratio for BGFA3 is calculated as the total equity to total assets.</i>9. <i>Applicants/Lead Applicants are required to be legally incorporated and included in the register of for-profit companies in the Project Country <u>or commit to being incorporated and registered as such</u> before signing a possible contract.</i> |
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