 northeastern Azerbaijan and the Nakhchivan Autonomous Republic are considered to be suitable for developing solar power projects. Total potential capacity of solar power is estimated at 8,000 MW, wind – 15,000 MW, biomass – 900 MW, geothermal – 800 MW, and small hydro – 600 MW.

As part of EBRD’s engagement in Azerbaijan, a Letter of Intent was signed between the Bank and the Ministry of Energy of the Republic of Azerbaijan (the “Ministry”) on the 8 September 2017 (the “Letter of Intent”). The Letter of Intent aims to provide a general framework for cooperation between the EBRD and the Ministry to support the priority policy initiatives of establishing an independent energy regulatory agency and to foster the development of renewable energy in Azerbaijan. Following this, the energy sector regulator in Azerbaijan (the “Regulator”) was set up at the end of 2017, initially under the supervision of the Ministry of Energy but expected to become independent at a later stage.

1 For the purposes of the present document the term “auctions” refers to approaches that share the common feature of relying on a competitive process rather than an administrative determination, which includes different types of competitive bidding processes – ranging from simple tenders to more complex selection methods.
The EBRD has been supporting its countries of operations in designing and implementing RE auctions. The Bank has worked jointly with the Energy Community Secretariat (EnCS) and in collaboration with the International Renewable Energy Agency (IRENA) to develop general guidelines on how competitive processes should be structured and implemented (the “Policy Guidelines”). These Policy Guidelines summarise the agreed position on key issues encountered in support frameworks for renewable energy with a particular focus on competitive processes.

Within this context, the Bank wishes to engage a Consultant to provide support to the Azerbaijani authorities designing and implementing RE auctions.

2. Objectives

The key objectives of this assignment are to:

1) Finalise the selection of a site for developing a wind power project from a short-list, based on technical, environmental and financial feasibility. Outline key environmental and technical constraints and challenges to be considered for such Project.
2) Develop a detailed design for a competitive bidding process for supporting renewable energy, accounting for current arrangements, renewable energy targets and the market context.
3) Prepare, up to the final version, all the tender related documentation required for the deployment of a competitive procurement scheme for a solar PV project and a wind power project.
4) Provide detailed technical, financial and legal assistance to the relevant authorities for the implementation of the competitive procurement scheme for a renewable power project.

3. Scope of Work

Reflecting the objectives of the Assignment, the Consultant will need to undertake a number of tasks and subtasks:

Part 1: Finalise the selection of a site for developing a wind power project from a short-list, based on technical, environmental and financial feasibility

Task 1: Provide support to the authorities in selecting the physical location (the “site”) of the project, focusing on the technical feasibility of connecting a wind power plant from a short-list of sites, and taking into consideration environmental and financial characteristics. This will involve a number of sub-tasks, including:

1) In agreement with the authorities, define criteria by which different site alternatives may be assessed (in addition the technical feasibility of connecting the site to the grid). Examples of criteria include (but are not limited to):
   a. the capacity of the grid to absorb intermittent electricity generation (drawing on an ongoing study commissioned by the EBRD to assess the capacity of the network as a whole to absorb intermittent RE sources);
   b. quality of the wind resource;
   c. the feasibility of constructing the project at the site;
   d. the potential to expand generation capacity in the future;
e. permitting and ownership status of the land;
f. environmental and social issues, including land ownership, sensitive habitats and bird and bat migration routes; and
g. financial feasibility of the project(s).

2) Assess the sites short-listed by the Ministry from a technical, financial, environmental and other perspectives;
3) Prepare a summary of the assessment of potential sites and recommend the best option – also drawing on feedback, if any, from other stakeholders – while ensuring agreement with the authorities;
4) Provide a short summary of studies needed to attain permits and estimate timeframe for planning and developing these projects taking into account technical, legal as well as Environmental and Social requirements.
5) Make recommendation for further studies.

The Consultant should primarily rely on existing sources to develop its recommendations for a suitable site. This includes wind measurement studies that will be made available by the authorities, the ongoing study commissioned by EBRD on the capacity of the grid to absorb intermittent renewable energy sources, estimates of the cost of developing wind power plants from international benchmarks, and any information on the characteristics of the site as made available by the authorities. The Consultant is also expected to undertake limited primary research to refine and verify its recommendations, this will include for instance review of bird and bat migratory routes and information from key stakeholders such as BirdLife International. This will not involve visits to individual sites, but will, for example, involve interviews with stakeholders and adapting existing models of the electricity grid.

Part 2: Develop a detailed design and strengthen the overall legal and regulatory framework for a competitive bidding process (i.e. RE auctions) for the procurement of renewable energy

Task 1: Review existing legislation and materials related to ongoing reforms including, but not limited to:

1) Current primary and secondary legislation and other legal documentation relevant to renewable energy. This includes, but is not limited to:
   a. Draft of a new renewable energy law that is currently under preparation;
   b. The template power purchase agreement (PPA) that is also currently under preparation;
   c. Any laws governing the electricity industry.
2) Plans for the development of renewable energy and electricity market reforms (including any law amendment proposals);
3) Outputs of work-streams relevant to renewable energy that are currently being undertaken. Examples include (the list is not exhaustive):
   a. Work-streams on the establishment of an energy sector regulator;
   b. Work-streams on the technical integration of intermittent renewable energy sources; and
   c. Work-streams on the design of future electricity market arrangements.
The review is intended to provide an overview of the current status of the energy sector in Azerbaijan (and the renewable energy sector, in particular) and identify any barriers to the successful implementation of the competitive procurement scheme for RE. The review should highlight any aspects of the regulatory framework that may need to be addressed to make it more supportive for renewable investments.

A specific output of this task will be comments on the drafts of the renewable energy law and the PPA that are currently being prepared, with comments identifying: (a) any areas that authorities should consider further with a view to improving the framework; and (b) implications for the design of the auction scheme.

Task 2: Develop detailed recommendations for the design of a competitive procurement scheme ("the auction") for renewable energy. These recommendations should be prepared in the form of a detailed Design Document (to be finalised after Task 4, and include the issues covered under Task 3). The recommendations should cover both solar PV and wind power plants, and address questions relating to issues such as:

1) The roles and responsibilities of different institutions within the process – for example, the auctioneer, the regulator, etc. The specific arrangements surrounding the support contract counterparty (the “support counterparty”) will be considered in more detail under Part 2-Task 3;
2) Eligibility criteria for bidders to demonstrate that they possess the technical and ESG (Environmental, Social and Governance) capacity to deliver the project;
3) Eligibility criteria for bidders to demonstrate that they possess the financial capacity to deliver the project;
4) Eligibility criteria for bidders to demonstrate their legal standing, and the acceptable legal company structures of bidders;
5) The disclosure requirements for bidders to ensure the adequate level of transparency of the competitive process (such as beneficial ownership disclosure);
6) Measures to ensure the bidders’ credibility and successful bidders deliver the project with the requested characteristics. This should include arrangements surrounding bid and development/completion bonds and penalties for bidders due to delays or failure in delivering, including (but not limited to) the sizes of these bonds and penalties and the practical arrangements surrounding them (for example, the timelines associated with them, the acceptable creditworthiness of providers, the contractual arrangements underpinning their use, etc.)
7) Selection criteria (e.g. price only, following assessment of technical and financial qualification);
8) Basis for determining the level of support awarded (e.g. pay-as-bid);
9) Dispute resolution provisions that should apply to the bidding process and the steps leading up to project commissioning;
10) Decommissioning requirements, taking into account the potential use of the sites in future years;
11) The provisions for currency and/or inflation indexation of the support scheme;
12) The arrangements for balancing;

13) Additional measures that might be used to enhance the bankability of the project(s) by changing the allocation of risks faced by investors (e.g. guarantees, measures to assist bidders in obtaining permits);

14) A timeline for the auction covering, for example, the RFQ stage, submission of EoIs, RFP, interaction with bidders, bid submission windows, financial close, commissioning.

In making these recommendations, the consultant should assess different options related to each of the design choices above, identifying the trade-offs associated with each option and how they can be expected to affect the outcome of the process, e.g., by transferring risks or costs between the national entities and developers. In all cases, the Consultant should ensure that the recommendations will lead to a bankable support framework (e.g. currency indexation, credit-worthiness of the support counterparty, etc.). The Consultant should also take into consideration specific contextual elements based on its review under Part 2-Task 1, covering issues such as:

i) the electricity system and context, including broader plans for the development of the electricity sector;

ii) The country’s renewable energy targets over the short, mid and long term;

iii) The impact of the recommendations on end-user tariffs;

iv) the likelihood of attracting private sector developers and investors; and

v) the potential to expand the programme in the future.

Task 3: Recommend the institutional, regulatory and financing arrangements for the entity that will be the support counterparty in the support contract with renewable energy producers selected in the competitive bidding process. The Consultant’s recommendations should cover:

1) the institution that should act as the support counterparty and (requirements, including past experience and creditworthiness);

2) how the institution should be funded (for example, directly from public funds or recovered from other market participants such as consumers) and, if appropriate, how its revenues should be regulated; and

3) the mechanisms and secondary regulations needed for the functioning of the support counterparty.

In making these recommendations, the Consultant should assess a number of factors – in particular, the impact of different options on the creditworthiness of the support counterparty, and the distributional impacts of the funding arrangements.

Task 4: Conduct a consultation on the draft recommendations included in the Design Document. The Consultant should conduct a consultation with key stakeholders – for example, investors, developers, industry associations, CSOs (such as BirdLife for wind) other international organisations, etc. – to received feedback on the draft recommendations developed as part of the previous tasks. The form and participants of the consultation will be agreed with the authorities, but will include a presentation of the key findings, an opportunity for stakeholders to comment in a workshop or in writing, and a report on the key feedback received. The Design Document will be finalised after the consultation.
Part 3: Development of all the tender documentation required for a solar PV auction and a wind auction

Task 1: Prepare, up to the final version, the documentation for the first stage of the auction (the Request For Qualification (RFQ) stage during which Expressions of Interest (EOIs) will be received) in line with the Design Document.

Task 2: Prepare, up to the final version, the documentation for the main parts of the request for proposals (covering the invitation to tender) in line with the Design Document.

Task 3: Draft and finalise the necessary legal documentation needed for the implementation of the auction, including but not limited to:

1) Template support agreement (e.g. this may extend to specific suggestions to the existing template PPA);
2) State project support agreement;
3) Template agreements for connection to the grid;
4) Template land lease agreement; and
5) Final drafts of the bid forms.

In undertaking this task, the Consultant should seek to ensure consistency with legal requirements and an allocation of risk that will allow projects to secure financing for the tender with the aim of attracting credible bidders.

Task 4: Prepare a complete and comprehensive set of technical specifications for solar PV projects and wind power projects to include in the RFP. The aim of this task is to ensure that any commissioned project meets the technological requirements of the authorities and the current technical international standards. In this context, the Consultant should advise on the technical elements that should be requested and considered for evaluation such as the EPC contract, the O&M contract, permitting and the construction and operation plans. In developing this set of technical specifications, the Consultant should account for requirements such as the protection alarms requirements; technical specification of telecommunication system; technical specifications of control, measuring, metering and protection; SCADA signal requirements; technical requirements for substation control and monitoring system; technical requirements for the electricity produced (harmonics, flicker etc.).

Part 4: Provide the authorities with detailed technical, environmental, financial and legal assistance for the implementation of the tender

Task 1: Assist the authorities in administering the RFQ stage of the tenders by:

1) Assisting the authorities in a dissemination strategy;
2) Providing clarifications on any questions raised by entities that express an interest;
3) Assess EOIs received against the EOI criteria;
4) Prepare a summary of the evaluation of the expressions of interest for the authorities.
Task 2: Assist the authorities in responding to bidder clarifications at different stages of the bidding process including, but not limited to:

1) Bidders’ and other stakeholders’ questions on the RFP, including assistance to authorities on providing clarifications to bidders (for example, providing strategic advice, drafting questions and responses, etc.);
2) Preparing and reviewing requests for further information prompted by the different stages of the evaluation, if applicable; and
3) Commercial, environmental, technical or legal assessment on changes proposed by bidders, if any.

Task 3: Provide assistance to the authorities for the evaluation of bids in line with the evaluation criteria established in the RFP. This is expected to include (but will depend on the selection methodology and evaluation criteria included in the RFP):

1) A potential initial pass/fail assessment of bids against criteria set in the RFP, e.g., past experience of constructing and operating similar facilities, completeness of the proposal, bidder’s financial capabilities;
2) Prepare a report on the results of the pass/fail assessment to be presented to the authorities detailing the selection process, the list of passed bidders and failed bidders with the reasons for each;
3) Detailed assessment of selected bids in line with the selection approach of the RFP. This will include (but may not be limited to):
   a. A technical assessment of the bids, including an assessment of the technical capacity of the bidder (or bidding consortium) to deliver the project, compliance of the proposed project with the technical specifications of the RFP, and the technical readiness of the bidder (e.g., land-use and environmental permits);
   b. Environmental and social assessment of the bids in terms of compliance with National legislation as well as meeting best industry practices for the sector;
   c. A financial assessment of the project, including an assessment of the financial capacity of the bidder (or bidding consortium) to secure financing, as well as of its financial readiness (including a review of financing plans);
   d. The general capabilities of the bidder to undertake the project as per the RFP requirements (e.g., previous relevant experience);
   e. Legal assessment as per the national legislation, reviewing the compliance of bidders with the permitting and licensing requirements of the RFP;
   f. Assessment of the commercial proposals of the bidders; and
   g. Other assessments in accordance with the RFP requirements.
4) Prepare a report on the results of the detailed assessment to present to the authorities detailing the selection process, the list of passed bidders and failed bidders with the reasons for each.

Task 4: Provide the authorities with assistance in conducting negotiations with selected preferred bidders. This will include, but may not be limited to, providing support in:

1) Preparing a negotiation strategy;
2) Preliminary negotiations on the financial proposals of selected bidders;
3) Final financial negotiations including financial model review and sensitivity analysis;
4) Prepare a report on the financial negotiation results to present to the Azerbaijani authorities
detailing the steps of the negotiations, the evaluation of the financial models, listing the final
selected bidders to proceed to the implementation phase.

Task 5: Provide the authorities with assistance in conducting negotiations with selected bidders on all
of the key project agreements. This will include, but may not be limited to, providing support in:

1) Attend the negotiation meetings and support in the negotiations of key project agreements
   (notably the PPA) and their schedules;
2) The preparation, management and negotiations of conditions precedents (CPs) which the
   selected bidders must satisfy;
3) Final project agreements at the end of negotiations;
4) Any other required legal support within this context.

Part 5: Develop framework for a future competitive procurement scheme

Building on the Design Document developed under Part 2 of this Assignment, provide
recommendations on the design of a future competitive procurement scheme covering multiple rounds
of support for renewable energy projects across different technologies. In addition to the issues
considered in the Design Document, the Consultant should consider the following:

1) Selection mechanism – for example, simple tenders or more complex selection methods
   involving successive rounds;
2) The size of the overall auction and limitations on the sizes of individual projects under the
   auction;
3) Arrangements for technology (e.g. separate auctions for solar and wind renewable energy
   sources, or a combined auction covering both technologies);
4) Arrangements for land, including for example:
   a. Whether the auction should be site-specific, with the site selected by the authorities,
      or whether site selection should be done by prospective bidders.
   b. Depending on the recommendation, the Consultant should advise on the arrangement
      surrounding the specification of the site. For example,
      i. In the case of site selection by the authorities, provide the criteria for
         selecting a specific site, what types of information should authorities share
         with prospective bidders, etc.;
      ii. In the case of site selection by bidders, the requirements for connections to
         the grid to be set by the authorities to ensure that different bids are
         comparable; and
      iii. The arrangements to be used for permitting and the assessment of
          environmental and social impacts.

The output of this Part will be a summary report combining the findings of the Design Document with
other recommendations that will allow the authorities to plan for future auctions.
4. Deliverables and timeline

The key deliverables as per the Tasks set out under the Scope of Work will be:

Part 1:

- A report summarising the Consultant’s recommendations on the site to be selected for a wind power project.

Part 2:

- Draft Design Document containing detailed recommendations on the structure of the competitive procurement process, including the assignment of responsibilities to adequate institutions.
- A Draft Final Design Document that reflects feedback from the authorities and the EBRD.
- Deliverables associated with the stakeholder consultation exercise (e.g. presentation, summary of feedback received).
- Final Design Document on the recommendations for the competitive procurement process accounting for feedback received from any of the stakeholders.

Part 3:

- Draft RFQ documentation package.
- Final RFQ documentation package.
- Draft RFP documentation package, including all associated annexes and schedules.
- Final RFP documentation package, including all associated annexes and schedules.

Part 4:

- Expressions of Interest evaluation summary;
- Clarifications List – containing all the clarifications issued to bidders and other stakeholders, if any, at different stages of the bidding process;
- Preliminary Bid Evaluation Report (after the pass/fail criteria evaluation);
- Final Bid Evaluation Report;
- Preliminary Report on Negotiation Strategy (pre-negotiation);
- Final Report on Negotiation Strategy (post-negotiation);
- Preparation and finalization of Project Documents;
- Project Closing Report and Document Inventory.

Part 5:

- Draft report on the design of future renewable energy auctions.
- Final report on the design of future renewable energy auctions.

The overall length of the Assignment will depend on external factors, but is likely to be up to 2 years.

The final timeline for the key milestones in this Assignment will be agreed during the inception phase between all parties in the kick-off meeting. However, the Consultant should base their work plan on the basis of the following:
1) Reviews of the draft of a new renewable energy law and the template PPA that are currently under preparation will be conducting at the outset and should be completed by the end of May 2019;

2) A draft Design Document, to be used as the basis of the consultation envisaged under Part 1 – Task 4, should be completed in the first week of July 2019, and finalised by the end of July 2019.

3) Drafts of the documentation to be prepared for Part 2 of the Assignment should be submitted in the first week of September 2019.

4) Final drafts of the documentation to be prepared for Part 2 of the Assignment should be submitted in the first week of October 2019.

5) Implementation assistance envisaged under Part 3 is expected to commence at the start of 2020 (although the RFQ stage may commence in 2019).

6) The timing of Part 4 will be based on the needs of the authorities.

The kick-off meeting will take place within 3 weeks from contract signing and will involve the Consultant, the Bank and the relevant authorities. Different parts of the Assignment are expected to overlap – for example:

- Work on Part 1 will commence at the outset and may run in parallel with Part 2.
- Part 4 may start (specifically, the RFQ stage) before the end of Part 3.

5. Implementation Arrangements

The Assignment will be carried out by the Consultant selected by the Bank, in accordance with the Bank's Corporate Procurement Policy. The Consultant will have an initial meeting with the authorities at the start of the Assignment to clarify the precise scope of each task. The Consultant will also have several meetings with the authorities during the course of the Assignment both to provide envisaged assistance as well as to receive feedback.

The Assignment will be managed and overseen by the Bank’s staff headed by the Bank’s Operation Leader, whereas the authorities will appoint a team member who will be the counterparty of the Bank’s Operation Leader. The team member appointed by the authorities will serve as the contact person and interface for the Consultant’s and the Bank’s communications with the authorities.

The authorities will be responsible for coordinating the work of, and providing ongoing guidance to, the Consultant, as well as for reviewing interim deliverables and overseeing the process of collecting feedback/comments for the Consultant’s deliverables. The Consultant will provide its reports to both the Bank and the authorities.

6. Consultant Profile

The Consultant selected for this assignment will be a firm or a group of firms (in which case only the leading firm will be contracted) with previous related project experience and:

A) Economics/Policy expertise in the design of support schemes for renewable energy – in particular, support schemes that use a competitive process to determine the level of support for, and the selection of, renewable energy projects;
B) Legal expertise, with experience in:
   a. Assisting policymakers and/or bidders in renewable energy auctions/tenders (including experience advising on limited recourse renewable energy project financing and competitive tender arrangements);
   b. Drafting secondary legislation in the electricity sector - preferably including full RFPs (including power purchase agreements);

C) Technical expertise on renewable energy projects - in particular, on solar PV projects and wind energy projects – including:
   a. Renewable energy projects (in particular, both on-shore wind and solar PV projects, preferably with experience in providing assistance to regulators on technical aspects of RE projects and acting as Owner’s Engineers (OE);
   b. Advising on the technical integration of intermittent renewable energy sources to the electricity grid.

D) Environmental and social impact assessment expertise – including both international and local experience;

E) Preferably, experience in the power sector of a country (or more) within the Caucasus region (preferably Azerbaijan), including knowledge of the legislative and regulatory setting and familiarity with the network and grid code.

The Consultant's expert team is expected to include (at least) the following key experts (the “Key Experts”):

1) Key Expert 1: Team Leader – Expert in Renewable Energy policy and regulatory matters with:
   - preferably at least 10 years’ experience in project management, specifically in projects related to the power sector;
   - proven experience in leading a team of experts and the ability to demonstrate adequate project management skills, managerial skills and team leading experience;
   - fluency in English for coordination and report writing purposes;
   - considerable experience:
     - in designing renewable energy support schemes, preferably competitive bidding processes; and
     - in regulatory matters of the electricity sector, preferably including the integration of renewable energy in electricity markets and systems (preferably at least 10 years);

2) Key Expert 2: Technical Expert(s) with at least 5 years of experience in the design and/or operation of solar PV projects and wind power projects, as well as experience of the technical integration of intermittent renewable energy sources into electricity systems;

3) Key Expert 3: Legal Expert(s) with:
   a. at least 5 years (preferably 10 years) of experience in drafting energy sector legislation and regulations relating to renewable energy (for example, power purchase agreements); and
   b. experience in advising (at least in 1 project, preferably in more) clients on the competitive procurement of renewable energy (on the developer and/or the authorities’ side).
At least 1 of the legal experts (in case the proposal features more than 1, otherwise just the single expert) should have both international and local (related to Azerbaijan) expertise and experience, as well as be fluent in both English and Azerbaijani;

4) Key Expert 4: **Financial/Commercial Expert** with at least 5 years (preferably 10 years) of experience in renewable energy project financing;

5) Key Expert 5: **Environmental and Social Expert** with at least 5 years (preferably 10 years) of experience in advising clients on social and environmental aspects of energy projects.

All the key experts are expected to have strong communication skills, be fluent in English and, preferably, have experience in past projects in the Caucasus region. It is essential for at least some of the team members to be fluent in the local language.