

Clarifications 7

No.	Clarification Date	RFP document reference & section number	Original wording or issue for which clarification is sought	Bidder's clarification request	GOGC Response
1	01.09.2023	About the natural gas spent during the compulsory testing period before handover of the facility	There is no wording regarding this matter	Please kindly clarify the payment for gas supply is settled/made in USD or GEL.	The price will be determined in US dollars, and the payment will be made in national currency (GEL) according to the current exchange rate on the day of payment.
2		in relation to currency risks	According to the basis for holding the auction, the Decree of the Government of Georgia No. 1013 dated May 29, 2023, the project is considered an object of guaranteed capacity (paragraph 7.)	Since the expence of the gas spent during the compulsory testing period is a part of the capex that participates in the tender, we are interested in two issues: 1. From whom will the plant buy this gas? 2. What will be the price? If this price cannot be determined/fixed now, then from our view this issue should be removed from the capex, and added to the capex in the post-tender period according to the actual costs	Natural gas price may fluctuate from time to time and GOGC cannot guarantee fixed price. Participants are requested to provide CAPEX per 1 MW with zero in the component "natural gas expenses for the Plant testing period".
3		Issues related to funding the project	3.14. The Proposal shall include information/documents confirming that the Company has available funds necessary for the implementation of the Project. In case of providing information on credit lines or financial arrangements then such information shall be issued by from a financial institution, operating in a country which is a member of the Organization for Economic Co-operation and Development (OECD). A Company that fails to provide such information, shall be disqualified from further participation in the selection procedure.	Referring to No. 6 of Clarification 1: you have mentioned that letter of interest issued by the bank shall not be sufficient to prove the finding capability of the project, respectively, could you please confirm whether the financial evaluation report executed recently by one of the top 5 leading international accountant firms of the beneficiary, which will provide evaluation of assets to emphasize economic and financial capability to implement the project be enough for funding purposes of the project. OR , shall we additionally provide the comfort letter from the bank, conditional upon the bankability of the project (please note that neither bank will issue any mandatory letter until the full package of the project documents are evaluated and confirmed from the bankability perspective).	The requirement set forth in paragraph 3.14 of the RFP Documentation is independent from the requirement to provide financial reports of the Participant. Yes additionally needed to be provided comfort letter/on credit lines or financial arrangements shall be issued by from a financial institution, operating in a country which is a member of the Organization for Economic Co-operation and Development (OECD).
4		RE RFP: SECTION 4. TERMS OF REFERENCE, 1. BACKGROUND	Signed Contract (Date: 6 January, 2021) with JSC Georgian State Electrosystem (GSE) for Transmission network connection (where 1 000 000 GEL is paid in advance. The final payment shall be specified after subsequent negotiations between the parties to the contract). Signed Contract (Date: 24 December, 2020) with Georgian Gas Transportation Company LLC for connecting to the Natural Gas Transportation system (where 1 821 600 GEL is paid in advance. The final payment shall be specified after subsequent negotiations between the parties to the contract).	Could you please advise regarding the following issues: 1) gas connection - quality of gas provided; 2) grid connection - when is the connection deadline? What kind of works and of what value shall be undertaken by the company before connection? is the transmission line overhead or under the ground? What is the connection fee? Who are the owners of the land plots where the towers have to be erected, are the terms of land acquisition negotiated? Are there any problems with the owners? Could you please provide us with the copy of the agreements with the owners of the land plots, or, alternatively a list of financial liabilities under those agreements.	1) GGTC is natural gas transportation company, you can see composition of natural gas in Georgia (http://e-platform.ggte.gasanalysis.aspx) for additional information please contact GGTC 2) Before connection, the company has to make the design of the power plant, its substation and overhead line, which shall be agreed with GSE later, after constructing all the elements investor shall provide to GSE test results of electrical equipment and relay protection system conducted by the accredited company. After this the commission of GSE will make physical observation of power plant to make sure that construction is according to the project design. 3) The land plots required for erecting overhead transmission lines from new power plant to GSE's electrical station are not purchased, neither are any rights obtained for land usage for the same purpose, accordingly this negotiations with land owners is under the obligation of bidder. Information regarding ownership of adjacent lands can be obtained from this website: https://maps.gov.ge/ 4) Signed contract is for connection, GSE shall only ensure arrangement of the line bays in their territory. As regards to construction of the transmission line from the substation to switchyard, it should be constructed by developer, not GSE. Also, in case of over head line, it should be single circuit, and in case of underground cable, it should be single circuit + additional phase as reservation. Also, HV transformers should have additional phase as reservation. For more clarity, in case of underground cable - the connection cost may be increased to about 4.7 mln USD and in case of over head line to about 2.3 mln USD. To specify further, these sums are approximate, are calculated based on existing circumstances and may be subject to modification. Advance payment of 1 mln GEL is included in this calculations.
5		Question related to the Resolution 14 of the Commission on calculating the tariff methodology		PROPOSAL TO CHANGE RFP and TARIFF CALUCALTION METHODOLOGY: Project Financing shall be in USD/EURO and repayments to the bank and interest will be USD/Euro basis, and not GEL unfortunately. Currently tariff calculation methodology - Resultion #68 provides that CAPEX USD shall be converted to GEL at the end of the construction of the Project, and from there annually will be calculated on GEL basis. We would kindly ask to request to be paid in USD (formulas as per resolution 14) however with the adjustments of USD basis annually, otherwise, currency risk insurance premium shall affect dramatically reducing project's economy. We request to be like the other energy projects which are calculated in USD. We request to update that the CAPEX will be defined in USD/Euro for the project lifetime, and payment will be calculated in USD every year and will be translated to GEL exchange rate in the end of each year. We also kindly ask for compensation for loss due to exchange rate in the Implementation Agreement, from USD (assuming it is approved) to GEL and from GEL back to USD to repay debts.	As you already know, RAB for all regulated activities (transmission, distribution and generation) is set in local currency and the indexation/revaluation is not allowed according to the existing (the same for previous) methodology, but at the same time currency risk is covered by WACC, which is calculated in local currency as well (in nominal terms). Taking additional measures to mitigate currency risk is not considered by GNERC at this stage.
6		Question related to the Resolution 14 of the Commission on calculating the tariff methodology		Since project financing is involved in the implementation of the project, please advise whether WACC should be minimum floor for any future updates of WACC every 3 years, meaning that payments will be calculated at the WACC rate in the time of payment, but not less than 15.4%.	We cannot guarantee a minimum WACC. WACC is linked to the economic/financial environment and is supposed to reflect reality. It can increase or decrease for each regulatory period. This is the nature of regulation - to be predictable in the reasonable future (fixed in the short and medium term - 3 years), but at the same time, to react to the changing environment at least with a time lag.

7	Question related to the Resolution 14 of the Commission on calculating the tariff methodology		Annual payments as per Resolution 14, are not solving the issue of amortization and CAPEX reimbursement 15.4% WACC, since different amortization rates are taking into consideration, and many items have above 25 years lifetime, while the agreement is for 25 years, meaning significant capex is not repaid to company. What is the solution for that from government side?	Please further clarify your question.
26.09.2023				
8	CAPEX	3.13 For the purpose of clarity, the awarded Company shall be obliged to use the same amount of capital expenditures as indicated in its Proposal in any future forum.	RFP notes that for tariff calculation purposes CAPEX cannot be more than the proposed amount at the tender and if actual CAPEX appears to be more, it will not be taken into consideration. Please confirm that in case the actual CAPEX appears less than proposed at the tender, for tariff calculation purposes the proposed number of CAPEX at the tender will be anyways applicable.	According to the tariff methodology, RAB is calculated based on the historical cost approach (creation building costs) which means - if construction cost (actual CAPEX) is less than the "proposed amount at the tender", the actual CAPEX is used for tariff calculation purposes.
9	RFP: Annex 3	RFP states that "Generators for Gas Turbines shall be the same vendor as Turbines"	Does this allow for example: GE to use a generator from Brush? GE would still be the vendor of the generator but not the manufacturer.	For the purpose of this RFP documentation, we define vendor as a equipment's original manufacturer, So if Gas turbines are provided by GE, the generators should be also manufactured by GE.
10	RFP: Annex GSE Technical Requirements	Power plant should have black start capability	Industry standard is one black start generator per power plant. Is it necessary for each gas turbine to have its own black start generator?	It is necessary that the power plant has the Black start capability. The black start system should be arranged in such a way that, if one gas turbine is shutdown the black start for other remaining gas turbines should be still available. It's up to investor to provide the technical solution. It may be black start on each unit, or possibility to transfer the black start capability to other units if one unit is under the maintenance or any other.
11	Site & Geotechnical Survey	Site & Geotechnical Survey	Is there a site survey report/geotechnical report conducted for Gardabani 2 readily available to be shared with bidders?	GOGC is not able to provide requested site survey reports.
12	Environment - Noise	Environment - Noise	Are there regulations for far field noise that have to be adhered to?	Please refer for guidance to the technical regulation approved by Decree №398 (date: 15 August, 2017) of the Government of Georgia. Furthermore, please note that the investor and/or the project company is expected to adhere to all requirements provided by the applicable law during the implementation of the project.
13	Payment of the gas fee	Payment of the gas fee	We wonder whether it is possible to have the obligations of paying the gas fee after receiving the guaranteed capacity fee from the government	Please refer to the last paragraph of Section 4 (Terms of Reference) of the RFP Documentation.
14	Price per 1 MW	3.10. The Proposal shall also indicate, separately from the fixed price of the shares, the total sum of capital expenditures (as defined by IFRS (International Financial Reporting Standards)) for the construction of the Gardabani 3 Combined Cycle Gas-Fired Thermal Power Plant as defined in the Terms of Reference and the price per 1 MW as well.	Could you please advise whether the price is calculated per 1 MW output or 1 MW installed capacity	1 MW installed capacity
15	Payment of the guaranteed capacity fee		We would like to understand whether the Government of Georgia provides the sovereign or other kind of guarantee for payment of the guaranteed capacity fee and who will actually pay such fee	No such guarantees are issued by the Government of Georgia. The entity that shall pay guaranteed capacity fee will be determined in the implementation agreement.

16	16.10.2023	Email size		Could you please kindly confirm the maximum receiving capacity of your email service on the submission of proposal in electronic form.	The attached file per e-mail should be maximum 25 MB. Please note, that the recommended size of the email/Proposal should not exceed 20 MB (per e-mail) so that it does not get overloaded and we receive all emails for sure.
17	20.10.2023	Bidding Procedure timeframe		We value this opportunity and have already mobilized best resources for it, in order for a better proposal that reflects the realistic picture for putting up Gardabani TPP3, we request a further extension of two months.	Extension has already been granted for 1 month on 24 of October.
18	24.10.2023	Bidding Procedure timeframe		as the submission window is set to be Oct 25 to 31 by RFP amended on July 13, we are writing to confirm whether there are changes or this is the final window, thanks.	Extension has already been granted for 1 month on 24 of October.